Audit and Risk Subcommittee
Wednesday 30 March 2022 at 10.00am

AGENDA

Northland
REGIONAL COUNCIL
Te Kaunihera ā rohe o Te Taitokerau

Audit and Risk Subcommittee Agenda

Meeting to be held remotely
on Wednesday 30 March 2022, commencing at 10.00am

Recommendations contained in the agenda are NOT decisions of the meeting. Please refer to minutes for resolutions.

MEMBERSHIP OF THE AUDIT AND RISK SUBCOMMITTEE
Chairperson, Colin Kitchen

Councillor Amy Macdonald	Councillor Joce Yeoman	Councillor Rick Stolwerk
Ex-Officio Penny Smart	Independent Audit & Risk Advisor Danny Tuato'o	Independent Advisor Stuart Henderson

KARAKIA / WHAKATAU

TITLE:	**Confirmation of Minutes - 24 November 2021**
From:	Judith Graham, Corporate Services P/A
Authorised by Group Manager/s:	Bruce Howse, Pou Taumatua – Group Manager Corporate Services, on

Ngā mahi tūtohutia / Recommendation

That the minutes of the Audit and Risk subcommittee meeting held on 24 November 2021 be confirmed as a true and correct record.

Attachments/Ngā tapirihanga

Attachment 1: Audit and Risk Subcommittee minutes - 24 November 2021 ⇩

Audit and Risk Subcommittee
24 November 2021

Audit and Risk Subcommittee Minutes

Meeting held in the Council Chamber and Via audio link
36 Water Street, Whangārei
on Wednesday 24 November 2021, commencing at 10.00am

Tuhinga/Present:

Chairperson, Colin Kitchen *via audio link*
Councillor Amy Macdonald *via audio link*
Councillor Joce Yeoman *via audio link*
Ex-Officio Penny Smart *via audio link*
Independent Audit & Risk Advisor Danny Tuato'o *via audio link*
Independent Advisor Stuart Henderson *via audio link*

I Tae Mai/In Attendance:

Full Meeting
Pou Taumatua – Group Manager Corporate Services
Tumuaki – Chief Executive Officer
Personal Assistant Corporate Services
Finance Manager
Human Resource Manager

Part Meeting
Councillor Rick Stolwerk *via audio link*
Assistant Auditor-General - Andrea Reeves *via audio link*
Sector Manager- Laura Cannon *via audio link*
Telfer Young Valuer – Nigel Kenny *via audio link*
Telfer Young Valuer – Brad Sworn *via audio link*
Strategic Projects and Facilities Manager
Corporate Systems Champion
Economist
Economic Policy Advisor

The Chair declared the meeting open at 10.00am.

Ngā Mahi Whakapai/Housekeeping (Item 1.0)

Ngā whakapahā/Apologies (Item 2.0)

There were no apologies.

Nga whakapuakanga/Declarations of Conflicts of Interest (Item 3.0)

It was advised that members should make declarations item-by-item as the meeting progressed.

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Audit and Risk Subcommittee
24 November 2021

Confirmation of Minutes - 29 September 2021 (Item 4.1)

Report from Judith Graham, Corporate Services P/A

Moved (Smart / Stolwerk)

> That the minutes of the Audit and Risk Subcommittee meeting held on 29 September 2021 be confirmed as a true and correct record.

Carried

Receipt of Action Sheet (Item 5.1)

Report from Judith Graham, Corporate Services P/A

Moved (Stolwerk / Smart)

> That the action sheet be received.

Carried
Action: PA Corporate Services to complete two action sheets one for confidential items.

Secretarial Note:10.05am Assistant Auditor-General - Andrea Reeves and Sector Manager- Laura Cannon joined the meeting via audio link
Secretarial Note: NRC Councillor, Stolwerk left the meeting at 10:08am.

Observations on Local Government Risk Management Practices (Item 6.1)

Report from Bruce Howse, Pou Taumatua – Group Manager Corporate Services

Moved (Macdonald / Smart)

> That the report 'Observations on Local Government Risk Management Practices' by Bruce Howse, Pou Taumatua – Group Manager Corporate Services and dated 2 November 2021, be received.

Carried

Risk Management Activity Update (Item 6.2)

Report from Kym Ace, Corporate Systems Champion

Moved (Kitchen / Yeoman)

> That the report 'Risk Management Activity Update' by Kym Ace, Corporate Systems Champion and dated 29 October 2021, be received.

It was discussed that the Audit and Risk Subcommittee should meet more frequently and to do more of a deep dive periodically on risks in the current environment.

Secretarial Note:10.19am Corporate Systems Champion joined the meeting.

Carried

Health and Safety update (Item 6.3)

Report from Kelcie Mills, Health and Safety Advisor

Moved (Kitchen / Macdonald)

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Audit and Risk Subcommittee
24 November 2021

That the report 'Health and Safety update' by Kelcie Mills, Health and Safety Advisor and dated 28 September 2021, be received.

Carried

Internal Audit Schedule (Item 6.4)

Report from Bruce Howse, Pou Taumatua – Group Manager Corporate Services

Moved (Macdonald / Smart)

That the report 'Internal Audit Schedule ' by Bruce Howse, Pou Taumatua – Group Manager Corporate Services and dated 27 October 2021, be received.

Carried

FNDC Rates Audit Findings Response (Item 6.5)

Report from Bruce Howse, Pou Taumatua – Group Manager Corporate Services

Moved (Smart / Yeoman)

1.   That the report 'FNDC Rates Audit Findings Response ' by Bruce Howse, Pou Taumatua – Group Manager Corporate Services and dated 1 October 2021, be received.

Carried
Group Manager Corporate Services advised the subcommittee that Kiapara District Council will be audit next year instead of Whangari District Council.
Secretarial Note: 11.25 Economist and Economic Policy Advisor joined the meeting

Secretarial Note: 11.27 Strategic Projects and Facilities Manager joined the meeting via audio link.

Covid 19 Impacts on 2021/22 Work Programmes (Item 6.6)

Report from Bruce Howse, Pou Taumatua – Group Manager Corporate Services

Moved (Smart / Yeoman)

That the report 'Covid 19 Impacts on 2021/22 Work Programmes' by Bruce Howse, Pou Taumatua – Group Manager Corporate Services and dated 22 October 2021, be received.

Carried
Group Manager Corporate Excellence answered questions regarding the impact Covid 19 has had on current projects.

Kaipara Moana Remediation - Agreed Procedures Report (Item 6.7)

Report from Bruce Howse, Pou Taumatua – Group Manager Corporate Services

Moved (Yeoman /Smart)

That the report 'Kaipara Moana Remediation - Agreed Procedures Report' by Bruce Howse, Pou Taumatua – Group Manager Corporate Services and dated 1 November 2021, be received.

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Audit and Risk Subcommittee
24 November 2021

Carried

Regional Projects Reserve - Proposed criteria and procedures for the allocation of funding (Item 6.8)

Report from Darryl Jones, Economist and Simon Crabb, Finance Manager

Moved (Macdonald / Smart)

That the report 'Regional Projects Reserve - Proposed criteria and procedures for the allocation of funding' by Darryl Jones, Economist and Simon Crabb, Finance Manager and dated 8 November 2021, be received.

Carried

Economist spoke to the Subcommittee about the report regarding the proposed criteria and procedures to gain the Subcommittee thoughts.

Action: Economist to revise the criteria and procedures to make the wording clearer for council to understand, and to provide the revised criteria and procedures to a council workshop for further consideration.

Kaupapa ā Roto/Business with Public Excluded (Item 7.0)

Moved (Yeoman /Kitchen)

1. That the public be excluded from the proceedings of this meeting to consider confidential matters.
2. That the general subject of the matters to be considered whilst the public is excluded, the reasons for passing this resolution in relation to this matter, and the specific grounds under the Local Government Official Information and Meetings Act 1987 for the passing of this resolution, are as follows:

Item No.	Item Issue	Reasons/Grounds
7.1	Telfer Young Annual Valuation of Council Properties	The public conduct of the proceedings would be likely to result in disclosure of information, the withholding of which is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information s7(2)(b)(ii) and the withholding of which is necessary to enable council to carry out, without prejudice or disadvantage, commercial activities s7(2)(h).
7.2	Recruitment/Retention of Specialist staff- Risk Deep Dive	The public conduct of the proceedings would be likely to result in disclosure of information, the withholding of which is necessary to protect the privacy of natural persons, including that of deceased natural persons s7(2)(a).

3. That the Independent Advisors be permitted to stay during business with the public excluded.

Carried

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Audit and Risk Subcommittee
24 November 2021

Whakamutunga (Conclusion)   9

The meeting concluded at 12.31pm.

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TITLE: **Internal Audit Schedule**

From: Judith Graham, Corporate Services P/A

Authorised by Group Manager/s: Bruce Howse, Pou Taumatua – Group Manager Corporate Services, on 17 March 2022

Whakarāpopototanga / Executive summary

The internal audit schedule, as adopted by the Subcommittee, is provided in Table 1.

The schedule shows the timing for each internal audit item and a status update on progress.

All items scheduled for 2020/21 have been completed and work is in progress and on track for all items scheduled for 2021/22.

Ngā mahi tūtohutia / Recommendation

That the report 'Internal Audit Schedule' by Judith Graham, Corporate Services P/A and dated 11 January 2022, be received.

Background/Tuhinga

Table 1. Internal Audit Schedule

Key			
Complete	Underway	Deferred	Not Started

Year	Item	Status
2020/21	FNDC rates collection, audit to confirm robustness of collection of NRC rate revenue and general title arrears recovery process.	Audit complete. Findings reported to Subcommittee in June 2021. FNDC have implanted audit recommendations in part, some still work in progress.
2020/21	Human resources procedures.	Audit complete. Findings reported to Subcommittee in September 2021. Findings will be implemented through Human Resources work programme.
2020/21	Fraud control environment (counter-fraud gap analysis).	Audit complete. Findings reported to Subcommittee in June 2021. Additional work underway to strengthen control environment.
2020/21	Insurance – AON insurable risk review.	Audit complete. Findings presented to Subcommittee in December 2020. Insurance renewals due November 2021.
2021/22	KDC rates collection, audit to confirm robustness of collection of NRC rate revenue and general title arrears recovery process.	
2021/22	Property management.	Work in progress. Findings to be reported to Subcommittee in mid-2022.

2021/22	Risk management.	Deferred. Replaced with 'Fraud and Corruption Risk Assessment' as reported to Subcommittee in June 2021.
2021/22	Procurement.	Deferred. Replaced with 'Strengthen the Management of Third parties' as reported to Subcommittee in June 2021.
2021/22	Fraud and Corruption Risk Assessment.	
2021/22	Strengthen the Management of Third parties.	
2022/23	WDC rates collection, audit to confirm robustness of collection of NRC rate revenue and general title arrears recovery process.	Work to commence in 2022/23.
2022/23	Externally managed funds – SIPO, governance, reporting, treasury management.	Work to commence in 2022/23.
2022/23	Legislative compliance.	Work to commence in 2022/23.

Attachments/Ngā tapirihanga

Nil

TITLE: **Audit Fee Proposal For Year Ending 30 June 2022 and 30 June 2023**

From: Bruce Howse, Pou Taumatua – Group Manager Corporate Services

Authorised by Group Manager/s: Bruce Howse, Pou Taumatua – Group Manager Corporate Services, on 10 March 2022

Executive summary/Whakarāpopototanga

Deloitte had proposed an increase in **base** audit fees from $122,300 to $170,300 for FY22.

Through negotiation Deloitte has agreed to a lower increase in **base** audit fees of $156,300 for FY22 (refer **attachment**). This fee has been approved by the Office of the Auditor General. An additional $15k of audit fees is proposed for FY22 for the Enterprise Project implementation workstream which requires additional audit effort (as noted in the original and revised Deloitte fee proposals).

In addition to this Deloitte has proposed **base** audit fees of $178,800 for FY23, reflective of Council's FY22 growth (additional $14,000) and 5% inflationary adjustment ($8,500). An additional $25k of audit fees is proposed for FY23 for the Enterprise Project implementation workstream which requires additional audit effort (as noted in the original and revised Deloitte fee proposals).

Deloitte has also outlined an approach to the setting of audit fees for FY24 and FY 25. The approach is based on three key factors:

- scope changes - this would include things such as material new business activities, and addressing new regulatory requirements (such as new reporting standards).

- adjust the fee (up or down) based on 10% +/- annual changes in budgeted annual expenditure from year to year (as set out in the LTP or Annual Plan).

- inflationary cost escalation – this aspect of the fee would be referenced to the CPI adjustment published annually by Stats NZ.

It is recommended that the subcommittee endorses recommendations to council that it approve the Audit fees proposed by Deloitte for FY22 & 23, and agree in principle to the approach outlined by Deloitte for setting of audit fees in FY24 & FY25.

Recommendation(s)

1. That the report 'Audit Fee Proposal For Year Ending 30 June 2022 and 30 June 2023' by Bruce Howse, Pou Taumatua – Group Manager Corporate Services and dated 11 February 2022, be received.

2. That the subcommittee recommend to council the approval of **base** audit fees of $156,300 for FY22 and a further $15k in audit fees for the Enterprise Project implementation workstream.

3. That the subcommittee recommend to council the approval of **base** audit fees of $178,800 for FY23 and a further $25k in audit fees for the Enterprise Project implementation workstream.

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4.   That the subcommittee recommend to council the agreement in principle to the approach outlined in the **attached** Deloitte proposal for the setting of audit fees for FY24 and FY25.

Options

No.	Option	Advantages	Disadvantages
1	Recommend to council the approval of audit fees for FY22 & FY23.	We will have certainty (pending councils approval) of audit fees and an auditor available to undertake our audit work. Approving both FY22 & FY23 provides certainty for both parties and is much more efficient than attempting to renegotiate fees again in FY23.	Increase audit fees, however these are imminent regardless in the current economic conditions and council's growth.
2	Do not recommend to council the approval of audit fees for FY22 & FY23.	Potential to attempt to negotiate lower audit fees in FY23, however negotiations are unlikely to be successful or favourable to council based on factors such as council's growth and projected inflation.	Further efforts to continue to negotiate audit fees.

The staff's recommended option is 1.

Considerations

1.   Financial implications

Budget provision has been made from existing budgets for the increased cost in FY22 audit fees. The increased audit fees for FY23 are unbudgeted (with the exception of the Enterprise Project audit fees which will be funded from the project budget) and will need to be built into the 2023/24 Annual Plan or found from other funding sources.

Attachments/Ngā tapirihanga

Attachment 1: FY22 and FY23 Audit Fee Proposal NRC Final ⇩ 📄

Deloitte.

Northland Regional Council

Audit fee proposal for year ending 30 June 2022 and 30 June 2023

8 MARCH 2022

Executive Summary

Thank you for considering our audit fee proposal submitted to the Audit and Risk Subcommittee (ARC) in December 2021. The purpose of this document is to:

1) Finalise the fee for the year ended 30 June 2022 following input from the ARC and approval from the OAG;
2) Provide a fee estimate for the year ended 30 June 2023; and
3) Give you an overview of how we will approach fee setting for FY24 and FY25

We appreciate the constructive way in which both management and the ARC have approached this topic and your support for increasing the fee to reflect the current environment.

We also understand that for FY22 this increase is essentially unbudgeted and we were thus comfortable to accept Council's counteroffer in relation to our original FY22 fee proposal. To summarise we were seeking, in our original proposal, to increase the FY22 base fee from $122,300 (excluding GST, OAG contribution and disbursements) to $170,300. Following discussions with management, which incorporated input from the ARC, we have agreed on a base fee for FY22 of $156,300. In addition to that there are two additional amounts in relation to the FY22 audit that have been agreed (not part of the base fee) relating to an assessment of the maturity of the internal audit function at NRC ($13,000) and the impact of the Enterprise system change ($15,000). These fees have now also been approved by the OAG.

FY23-25
Council will be aware that the OAG generally appoints auditors for a three year period, with each individual audit partner only able to provide a maximum of 6 years service. FY22 is the end of the current three period for Deloitte as your audit provider, and represents the end of my 6 years as your audit partner. Management have indicated a willingness to enter a further 3 year contract period with Deloitte, and the OAG is comfortable to endorse that outcome. However we will need to introduce you to a new Deloitte audit partner for the FY23-25 period, and will do so after this person has been formally appointed by the OAG.

Notwithstanding this change in partner it is appropriate for me to lead the fee setting process for FY23 and also to establish the principles by which we will approach the FY24 and FY25 period.

Contextual information
Our December 2021 proposal document provided detailed analysis on the rationale for the fee increase we were seeking. Without wanting to repeat all of that in this document, it is important to acknowledge the key drivers, being growth in the scale of Council's activities and inflationary pressure particularly in relation to professional service salaries, that continue to underpin our thinking on fees.

One of the reasons we reduced the initial proposed fee increase for FY22 by $14,000 was to be respectful of Council's position in relation to unbudgeted expenditure. We also wanted to be respectful of our audit relationship built up over the last 5 years and to approach this matter in the spirit of open discussion and negotiation. As noted above we are very appreciative that you have taken the same approach.

Notwithstanding the position agreed for FY22 we remain of the view that the underlying contextual pressures remain and so our proposition for FY23 is to propose the same level of base fee that was included in the original proposal, adjusted for anticipated inflation over that period. In this way we are essentially achieving what we consider to be a fair rate per hour to deliver the audit but stepping up to that rate over a two year period. Further analysis is included in the remainder of this document.

I look forward to discussing this proposal with the ARC at the 30 March 2022 meeting.

Deloitte Limited

Peter Gulliver
Partner
for Deloitte Limited
Auckland, New Zealand

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Audit fee bridge – June 2022 to June 2023 proposed

We have agreed that the FY22 fee should be increased to reflect a larger and more complex organisation to audit and a reset of wage costs within professional services as a direct consequence of Covid-19.

On the basis the hours to deliver the audit remain steady at approximately 1,000 then the FY22 base fee of $156,300 equates to a rate per hour of $156. As set out in our earlier proposal our benchmarking, and expectations for audits of this nature and complexity would be for a rate per hour in the range of $170 - $190.
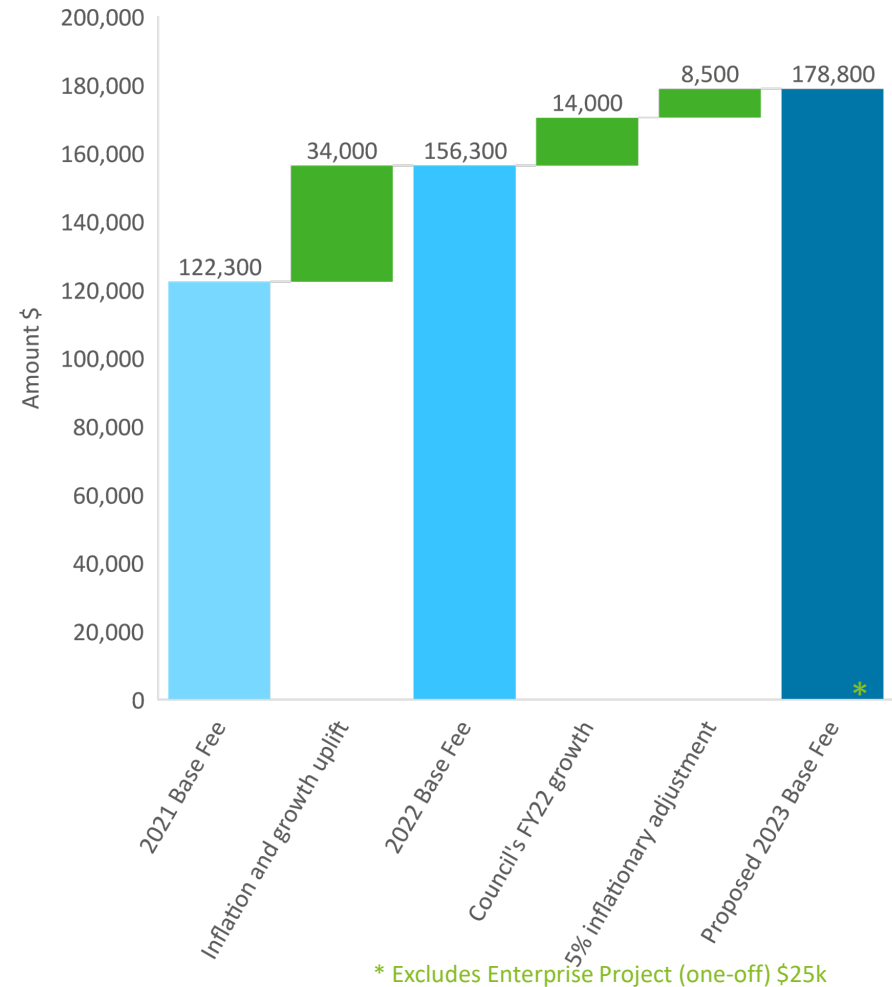
So consistent with the analysis included in our original FY22 proposal, and being mindful of the growth Council had signalled in the 2021-31 LTP we are proposing a base fee for FY23 of $178,800. The increase from the FY22 agreed position is shown in waterfall chart to the right, but essentially represents two factors:

1) Growth in Council's activities not fully reflected in the FY22 fee.
   Council's expenditure will have increased by 53% over the period FY19 – FY23 (using the LTP as guidance for FY23). The FY22 audit fee reflects growth of 28%. Accordingly there is a need for a further lift in the fee to more appropriately capture the audit effort required heading into FY23. We have capped this increase at $14,000 as it essentially results in the rate per hour to deliver the audit landing at the lower end of the $170 - $190 per hour range which we indicated was appropriate in our earlier proposal document.

2) An anticipated 5% inflationary increase, in line with recently announced CPI data.

One off workstream – Enterprise Project Implementation

During FY22 & FY23 Council is migrating from TechOne to Infor as part of the enterprise project implementation. This will result in additional audit procedures needing to be performed, during these two financial years, over the data migration process along with assessing the new business processes, controls and IT environment. This increase is one-off in nature. This cost would be split across the financial years impacted (ie FY22 and FY23) and we have agreed to include a placeholder of $15,000 for FY22 and $25,000 for FY23. These fees will depend on the phasing of the project and we will confirm and agree this with you as the work required and the timing thereof is clarified.

As noted in our earlier proposal we have estimated 235 hours to complete this work across FY22 and FY23.

Waterfall chart — Amount $:
- 2021 Base Fee: 122,300
- Inflation and growth uplift: 34,000
- 2022 Base Fee: 156,300
- Council's FY22 growth: 14,000
- 5% inflationary adjustment: 8,500
- Proposed 2023 Base Fee: 178,800 *

* Excludes Enterprise Project (one-off) $25k

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Approach to FY24 and FY25

In our discussions with the OAG in relation to resetting the FY22 fee they have indicated they are comfortable rolling forward our appointment as your audit service provider for another three year term (covering FY23-25). However given the recent disruptions in the audit market, and the new inflationary environment, our preferred approach is to address the question of audit fees on a year by year basis, rather than fix a fee for that three year period now.

The alternative approach, of setting a three year fee as part of the FY23-25 contractual rollover, introduces a risk around externalities or indeed scope changes, having to be absorbed or addressed through a contract reset. In the current environment we do not believe this is a fair approach, and would likely force us to make conservative assumptions about future market dynamics (which may not play out) and introduce these into the fee. However we also accept that an annual fee setting process introduces some uncertainty for NRC.

Whilst this document addresses the FY23 fee (i.e. year one of the new contract period) we also wanted to signal an approach for FY24 and FY25, rather than leaving this matter open. To provide NRC with more certainty around go-forward fees we have therefore set out below a number of principles that we commit to adhere to for FY24 and FY25.

Principles to be applied

- We propose that the FY24 and FY25 fees are negotiated between us, and agreed upon in the 3rd quarter of the preceding financial year. So the FY24 fee would be set in the period January-March 2023, for example. This should enable NRC to incorporate the fee into the budget for the following year and provide certainty on fees in excess of 12 months from when the audit work will be completed.

- On the basis the FY23 fee is agreed we are comfortable that the base rate per hour is now at the low end of what is a reasonable range for an audit of this scale and complexity. Hence we would only propose making adjustments (up or down) based on three factors, namely: scope changes; growth in Council's activities; and to address inflationary cost escalations.

- With respect to scope changes this would include things such as material new business activities, and addressing new regulatory requirements (such as new reporting standards). We would expect to have reasonable line of sight on such items and would look to discuss and agree with you the impact on audit hours so that the fee impact becomes formulaic in the sense of X new hours at the agreed rate per hour.

- Growth in Council's activities, and impact on audit effort, is best measured by expenditure. Although we acknowledge that the relationship between expenditure and audit effort is not linear. Hence we would only seek to adjust the fee (up or down) based on 10% +/- annual changes in budgeted annual expenditure from year to year (as set out in the LTP or Annual Plan). Again the approach would be to discuss and agree with you the impact on proposed audit hours as a result of the proposed growth in expenditure (assuming of course it was +/- 10% as noted) so that the fee impact becomes formulaic in the sense of X more/less hours at the agreed rate per hour.

- With respect to the inflationary cost escalation aspect of the fee we would expect to reference this to the CPI adjustment published annually by Stats NZ. Again this would be a metric we would agree with you in advance.

A further safeguard for NRC is that any fee needs to be approved by the OAG, so if you thought our approach to either of FY24 or FY25 was unreasonable, and not supportable by the facts then there is an inbuilt mechanism for reaching a fair outcome. The OAG captures a significant number of data points and performs benchmarking analysis on audit fees and is in the best possible position to advise on, and if required recommend, a fair and reasonable outcome. However in saying this, we would not expect that this safeguard would need to be applied in reality. This is because we value the open and transparent relationship that has been developed over the past 5 years with the management team and the ARC at NRC. Accordingly we are primarily interested in a long term audit relationship and would not jeopardise this by acting unreasonably on fees. The outcome must be fair to both parties and founded on facts. We trust that our actions historically in this regard will give you confidence in the future relationship.

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TITLE:	**Deloitte - Fraud and Corruption Risk Assessment**
From:	Simon Crabb, Finance Manager
Authorised by Group Manager/s:	Bruce Howse, Pou Taumatua – Group Manager Corporate Services, on

Executive summary/Whakarāpopototanga

In May 2021 Council undertook a Counter-Fraud Gap Analysis to identify the specific actions required to improve councils' approach to managing, and actively reducing, its exposure to fraud and corruption risks. A key recommendation arising from this May 2021 gap analysis was that council should complete a Fraud and Corruption Risk Assessment.

In March 2022 council engaged Deloitte to perform the recommended Fraud and Corruption Risk Assessment with a focus on council's key **corruption risks**. Refer to **Attachment One** for the Deloitte report.

Deloitte partner Ian Tuke will attend the March Subcommittee meeting to talk to the Deloitte report and respond to any questions.

The key recommendations flagged as priorities (and the corresponding date and responsibility for delivering such recommendations) in the Fraud and Corruption Risk Assessment Report are summarised in the table below.

Ref	Deloitte Key Priority Flagged Recommendations	Complete by	Responsible
1	Implement an ongoing early detection-focused analytics programme to identify any outlier trends/activity and serve as a preventive measure against acts of corruption.	June 2022, annually thereafter	Finance Manager
2	Roll out a compulsory online corruption-focussed awareness training module to the entire organisation to educate employees and contractors about the risks and warning signs of corruption, and how to share their concerns.	June 2022	Finance Manager
3	Source and promote Crimestoppers (or similar) as councils independent 24/7 whistle blower service.	June 2022	Fraud Limitation Officer
4	Enhance the reporting available to management in relation to environmental incidents and compliance monitoring in an endeavour to develop insights/visibility into the behaviours of <u>council enforcement officers.</u> Related to the above, is the additional recommendation to generate oversight of the allocation of environmental incident files to council officers.	December 2022	Compliance Monitoring Manager
5	Enhance the reporting of environmental incidents and compliance monitoring in an endeavour to develop insights/visibility into the behaviours of <u>councils contracted service providers.</u>	December 2022	Compliance Monitoring Manager
6	Design and implement a Declaration of Interest form to be completed by council staff (at the point of assessment) who are responsible for assessing/approving the allocation of grant funding.	December 2022	Fraud Limitation Officer

7	Investigate the feasibility of incorporating a "Declaration of Interest" field in the Accounts Payable system of the new Enterprise System to be completed by council staff (at the point of raising a purchase order) when procuring goods/services in excess of $5K	September 2023	Finance Manager

Recommendation(s)

1. That the report 'Deloitte - Fraud and Corruption Risk Assessment' by Simon Crabb, Finance Manager and dated 11 January 2022, be received.

Considerations

Background/Tuhinga

Attachments/Ngā tapirihanga

Attachment 1: Fraud & Corruption Risk Assessment - Deloitte March 2022. ⇩ 📄

Deloitte.

Northland Regional Council

Fraud & Corruption Risk Assessment

March 2022 - CONFIDENTIAL

MAKING AN IMPACT THAT MATTERS *since 1845*

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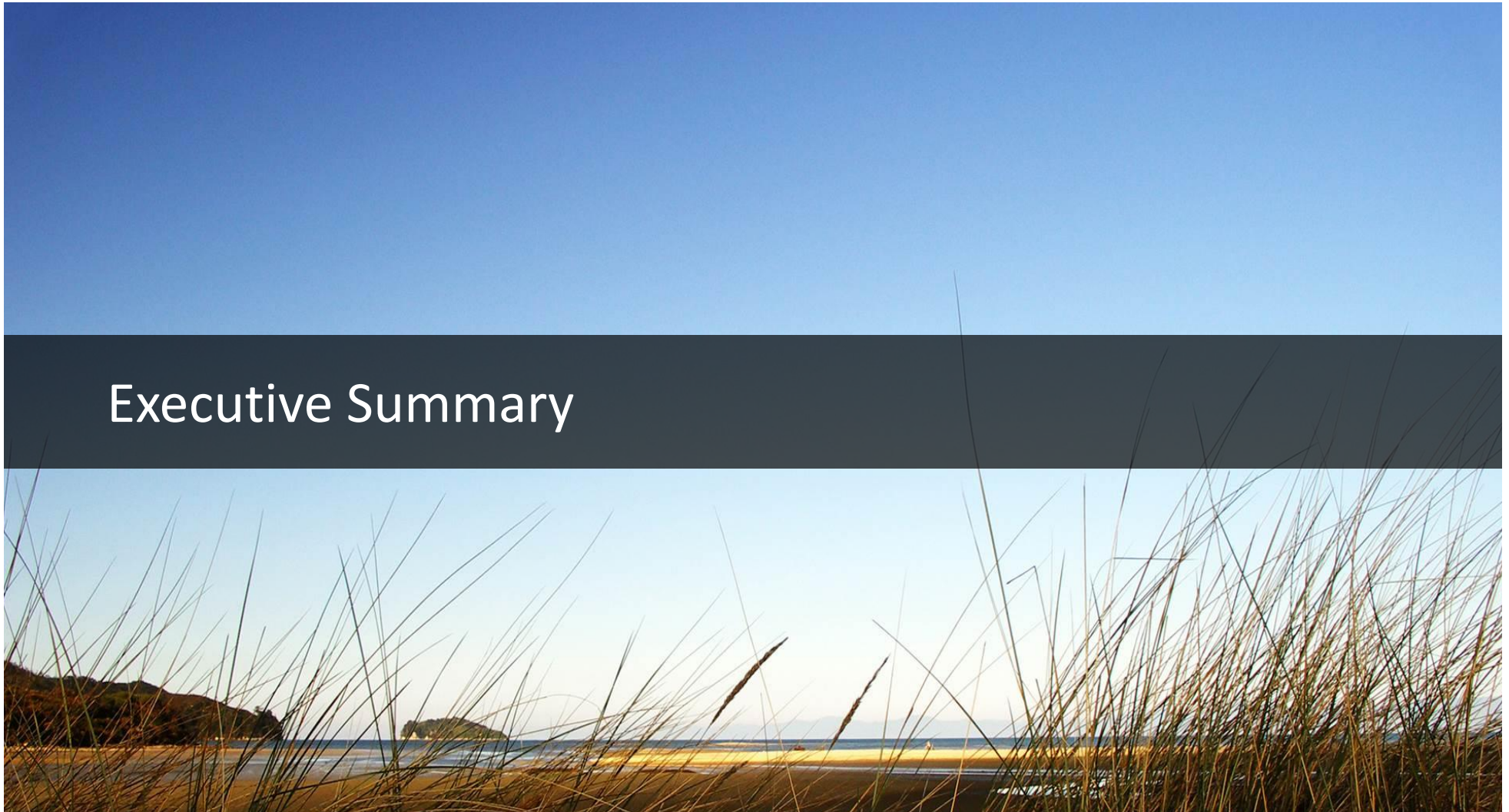
Executive Summary

Executive Summary

Background

In 2021, Northland Regional Council (**NRC, Council** or **the Organisation**) completed a counter-fraud gap analysis, which assessed NRC's current approach to managing fraud and corruption risk with better practice. A key recommendation from this analysis was to complete a Fraud and Corruption Risk Assessment in order to strengthen key processes and controls to better protect the organisation from the financial , reputational, and cultural impacts associated with fraud and corruption events. As a starting point, NRC wished to focus on NRC's corruption risks, which involved targeting the analytics testing on identifying potentially unknown relationships between vendors and NRC employees. The subsequent risk assessment workshops would then focus on identifying potential corruption schemes. We note future work may be required to address other key risk areas (e.g. NRC's fraud risks).

Work completed

An **organisation wide online, anonymous survey** to obtain an overall understanding of the key risks within the organisation.

+

Related Parties analytics testing using NRC vendor & employee master data.

+

6 corruption focussed (virtual) risk assessment workshops with a range of NRC personnel.

Positive themes

The NRC personnel coordinating the work and those participating in the workshop sessions have reflected open and constructive attitudes towards further improving the prevention, early detection, and monitoring of fraud and corruption risks at NRC. We recognise the commitment of NRC's personnel to strengthening Council's fraud and corruption related processes/controls through ongoing initiatives such as the fraud and corruption e-learning for staff and the completion of the Gap Analysis, Related Parties data analytics testing and the risk assessment work.

Key risks

Through the risk assessment workshops and in cooperation with NRC staff, we identified the current key risks to NRC. The following key risk areas identified all have control improvement recommendations provided (see page 13 for further detail):

- Undeclared conflicts of interest;
- Soliciting and or accepting bribes (including inappropriate gifts);
- Contractors in higher-risk roles (e.g. with an ability to raise (or not) infringement notices on behalf of Council);
- Inappropriate file allocation within the Regulatory Services team for personal gain;
- Grant process compromised for personal gain; and
- Procurement compromised for personal gain.

Key observations and recommendations

Based on the results of the online survey and the risks identified in the targeted fraud and corruption risk assessment, we make the following recommendations for NRC management to consider (see page 13 for further detail):

- Implement an **ongoing early detection-focused data analytics** programme to identify any outlier activity and trends of potential concern;
- Provide an **independent 24/7 reporting option** available to all staff;
- Provide specific **corruption-focussed awareness training** to educate employees and contractors about the risks, the warning signs to look out for, and how to safely share their concerns;
- Implement ongoing **monitoring and analysis** of the activity performed for NRC by **contractors in higher-risk roles**; and
- Implement a **Declaration of Interest procedure** for all grant allocations and take a risk based approach to apply this requirement to procurements. We discuss procurement related options for management to consider in the 'Key Observations and Recommendations' section.
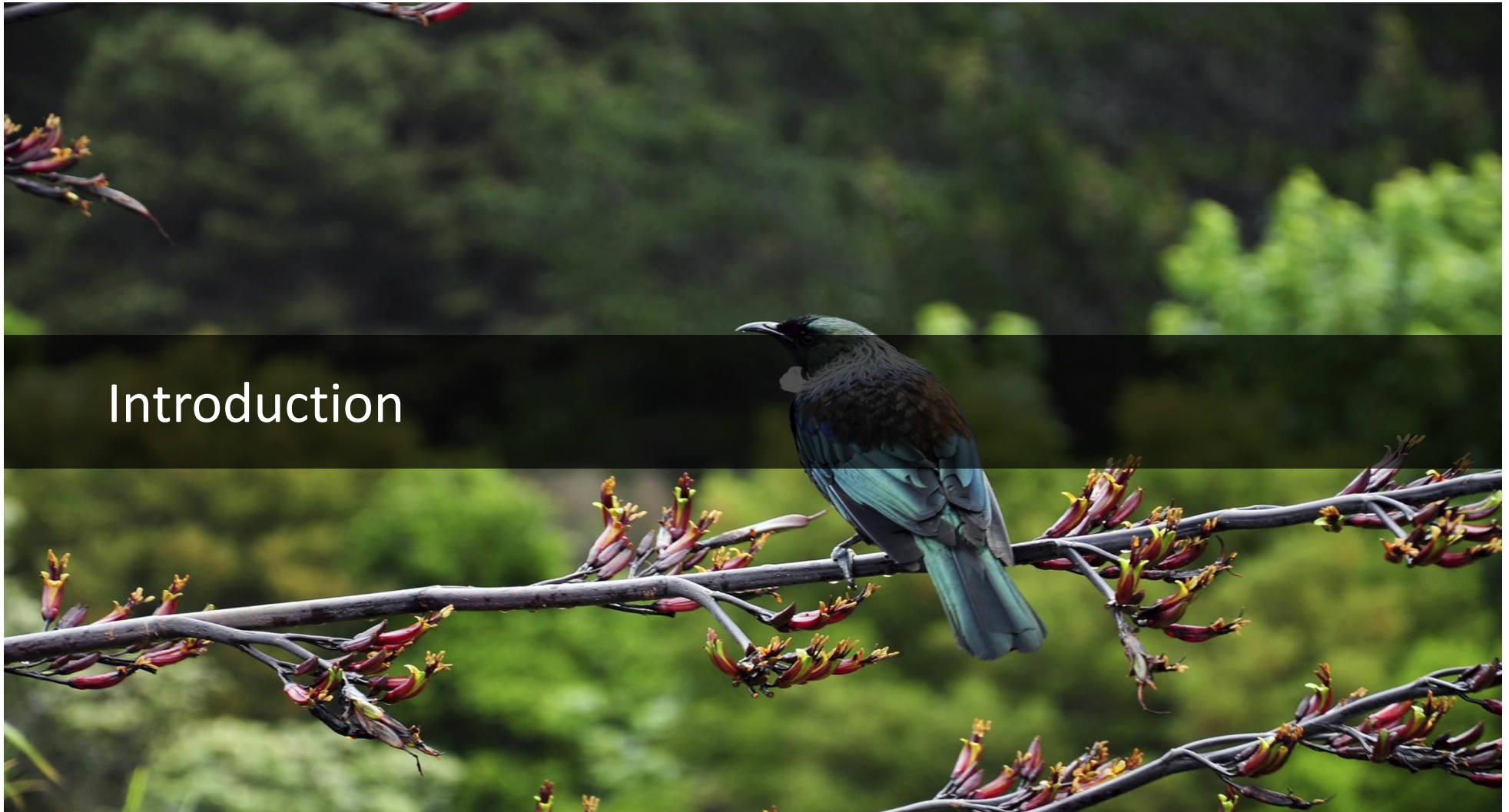
Introduction

Introduction

Background

Northland Regional Council ("**NRC**") has been taking a proactive, risk based and phased approach in identifying and addressing its fraud and corruption risks.

In 2021, Deloitte was engaged to conduct a counter-fraud gap analysis to determine the extent to which NRC's approach to managing its fraud and corruption risks aligns with 'better practice'.

In continuation of NRC's counter-fraud initiatives, Council engaged us to conduct a fraud and corruption risk assessment, as a direct result of a key gap identified from the gap analysis. The focus of this risk assessment has been to start with the functions of NRC that present greater inherent corruption risk.

This required Deloitte and NRC to first identify areas of Council where groups of its personnel:

• Are in positions of authority;
• Make decisions that impact third parties (such as land owners); and
• Could potentially exploit their positions for inappropriate personal gain.

Objectives

The objectives of the corruption-focussed risk assessment was to:

• Identify the corruption risks;
• Consider the design of controls currently in place that help mitigate the risks identified; and
• Gather perspectives for control and or process improvement from the participants and, where appropriate, recommend to management the design of new or improved controls.

Scope and approach

We completed the following:
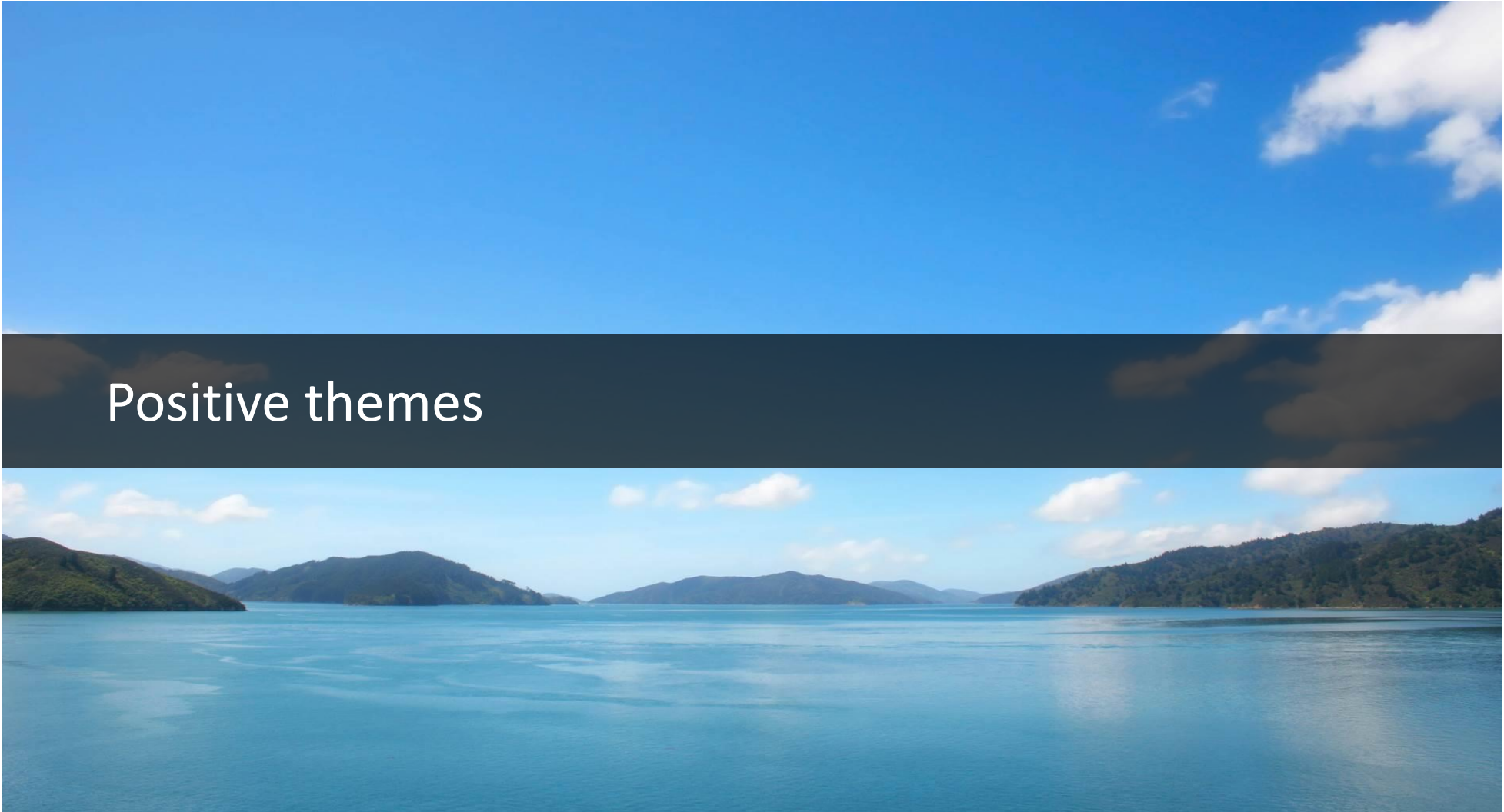
• Shared a survey with NRC staff to seek their perspectives around the organisations' own fraud and corruption awareness levels, risks that may exist in their function/location, and to gather potential improvements to the design of controls;
• Conducted Related Parties analytics testing using vendor & employee master data to understand any previously unknown relationships between NRC employees and Council's suppliers; and
• Informed by the results from the survey and analytics, we facilitated 6 x 1hr virtual risk assessment mini-workshops with select NRC personnel, which included the Group Manager ("GM") and managerial/operational staff for the following business groups:

1. Regulatory Services;
2. Governance and Engagement;
3. Biosecurity; and
4. Environmental Services.

Outcome

In this report, we summarise the key corruption risks identified in those four functions and the gaps that the workshops have highlighted. We also outline a blend of the participants' suggestions and Deloitte's recommendations for NRC management to consider in addressing and mitigating these risks.

By considering these recommendations, NRC has the opportunity to address and better manage the current corruption risks it faces, and further improve the integrity of its counter-fraud and corruption programme.

Positive themes

Positive themes

Participants provided insight around the risks that NRC and its specific business groups may be most vulnerable to, as well as recommendations on how NRC may improve the robustness of its processes and controls.

We note:

- The ongoing efforts by NRC to further improve the early detection, prevention and monitoring of fraud and corruption risk within the organisation. This includes:

  ◦ Providing fraud and corruption e-learning to staff;
  ◦ Completing Related Parties data analytics testing to help Council better understand any inappropriate undeclared relationships between NRC personnel and suppliers; and
  ◦ The completion of a counter-fraud gap analysis to determine how NRC's current approach to managing fraud and corruption aligns with better practice.

- The open and constructive attitudes of the NRC personnel coordinating the work and those participating in the workshop sessions. These individuals were engaging and supportive of the need to further improve the prevention, early detection, and monitoring of fraud and corruption risks at NRC.
- Elements of NRC's current processes in place to help manage down the risk of fraud and corruption risk (e.g. annual declaration of conflicts / currently providing fraud e-learning training to employees).

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Key risks

Key themes & risks

Survey results

144 staff across NRC completed the Fraud and Corruption Awareness survey. The full results are visualised in the Tableau workbook provided electronically to NRC – we have summarised the insights below:

More than **61**% of respondents felt **only slightly or moderately confident** in identifying the warning signs of fraud and corruption. Some of the reasons for this included the fear of having the wrong information, jumping to conclusions, and needing to be very confident that their concerns were valid.

81% of respondents reported that they were **comfortable in reporting concerns** (50% of which were extremely comfortable).

However, only **42**% reported that they were **familiar with how to report their concerns** (7% of which were extremely familiar).

Respondents to the survey ranked "*regularly identify and communicate specific fraud and corruption risks*" and "*anonymous tip-off line*" as the top 2 improvement opportunities to better protect NRC against fraud and corruption risks.
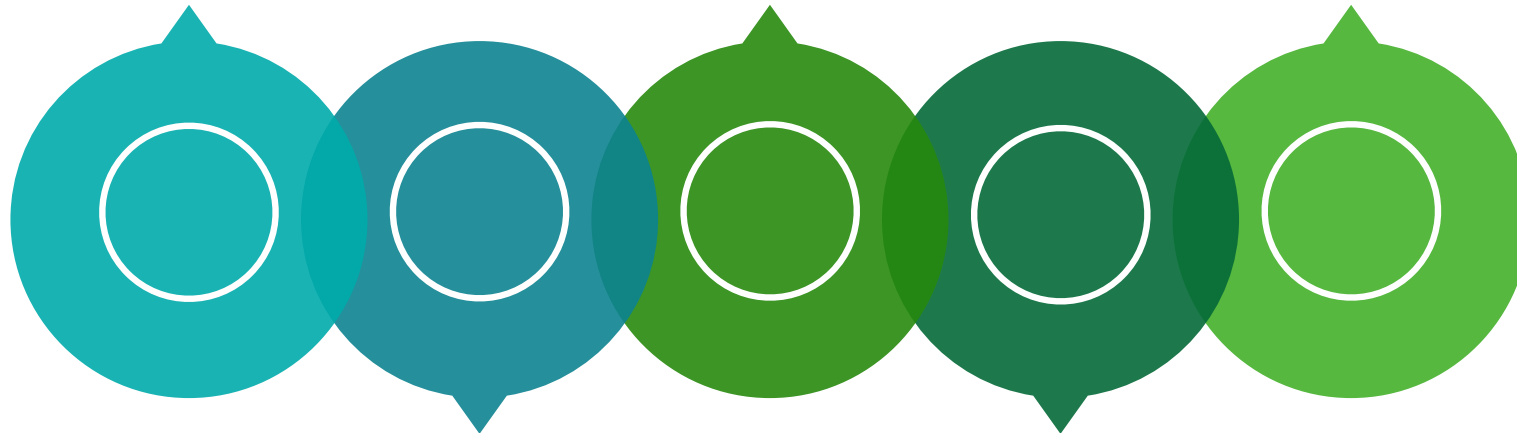
Respondents noted **potential organisational weak points** which may be vulnerable to corruption. This included:
• Possible false invoicing/approvals;
• Illegitimate providers; and
• Potential for compromising IT/user access.

88% of respondents either agreed or strongly agreed that **leaders consistently behave with honesty and integrity**.

Related Parties Analytics

Related Parties (RP) analytics focuses on identifying connections or matching data across NRC's **vendor masterfile data** and NRC's **employee masterfile data**. This identifies shared attributes the NRC entities may have, which includes names, bank accounts, tax IDs, phone numbers, emails, and addresses.

The colour key shown in **Fig 1.** shows the 736 identified relationships were prioritised based on the nature of the relationship and ranked in order of the NRC spend over the past 2 years.

We have summarised the key insights from the RP analytics below:

5,678 'entities' were included in the analysis, comprising **263** employees and **5,187** vendors

736 clusters were identified for further review – meaning that some element of information between the employee and a vendor matched

14 clusters of '**high priority relationships'** (e.g. a link between vendor name & employee name and/or next of kin name) had spend amounts of **over $5k**

➤ These high priority relationships would generally either share an **address** or **phone number**

➤ **2 of the 14** high priority relationship clusters over $5k had a total spend amount of **$448k**

As a result of the analytics performed, we understand NRC management was able to identify which relationships required follow up action to better understand the nature of the connection, whether or not the connection was known / declared to NRC, and to evaluate the organisation's need for continued preventative measures (e.g. corruption focused training or ongoing analytics).

Fig. 1 – Relationship Prioritisation

A **high** priority relationship is one that contains a relationship between a vendor and an employee or their next of kin.
A **medium** priority relationship is one between entities of the same type with dissimilar names matched on bank or tax ID.
A **low** priority relationship is any cluster that does not meet the medium or high definition.

Relationship Priority

Cluster Spend Bucket	Low	Medium	High
$100k+	24 Cluster(s) $47,260,534	17 Cluster(s) $67,537,538	2 Cluster(s) $448,691
$5k+	93 Cluster(s) $2,025,106	40 Cluster(s) $968,589	12 Cluster(s) $354,051
<$5k	124 Cluster(s) $217,919	33 Cluster(s) $55,282	3 Cluster(s) $5,666
Spend data not available	332 Cluster(s)	35 Cluster(s)	21 Cluster(s)

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Fraud & Corruption Risk Assessment - Key risks

We highlight below a summary of the key fraud and corruption risks identified during the course of the work. These risks were identified through the survey results, the analytics work and by participants from *Regulatory Services, Governance and Engagement, Biosecurity, and Environmental Services*, as well as from Deloitte Forensics' experience working with other NZ local government organisations.

Risk of **inappropriate bias towards a contractor/supplier during the procurement process** due to undeclared relationships or in exchange for a benefit resulting in improper decision making when awarding work.

Risk of NRC employees having **undeclared relationships** with third parties resulting in inappropriately **favourable or unfavourable treatment in decision making** in exchange for a benefit**.**

Risk of NRC employees receiving **kickbacks or other inappropriate gifts or hospitality** from third parties in return for a "favourable" decision being made.

Risk that NRC employees may **assign themselves to general incident files** relating to individuals with whom they have a relationship, and inappropriately record or take inappropriate action in relation to alleged regulatory issues.

Elevated risk of contractors in **higher risk roles (e.g. Regulatory) being compromised** due to organisational limitations in relation to contractor training and monitoring.

Risk that NRC employees may **inappropriately allocate grant funding**, or **unfairly disadvantage an application** in exchange for a benefit.

- Conflict of interest
- Procurement compromised
- Inappropriate file allocation within the Regulatory Services team
- Collusion
- Soliciting or accepting bribes
- Grant process compromised
- Contractors in higher-risk roles compromised

Key observations & recommendations

Observations & recommendations

 Indicates high priority recommendation

Observations & recommendations

In the following table we summarise the key potential exposures in NRC's existing processes that elevate the risk of, and reduce protection from, NRC's material corruption risks in the functions we focused on. We have also outlined the remedial steps that NRC management should consider to further improve current processes.

It is important to note that the observations and recommendations raised in this report are only those which came to our attention during the course of the risk assessment, and are not necessarily a comprehensive statement of all the risks that exist or improvements that might be made. We cannot, in practice, examine every activity and procedure, nor can we be a substitute for management's responsibility to maintain adequate controls over all levels of operations and their responsibility to prevent and detect fraud and corruption. Accordingly, management should not rely on our deliverable to identify all material gaps or fraud and corruption risks that may exist at Council.

Key observations and risks	Key recommendations	Priority flag

1. ***Conflict of interest & soliciting or accepting bribes***
 	
For example – an NRC employee may have an undeclared relationship with a third party and make decisions based on this relationship or in exchange for a benefit.
	• Consider building upon the Related Parties analytics to implement an ongoing detection-focused data analytics programme to identify any outlier activity and trends of potential concern in NRC's data. Raising staff awareness of this (and other steps taken) serves as a prevention tool for NRC.
	
	• Provide corruption specific awareness training (and regularly refresh) to educate employees and key contractors about the corruption risks specific to NRC, the warning signs or 'red flags' to look for, and how to share their concerns. Consider including local government specific scenario-based exercises which will be relevant to NRC. Prioritise training for employees in higher-risk roles.
	
	• Consider providing an independent 24/7 reporting option available to all staff. Determine whether this reporting option should be made available to grant applicants, suppliers and other third parties.
	
	• Consider broadening the scope of the existing NRC 'Declaration of Interests' process by increasing the regularity with which NRC personnel declare their interests from annually to ½ yearly.
	
	• Implement a centralised fraud & corruption incident register to record and monitor all incidents and remediation activity. This register should be:
	
	    a) Maintained by someone with sufficient authority to provide updates to the Board as a standing agenda item; and
	    b) Reviewed on an annual basis to identify any trend that can be noted from the incidents recorded.

Key observations and risks	Key recommendations	Priority flag

2. ***Inappropriate pressure to Regulatory Services team***
 	
For example - a Regulatory Services team member may assess an earthworks incident and intentionally turn a blind eye to the need for prosecution and receive a kickback in return.
	• Consider enhancing the reporting available to management in relation to incidents and compliance monitoring in the Regulatory team to help understand outlier activity and behaviour of NRC employees (and contractors). This will enable NRC to identify specific regions, specialist areas or individuals that require follow up and/or additional steps to further protect NRC (e.g. rotating staff).
	
	• Implement a mandatory Declaration of Interest procedure for the Regulatory team at the point of assigning 'incidents' or compliance monitoring activities. This will enable employees to declare any interests they have up front for management to consider.
	
	• Consider implementing a formal internal investigation process for instances where Regulatory Services teams must investigate allegations of compliance failures by NRC, in order to formalise response activity, reporting lines and decision making. Given the inherent risk of inappropriate pressure being applied to the Regulatory Services team when investigating NRC, it is important that formal safeguards are implemented, regularly reviewed and reported on to consider ongoing improvement opportunities. These may include, but are not limited to:
	
	    o Clear definition of internal investigation protocols and roles;
	    o Formalised reporting lines; and
	    o Oversight of the investigation process by an appropriately independent body (e.g. audit and risk committee).
		ⓘ

2.1 **Contractors in higher-risk roles compromised (e.g. those with general public interface or those conducting incident assessments)**
 	
For example – a 'First Security' contractor to the Regulatory Services team may receive a kickback from a third party to falsify or minimise the severity of a report / incident.
	• Consider implementing ongoing monitoring and analysis of the activity performed for NRC by contractors in higher risk roles (e.g. representatives of 'First Security group') at an individual level to help identify:
	
	    o Any outlier activity (such as an increase in assessments at a particular address) or themes (such as repeated incidents without escalation);
	    o Activity that requires follow up action from NRC; and
	    o Observations when comparing against NRC personnel in the Regulatory team.
	
	• Consider formally communicating NRC's anti-corruption stance to key third parties (e.g. through the website or in supplier and contractor agreements and / or periodic updates with contractors or suppliers).
		ⓘ

2.2 **Inappropriate file allocation within the Regulatory Services team** *For example – an NRC employee may assign themselves to the general incident file(s) of a family member to downplay the severity of the incident, or solicit a small bribe.*	• Consider automating and / or providing oversight of the allocation of incident files that do not require specialist advice to mitigate the risk of employees self selecting incidents inappropriately where an existing (and likely undeclared) relationship may exist.	ⓘ

Key observations and risks	Key recommendations	Priority flag
3. _Grant process compromised_ _For example – a Land Management Advisory (LMA) may unfairly advantage or disadvantage a landowner's funding application in return of a kickback._	• Consider implementing a mandatory Declaration of Interest procedure for individuals assessing each grant allocation, regardless of size, to enable potential conflicts of interest to be identified and managed. • Consider implementing a centralised application review point or review stage which allows management (outside of the LMA team) to have oversight across employee assessments, and mitigate the risk of LMAs being compromised. • Consider conducting regular sample checks across LMA applications to help identify any unusual or adverse decisions.	ⓘ

4. _Procurement compromised_
 	
For example – an NRC employee may not declare that they have a relationship with certain individuals / organisations and inappropriately award work to these groups.
	• Consider implementing a mandatory Declaration of Interest procedure for any procurement, regardless of size, to enable potential conflicts of interest to be identified and managed. As a starting point, Council may wish to consider taking a risk based approach to implement this for higher risk procurements. This approach may involve:
	
	   a) Profiling Council spend across suppliers and identifying the $ spend range that applies to suppliers that are in the higher spend group (for example the top third of suppliers by annual spend);
	   b) Taking the starting $ value for that top spend group of suppliers (identified at 'a') and using this as the base value where the Declaration of Interest procedure applies going forward;
	   c) Assessing the appropriateness of this $ threshold on a periodic basis.
	   d) Over time, consider other risk factors (e.g. Business Unit / Type of procurement) to include and exclude in this requirement; and
	   e) Consider the use of analytics (note recommendation **_#1. "Conflict of interest & soliciting or accepting bribes_**") to support with the profiling at 'a', and to help identify procurements that are higher risk to Council from a fraud & corruption risk perspective.
		ⓘ

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Limitations

Limitations

We note the following limitations in respect of this report:

a.   This report was prepared for the specific purpose of assisting Northland Regional Council;

b.   No party is to be provided with this report or a copy of it, or may rely on it or our work, without our express prior written approval. Deloitte accepts no liability whatsoever to any party who relies on our report and/or our work except to the extent set out in our engagement letter and Master Terms of Business;

c.   We are not qualified to provide legal advice. Legal advice should be sought on legal matters;

d.   This report has been prepared based on work completed as at March 2022. We assume no responsibility for updating this report for events and circumstances occurring after that date;

e.   We reserve the right, but are under no obligation, to alter the findings reached in this report should information that is relevant to our findings subsequently be identified;

f.   For the purposes of preparing this report, reliance has been placed upon the material, representations, information and instructions provided to us. Original documentation has not been seen (unless otherwise stated) and no audit or examination of the validity of the documentation, representations, information and instructions provided has been undertaken, except where it is expressly stated to have been;

g.   Given the limited scope of this review, there is an inherent limitation that material gaps or fraud and corruption risks may not have been identified;

h.   Our work does not constitute an assurance engagement in accordance with New Zealand standards for assurance engagements, nor does it represent any form of audit under New Zealand standards on auditing (International Standards on Auditing (New Zealand)). Consequently, no assurance conclusion nor audit opinion is provided. We do not warrant that our enquiries will identify or reveal any matter which an assurance engagement or audit might disclose;

i.   Deloitte is not responsible for ensuring any party's compliance with the requirements of the Privacy Act 2020 or similar requirements in other jurisdictions.

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TITLE:	**Internal Audit Update - Kaipara District Council Rating Review**
From:	Simon Crabb, Finance Manager
Authorised by Group Manager/s:	Bruce Howse, Pou Taumatua – Group Manager Corporate Services, on 18 March 2022

Whakarāpopototanga / Executive summary

Deloitte performed a review of the Kaipara District Council (KDC) rating processes to test the controls and identify any improvements in respect to:

- user access to, and maintenance of, the Rating Information Database (RID),

- application, collection, and allocation of rating transactions,

- and the process and preparation of the reporting provided to NRC.

Refer to **Attachment One** for the Deloitte report on their review. Deloitte partner Peter Gulliver will attend the March Subcommittee meeting to talk to this report and respond to any questions.

This agenda item summarises the findings and presents an action plan arising from the Deloitte review.

Ngā mahi tūtohutia / Recommendation

That the report 'Internal Audit Update - Kaipara District Council Rating Review ' by Simon Crabb, Finance Manager and dated 4 March 2022, be received.

Background/Tuhinga

1. The key recommendations identified as having the potential to cause high or moderate risk to KDC systems and controls, and requiring **urgent action** are summarised in the table below.

High risk Improvement	Action to be taken	Completion Date
User access rights to the Rates Maintenance function should be comprehensively reviewed and revised to ensure appropriate access levels	The General Manager Corporate Excellence will send a letter to KDC requesting that: • the current rates maintenance access rights are revised to reflect the appropriate functionality, • a schedule is provided to NRC detailing the updated user positions, roles, access functionality and justification for access functionality. • an IT User Access Policy is developed and implemented that will establish clear guidelines around what access rights are provided to each staffing position; and	30 April 2022

	mandate the annual review of all user access rights.	
The Allocation methodology for rate payments should be agreed upon and documented within the Annual Rating Services Agreement	Simpson Grierson were engaged in November 2021 to draft up a variation to the current rating services agreement to document the agreed allocation methodology for rates payments, and in particular in the instance rates assessments are part paid. The wording provided by Simpson Grierson will be incorporated into all of the 2022-23 Rating Services Agreement.	30 June 2022

2. The processes identified by Deloitte as having the potential to cause high or moderate risk to KDC systems and controls, but remedying actions are considered **not urgent** are:

KDCS management of its debt collection processes, reconciliations, sign off procedures, and reporting to NRC should be improved.	As part of the 2022-23 Rating Services Agreement renewal process, the General Manager Corporate Services will discuss the findings and recommendations of the Deloitte review with his counterpart at KDC, expressing an expectation that their service levels are improved. In addition, the Rating services Agreement will be amended to mandate that KDC provide an aged debtor analysis to NRC as part of their quarterly rating reconciliation report.	30 June 2022

Attachments/Ngā tapirihanga

Attachment 1: Rating Review of Kaipara District Council -Deloitte Report, March 2022 ⇩ 📄

Northland Regional Council
Rates review – Kaipara District Council
March 2022

Deloitte.

17 March 2022

Simon Crabb
Finance Manager,
Northland Regional Council
Private Bag 9021
Whangarei 0148

Dear Simon,

You have asked us to extend our audit scope in order for us to assist you with reviewing the rates processes and controls at Kaipara District Council ("KDC"), in our capacity as auditor of Northland Regional Council ("NRC").

We have completed this work and are pleased to include our findings within this report.

Specifically the scope of the work included:

- Obtaining an understanding of the processes and testing key controls at KDC in relation to maintaining the Rating Information Database (RID);

- Obtaining an understanding of the processes and testing key controls at KDC in relation to rates collected, postponed, remitted, and the addition of penalties;

- Obtaining an understanding of the key steps performed at KDC to collect overdue rates and penalties;

- Obtaining an understanding the steps involved in the preparation of the quarterly reconciliation spreadsheet that is reported by KDC to NRC;

- Summarising the information in a detailed flowchart, which identifies all process steps and controls, for discussion and confirmation with KDC management;

- Having due consideration for the results of this testing and the appropriate design and effective implementation of controls, making recommendations as to opportunities for improvement, which may include simplification and streamlining; and

- Finalising our recommendations in a management letter report.

We have prepared this report solely for the use of NRC and it would be inappropriate for this report to be made available to third parties. If such a third party were to obtain a copy without our prior written consent, we would not accept responsibility for any reliance that they might place on it. The recommendations in this report should be assessed by you for their commercial implications before

being implemented; NRC and KDC are responsible for systems of internal control.

Whilst we have completed our procedures as an extension of our audit scope, they do not in themselves constitute a reasonable or limited assurance engagement, and we express no opinion or assurance in respect of rates processes and controls at KDC.

We would like to take this opportunity to extend our appreciation to management and staff at KDC for their assistance and cooperation during the course of our work to date.

Yours faithfully,

Peter Gulliver
Partner
for Deloitte Limited
On behalf of the Auditor-General

Executive summary

Executive summary

Objectives

The objective of this engagement was to undertake a review of the rates revenue collection processes undertaken by the Kaipara District Council on behalf of the Northland Regional Council.

Procedures

In order to meet the objectives of the engagement, we have performed the following procedures:

- Obtain an understanding of the rating process as a whole, including input of rates in MAGIQ (Rating Information Database), calculation of rates, dispatch of rates notices, collection and allocation of payments, penalties, refunds, remissions, and postponements;

- Test the design and implementation of controls through sample testing, in relation to the above-mentioned processes;

- Obtain an understanding of the process by which KDC collects and writes off overdue rates;

- Identify improvements and provide recommendations on controls and processes;

- Review the process by which the Quarterly Rates Reconciliation is prepared by KDC and reported to NRC;

- Obtain an understanding of the key controls with respect to the KDC's maintenance of MAGIQ, including appropriate user access.

Conclusion

We have identified a number of areas where processes can be improved and have noted these in our report.

There are two findings that we consider require immediate attention. Firstly, there is an extremely high number of staff (80+) having Rates Administrator (highest level) and Rates Officer (second highest level) level of access to the Rates module of KDC's Ratings Database (MAGIQ). The administrator access in particular has a high level of editability. Secondly, when payments are received from ratepayers, the system logic allocates this first to all KDC rates, before being allocated to NRC rates. This system logic built into MAGIQ has not been formalised between the two Councils in the services agreement.

We have classified our findings based on severity of High, Moderate, and Low. This is based on professional judgement to assess the extent to which deficiencies could have an effect on the performance of systems and controls of a process to achieve an objective.

Executive summary

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- Test the design and implementation of controls through sample testing, in relation to the above-mentioned processes;

- Obtain an understanding of the process by which KDC collects and writes off overdue rates;

- Identify improvements and provide recommendations on controls and processes;

- Review the process by which the Quarterly Rates Reconciliation is prepared by KDC and reported to NRC;

- Obtain an understanding of the key controls with respect to the KDC's maintenance of MAGIQ, including appropriate user access.

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There are two findings that we consider require immediate attention. Firstly, there is an extremely high number of staff (80+) having Rates Administrator (highest level) and Rates Officer (second highest level) level of access to the Rates module of KDC's Ratings Database (MAGIQ). The administrator access in particular has a high level of editability. Secondly, when payments are received from ratepayers, the system logic allocates this first to all KDC rates, before being allocated to NRC rates. This system logic built into MAGIQ has not been formalised between the two Councils in the services agreement.

We have classified our findings based on severity of High, Moderate, and Low. This is based on professional judgement to assess the extent to which deficiencies could have an effect on the performance of systems and controls of a process to achieve an objective.

Findings and recommendations

Findings and recommendations

We have made the following observations during our fieldwork and the implication they may have on the rates process, and suggested recommendations to mitigate the risks of misstatement:

Finding	Severity	Implications	Recommendation
There are too many user accounts with Administrator and Officer access to the Rates Module of the Ratings Database (MAGIQ). There are 93 accounts with Rates Administrator access and 80 accounts with Rates Officer access.	High	The system is vulnerable to unauthorised changes due to a high number of employees having the Rates Administrator level of access which allows for significant changes to the Rates module of MAGIQ	We recommend a thorough process to identify the users who have the Administrator and Officer access to determine if it is appropriate based on their level and duties. Access should be updated subsequently as necessary. Additionally, we recommend an IT User Access Policy is put in place to ensure there are clear guidelines on which type of user access each staff member should receive and also mandates the review of user access on a regular basis. **KDC Response:** Accept the recommendation
MAGIQ allocates payments of rates first to all KDC rates then allocates them to the NRC rates. This is based on the numerical values given to each rate type in MAGIQ and rates are applied chronologically in the system.	Moderate	When a ratepayer makes a payment, the payment is first applied to the oldest KDC rates balance first, before applying to the oldest NRC balance. Hence, in the event of a partial payment, the NRC balances will be have a proportionately higher balance unallocated. Furthermore, when rates balances for particular ratepayers are older than six years, the NRC rates will be impacted with a proportionately higher write-off than KDC.	We recommend that NRC and KDC agree on an appropriate allocation methodology and formalise this in the Rating Services Agreement. The system logic in MAGIQ should then be updated to reflect what is agreed between NRC and KDC. **KDC Response:** KDC will investigate further to understand the impact.

Findings and recommendations

We have made the following observations during our fieldwork and the implication they may have on the rates process, and suggested recommendations to mitigate the risks of misstatement:

Finding	Severity	Implications	Recommendation
There are too many user accounts with Administrator and Officer access to the Rates Module of the Ratings Database (MAGIQ). There are 93 accounts with Rates Administrator access and 80 accounts with Rates Officer access.	High	The system is vulnerable to unauthorised changes due to a high number of employees having the Rates Administrator level of access which allows for significant changes to the Rates module of MAGIQ	We recommend a thorough process to identify the users who have the Administrator and Officer access to determine if it is appropriate based on their level and duties. Access should be updated subsequently as necessary. Additionally, we recommend an IT User Access Policy is put in place to ensure there are clear guidelines on which type of user access each staff member should receive and also mandates the review of user access on a regular basis. **KDC Response:** Accept the recommendation
MAGIQ allocates payments of rates first to all KDC rates then allocates them to the NRC rates. This is based on the numerical values given to each rate type in MAGIQ and rates are applied chronologically in the system.	Moderate	When a ratepayer makes a payment, the payment is first applied to the oldest KDC rates balance first, before applying to the oldest NRC balance. Hence, in the event of a partial payment, the NRC balances will be have a proportionately higher balance unallocated. Furthermore, when rates balances for particular ratepayers are older than six years, the NRC rates will be impacted with a proportionately higher write-off than KDC.	We recommend that NRC and KDC agree on an appropriate allocation methodology and formalise this in the Rating Services Agreement. The system logic in MAGIQ should then be updated to reflect what is agreed between NRC and KDC. **KDC Response:** KDC will investigate further to understand the impact.

Findings and recommendations – contd.

Finding	Severity	Implications	Recommendation
The quarterly NRC rates reconciliation is not reviewed at KDC prior to being shared with NRC	Moderate	There is an increased risk of undetected errors in a complex and manually prepared document where there is no layer of internal review.	We recommend that the reconciliation is reviewed by someone in the finance team other than the preparer. We understand KDC is looking to hire someone whose duties will include preparation of the reconciliation, which will then be reviewed either by the Revenue Manager or the Finance and Risk Manager. **KDC Response:** Position has been filled, upskilling in progress. Reconciliations will be reviewed by Revenue Manager in future.
Some control checks performed are not documented	Moderate	Where control processes are completed but neither the performance nor oversight of those processes is documented, there is no evidence that the processes have been performed. This could result in important controls not being completed, increasing the risk of error.	Checks performed as part of the rating process which constitute controls should be documented in order to evidence that they have been completed, for example when checking the application of penalties in MAGIQ by checking one property with and one property without penalties. **KDC Response:** Documentation will be improved

Appendix

Appendix: Testing of internal controls

We identified relevant controls at each step of the rates process, considered how they were designed and implemented in relation to the risks in the process, and tested a sample of items for each control to determine whether they were operating effectively

Control description	Results of testing
1. The Revenue Team maintain a spreadsheet to detail the subdivision history for land/property in order to reconcile the various subdivisions in future values, to ensure the total land size agrees	We obtained KDC's QV EDE subdivision workpaper prepared and maintained by the Finance & Revenue Administrator as at November 2021. The workpaper details the original land's valuation number, legal name, and total land size, and reconciles the subdivision of this land with details of the new lots land size and their new valuation numbers. A reconciliation is completed between the original land size and the sum of the new sub-divisions, with any variances calculated. KDC had concluded that the variances between the original land size and sum of the sub-divisions were insignificant.
2. The Revenue Team can accept or decline the changes made by QV, and can manually double check all titles are being included, manually alter rates, and query with QV (the valuers) if they consider something to be incorrectly provided	We performed a walkthrough whereby the Finance & Revenue Administrator demonstrated this process in MAGIQ.
3. A monthly reconciliation is prepared to ensure alignment between QV and MAGIQ	We obtained KDC's EDE QV Reconciliation Workpaper prepared by the Finance & Revenue Administrator and sent to the Revenue Manager for review and approval. We obtained the October 2021 workpaper. Within the Summary of Values, we identified comments made by the preparer in regards to property values or variances which required further investigation.
4. The upcoming NRC rates uploaded in MAGIQ are reviewed by the NRC Finance Manager	We obtained the e-mail sent from the KDC Revenue Manager to the NRC Finance Manager - NRC on 10 July 2021 with the RLN report attached and as at the same date including NRC's rates extracted from MAGIQ. We also obtained evidence of approval from NRC Finance Manager.
5. A reconciliation is prepared daily once the cash and EFTPOS transactions have been transferred to the bank, with the reconciliation taking place between the bank summary and daily run file. Any variances resulting from the reconciliation are queried. A ledger is also kept for each run file that goes out of the system	We obtained an example of KDC's run file and agreed the cash transaction on 3/12/21 for one ratepayer to the rates transaction reports provided from MAGIQ. Additionally, we obtained KDC's cash receipts and banking spreadsheets for the Dargaville, Mangawhai and Lakes Campground branches, providing the daily till summaries. We agreed the Dargaville banking spreadsheet and till summary on 03/12/2021 to the Dargaville run file on the same date, with the cash and EFTPOS transactions for the day.

Appendix: Testing of internal controls – contd.

Control description	Results of testing
6. A reconciliation is performed for direct debit transactions between KDC's bank account, the direct debit report, and the rates report, which is reviewed and approved by the Revenue Manager	We obtained an e-mail sent from the Revenue Manager to the Revenue Administrator on 2 December 2021 approving the direct debits KDC has received and evidencing their authorisation with the bank. The daily direct debit transaction summary/report from BNZ was attached to the e-mail, outlining the total amount received during the period, the authorisation code and the number of transactions included in the one bulk transaction to be paid to KDC. The DD run PDF attached was also combined with two further documents for reconciliation purpose as part of the Revenue Manager's review. Firstly, a line-by-line break-down of the direct debits received, from whom, their bank account number, the amount transferred, and their previous outstanding balance. Secondly, a copy of the weekly rates report which details the ratepayer, their direct debit frequency, next due date and amount, bank account details, and total amounts owing. We agreed the rates portion of the total direct debits received on 18/01/2022 based on the three documents included in the DD run PDF.

Additionally, we tested 10 ratepayer accounts and agreed the opening balance, rates due for the year, penalties due for the year (if applicable) per MAGIQ to the invoice sent to the Ratepayer. We agreed any payments made via bank deposit to relevant bank statements, MAGIQ, and invoices. |
| 7. Every quarter, NRC penalties are sent for approval to the NRC Finance Manager | We obtained a Rates Statement and supporting email which has been signed off and approved by the NRC Finance Manager regarding the portion of NRC penalties applied for the quarter ended 30 Sep 2021. |
| 8. Refund requests require approval from the Revenue Manager. A second signature is also required for the authorisation of the refund banking template to be provided to BNZ for processing | We obtained a refund request which was reviewed and processed by the Senior Revenue Officer and approval from the Revenue Manager. The request for refund form details the following: date, name, debtor number, address and contact details, the refund amount, reason for refund, bank details for transfer, the officer requesting the refund and the manager to authorise. The bank statement transaction is also attached below the request for refund form when submitted for approval. For the sample provided, we agreed the refund request amount (submitted 26/11/20) to the bank statement transaction on 25/11/21 and the nature of the transaction supports the reason for refund.

We also obtained refund payments processed on 07/09/2021 and 21/09/2021, both of which evidence that these refunds received authorisation from two different authorisers. |

Appendix: Testing of internal controls – contd.

Control description	Results of testing
9. An internal control sheet is maintained to ensure refunds in process are not lost or duplicated	We obtained KDC's refund tracker spreadsheet. The spreadsheet details the ratepayer, the type of rate, refund amount, account code, reason for refund request, and the staff processing the refund
10. Remission applications are checked by the Revenue Team and the related journals are approved by the KDC Revenue Manager and NRC Finance Manager before processing on MAGIQ	We tested five ratepayers that are currently receiving remissions. For each ratepayer, we noted the reason for the remission and checked KDC's Remissions and Postponement Policy. We noted that there is no documentation available for four out of the five ratepayers as those remissions have been provided for over 15 years. For the one sample that recently received a remission we obtained e-mail communication from the Senior Revenue Officer to the ratepayer to obtain information such Charities Number, IRD No, and NZBN to confirm their status on 14/6/21. We inspected evidence of approval by the Revenue Manager on 14/6/21.
11. Rates rebate applications forms are checked by the Revenue Team for accuracy and completeness as well as check the valuation number against the property and print-off the relevant support required	We tested three Rates Rebate Application Forms submitted to KDC. These detail the ratepayers name, address, rates, and a declaration. These samples were all marked as received. We tested one form by obtaining the related rebate change log and MAGIQ maintenance and inquiry log; we agreed the requested rebate per the form to the logs for this ratepayer. We obtained confirmation that the application forms have been checked for completeness by the Revenue Team and that the various supporting documentation if available to the reviewer. A reconciliation of the Rebate GL is also maintained and analysed against the DIA data and MAGIQ.
12. Statute barred write-offs related to NRC are reviewed by the NRC Finance Manager before they are updated on MAGIQ	We obtained an e-mail from the Senior Revenue Officer on 16 June 2021 to the NRC Finance Manager which attached the listing of 2015 NRC Rates that are to be written-off ($36,598). We obtained the confirmation email with approval from the NRC Finance Manager.
9. The Quarterly NRC Rates Reconciliation is prepared by the Finance & Risk Manager using MAGIQ generated Rates Statements.	We performed a walkthrough of the preparation of the NRC Rates Reconciliation Master Sheet with the KDC Revenue Manager. We noted that data in the Rates Statement for the Quarter Ended 30/9/21 generated by MAGIQ is used in the preparation of the Quarterly NRC Rates Reconciliation. Although there is some data re-arranging performed to align the data with the template, we agreed the inputs back to the system generated Rates Statement. We agreed the balance to the GL and Bank Statement.

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TITLE:	**Internal Audit Maturity Assessment**
From:	Bruce Howse, Pou Taumatua – Group Manager Corporate Services
Authorised by Group Manager/s:	Bruce Howse, Pou Taumatua – Group Manager Corporate Services, on 09 March 2022

Executive summary/Whakarāpopototanga

Deloitte have undertaken an internal audit (IA) maturity review of NRC (**attached**).

The maturity of NRC's IA function was assessed at an overall level of 2 out of 5 (5 being the highest maturity level). The report provides several recommendations for NRC to improve its IA maturity to a level of between 3-4 which is considered an appropriate level for NRC.

The Corporate Strategy Team has been tasked with the development of a roadmap to increase our maturity rating in line with the recommendations in the report and ensuring that roadmap is progressively implemented over time. We expect it will take us several years and some additional resourcing to increase our maturity to a level of between 3-4 score, however this will be further refined once the roadmap has been completed. This work aligns with the quality systems refresh work that the Continuous Improvement group have been undertaking, which should further enhance NRC's IA maturity.

Recommendation(s)

1. That the report 'Internal Audit Maturity Assessment' by Bruce Howse, Pou Taumatua – Group Manager Corporate Services and dated 12 January 2022, be received.

Attachments/Ngā tapirihanga

Attachment 1: Internal Audit Maturity Report - Final ⇩ 🗎

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Internal Audit Maturity Review
Northland Regional Council

February 2022

Executive Summary

Background and context

Northland Regional Council (NRC) manages the air, land, freshwater and coastal reserves of the Northland region. It also has a significant role in co-ordinating civil defence, transport and economic development across the region. NRC employs approximately 260 full time equivalent staff, it is facing many of the same challenges as larger councils across New Zealand, but with relatively fewer resources. These challenges include the ongoing risks and impacts of the COVID-19 pandemic, changes from the proposed Local Government and Three Water reforms, staff recruitment and retention pressures, and cyber security threats. A well functioning Internal Audit (IA) function can play a critical role in helping NRC navigate these risks, ensuring it is appropriately prepared for and managing them while still accomplishing its objectives and delivering value to the Northland community.

NRC requested Deloitte, in our capacity as auditor for and on behalf of the Office of the Auditor General, to perform a review of the maturity of its current IA function and capabilities. NRC's objective from this review was to gain an understanding of the maturity of its current IA function and capabilities against our knowledge of industry good practice and identify any improvement opportunities to enhance the IA function.

Assessment of NRC's IA maturity

NRC has taken some positive steps to improve its IA maturity over the last 12 months. Interviewees commented on the notable advances to strengthen assurance capability and processes within the organisation and formalising methodology, processes and performance. Some of these advances include:

- Improved structure in NRC's approach to IA and assurance activities, including the development of a formalised IA programme;

- Implementation and performance of a suite of assurance activities internally, such internal audits of non-corporate functions, and business unit benchmarking against other local government entities;

- Development of an internal quality assurance system; and

- Efforts to improve understanding and visibility of organisational risks through the implementation of the Promapp system and completion of a risk maturity assessment using the *All of Government Enterprise Risk Management Framework*.

While the changes have been positive, NRC's IA function is a developing one with room for improvement in many aspects of its IA methodology and tools. Its practices are less mature than our experience of good practice observed from other clients of similar size and risk profile across New Zealand (local government and broader public sector entities).

Using Deloitte's 5P assessment model, we consider that the maturity of NRC's IA function to be at an **overall level 2 of 5**, where 5 is innovating in relation to NRC's organisational objectives and risk profile. It is appropriate for a relatively small IA function to operate between a target maturity of 3 and 4 for aspects of its function and activities, recognising that a higher maturity implies higher levels of automation and continuous enhancement which are typically found in much larger and complex IA functions. They also require greater levels of investment to sustain.   Our recommendations for helping to NRC to improve and uplift the maturity of the IA function are aligned with this target state of between 3 and 4. Refer to page 4 for detailed insights and recommendations, and page 5 for further details on NRC's current IA maturity levels.

1. Basic
2. Developing
3. Defined
4. Mature
5. Innovating

Legend: ▢ Current overall maturity   ▢ Target maturity

Northland Regional Council Internal Audit Maturity Review | Executive Summary

Objective, Scope and Approach

Northland Regional Council ("NRC" or "you") requested Deloitte perform a review of the maturity of your current Internal Audit function (IA function) and capabilities. The objective was to review NRC's current IA function to:

• Gain an understanding of the maturity of NRC's IA function and capabilities against industry peers and our knowledge of industry good practice; and

• Identify any improvement opportunities to enhance the IA function.

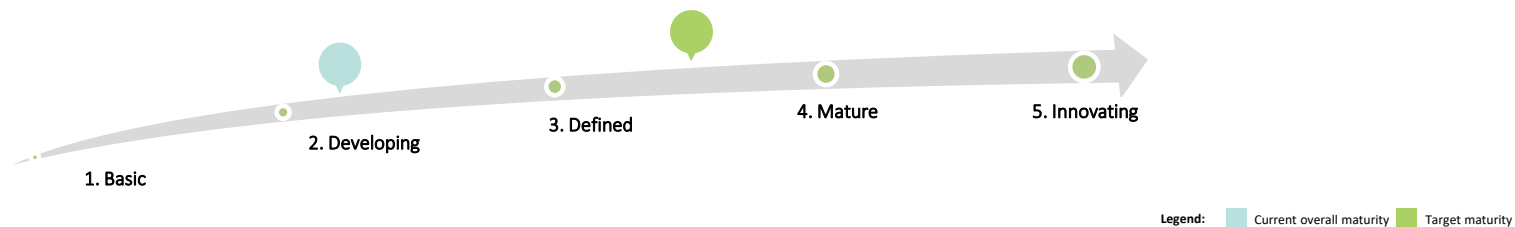The scope of our work was to identify the current state of NRC's IA function and supporting processes. This included informal benchmarking based on relevant aspects of Deloitte's External Quality Assessment (EQA) tool and our own experience of performing similar work with organisations across New Zealand.

Our methodology for this review was based on our proven "5Ps" model within the EQA tool. The 5P model provides a framework with which we provided a view on the effectiveness of NRC's IA function against relevant attributes underlying each of the five areas – Purpose & Remit, Position & Organisation, Process & Technology, People & Knowledge and Performance & Communication. Our 5Ps framework is designed to consider all aspects of the International Professional Practice Framework (IPPF) including the CIIA's Standards and Code of Ethics.

"5Ps" model	**PURPOSE**	**POSITION**	**PEOPLE**	**PROCESS**	**PERFORMANCE**
	The function's strategy, role and remit with respect to assuring, advising on, and anticipating risk.	The function's standing within the organisation, its brand, objectivity and coordination with other lines of defence.	The function's skills, capabilities, approach to resourcing and people management activities.	The maturity of the function's practices, including how it leverages digital technologies to maximise impact.	The way the function communicates, monitors quality and manages its own performance.

Our 5Ps model, in addition to our practical experience of working with other IA functions across New Zealand, provides an objective benchmark for NRC to assess its current IA function and activities.

In delivering our work we performed the following:

• Met with key NRC stakeholders including the General Manager for Corporate Services and the Corporate Systems Champion.

• Reviewed relevant documentation including the current Internal Audit Plan, Audit and Risk Subcommittee reporting and other internal audit related artefacts.

• Reviewed the maturity of NRC's IA function against relevant elements of Deloitte's "5Ps" model.

• Considered and reviewed NRC's IA function and ways of working against expected and leading practice.

• Prepared a management letter (this document) summarising the results of our review and recommendations on priority areas for improvement.

• Sought management feedback on our draft deliverable and issued a final letter to management and the Audit and Risk Subcommittee.

Insights and Recommendations

We identified the following opportunities for improving NRC's IA function. The insights are based on our independent review of the function's practices, review of selected artefacts, and feedback gained through our stakeholder interviews. Our prioritised recommendations are predominately in the areas of *People and Organisation, Purpose and Remit* and *Process and Technology* (5 Ps). Each improvement opportunity is intended to support NRC to uplift its IA function and capabilities with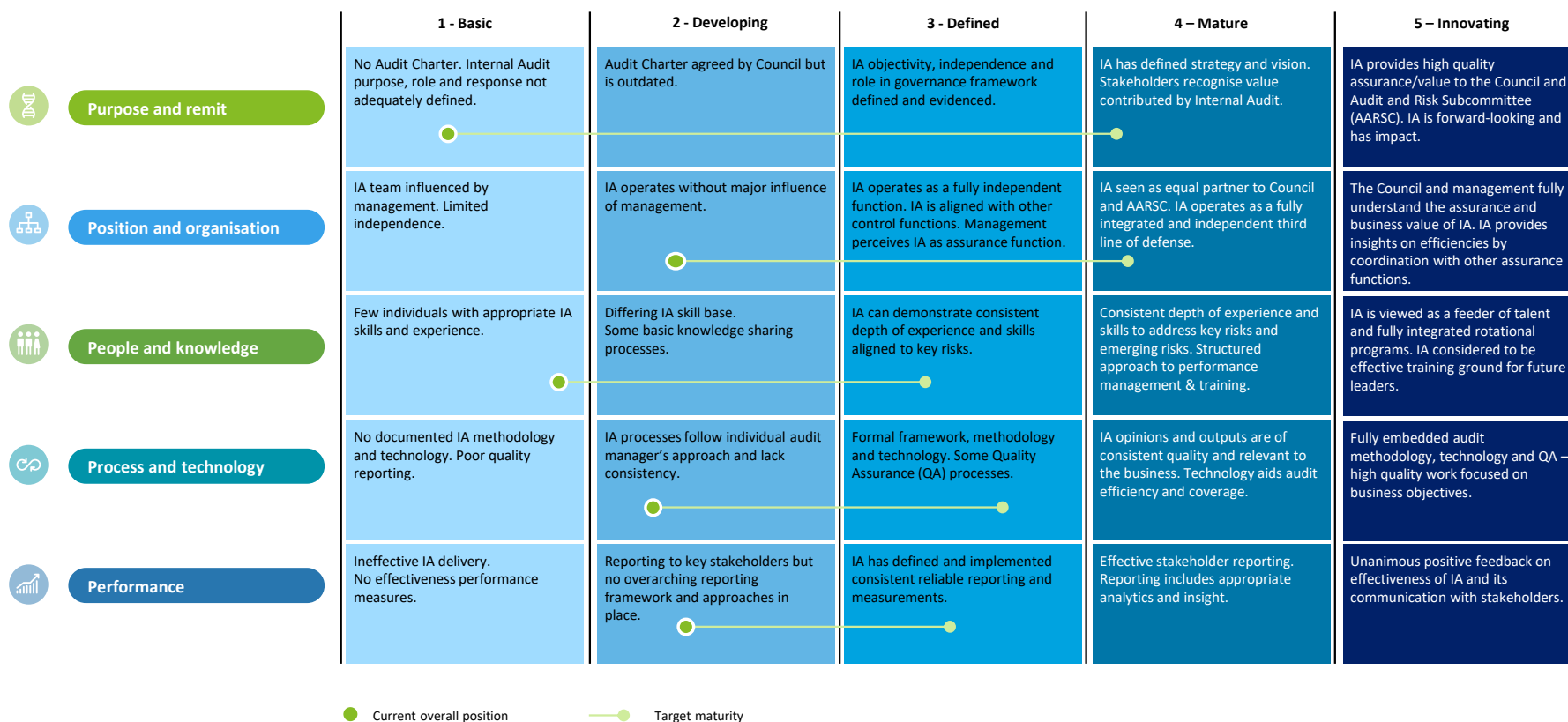 a focus on both quick wins and longer term enhancements. In our view the $50k budget currently allocated to IA may be insufficient to implement some of our recommendations and management may need to consider additional investment or reprioritisation of initiatives.

	Opportunity	Recommendation
Position and organisation	**1. Increased senior leadership engagement in IA and assurance activities** There is limited engagement from the Executive Leadership Team (ELT) in the development or activities of the IA function. Significant effort has been applied over the past 12 months to increase the ELT's awareness and understanding of the IA function and how it can deliver value to NRC and its operations. However, this has not eventuated into tangible actions from ELT to help develop the IA function. This would suggest that buy-in and awareness of the IA value proposition is limited. The IA function could potentially play a significant role in helping NRC improve the effectiveness and efficiency of its operations, and provide important feedback on key risks.	a) Define the roles of ELT and the Audit and Risk Subcommittee with respect to governance, oversight and accountability of the IA function while maintaining an appropriate degree of independence; b) Actively engage the ELT in discussions around the business/control areas, risks and processes where they see the most value in applying an independent and objective lens; and c) Consider engaging external expertise to facilitate the development of a clear and agreed understanding of the IA function's position in the organisation.
Purpose and remit	**2. Critically assess NRC's key risks** We observed limited consideration of NRC's key organisational risks and the role of IA in addressing these. Despite having assessed its enterprise risk management maturity, NRC has not taken steps to critically assess and examine its key risks and how to appropriately mitigate/treat these. IA can play a key role in providing ELT and the Audit and Risk Subcommittee with confidence that NRC has appropriate controls in place to minimise its exposure to key risks. Conducting a risk identification and assessment exercise can help NRC to ensure that IA activities appropriately address key risks and are properly aligned to NRC's objectives and organisational strategy.	d) Identify and critically assess NRC's key risks, including the impact and likelihood of those risks on NRC and its operations. This should include mapping the identified risks against the organisational structure, for NRC to identify which areas of the business are most at-risk and where assurance activity should be prioritised; e) Prioritise identified risks using NRC's risk rating criteria; and f) Periodically revisit the risk assessment and prioritisation to ensure that it remains accurate and appropriately informs IA activities.
Process and technology	**3. Adopt a risk-based approach to IA planning and activities** NRC's current IA function and plan have been delivered and developed by NRC's Finance team with limited consultation or input from ELT, the Audit and Risk Subcommittee or its external IA outsourced partners. As such, the focus of IA activities is squarely on finance processes and compliance, and isn't fully aligned with NRC's organisational objectives, strategy or business areas and risks. By implementing our recommendations in (2) above, this will result in a more relevant and risk-informed IA strategy and plan that better aligns with NRC's organisational strategy, priorities and key risk areas. This can help NRC to deliver greater value and focus impact from fewer, but deeper, reviews.	g) Re-orientate NRC's IA function and focus to be less compliance orientated and more focused on improving business performance, capability and value; h) Develop an IA plan that targets and prioritises reviews of the areas with the highest risk as identified in the risk assessment in finding 2 above; and i) Throughout the delivery of the IA plan, periodically revisit the scheduling and scope of reviews to ensure that it remains appropriate and risk levels remain accurate. If required, re-prioritise reviews where there have been changes in risks.
Purpose and remit	**4. Formalise the IA function and its role within the organisation** NRC has not adequately defined mandate, purpose, role and responsibilities of the IA function. We understand that the current IA function has evolved in a largely organic manner, rather that out of a deliberate and planned approach. As a result, it lacks the formalisation and structure we would expect to see in an IA function. By casting a critical eye over key aspects of NRC's existing IA governance, methodology, processes and capabilities, NRC can better position itself to be able to enhance its IA maturity and drive value to the organisation.	j) Examine and define the mandate of the IA function. This should include consideration of the services it should provide and what its priorities should be. k) Develop a clear vision and strategy for the IA function that aligns with its mandate and is clearly linked to NRC's organisational goals; and l) Develop an implementation plan to achieve the vision and strategy and measure and monitor progress and effectiveness.

Northland Regional Council Internal Audit Maturity Review | Current Maturity and Target Maturity

Current Maturity and Target Maturity

We have set out below an overview of our assessment of NRC's IA maturity relative to our assessment framework and industry practices. Our overall conclusion is that NRC's IA function is a **developing** function (Level 2). Its practices are less mature than most local government bodies and organisations that are typically seen as a good practice reference point. Albeit, the organisations that are seen as good practice are generally larger than NRC. There are opportunities to uplift the maturity of NRC's IA function to enable NRC to elevate the function's impact and influence across the Council. The table below shows the function's current maturity and target maturity for each dimension, with summary observations. Further detail can be found the insights and recommendations section of this report.

	1 - Basic	2 - Developing	3 - Defined	4 – Mature	5 – Innovating
Purpose and remit	No Audit Charter. Internal Audit purpose, role and response not adequately defined.	Audit Charter agreed by Council but is outdated.	IA objectivity, independence and role in governance framework defined and evidenced.	IA has defined strategy and vision. Stakeholders recognise value contributed by Internal Audit.	IA provides high quality assurance/value to the Council and Audit and Risk Subcommittee (AARSC). IA is forward-looking and has impact.
Position and organisation	IA team influenced by management. Limited independence.	IA operates without major influence of management.	IA operates as a fully independent function. IA is aligned with other control functions. Management perceives IA as assurance function.	IA seen as equal partner to Council and AARSC. IA operates as a fully integrated and independent third line of defense.	The Council and management fully understand the assurance and business value of IA. IA provides insights on efficiencies by coordination with other assurance functions.
People and knowledge	Few individuals with appropriate IA skills and experience.	Differing IA skill base. Some basic knowledge sharing processes.	IA can demonstrate consistent depth of experience and skills aligned to key risks.	Consistent depth of experience and skills to address key risks and emerging risks. Structured approach to performance management & training.	IA is viewed as a feeder of talent and fully integrated rotational programs. IA considered to be effective training ground for future leaders.
Process and technology	No documented IA methodology and technology. Poor quality reporting.	IA processes follow individual audit manager's approach and lack consistency.	Formal framework, methodology and technology. Some Quality Assurance (QA) processes.	IA opinions and outputs are of consistent quality and relevant to the business. Technology aids audit efficiency and coverage.	Fully embedded audit methodology, technology and QA – high quality work focused on business objectives.
Performance	Ineffective IA delivery. No effectiveness performance measures.	Reporting to key stakeholders but no overarching reporting framework and approaches in place.	IA has defined and implemented consistent reliable reporting and measurements.	Effective stakeholder reporting. Reporting includes appropriate analytics and insight.	Unanimous positive feedback on effectiveness of IA and its communication with stakeholders.

● Current overall position   ●— Target maturity

Northland Regional Council Internal Audit Maturity Review | Statement of Responsibility

Statement of Responsibility

The procedures that we performed did not constitute an assurance engagement in accordance with New Zealand Standards for Assurance engagements, nor did it represent any form of audit under New Zealand Standards on Auditing, and consequently, no assurance conclusion or audit opinion is provided. The work was performed subject to the following limitations:

- Our assessments are based on observations from our review and sample testing undertaken in the time allocated. Assessments made by our team are matched against our expectations and best practice guidelines. This includes comparison with other similar processes we have assessed. This report offers recommendations for improvements and has taken into account the views of management, with whom these matters have been discussed.

- Because of the inherent limitations of any internal control structure, it is possible that errors or irregularities may occur and not be detected. The procedures were not designed to detect all weaknesses in control procedures as they were not performed continuously throughout the period and the tests performed are on a sample basis.

- Any projection of the evaluation of the control procedures to future periods is subject to the risk that the systems may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

- The matters raised in the deliverable are only those which came to our attention during the course of performing our procedures and are not necessarily a comprehensive statement of all the weaknesses that exist or improvements that might be made. We cannot, in practice, examine every activity and procedure, nor can we be a substitute for management's responsibility to maintain adequate controls over all levels of operations and their responsibility to prevent and detect irregularities, including fraud. Accordingly, management should not rely on our deliverable to identify all weaknesses that may exist in the systems and procedures under examination, or potential instances of non-compliance that may exist.

We have prepared this report solely for the use of Northland Regional Council. The report contains constructive suggestions to improve some practices which we identified in the course of our review procedures. These procedures are designed to identify control weaknesses and improvement opportunities, but cannot be relied upon to identify all weaknesses. We would be pleased to discuss any items mentioned in this report and to review the corrective action implemented by management.

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TITLE: Investment Policy Revision - Incorporate Protocols for Reporting Investment Fund Gains/Losses

From: Simon Crabb, Finance Manager

Authorised by Group Manager/s: Bruce Howse, Pou Taumatua – Group Manager Corporate Services, on 18 March 2022

Executive summary/Whakarāpopototanga

Council's Investment policy relates to all of council's investment asset classes, sets the overall investment objective, governs how investment risks are assessed and managed, **and how investments are reported upon.**

It is proposed to expand the reporting section within the investment policy to include how gains and losses from councils externally managed investment portfolio are recorded and presented in councils financial reporting.

The Audit and risk subcommittee are delegated the responsibility for monitoring and reviewing the Investment policy and recommending any policy changes to full council.

Recommendation(s)

1. That the report 'Investment Policy Revision - Incorporate Protocols for Reporting Investment Fund Gains/Losses' by Simon Crabb, Finance Manager and dated 15 March 2022, be received.

2. That the subcommittee endorse that the proposed changes presented in this report are incorporated into councils Investment Policy

Options

No.	Option	Advantages	Disadvantages
1	Incorporate the proposed protocols into the Investment policy	Improve transparency and understanding of how council recognises and reports its externally managed investment portfolio gains/losses. Help preserve key knowledge and promote consistency.	None.
2	Do not Incorporate the proposed protocols into the Investment policy	None.	Risk of inconsistent treatment and confusion over what is being reported.

The staff's recommended option is Number 1.

Considerations

1. Being a purely administrative matter, Community Views and Environmental Impact are not applicable.

2. **Māori impact statement**

   This report relates to a council administrative matter and therefore does not have a direct impact on Māori. Any potential impacts of future related decisions will be addressed in the relevant reports.

3. **Financial implications**

   This report promotes protocols in an effort to improve financial consistency and understanding

4. **Implementation issues**

   The Audit and Risk Subcommittee have delegated authority to review financial policies and recommend any policy changes to full council for adoption.

5. **Significance and engagement**

   In relation to section 79 of the Local Government Act 2002, this decision is considered to be of low significance when assessed against council's significance and engagement policy because it is part of council's day to day activities. This does not mean that this matter is not of significance to tangata whenua and/or individual communities, but that council is able to make decisions relating to this matter without undertaking further consultation or engagement.

6. **Policy, risk management and legislative compliance**

   The activities detailed in this report are in accordance with council's Treasury Management Policy, Investment Policy, and the 2021-31 Long Term Plan, all of which were approved in accordance with council's decision-making requirements contained in the Local Government Act 2002.

Background/Tuhinga

To improve the transparency and understanding of how council recognises and reports its externally managed investment portfolio gains/losses it is proposed the following protocols are incorporated into the Investment Policy.

The "illustrative examples" accompanying the protocols are provided to enhance understanding and are not intended for inclusion into the policy.

1. Gains

a. All Gains derived from councils managed fund portfolio will be recognised as revenue.

b. Any funding contribution (general and/or specific funding) requirement from gains will be booked in line with budget, with the remaining surplus gains recapitalised (reinvested back into the fund) by booking a transfer to reserve.

   (1bi) illustrative example

	YTD Actual	YTD Budget
Gains / (Losses)	1200	1000
Transfer from / (to) reserve	-(1000)	-(800)
General Funding	**200**	**200**

c.   If budgeted gains do not eventuate as per budget (on a year-to-date basis), any funding requirement is the first recipient of the gains and the recapitalised amount booked as a transfer to reserve is reduced.

(1ci) illustrative example

	YTD Actual	YTD Budget
Gains / (Losses)	800	1000
Transfer from / (to) reserve	-(600)	-(800)
General Funding	**200**	**200**

d.   In the case where there are insufficient gains to achieve the budgeted general funding requirement and this results in the net result after reserve transfers being unfavourable to budget, a transfer from the OPEX reserve should be booked. This may result in a crystallising/ cash withdrawal from councils OPEX reserved term deposits subject to cashflow requirements.

(1di) illustrative example

	YTD Actual	YTD Budget
Gains / (Losses)	100	1000
Transfer from / (to) reserve	0	-(800)
Transfer from OPEX Reserve	100	-
General Funding	**200**	**200**

e.   Should the balance of the OPEX reserve fall below the budgeted annual general funding requirement, council must remedy this byway of (but not limited to) utilising (crystallising/ withdrawing) historical managed fund gains, and/or revising, reducing, or deferring work programmes, and/or increasing rating revenue in the corresponding year.

f.   Inflationary pressures may deem some funds reserved for a specific purpose to receive a recapitalisation/reinvestment of gains in preference of contributing gains as a source of general funding.

2   Capital Losses

a. Any losses derived from councils managed fund portfolio will be recognised as negative revenue in councils' monthly management accounts, and as other expenditure in the annual statutory accounts (prepared in accordance with GAPP).

b. Should a managed investment fund experience a capital loss (negative gain) <u>throughout the year</u>, the negative impact of the capital loss will be reflected in councils net result after transfers to/from reserve. That is, a transfer from reserve to offset any capital loss <u>will not be booked</u> in the monthly accounts presented to council.

(2bi) illustrative example

	YTD Actual	YTD Budget	Variance (Unfav)
Gains / (Losses)	-(300)	1000	
Transfer from / (to) reserve	0	-(800)	
Transfer from OPEX Reserve	200	-	
General Funding	**-(100)**	**200**	**-(300)**

c. Should a managed investment fund register a capital loss (negative gain) over the <u>12 months of the financial year</u>, a transfer of historical gains will be booked to offset the loss, by way of a transfer from reserve at the end of the financial year. This is a non crystallised (non-cash) accounting entry.

(2ci) illustrative example

	YTD Actual	YTD Budget	Variance (Unfav)
Gains / (Losses)	-(300)	1000	
Transfer from / (to) reserve	300	-(800)	
Transfer from OPEX Reserve	200	-	
General Funding	**200**	**200**	**0**

Attachments/Ngā tapirihanga

Nil

| TITLE:	Local Government Funding Agency (LGFA) Presentation & Funding Strategy Considerations
From:	Simon Crabb, Finance Manager
Authorised by Group Manager/s:	Bruce Howse, Pou Taumatua – Group Manager Corporate Services, on 18 March 2022

Whakarāpopototanga / Executive summary

The Local Government Funding Agency (LGFA) presented the PowerPoint attached (refer **Attachment One)** to the Corporate Services and Finance Special Interest Group in March 2022.

Worthy of note is the graph shown below (taken from slide 4 of the PowerPoint) depicting the underlying cost of funds for the LGFA at **March 2022**
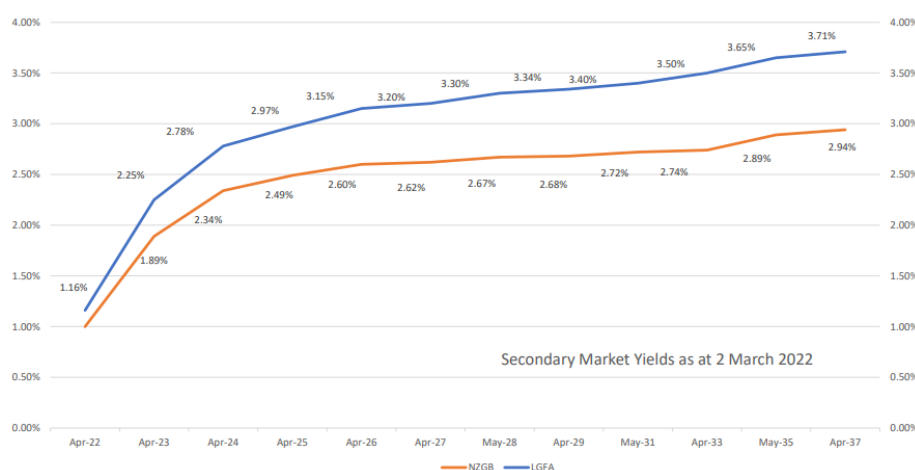
As a comparison, the **September 2021** version of the same graph is provided below, emphasising the upward movement in the underlying cost of borrowing, from only 6 months ago.
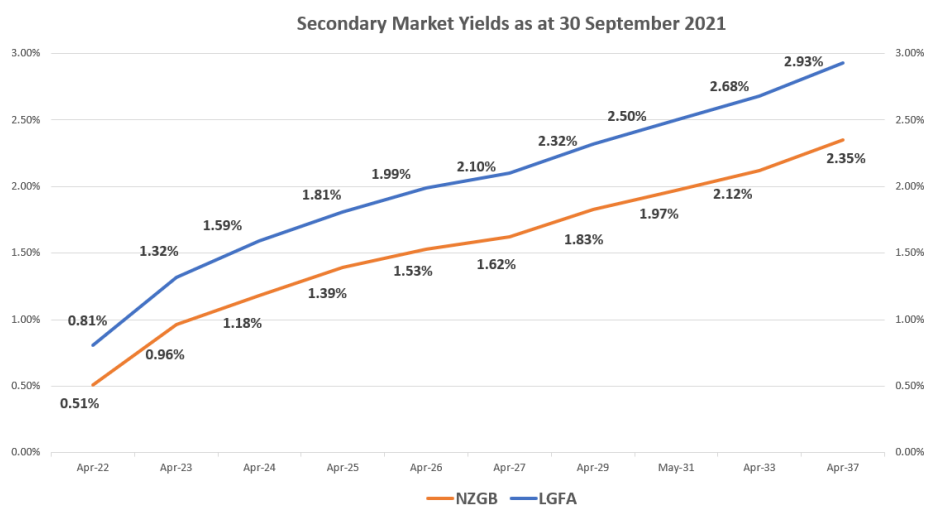
With the cost of borrowing on an upward trend, it is timely to remind the subcommittee of the principles and fundamental factors to consider when deciding whether a major project is funded by way of external borrowings or by using councils cash reserves. Either way the overarching principle is council should never earn less off its cash reserves than 6% over a 3-year period.

The flowchart below summarises the factors to be considered in deciding the funding mechanism for a project.
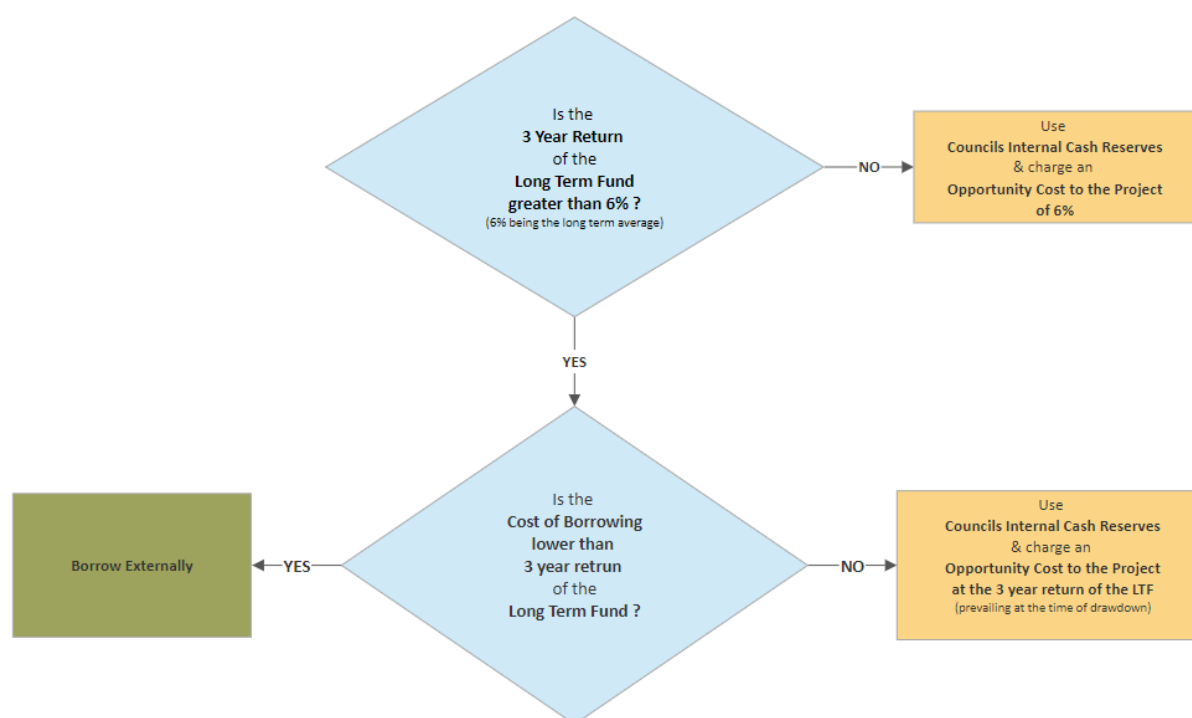
At the time of writing the 3-year return on the Long-Term Fund was 10%, and the LGFA rate for borrowings over 15 years was 4.06% - which would imply if council needed project funding today, they would take borrowings from the LGFA. However, with a steep rise anticipated in the cost of borrowings, current inflationary pressures, and the current volatility in the global financial markets, councils funding strategy may soon revert to one of using its own cash reserves.

It should also be noted that council has received a legal opinion in the past advising that in any given year council should not receive funding (e.g., Borrowings) in excess of what they are spending.

Ngā mahi tūtohutia / Recommendation

That the report 'Local Government Funding Agency (LGFA) Presentation & Funding Strategy Considerations' by Simon Crabb, Finance Manager and dated 17 March 2022, be received.

Background/Tuhinga

Attachments/Ngā tapirihanga

Attachment 1: Local Government Funding Agency (LGFA) Presentation - March 2022 ⇩ 📄

Finance and Corporate Services Special Interest Group

March 2022

LGFA MEMBER COUNCIL FINANCIAL RATIOS - AVERAGE

2021 Ranges
Net Debt to Revenue -155.6% to 206%
Net Interest to Revenue -15.9% to 7.8%
Net Interest to Rates -35.7% to 12.7%

Net Interest to Revenue (lhs) Net Interest to Rates (lhs) Net Debt to Revenue (rhs)
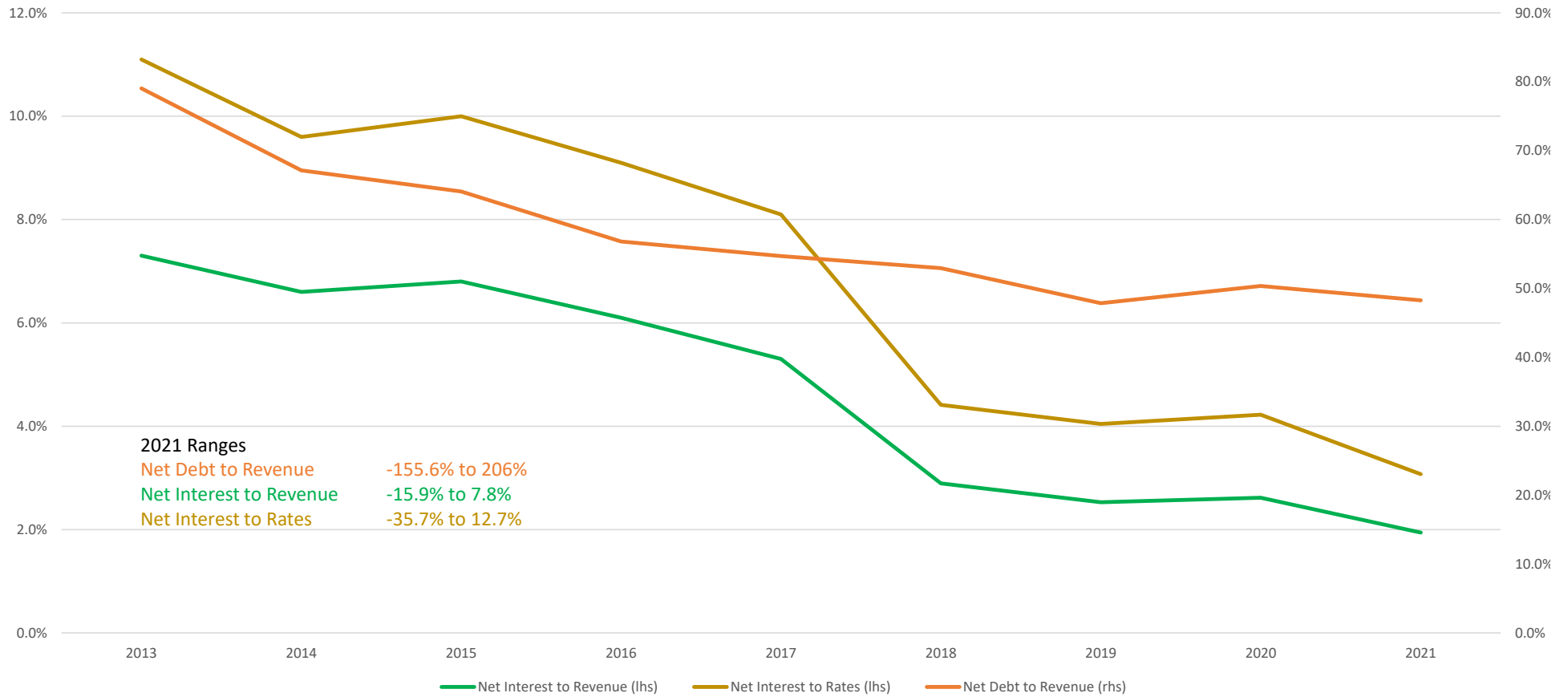
OCR, 3 MONTH BILLS, 5 YEAR + 10 YEAR NZ GOVT BOND YIELDS

LGFA

New Zealand Local
Government Funding Agency
Te Pūtea Kāwanatanga ā-roh

3
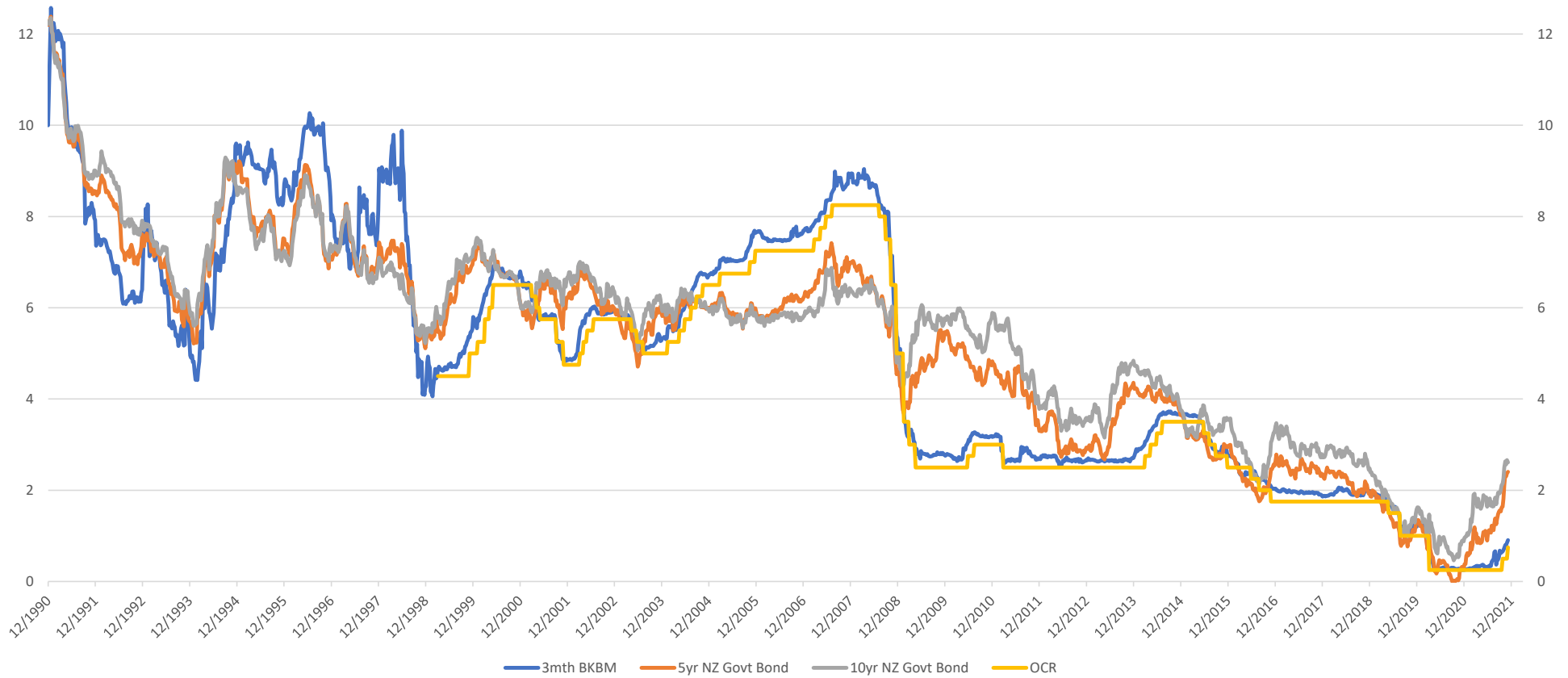
YIELD CURVES – NZGB AND LGFA

LGFA — New Zealand Local Government Funding Agency
Te Pūtea Kāwanatanga ā-rohe

Secondary Market Yields as at 2 March 2022
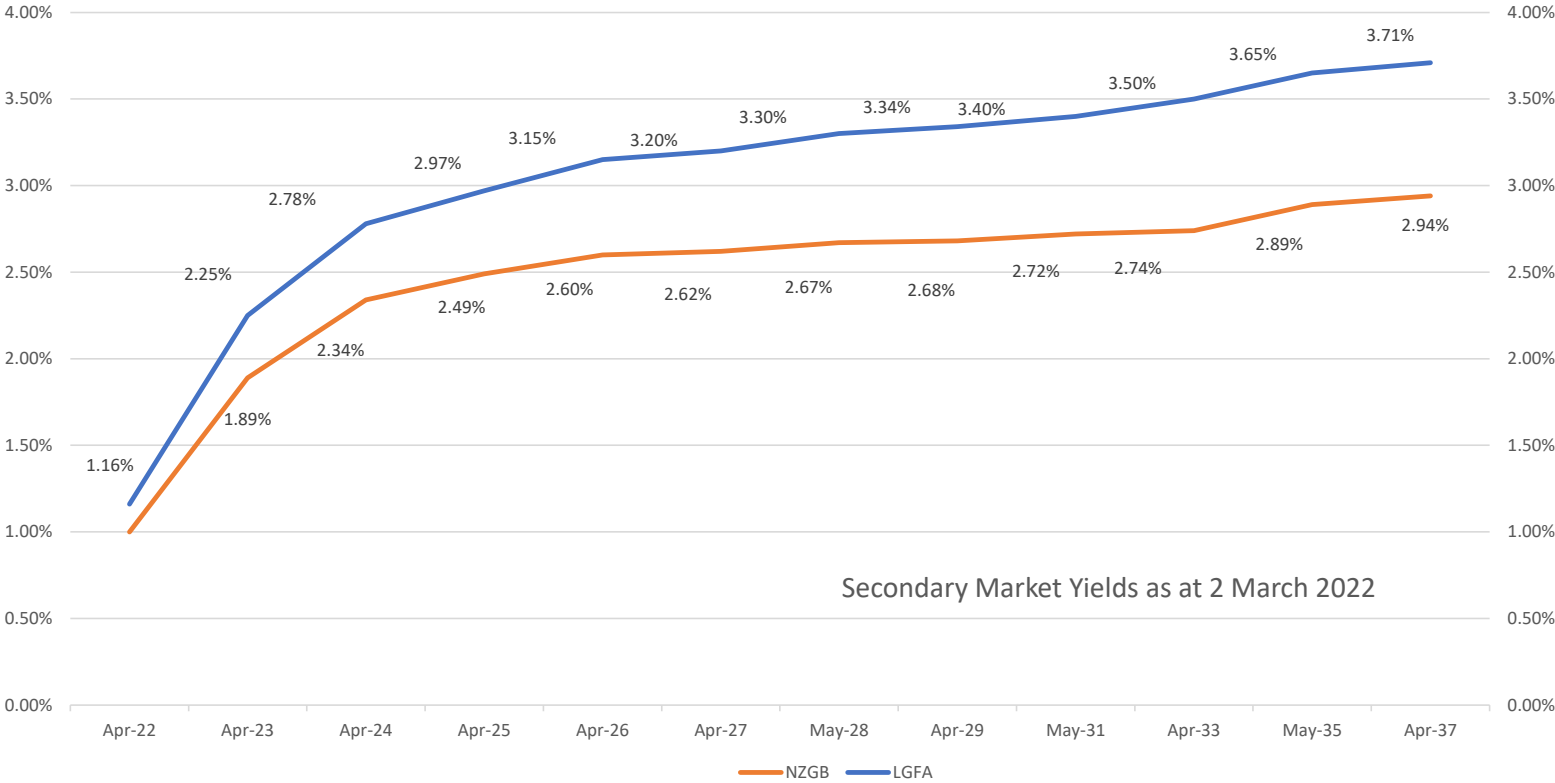
NZLGFA Curve on Bloomberg: GC I737

Source: LGFA

COUNCIL DEBT OUTSTANDING IS SHORTENING IN TERM

LGFA
New Zealand Local
Government Funding Agency
Te Pūtea Kāwanatanga ā-rohe

Average term of council borrowing from LGFA (years)

5
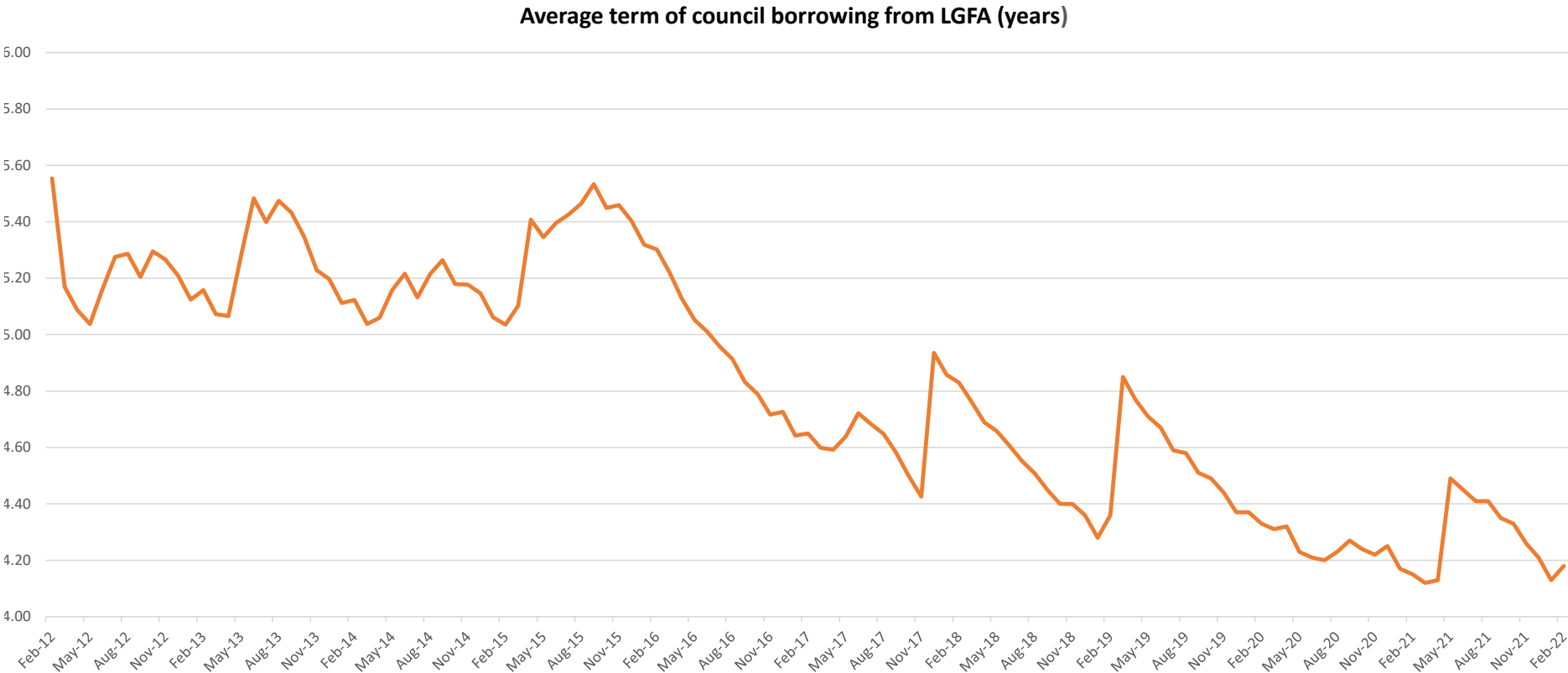
SECTOR GROSS DEBT – ACTUAL AND FORECAST ($ millions)
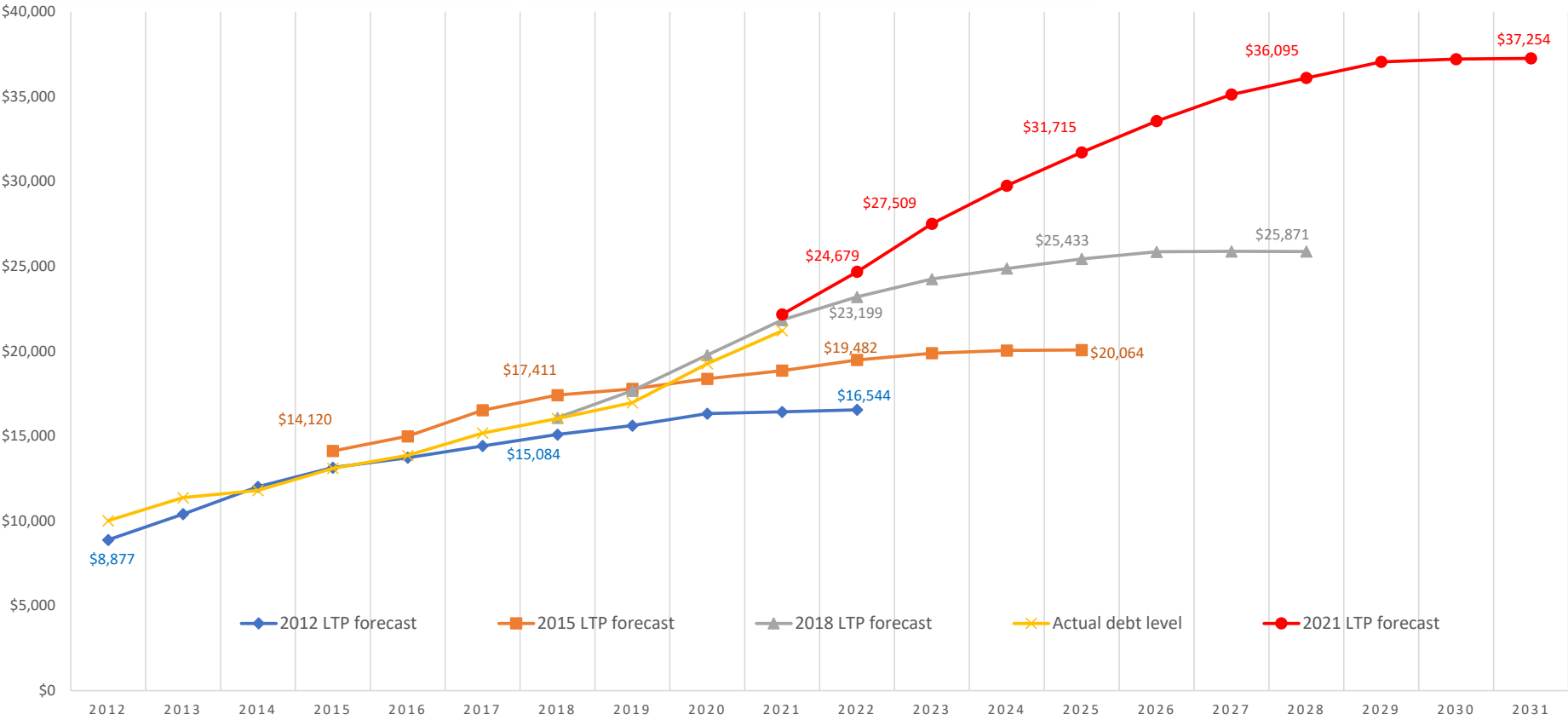
Source: LGFA with underlying data sourced from each councils' Long Term Plan (LTP).

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LGFA STANDBY FACILITIES

Councils and CCOs can enter a facility where they can borrow on 1 days-notice for a maximum specified term (between 1 and 6 months).

Maturity date of facility will effectively be a rolling 15-month term.

- LGFA will have to provide 15 months notice to terminate.
- Councils can terminate with 3-months notice.

LGFA will back the standby facility with a ringfenced pool of assets in the Liquid Assets Portfolio ("LAP").

Pricing will comprise

- Line fee – 0.20%
- Drawdown fee – 0.90%

Note that the pricing will be set to be below what councils are currently being charged by banks.

Pricing to be standardised across all councils irrespective of credit rating, guarantor status or size for simplicity reasons.

Maximum facility size per council will be limited by LGFA's ability to grow its LAP.

Standardised legal documentation based upon what councils currently use. Russell McVeagh has used these as a basis for LGFA documentation as some councils will split their standby facilities between the existing bank facilities and LGFA

The benefits are

- Responding to council requests for new product
- Reducing council financing costs / Create competitive pricing tension against bank providers
- Standby facility will be non-current in terms of methodology used by the Rating Agencies

Nine councils have entered into $522 million of standby facilities as at 28 February 2022

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CCO LENDING

LGFA Shareholder approved lending to CCOs and CCTOs at November 2019 AGM

Why?

- ➢ Waikato Water and proposed Three Water entities
- ➢ Dunedin City Council
- ➢ Reduce administration for councils if frequent and large amount of on-lending to CCOs (CCHL)

No additional risk to LGFA

- ➢ Uncalled capital or guarantee
- ➢ Council or Central Government shareholders of CCOs
- ➢ Council shareholders in CCO required to be LGFA guarantors
- ➢ LGFA board approval
- ➢ Bespoke financial covenants
- ➢ No other lender can have preferred treatment

Parent council approval required

Loan pricing the same as parent council

CCOs can access LGFA product suite

Estimated minimum size of approx. $40 million debt

- ➢ Additional legal costs associated with documentation
- ➢ CCOs tend to be bespoke

More difficult to onboard the longer the CCO has been in existence

One CCO onboarded and one CCO in the pipeline.

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OUR APPROACH TO SUSTAINABILITY

LGFA — New Zealand Local Government Funding Agency — Te Pūtea Kāwanatanga ā-rohe

Objective within the 2021-22 Statement of Intent (SOI)

"Improve sustainability outcomes within LGFA and assist the local government sector in achieving their sustainability and climate change objectives."
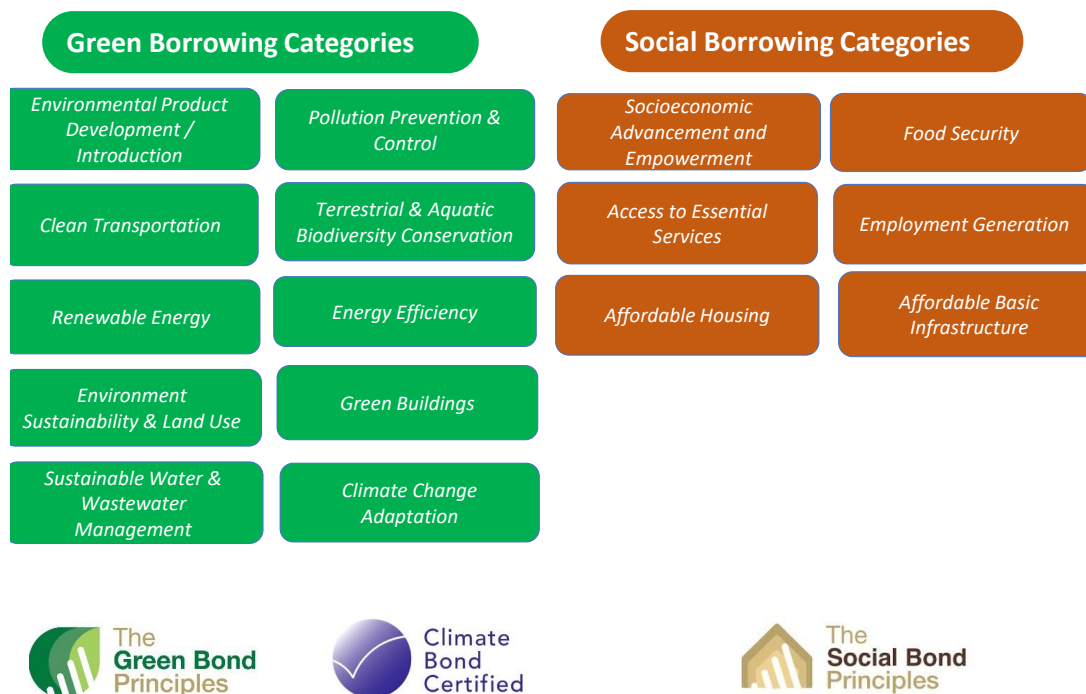
❑ LGFA committed to reducing its carbon footprint.

➢ Achieved Toitū carbonzero certification in June 2021

➢ Target of reducing own greenhouse gas emissions by at least 30% by 2030 (relative to 2018/19)

➢ 60% reduction in paper usage in three years to June 2021

➢ Annual donation to Kauri 2000 Trust in excess of value of our calculated carbon footprint.

❑ Appointment of Head of Sustainability in April 2021.

❑ Sustainability Committee established.

❑ Establishment of a GSS lending program to member councils.

➢ Financial incentive for councils to borrow against sustainable projects (5 bps discounted lending margin)

➢ Two councils have projects approved and have subsequently borrowed under GSS loan programme

➢ Wellington City Council for Takina, Wellington Convention and Events Centre

➢ Greater Wellington Regional Council for flood protection work on RiverLink project

➢ Once councils have borrowed under the GSS lending program, LGFA can then consider issuing GSS bonds against the pool of those assets

❑ Consideration given to investments within our Liquid Asset Portfolio – exclusions apply.

❑ **LGFA required to adopt TCFD Reporting from 2024 – implications for council borrowers**

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LGFA GSS LENDING FRAMEWORK

LGFA New Zealand Local
Government Funding Agency
Te Pūtea Kāwanatanga ā-rohe

Council GSS Borrowing From LGFA

Green Borrowing Categories

Environmental Product Development / Introduction	Pollution Prevention & Control
Clean Transportation	Terrestrial & Aquatic Biodiversity Conservation
Renewable Energy	Energy Efficiency
Environment Sustainability & Land Use	Green Buildings
Sustainable Water & Wastewater Management	Climate Change Adaptation

Social Borrowing Categories

Socioeconomic Advancement and Empowerment	Food Security
Access to Essential Services	Employment Generation
Affordable Housing	Affordable Basic Infrastructure

The **Green Bond** Principles

Climate Bond Certified

The **Social Bond** Principles

LGFA Financing

GSS Assets

Green, Social and Sustainability Lending Programme – Criteria

2021

LGFA New Zealand Local Government Funding Agency Te Pūtea Kāwanatanga ā-rohe

LGFA Sustainable Lending Pool
(as prescribed by LGFA criteria)

Source: LGFA

Note: No decision has been made by LGFA to issue GSS Bonds

10
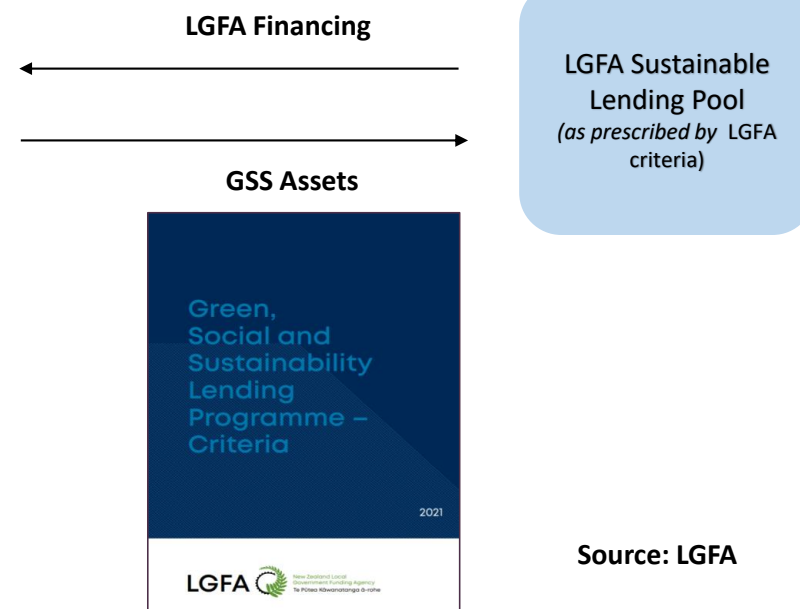
# ELIGIBLE PROJECT EXAMPLES – RIVERLINK AND TAKINA

11

FUTURE DIRECTOR PROGRAMME

❏ LGFA committed to diversity

❏ Providing opportunities for local government staff to develop governance experience

❏ LGFA Board working with Shareholder Council on process

❏ Key terms

➢ One Future Director position opportunity

➢ 18 month term of programme

➢ Attend board meetings, audit and risk committee, board strategy day, AGM, stakeholder events

➢ Mentoring by a director

➢ No remuneration but professional development opportunity through courses

➢ Open to Council or CCO staff

➢ From 1 June 2022

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THREE WATERS REFORM – LGFA INVOLVEMENT

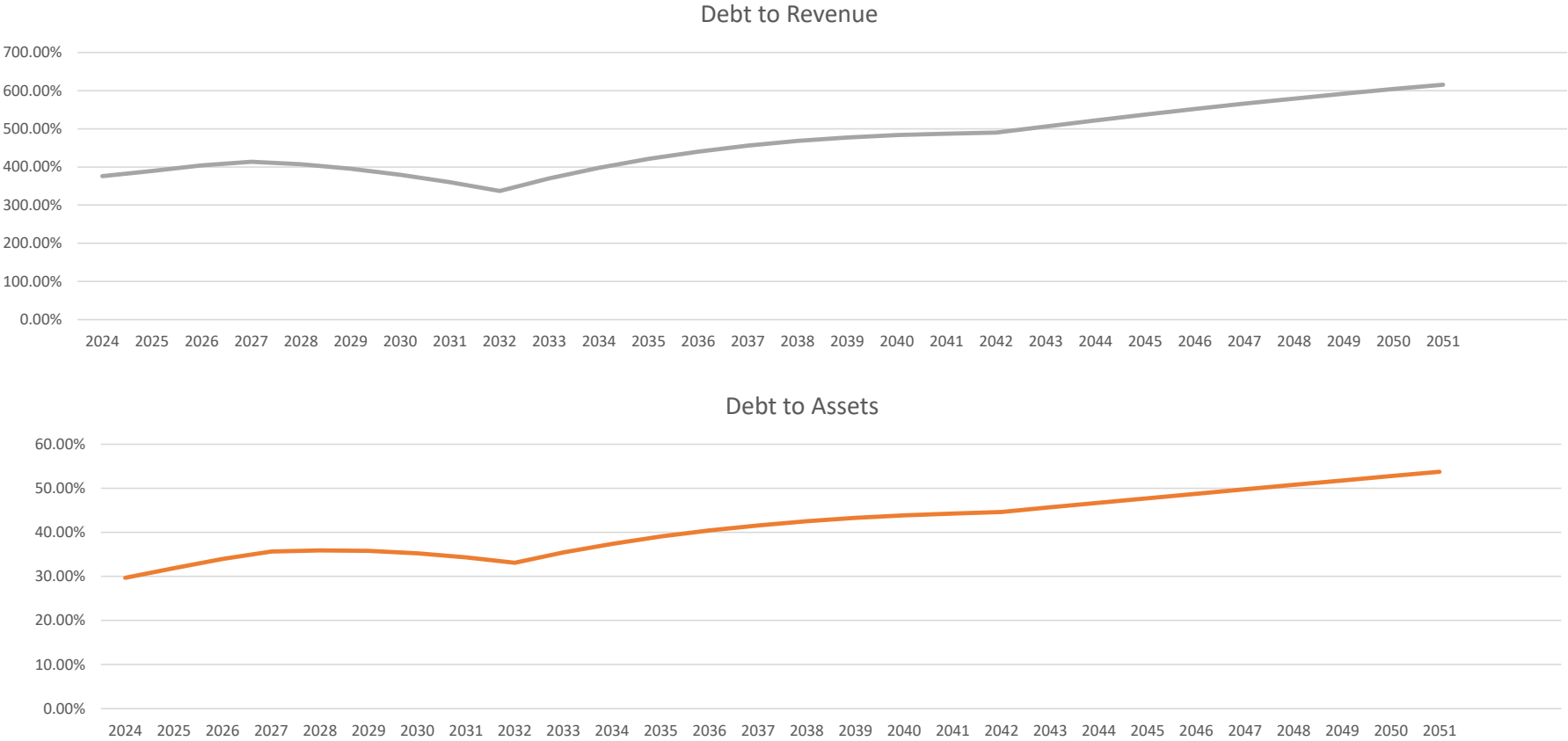**LGFA** New Zealand Local Government Funding Agency Te Pūtea Kāwanatanga ā-rohe

- ❑ LGFA committed to assisting Central Government and councils with Three Waters Reform Programme
- ❑ Awaiting further technical details on proposed water entities
  - ➢ Establishment debt
  - ➢ How to manage transition of existing three waters related debt from councils to new water entities
    - ➢ Current debt in councils assigned to three water assets
    - ➢ New three water related borrowings by councils from 2021 to 2024
  - ➢ How will new water entities borrow
    - ➢ Individual borrowers or
    - ➢ Collective borrowing vehicle
- ❑ Cabinet Papers (14 June see www.dia.govt.nz/Three-Waters-Reform-Programme)
  - ➢ Entities will have wide range of potential debt funding solutions
    - ➢ NZ domestic retail and wholesale capital markets
    - ➢ LGFA
    - ➢ Offshore capital markets
- ❑ Shadow credit rating for new water entities highlights importance of entities within public sector
- ❑ LGFA estimated loans to councils against three water assets
  - ➢ June 2021 $4.2 billion estimate assuming 35% of loans are three waters related
  - ➢ June 2024 $5.5 billion forecast assuming 35% of loans are three waters related
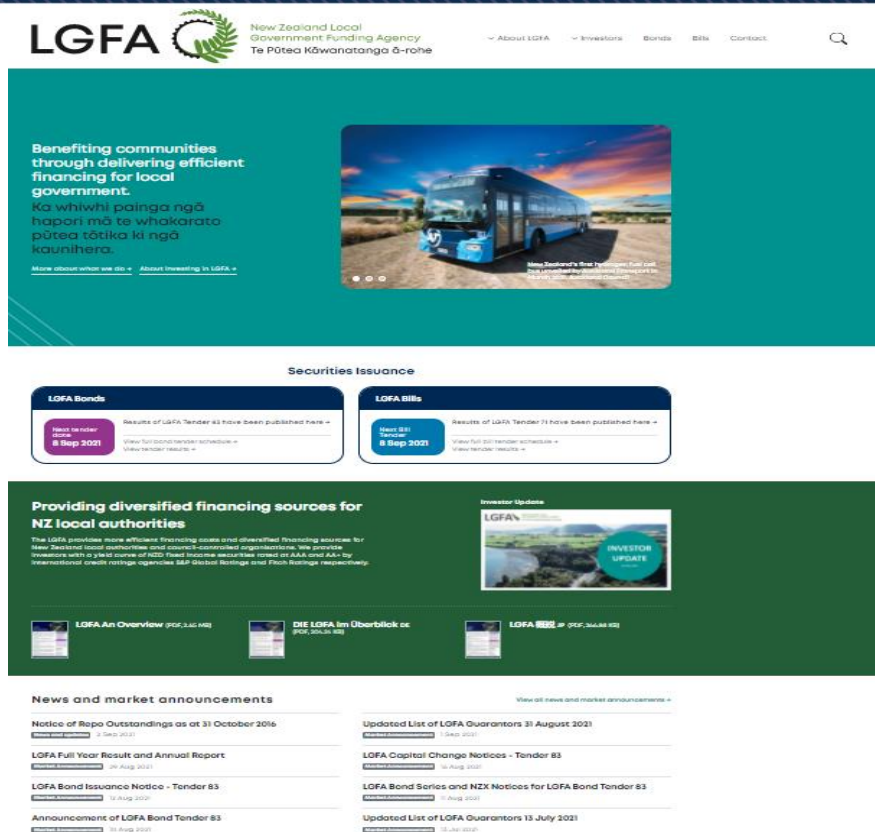- ❑ Average term of councils loans from LGFA currently 4.2 years (mid 2026)

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PROJECTED DEBT OF THE THREE WATERS ENTITIES (combined)
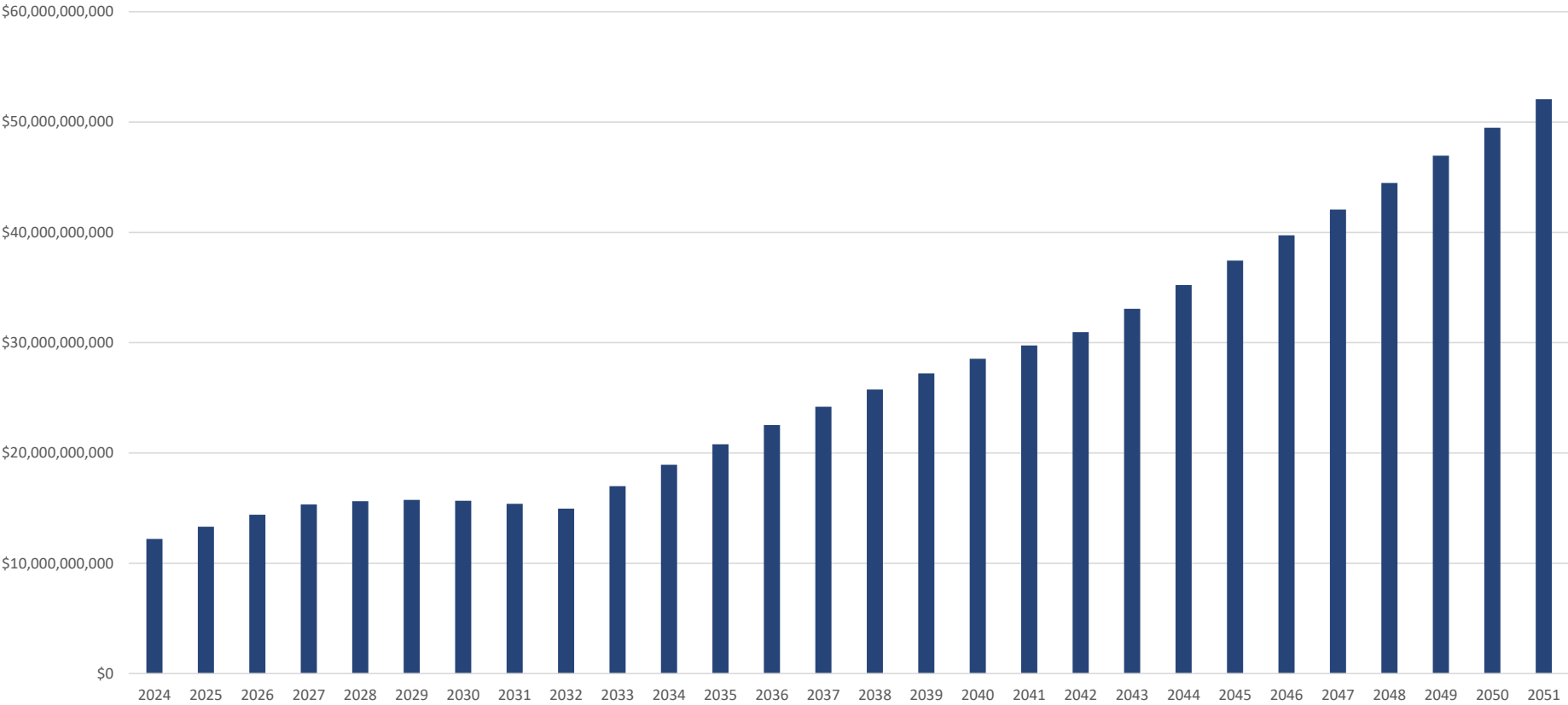
PROJECTED GEARING OF THREE WATERS ENTITIES (combined)

Debt to Revenue

Debt to Assets

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WEBSITE AND CONTACTS

Mark Butcher – Chief Executive
Tel: +64 (04) 974 6744
Email: mark.butcher@lgfa.co.nz

Andrew Michl – Senior Manager, Credit & External Relationships
Tel: +64 (04) 974 6743
Email: andrew.michl@lgfa.co.nz

Sumitha Kaluarachi – Manager, Treasury and External Relationships
Tel: +64 (09) 218 7906
Email: Sumitha.Kaluarachi@lgfa.co.nz

Nick Howell – Head of Sustainability
Tel: +64 (27) 228 3116
Email: nick.howell@lgfa.co.nz

Website: **www.lgfa.co.nz**
Bloomberg Ticker: NZLGFA
Bloomberg : LGFA

Postal Address	**Street Address Wellington**	**Street Address Auckland**
P.O. Box 5704	Level 8	Level 5
Lambton Quay	142 Featherston Street	53 Fort Street
Wellington 6145	Wellington 6011	Auckland

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TITLE:	**Risk Management Activity Update**
From:	Kym Ace, Corporate Systems Champion
Authorised by Group Manager/s:	Bruce Howse, Pou Taumatua – Group Manager Corporate Services, on 15 March 2022

Executive summary/Whakarāpopototanga

The Risk Management Activity Update Report outlines the summary of Council's progress in risk management related activities including updates on Corporate, Fraud, Dishonesty and Corruption Risks and the review of the risk management policy and framework.

Recommendation(s)

1. That the report 'Risk Management Activity Update' by Kym Ace, Corporate Systems Champion and dated 2 December 2021, be received.

2. That changes to the Risk Management Policy and Framework be approved

Risks Register

1. The corporate, fraud, dishonesty and corruption risk registers have been refreshed following leadership review.

2. The risks and their treatment/s (mitigation action/s) are being managed by staff through the Promapp risk module. Risk reporting will be provided quarterly to the Audit and Risk Subcommittee. The monitoring of the corporate and fraud dishonesty and corruption risk registers is performed by the Corporate Systems Champion on a monthly basis.

3. The top ten corporate risks, their pre-control (inherent) and post control (residual) rating and trending (traffic light) are summarised in **Table 1**.

4. The corporate risks, their risk types, pre-control (inherent) and post control (residual rating) are summarised in **Attachment 1**.

5. Key changes and additions from this quarter's review are identified in **Table 2**. Some top risks which were retained through the review have been expanded or narrowed, and this is reflected in the relevant risk descriptors within the full document.

Table 1. Top ten corporate risk

Key – Risk rating			
Extreme	High	Moderate	Low
Key – Trend	Increasing	Decreasing	Static

#	Risk Statement	Inherent Rating	Residual Rating	Trend
244	Failure to respond to COVID-19 Impact	25	20	
246	Recruitment and retention of specialist staff	20	20	
080	Changes in legislation and central government policy impacting council's resources, budgets and activities.	25	20	
014	Cyber security attack	20	16	

230	Climate change response	20	16	
136	Capability and operational capacity to manage events and directives	20	16	
221	Workload	20	16	
245	Failure to prepare for future of local government review/reforms and its impacts	20	16	
012	Non-compliance with Health and Safety at Work Act 2015	20	15	
015	Core IT applications/system are not designed and/or implemented to support all organisational processes, or applications will stop working	20	15	

Table 2. Key Top Risks changes and additions through the review Top Risk

Key			
New specific risk	Increase rating	Decrease rating	Treatment added risk rating remains static

Status	Description	Commentary
	Water	Specific risk identified in the top risk list waiting to hear back from Colin
	Policies and protocols not clearly documented and followed	Residual risk likelihood decreased from often to likely as we have: • Improved accessibility on policies from a hub on the express • Providing training to managers • Audit planning includes a review of policy adherence
	Climate Change response	Inherent and residual likelihood has increased from likely to often to recognise the increased impact of climate change council's operations and the difficulties in recruiting staff. This risk and the treatments will be fully reviewed as part of the work programme of the new Climate Change Specialists
	Covid	Residual likelihood has increased from often to frequent recognising the effects of the Omicron variant on the workforce even though we have developed BCP and response planning.
	Council decisions and directions	Residual risk likelihood increased from possible to likely in recognition of the potential risk associated with an election year for council and the CEO recruitment
	Fraud corruption and dishonesty	Residual risk likelihood increased from rare to possible due to increased staff turnover and record levels of new roles.
	Procurement	Inherent likelihood from likely to often. Residual risk likelihood increased from possible likely as

		we need to progress the procurement project to provide our staff with resources, templates, and training.
	Management of data and information assets	Residual risk consequences increased from moderate to major as progress on work plan has been restricted by resourcing and workload issues.
	Recruitment and retention of specialist roles	Residual risk likelihood increased from often to frequent as determined by the deep dive in December and the continued difficulties of recruiting and retaining specialist staff.
	Non-compliance with Health and Safety at Work Act 2015	Increase inherent likelihood increased from likely to often and residual increased from possible to likely to reflect the loss of Health & Safety specialist and therefore exposing the potential of not having all the checks in place to ensure that everything is happening as it should be and the heightened risk regarding contractor health and safety.
	Changes in legislation and central government policy impacting council's resources, budgets and activities	Inherent likelihood increased from often to frequent and Residual risk consequences increased from moderate to major as staff report an increased volume of changes coming from central government. These changes will affect our operational capacity.
	Capability and operational capacity to manage events and directives	Residual risk consequences increased from moderate to major because as we are only approximately halfway in developing our BCP framework and the issues covered in the deep dive report in this agenda
	Enterprise Project	Increase inherent and residual likelihood from possible to likely to reflect the current scheduling and resourcing issues.
	Cyber security	Residual risk consequences increased from Moderate to major because as even though we are constantly defending threats and if/when a threat gets through the consequences could be major. Policy rules are being triggered and alerts remedied daily. We are also early on our roadmap to increasing our security maturity

Risk Management Policy and Framework review

The risk management policy and framework were comprehensively reviewed in February 2020 to align with ISO 31000:2018 standard.

As scheduled in the policy review programme for 2022, staff have recently reviewed the policy and framework. The updates include:
- updated roles and responsibilities in line with the operational structure,
- inclusion of programme risk and

- objective review.

The revised policy and framework are attached at Attachment 2 and 3 for approval

Risk Appetite
Risk appetite is the decision about the amount and type of risk Council is willing to take to achieve its objectives. This is an area that was identified in the risk maturity matrix as requiring further development. Council does not have internal resource to lead this work and are recommending that we investigate options and report back to the June Audit and Risk Subcommittee.

Deep Dives
The Corporate System Champion facilitates risk owners to provide deep dives into each corporate risk in accordance with the following schedule (**Table 3**), initially focussing on the corporate risk with the highest pre-controls risk rating or where specifically requested due to increasing risk ratings. The deep dive on workload and capability and operational capacity to manage events and directives is included as a separate agenda item.

Table 3. Risk deep dive schedule.

#	Corporate Risk	November 2021	1st meeting 2022	2nd meeting 2022
2	Workload		√	
3	Capability and operational capacity to manage events and directives		√	
4	Changes in legislation & central government policy impacting council's resources, budgets, and activities.			√
5	Cyber security			√

Response to COVID-19 Resurgence – Omicron Variant
Council's Crisis Management Team (CMT) was activated in response to the announcement by the Government that New Zealand of the Covid-19 pandemic. The role of Council's CMT is to lead Council's internal response, ensure Council's essential services remain operational, manage the changes to Council's operations and service as required, and support staff well-being and safety during the crisis.

Following the Omicron announcement Council's COVID Protection Framework and Communication Plan were reviewed and activated with staff being split into shifts/bubbles as a risk mitigation response and staff working from home where possible. Covid Business Continuity Plans per Group have been updated for the Omicron response with critical services identified and plans developed to manage these within each group.

The transitions have been managed smoothly and with resilience by staff. Regular communications have been issued to staff with ongoing external communications managed through Council's website and social media channels. Health and safety protocols were frequently reviewed and updated as specific advice regarding the Omicron variant were received.

The Emergency Management readiness and response to the COVID-19 was to deactivated post lockdown and are now operating as business as usual. Communication to the community was achieved through the Civil Defence Emergency Management pages.

Covid 19 disruptions are predicted to have unfavourable impacts on a number of 2021/22 work programmes, resulting in the potential for non-achievement of some levels of service.

At the time of writing this report the CMT remains activate, proactively managing the response as Council prepares for and moves through the Protection Framework (Traffic Light System) and all the ever-changing requirements. Significant focus is on supporting the mental and physical well-being of staff throughout this time.

Attachments/Ngā tapirihanga
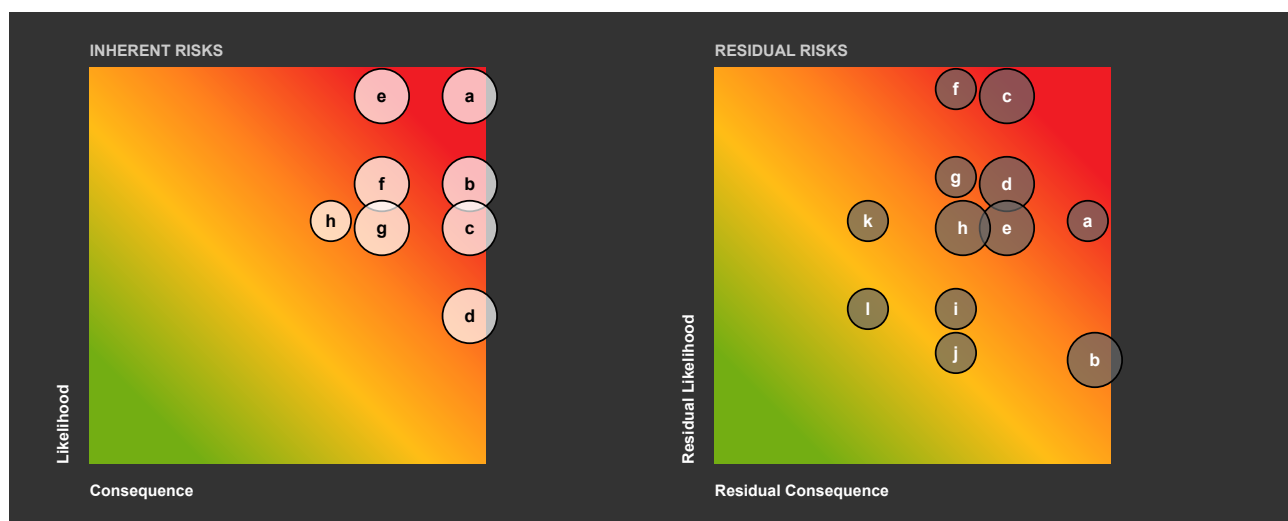
Attachment 1: Corporate Risks Summary ⇩

Attachment 2: Risk Management Policy ⇩

Attachment 3: Risk Management Framework ⇩

Top 10 Risk Scores

Portfolio(s): Corporate Risk Register
NOTE: More than 10 risks are listed as their residual scores rank within the top 10 scores.

Northland
REGIONAL COUNCIL
Te Kaunihera ā rohe o Te Taitokerau

INHERENT RISKS

Likelihood

Consequence

RESIDUAL RISKS

Residual Likelihood

Residual Consequence

Recruitment and retention of specialist roles

There is a risk of not being able to retain and recruit for specialist roles in the current competitive markets within the available budgets

Corporate Risk Register, Corporate Risk

Owner: Bruce Howse

| RESIDUAL 20.0 EXTREME |
| INHERENT 20.0 EXTREME |

Failure to respond to COVID-19 Impact

There is a risk to Council that if we fail to adequately respond and recover from the ongoing impacts of COVID-19 then there will be a negative impact on the organisation and our ability to deliver our levels of service

Corporate Risk Register, Corporate Risk

Owner: Bruce Howse

| RESIDUAL 20.0 EXTREME |
| INHERENT 25.0 EXTREME |

Changes in legislation & central Government policy impacting council's resources, budgets and activities.

There is a risk to NRC that legislation & central government policy could change at any time outside the legislative process, which can potentially impact Council's resources, budgets and operational activities. These changes can cause significant costs to ratepayers with little consultation and no useful rights of appeal.

Corporate Risk Register, Corporate Risk, Financial, NRC - Whole Organisation, Reputation, Service Delivery

Owner: Bruce Howse

| RESIDUAL 20.0 EXTREME |
| INHERENT 25.0 EXTREME |

Cyber security attack

There is a risk of cyber security attack causing disruption to Council systems and possible loss of data

Corporate Risk Register, Corporate Risk, Financial, NRC - Whole Organisation, Reputation, Service Delivery

Owner: Bruce Howse

| RESIDUAL 16.0 EXTREME |
| INHERENT 20.0 EXTREME |

Climate change response

There is a risk that Council does not manage the risks associated with climate change adequately resulting in the community being compromised and impacting on council's infrastructure

Corporate Risk Register, Climate Change, NRC - Whole Organisation

Owner: Victoria Harwood

| RESIDUAL 16.0 EXTREME |
| INHERENT 20.0 EXTREME |

There is a risk that Northland Regional Council does not possess the capability and operational capacity necessary to provide the required response to events (including natural hazard, pollution, biosecurity, emergency events, pandemics and other business interruptions or Government direction) that may result in us being unable to deliver our LTP activities and services.

Corporate Risk Register, Corporate Risk, Finance, NRC - Whole Organisation, Reputation, Service Delivery

Owner: Bruce Howse

| RESIDUAL 16.0 EXTREME |
| INHERENT 20.0 EXTREME |

Workload

There is a risk that external and internal events are impacting on the workload/s of our people, which is resulting in our people feeling the pressure.

Corporate Risk Register, Corporate Excellence, Health and Safety

Owner: Bruce Howse

| RESIDUAL 16.0 EXTREME |
| INHERENT 20.0 EXTREME |

Failure to prepare for future of local government review/reforms and its impacts

There is a risk that if Council fails to adequately understand and/or prepare for the impacts of th future of local government review and reforms then there will be adverse impacts on the organisation, reputation and potential negative impacts on community wellbeing.

Corporate Risk Register, Corporate Risk, NRC - Whole Organisation

Owner: Jonathan Gibbard

| RESIDUAL 16.0 EXTREME |
| INHERENT 20.0 EXTREME |

Non compliance with Health and Safety at Work Act 2015

There is a risk that council does not provide a safe and health work environment for staff, contractors or visitor events that may result in loss of life or permanent disbaility therefore not complying with Health and Safety at Work Act 2015

Corporate Risk Register, Corporate Risk, Health and Safety, NRC - Whole Organisation

Owner: Bruce Howse

| RESIDUAL 15.0 EXTREME |
| INHERENT 20.0 EXTREME |

0. Core IT applications/systems are not designed and/or implemented to support all organisational processes, or applications will stop working

There is a risk that our core IT applications/systems are not designed and/or implemented to support all organisational processes as an integrated single solution. There are gaps in our core systems such as People & Capability, Enterprise Assets, Customer Relationship Management, and Contract & Project Management. Current systems are unable to support organisational needs and we cannot deliver the tools that are required by staff to support them in delivering the LTP activities. Some systems/applications could stop working and vendors will cease support as they are end of life resulting in productivity and security issues. Systems will break if nothing is done. For all documents: https://thehub:8443/documents/fA108896

Corporate Risk Register, Corporate Risk, Financial, NRC - Whole Organisation, Reputation, Service Delivery

Owner: Bruce Howse

| RESIDUAL 15.0 EXTREME |
| INHERENT 20.0 EXTREME |

1. Management of data and information assets

There is a risk that our data and information assets are not adequately managed and therefore not easily discoverable or protected

Corporate Risk Register, Legislative, NRC - Whole Organisation, Service Delivery

Owner: Bruce Howse

| RESIDUAL 12.0 HIGH |
| INHERENT 16.0 EXTREME |

2. Enterprise Project

There is a risk that the Enterprise Project does not deliver on time and quality which will impact councils' resources

Corporate Risk Register, Corporate Risk, Financial, NRC - Whole Organisation, Service Delivery

Owner: Bruce Howse

| RESIDUAL 12.0 HIGH |
| INHERENT 15.0 EXTREME |

3. Treaty Settlements

There is a risk that Northland Treaty settlements will result in take-on costs for NRC

Corporate Risk Register, Corporate Risk, Environmental Services, Financial, Service Delivery

Owner: Auriole Ruka

| RESIDUAL 12.0 HIGH |
| INHERENT 16.0 EXTREME |

(g)
(h) There is a risk that council fails to comply with best practice procurement activity as a result of:
- •   Not following AOG guidance
- •   Not following policy and procedures

This may result in:
- •   Sub-optimal procurement decisions
- •   Legal challenge
- •   Risk of fraud

Corporate Risk Register, Corporate Risk, Financial, Legislative, NRC - Whole Organisation, Reputation, Service Delivery
Owner: Bruce Howse

| RESIDUAL 9.0 HIGH |
| INHERENT 12.0 HIGH |

5. Investment portfolio financial risk

(c)
(h) There is a risk councils investment performance will be impacted by:
• financial Investment market volatility
• Marsden Maritime Holdings dividend diversion
• Falling rates, fees and charges in economic recession
• Dependency on commercial returns in volatile time,
resulting in revenue and service delivery being impacted.

Corporate Risk Register, Corporate Risk, Financial, NRC - Whole Organisation
Owner: Bruce Howse

| RESIDUAL 9.0 HIGH |
| INHERENT 15.0 EXTREME |

6. Contingent Liabilities

(g)
(h) There is a potential risk to Council regarding contingent liabilities that are outside of our direct control and potential may result in costs, with no chance of recovery.

Corporate Risk Register, Financial, Group Risk, Regulatory Services, Reputation, Service Delivery
Owner: Colin Dall

| RESIDUAL 9.0 HIGH |
| INHERENT 12.0 HIGH |

7. Policies and protocols not clearly documented and followed

(f)
(h) There is a risk that all policies and protocols are not clearly documented and consistently followed

Corporate Risk Register, NRC - Whole Organisation, Service Delivery
Owner: Bruce Howse

| RESIDUAL 9.0 HIGH |
| INHERENT 16.0 EXTREME |

8. Council decision and directions

(g)
(i) There is a risk that council make a decision that changes Council's direction. This may result in activity resources ($'s, people, etc.) having to be redirected or in a challenge to that decision.

Corporate Risk Register, Corporate Risk, Legislative, Reputation, Strategy, Governance and Engagement
Owner: Auriole Ruka

| RESIDUAL 6.0 MODERATE |
| INHERENT 12.0 HIGH |

9. Organisational culture

(h)
(k) There is a risk of service inefficiencies caused by not embedding the organisational culture which may result in:
- double up activities
- not the best solution implemented
-adverse effects on other departments

Corporate Risk Register, Corporate Risk, Financial, NRC - Whole Organisation, Reputation, Service Delivery
Owner: Auriole Ruka

| RESIDUAL 6.0 MODERATE |
| INHERENT 9.0 HIGH |

0. Fraud Corruption and Dishonesty

(d)
(b) There is a risk that NRC does not mitigate exposure to fraudulent, corrupt or dishonest activities that may result in negative multi-media coverage requiring significant additional work to repair stakeholder confidence.

Corporate Risk Register, Corporate Risk, Financial, Legislative, NRC - Whole Organisation, Reputation, Service Delivery
Owner: Bruce Howse

| RESIDUAL 5.0 MODERATE |
| INHERENT 10.0 HIGH |

1. Maritime operational risks: ship grounding/ collision, major shipping incident and failure of system

(d)
(b) There is a risk of a maritime incident (including a ship grounding / collision or a major shipping incident) caused by an accident or system failure that may result in unlimited liability or action being brought against NRC .

Corporate Risk Register, Corporate Risk, Customer Services -Community Resilience, Financial, Group Risk, Health and Safety, Service Delivery
Owner: Victoria Harwood

| RESIDUAL 5.0 MODERATE |
| INHERENT 10.0 HIGH |

c) There is a risk that landowners might not allow access across private land to field sites.

Corporate Risk Register, Group Risk, Regulatory Services, Service Delivery

Owner: Colin Dall

4.0
MODERATE

INHERENT
15.0
EXTREME
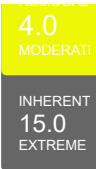
3. Legal risk

d) There is a risk that NRC does not comply with legislation that may result in a breach of legislation that cannot be resolved internally and may rise to a judicial review or action and potentially penalties.

Corporate Risk Register, Corporate Risk, Financial, Legislative, NRC - Whole Organisation, Service Delivery

Owner: Bruce Howse

RESIDUAL
3.0
LOW

INHERENT
10.0
HIGH

Risk Management Policy

Purpose and Scope

The purpose of this policy is to state the objectives and behaviours needed to achieve effective risk management across all of council.

This policy does not set out how risk management is implemented. Approaches for implementing risk management are detailed in the Risk Management Framework.

Introduction

Risk is the impact of an uncertain event or condition that, if it occurs, has a positive or negative effect on the things that we value and want to achieve. We seek to better understand risk because it informs the decisions that we make in order to achieve our vision, mission and community outcomes.

Risk management is the knowledge, behaviours, and practices that we use to control the risks that can impact on the things we value. Risk management aims to reduce threats and maximise opportunities.

Strategic Context

Northland Regional Council's Vision and Mission, as stated in the 2021 – 2031 Long Term Plan is:

Our Vision: Our Northland – together we thrive.
Our Mission: 'Working together to create a healthy environment, strong economy and resilient communities'.

The promotion and practice of good policy is a crucial element in delivering our vision and mission and achieving specified community outcomes. This policy aligns to the efficient and effective service delivery, carried out and managed in all council activities.

Our values of strong decisive leadership, one high performing team, customer focus, integrity, transparency and accountability affirm the importance of policy direction and recognises that risk management is a fundamental corporate function.

Policy Statement

Northland Regional Council is committed to council wide risk management principles, framework and processes that ensure consistent, efficient and effective assessment of risk in all planning, decision making and operational processes.

Objectives

The objectives of risk management are to:
- Support the achievement of council's vision, mission and community outcomes.
- Embed risk management as an integral part of all council activities.
- Provide a safe and secure environment for employees, contractors and visitors to our workplaces.
- Limit loss or damage to property and other assets.
- Limit interruption to business continuity.
- Be agile and responsive to emerging and changing risks.

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- Ensure a structured, comprehensive and effective approach.
- Continually improve risk management through learning, experience, reporting and review.
- Meet or exceed international best practice standards (ISO 31000).

Roles and Behaviours

Roles	Behaviours
All Council Staff	Actively involved in owning risk. Consult with and keep managers informed about risk as appropriate.
Managers	Accountable for how risks are managed within their team/department/activities in accordance with relevant policies, frameworks and plans. Identify new and emerging risks. Consult with and keep the Group Manager informed about risk as appropriate.
Corporate Systems Champion	Accountable for developing and maintaining risk management processes across the organisation, including: • Custody of the risk management policy and framework. • Provision of support and guidance to achieve council's risk management policy and framework. • Collaborating and consulting with the HR Manager regarding health & safety risks. • Reporting council's risk profile (excluding health & safety) to the ELT and the Audit and Risk Sub-Committee.
Human Resources Manager	Accountable for developing and maintaining health & safety risk management processes across the organisation, including: • Provision of support and guidance to achieve council's health and safety risk management policy and framework. • Collaborating and consulting with the Corporate Systems Champion regarding risks. • Reporting council's health and safety risk profile to the ELT and the Audit and Risk Sub-Committee.
Executive Leadership Team (ELT)	Actively support the use of risk management as a key management tool and ensure risk management is an integral part of decision making. Assess and monitor the organisation-wide risk profile. ~~Regularly review risk controls and treatments.~~ Set priorities and allocate resources for risk management.
Deputy General Manager's Group	Actively support the use of risk management as a key management tool and ensure risk management is an integral part of decision making. Identify new and emerging risks. Regularly review risk controls and treatments.
Audit and Risk Sub Committee	Support the use of risk management for strategic decision making. Set risk management tone and objectives. Confirm that risk is managed within prescribed tolerance. Review the risk management policy and framework. Review and monitor risk management reports and communicate key risks to council and identify new and emerging risks.

Key relevant documents
Include the following: (in hierarchical order)

- Risk Management Framework
- Audit and Risk Subcommittee – Terms of Reference:
- ISO 31000|2018
- Legislative Compliance Policy, Framework and Programme

Document approval

The approval for distribution and use of this policy has been delegated as per the document information:

Document information:

	Information
Document ID:	DMHUB-840458549-221
Document version:	1.0
Document name	Risk Management Policy
Approved by:	ELT – via GM Corporate Excellence
Date approved:	29 February 2020
Policy Owner:	GM Corporate Excellence.
Policy Author:	Corporate Systems Champion
Group	Corporate Excellence
Date policy published:	29 February 2020
Date policy created:	January 2020
Review date:	January 2022 (Update after approved)

Document history:

Version	Issue date	Notes
1.0	02/2020	First edition separating policy from the Risk management framework.
2.0	02/2022	Update role responsibilities to include the Deputy GM Group

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Risk management framework

Date: **November 2019**

Author: **Corporate Systems Champion**

Overview

This risk management framework provides the system and processes to implement risk management across council, including updating the Risk Register. The framework aims to be consistent with council's policy, Risk Management Policy, and both the policy and framework are consistent with best practice based on the Australian/New Zealand Standard AS/NZS 31000:2018 Risk Management – Principles and guidelines.

Introduction

Risk is the impact of an uncertain event or condition that, if it occurs, has a positive or negative effect on the things that we value and want to achieve. We seek to better understand risk because it informs the decisions that we make in order to achieve our vision, mission and community outcomes.

Risk management is the knowledge, behaviours, and practices that we use to control the risks that can impact on the things we value. Risk management aims to reduce threats and maximise opportunities.

The key stages in managing risks are:

Identifying risks → Analysing risks → Evaluating risks → Treating risks → Record & report risks → Monitor & review risks

Commitment

Northland Regional Council is committed to council wide risk management principles, framework and processes that ensure consistent, efficient and effective assessment of risk in all planning, decision making and operational processes.

Appetite

Council undertakes many diverse activities on behalf of its stakeholders in multiple locations across the region. NRC aims to implement controls to mitigate its identified risks to a moderate post-control (residual) level. However, as a publicly funded organisation, council understands that some controls may be cost-prohibitive or impractical to implement and an increased appetite for post-control risk may need to be tolerated.

Objectives

The objectives of the risk management framework include:

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- Provide early visibility and warning - risks are recorded, made visible, and communicated to ensure that response action plans are developed at the outset.
- Informing our decision making and allocation of resources
- Drive resolution/mitigation – to ensure an activity or objective is not compromised through lack of risk management.
- Set escalation levels – to ensure the appropriate people/team/group takes responsibility for accepting or rejecting an identified risk.
- Standardise the process – providing a common process and format for the defining, raising, reporting, communicating and tracking risks
- Encouraging and supporting staff in accepting responsibility for managing risk and making good choices before the unexpected happens.

Terms and definitions

For the purposes of risk management, the following terms have been defined:

Term	Definition
Risk	Risk is the impact of an uncertain event or condition that, if it occurs, has a positive or negative effect on the things that we value and want to achieve
Risk management	The culture, process and structures that are directed towards realising potential opportunities whilst managing adverse effects
Stakeholder	Person or organisation that can affect, be affected by, or perceive themselves to be affected by a decision or activity
Risk owner	Person with the accountability and authority to manage a risk
Risk source	Element which alone or in combination has the potential to give rise to risk
Event	Occurrence or change of a particular set of circumstances
Consequence	Outcome of an event affecting objectives
Likelihood	Chance of something happening
Control	Measure that maintains and/or modifies risk
Risk register	The register that records more detailed information about identified risks
Risk appetite/tolerance	The level of risk that council is willing to accept in achieving its objectives
Pre-control risk rating	The risk rating before controls are put in place
Post – control risk rating	The risk rating after controls are put in place

Risk registers

The following diagram outlines the key risk registers maintained by Council:

3
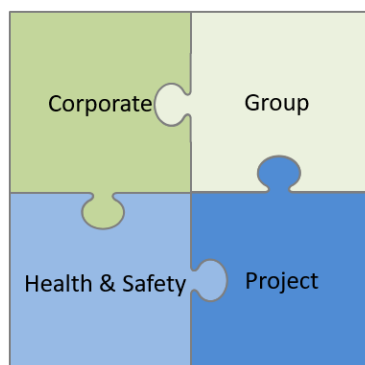
The registers will capture and maintain information on identified risks. All identified risks are to be recorded in the Registers, assigned to specific individuals, proactively managed and tracked through to their conclusion.

The registers will follow the key process stages in managing risk:

Identifying risks → Analysing risks → Evaluating risks → Treating risks → Record & report risks → Monitor & Review risks

All staff will have read only access to the registers. Until the time as we have an Enterprise electronic risk solution, all staff will be expected to complete the risk form on the Express to add a risk to a register. The corporate and group registers will be administered by the Corporate Systems Champion, the health and safety Register by the Health and Safety Advisor and the projects Register by the relevant Project Manager.

Risks in the projects Register that have a post control (residual) risk rating of high or above will be recorded in the Group Risk Register, as these risks need to be visible to the wider organisation and potentially reported to ELT and council.

Throughout this document, any concept / term that is recorded in the risk registers is flagged with this symbol:

Corporate risks

These risks may impact on council achieving its vision, mission and community outcomes. Corporate risks are identified by Councillors, Committee Members and staff and are managed by the ELT. These risks are regularly reported to the ELT and the Audit and Risk Sub-Committee to ensure risks are being appropriately managed. The focus of corporate risks is more likely, but not exclusively, to be on:

- External influences affecting council's effective operations.
- Council's most critical and essential assets, activities and associated risks.
- Risks that are common to more than one council group or activity.
- Risk to Council meeting its expected stakeholder service levels.

Group risks

These risks may have an impact on council's individual groups achieving their group objectives. Group risks are identified and managed by group managers and their teams. Group risk must be regularly reviewed and reported as evidence of management. The focus of group risks is more likely, but not exclusively, to be on:

- External influences impacting group's effective operations.
- The group's most critical and essential assets, activities and associated risks.

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- Risks to council meeting its expected stakeholder service levels.

Health and Safety risks

These risks may have an impact on the health and safety of council staff, contractors, visitors or the general public. Health and safety risks are identified by all staff members and may also impact more than one group or activity. These risks are regularly reported to the Group Manager Corporate Excellence to ensure risks are being appropriately managed. Council commits to the identification of existing and new health and safety risks, taking all practicable steps to eliminate, or minimise exposure to these risks.

Project and Programme risks

These risks may have an impact on council's individual projects and programmes achieving their objectives. Project and programme risks are identified and managed by project and programme managers and their teams. Project risks are identified as part of project planning, are regularly assessed throughout the life of the project, and regularly reported to the project steering group/team to ensure risks are being appropriately managed. Project Rrisk registers should be documented and maintained by each project and/or programme manager.

Risks in the projects and programme register that have a post control (residual) risk rating of high or above will be recorded in the Group Risk Register, as these risks need to be visible to the wider organisation and potentially reported to ELT, Audit and Risk Sub-committee and Council.

Risk types

The following table outlines the six risk types that may impact operations and activities:

Risk Type	Definition
Service delivery	Potential event that impacts council's ability to function and deliver services as expected
Reputation	Situations that potentially impact the way council and staff are perceived by our stakeholders
Financial	The ability to fund council activities and operations now and into the future and financial management of council
Health and Safety	Potential event that adversely impacts on the health and safety of staff, contractors, visitors or the general public
Legislative	Potential event that breaches legislation
Infrastructure	Potential event that adversely impacts council's infrastructure

Difference between a risk and an issue

The difference between a risk and an issue is that a risk is a **potential** threat/opportunity whereas an issue is a **current**, live and real situation (either positive or negative).

A risk has a probability (or likelihood) of happening and if it does, there will be a certain consequence (positive or negative).

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An issue has happened (or is happening right now). It does not have a probability, however will have a consequence (positive or negative).

This framework guides the proactive management of risks, rather than reactive responses to issues.

Difference between a risk and a hazard

In terms of health and safety, these two terms are often incorrectly used as synonyms.

A **hazard** is something that can cause harm, e.g. electricity, chemicals, working up a ladder, noise, a keyboard, a bully at work, stress, cars when crossing a road, etc.

A **risk** is the chance / likelihood that any hazard will cause somebody harm in the future.

The below infographic will help you understand the difference between a hazard and a risk.

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Responsibilities, roles and behaviours

Every person employed or engaged by council has responsibility for considering risk as they perform their duties. Everyone at council should:

- Be aware of the council's policy on risk and the associated framework that provides a process that promotes and supports risk management; and
- Report or escalate risk management concerns, issues and failures in accordance with the framework and know that such reporting is valued and encouraged by council.

The following table outlines the risk management responsibilities *by position* at council.

Position	Roles and Responsibilities
Councillors	• Ensure that risks are adequately considered when setting council's vision, mission and community outcomes • Understand the risks facing the organisation in pursuit of its vision, mission and community outcomes • Ensure that such risks are appropriate in the context of council's vision, mission and community outcomes
Audit and Risk Sub-Committee	• Understand the risks facing council in pursuit of achieving its vision, mission and community outcomes • Assure council that such risks are appropriate in the context of achieving its vision, mission and community outcomes • Assure council that systems to manage risks are implemented and operating effectively
Chief Executive Officer	• Advocate risk identification and management across the organisation • Assure the Audit and Risk Sub-Committee and Council that risks to achieving its vision, mission and community outcomes are identified and managed • Assure the Audit and Risk Sub-Committee and Council that systems to manage risks are implemented and operating effectively
Group Managers	• Identify and record risks in the register • Promotion of a risk management culture • Communicate and raise awareness of risk management to managers and staff • Assure the Chief Executive that risks to council achieving its vision, mission and community outcomes are identified and managed
Deputy Group Managers	• Identify and record risks new and emerging risks in the register • Promotion of a risk management culture • Communicate and raise awareness of risk management to managers and staff • Regularly review risk controls and treatments
Corporate Systems Champion	• Ensure that corporate and group risks are reviewed in accordance with the review and reporting schedule
Human Resources	• Assure the ELT that health and safety risks are identified and managed.
Project Managers	• Assure the ELT that project risks are identified and managed
Risk Owners	• Identify and manage risks in accordance with the risk management framework • Share risks with other people likely to be exposed to/affected by the risk • Act appropriately to these risks when undertaking their roles & responsibilities • Assure the ELT that the identified risks are being managed
All Staff	• Identify risks and report them to your Manager • Act appropriately to these risks when undertaking their roles & responsibilities

Risk identification and management is the responsibility of all staff members; however, the following table outlines the **primary** risk management responsibilities *by process* at NRC.

Process	Corporate	Group	Health & Safety	Project
Identify	ELT/ Deputy GM's	Group Manager	**All Staff**	Project Manager

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Process	Corporate	Group	Health & Safety	Project
Analyse	ELT/ Deputy GM's	Group Manager	H&S and HR Advisor	Project Manager
Evaluate	ELT / Deputy GM's	Group Manager	H&S and HR Advisor	Project Manager
Treat	ELT / Deputy GM's	Group Manager	H&S and HR Advisor	Project Manager
Record/report	ELT / Deputy GM's	Group Manager	H&S and HR Advisor	Project Manager
Monitor/review	ELT/ Deputy GM's	ELT/ Deputy GM's	HR Manager	Project Steering Group
Communicate/consult	ELT / Deputy GM's	Group Manager	HR Manager	Project Manager

The process

Risk management is a continual process that involves the following key steps:
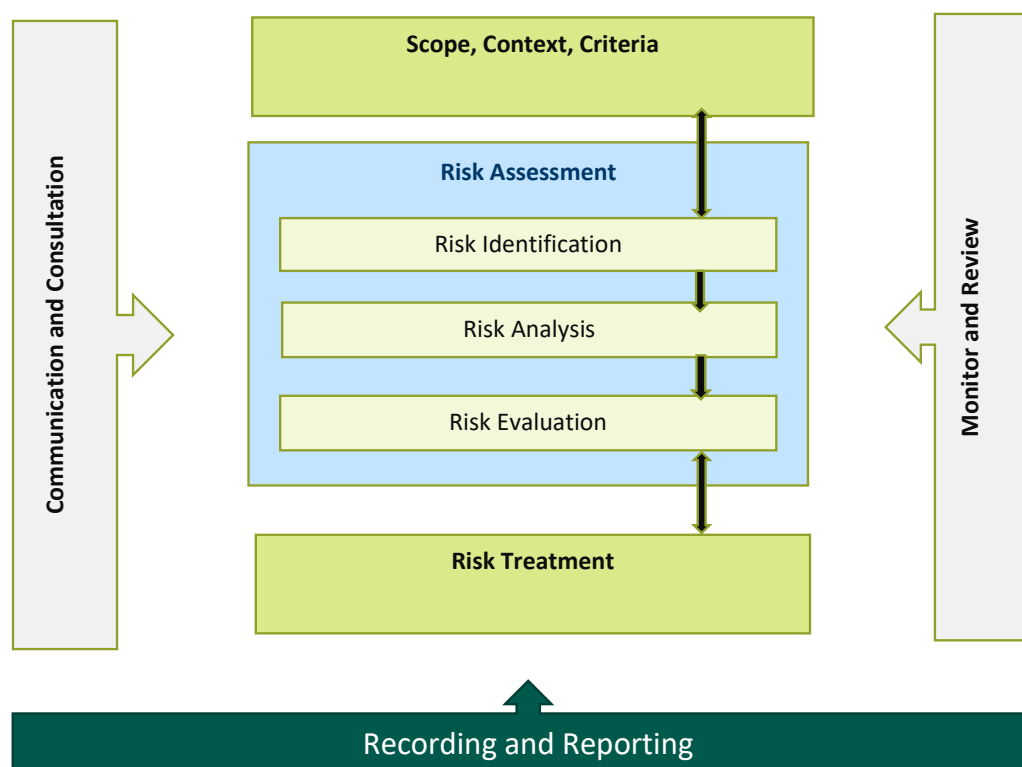
1. Identify

It pays to be thorough and comprehensive when identifying risks before making a decision, or at the start of a project. This can avoid an unpleasant surprise at some later point.

The following techniques can be used to identify risk:

- Brainstorming
- Interviews
- Independent / external reviews
- Consultation with other councils and public sector organisations
- Internal auditing reports
- Quality management system
- Annual and long-term plan processes
- Health and safety processes
- Legislative compliance programme
- Activity/Asset management plans (Te Kete Marika)
- Project management
- Business case development
- Opportunities for improvement
- Asking the following questions:
  - What are our relevant objectives?
  - What could go wrong and impact our plans?
  - What keeps you or your manager awake at night?

Identification should include risks whether they are under the direct control of the organisation or not.

Once risks have been identified, they should be recorded on the corporate, group, health and safety or project risk registers. The following guide is used to record identified risks:

There is a risk that [*uncertain event occurs*] caused by [*cause of uncertain event*] that may result in [*consequence to Northland Regional Council*].

This can be illustrated in the following table that outlines an example of risk:

Event	Cause	Consequence
Council does not provide a safe and healthy work environment for staff, contractors and visitor events	Poor practices and non-compliance with processes	Result in loss of life or permanent disability
Asset information is incomplete or inaccurate	Lack of resources (staff and technology)	Council's assets being underinsured

2. Analysis

Identifying risks → Analysing risks → Evaluating risks → Treating risks → Record & report risks → Monitor & review risks

Once risks have been identified, the likelihood and consequence of the risk occurring is analysed.

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Likelihood

The following table is used to analyse the likelihood of a risk occurring, e.g. how often the uncertain event is expected to occur pre-controls and post-controls (before and after existing and/or additional controls are considered):

Likelihood	Description	Probability
Frequent	Continuous or will happen frequently Will most certainly occur in the foreseeable future	5
Often	6 – 12 times per year Will possibly occur in the foreseeable future	4
Likely	1 – 5 times per year There is always a chance it will occur in the foreseeable future	3
Possible	Once every 2 to 5 years There is little chance of occurrence in the foreseeable future	2
Rare	Less than once every five years Occurrence is unlikely in the foreseeable future	1

Consequence

The following guide is used to analyse the consequence of a risk occurring, e.g. consequence if the uncertain event was to occur pre-controls and post-controls (before and after existing and/or additional controls are considered):

Consequence ➡ Risk Type ⬇	Severe 5	Major 4	Moderate 3	Minor 2	Inconsequential 1
Service Delivery	Serious loss of critical operational capability for more than 1 month and serious disruption to service levels	Serious loss of critical operational capability between 2 weeks and up to 1 month and major disruption to service levels	Serious loss of critical operational capability for over 2 weeks and disruption to service levels	Loss of critical operational capability in some areas and some disruption to service levels	No loss of critical operational capability or negative disruption to service levels
Reputation	Insurmountable loss in community confidence. Negative multi-media nation-wide coverage for2 weeks +	Large loss in community confidence that will take significant time to remedy. Negative multi-media nation-wide coverage for up to 2 weeks	Manageable loss in community confidence. Negative multi-media nation-wide coverage for several days	Loss of confidence among sections of the community. Negative multi-media nation-wide coverage for 2 days	Negative feedback from individuals or small groups in the community. Negative regional multimedia coverage for up to 2 days
Financial	Loss of $500K or greater (for a single council activity)	Loss of $250K to $500K (for a single council activity)	Loss of $140K to $250K (for a single council activity)	Loss of $50 to $140K (for a single council activity)	Loss of less than $50K (for a single Council activity)
Health and Safety People and/or	Fatality	>6 months off work/medical incapacity/Permanent Disabling Injury	Lost Time Injury>Restricted Work Injury	First Aid/Medical Treatment Injury	No injury/ No medical treatment

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Consequence ➡ Risk Type ⬇	Severe 5	Major 4	Moderate 3	Minor 2	Inconsequential 1
Plant/equipment/facility	Major damage to plant of facility resulting in potential costs of >$1m	Serious damage to major plant or a facility costing between $100,001 to $1m.	Significant damage to plant, equipment or a facility costing between $10,001 to $100,000	Minor plant and equipment damage requiring repairs or replacement costing $1,001 to $10,000	< $1,000 damage to plant and equipment
Legislative	Breach of legislation that cannot be resolved internally and may give rise to penalties of over $10m	Breach of legislation that cannot be resolved internally and may give rise to penalties of up to $10m	Breach of legislation that cannot be resolved internally and may give rise to penalties of up to $1m	Breach of legislation which can be resolved internally and may give rise to penalties of up to $250k	Breach of legislation which can be resolved internally and may give rise to penalties of up to $50k
Infrastructure	Infrastructure is not operational. Significant improvements or repairs over $10m are required. Unbudgeted and/or external resources are required to resolve	Infrastructure is not operational. Major improvements or repairs between $1m to $10m are required. Unbudgeted and/or external resources are required to resolve	Infrastructure is not fully operational. Moderate improvements or repairs between $250k to $1m required. Unbudgeted and/or external resources may be required to resolve	Infrastructure remains mostly operational. Minor improvements or repairs between $50k to $250k required which can be met by current budget and/or internal resources	Infrastructure remains operational. Improvements or repairs up to $50k required which can be met by current budget and/or internal resources

3. Evaluate

Identifying risks	Analysing risks	Evaluating risks	Treating risks	Record & report Risks	Monitor & review risks

Once risks have been analysed, the following matrix and ranking are used to evaluate the risk rating pre and post-controls. This is used to determine what action is required by council in relation to the risk:

Likelihood	Consequence				
	Inconsequential (1)	Minor (2)	Moderate (3)	Major (4)	Severe (5)
Frequent (5)	5 Moderate	10 High	15 Extreme	20 Extreme	25 Extreme

Likelihood	Consequence				
	Inconsequential (1)	Minor (2)	Moderate (3)	Major (4)	Severe (5)
Often (4)	4 Low	8 High	12 High	16 Extreme	20 Extreme
Likely (3)	3 Low	6 Moderate	9 High	12 High	15 Extreme
Possible (2)	2 Low	4 Low	6 Moderate	8 High	10 High
Rare (1)	1 Low	2 Low	3 Low	4 Low	5 Moderate

4. Treat

Identifying risks → Analysing risks → Evaluating risks → Treating risks → Record & report risks → Monitor & review risks

Once the risk has been evaluated, the following table outlines the general treatment actions required. Alternative treatment action may be determined by the ELT, Group Manager, Human resources - health and safety team or project manager responsible for managing the Corporate, Group, Health and Safety or Project risks:

Action	Description
Accept	Activity is managed to a low or moderate risk rating through existing controls
Transfer	Activity is managed to a low or moderate risk rating through transferring risk to another party, e.g. contractor/ insurer/stakeholder
Mitigate	Activity is managed to a low or moderate risk rating through existing or additional controls Group Manager approval is required for high risk activity to continue
Terminate	Activity is terminated if it cannot be reduced to a high or lower risk rating CEO/ELT approval required for extreme risk activity to continue

Actions must be documented in the risk register, outlining the:

- Action to be taken
- Individual responsible for completing the action
- Timeframe for completing the action; and
- Status progress

5. Record and report

Identifying risks → Analysing risks → Evaluating risks → Treating risks → Record & report risks → Monitor & review risks

All corporate and group risks must be recorded in the relevant risk register. Risk are recorded in the Promapp Risk Module. Instructions for the use of the module are found: Promapp Risk Module instructions.

Health and Safety risks are recorded in the Health and safety risk register in excel.

Once risks have been recorded, the following table outlines the reporting timeframe based on the risk ranking. Alternative reporting timeframes may be determined by the ELT, Group Manager, or Project Manager responsible for managing the Corporate, Group, Health and Safety or Project risk.

Risk Rating	Recording and Reporting
Low Risk	Quarterly update of risk register
Moderate Risk	Quarterly update of risk register
High Risk	Monthly update of risk register to relevant GM/
Extreme Risk	Weekly update of risk register to ELT

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6. Monitor and review

Identifying Risks → Analysing Risks → Evaluating Risks → Treating Risks → Record & report Risks → Monitor & Review Risks

Once risks have been reported, the following table outlines the monitoring and review timeframe based on the risk ranking. Alternative monitoring and review timeframes may be determined by the ELT, Group Manager, or Project Manager responsible for managing the Corporate, Group, Health and Safety or Project risks:

Risk Rating	Monitoring and Reviewing[2]
Low Risk	Quarterly
Moderate Risk	Quarterly
High Risk	Monthly
Extreme Risk	Weekly

Risks can also be reviewed when an incident occurs and is reported relating to an existing risk.

[2] Risks are monitored and reviewed in accordance with the table outlining primary risk management responsibilities by process, e.g:

- Corporate – risk owner/staff responsible/ELT
- Group - risk owner/staff responsible/ELT
- Health & Safety – HR Manager/ELT
- Project – project manager/project steering group/ELT.

Risks will be monitored and reviewed as part of regular management meetings. Attention should focus upon five key areas:

- Identifying new risks.
- Ensuring that effective monitoring of actions, contingency plans and risk responses are in place for risks assessed as requiring them.
- Ensuring that actions identified have been carried out.
- Ensuring that controls are effective and efficient in both design and operation.
- Reviewing risks to determine if any re-assessment is required.
- Identifying risks which can be closed.

Any actions, re-assessments or other changes arising from the review should be recorded within the appropriate risk register.

Monitoring and reviewing of risks is essential to ensure that council manages risks appropriately and effectively. Some risks diminish in significance, or disappear, while others become more important and new risks arise.

Communication and consultation

ELT, the human resource - health & safety team, project managers and managers communicate and consult through promoting awareness and understanding of risk and risk management and utilising the risk management framework to inform decision making and allocation of resources.

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Forms:

Corporate and Group Risk

In accordance with the council's risk management framework, this form can be used to consider and record risks. Once complete the risk will need to be inputted into the Promapp Risk Module by a risk champion. Risk champions include: Corporate systems Champion, EA/PA's, Risk Owners, Project Managers, and Managers

Identifying risks → Analysing risks → Evaluating risks → Treating risks → Record & report risks → Monitor & review risks

Identify	Date raised	
	Risk raiser name	
	Department	
	Group	
	Risk description	Describe the risk in terms of the event, the cause and the effect
	Risk category	The main type of risk (from agreed list) (could be a drop down?)
Analyse & Evaluate	Current treatments	If any, list existing actions or systems which are already in place to modify the likelihood or consequence of the risk
	Pre-control/treatment likelihood	The chance of a threat or opportunity occurring, with current controls, from an agreed scale
	Pre-control/treatment consequence	The result of a threat or opportunity occurring, with current controls, from an agreed scale
	Pre-control/treatment risk rating	Based on combination of likelihood and consequence ratings
	Risk owner	The person who will be responsible for managing the risk
Treat	Risk response	Describe the actions / controls to be put in place to modify the likelihood or consequence of the risk.
	Post-control/treatment likelihood	The chance of a threat or opportunity occurring, once treatment implemented, from an agreed scale
	Post-control/treatment consequence	The result of a threat or opportunity occurring, once treatment implemented, from an agreed scale
	Post-control/treatment risk rating	Based on combination of likelihood and consequence ratings
	Staff responsible	The person assigned responsibility for implementing the Risk Response
	Target date	The agreed date for implementing the Risk Response
	Risk treatment status	Whether risk treatment has been started, monitored or completed
Monitor and Review	Review date	The date the risk will next be reviewed
	Risk status	Whether the risk is open or closed

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Key relevant documents

Include the following: (in hierarchical order)

- Risk Management Policy
- Audit and Risk Subcommittee – Terms of Reference
- ISO 31000|2018
- Legislative Compliance Policy, Framework and Programme

Document approval

The approval for distribution and use of this policy has been delegated as per the document information:

Document information:

	Information
Document ID:	DMHUB-840458549-221
Document version:	Version 1
Document name:	Risk management framework
Approved by:	Audit and Risk Subcommittee
Date approved:	15 April 2020
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Document author:	Corporate Systems Champion
Group:	Corporate Excellence
Date policy published:	15 April 2020
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Document history:

Please see version control in Objective.

Version	Issue Date	Notes
1.00	29 January 2020	Fully revised risk management framework
	15 April 2020	Approved by A&R Subcommittee
2.0	8 September 2020	Minor update for the implementation of the Promapp Risk Module
.3.0	02 February 2022	Update roles and responsibilities

Northland Regional Council

P 0800 002 004

E info@nrc.govt.nz

W www.nrc.govt.nz

TITLE:	**Risk Deep Dive on workload and Capability and Operational capacity to manage events and directives**
From:	Kym Ace, Corporate Systems Champion
Authorised by Group Manager/s:	Bruce Howse, Pou Taumatua – Group Manager Corporate Services, on 15 March 2022

Executive summary/Whakarāpopototanga

There are risks that external and internal events are impacting the capability and operational capacity to manage events, directives, and workloads, which is resulting in our people feeling the pressure and may result in us being unable to deliver our LTP activities and services. The inherent risk is considered extreme (20).

This report presents a deep dive into the risks:

- capability and operational capacity to manage events and directives; and

- workload.

Potential causes of these risk include:

1. Increase in requirements and workloads from central government
2. High rate of change in our legislative operating environment
3. Increased Covid-specific workload
4. High rate of organisational growth
5. Loss of key staff and difficulty finding replacements
6. Increased workload to enable engagement with tangata whenua
7. High workload from Councillors
8. High expectations to complete work within required timeframes and to a very high standard
9. Increase in staffing numbers and work programmes impacting support services

With mitigations in place the residual risk is considered Extreme (16).

Recommendation(s)

1. That the report 'Risk Deep Dive on workload and Capability and Operational capacity to manage events and directives' by Kym Ace, Corporate Systems Champion and dated 11 January 2022, be received.

Background/Tuhinga

Risk	Capability and operational capacity to manage events, directives, and workload
	There are risks that Northland Regional Council does not possess the capability and operational capacity necessary to provide the required response to internal and external events (including natural hazard, pollution, biosecurity, emergency events, pandemics and other business interruptions or Central Government direction). This may result in the organisation being unable to deliver on LTP activities and services, and has a significant impact on the workload/s of our people.

Inherent Risk Score:	Likelihood: 5 (Frequent)	Consequence: 4 (Major)	**Residual Risk: 16(Extreme)**

Unmitigated			
Underlying Causes (threats): *How do you see these causes now – have they changed are there new causes?*	Council's staff are fundamental to the delivery of levels of service and achievement of targets prescribed in the Long Term Plan. Keeping their wellbeing at the centre of intention is critical to being able to achieve our levels of service and targets and deliver work programmes. Recently staff have observed and felt the impact of increased workload demands from internal and external events and business interruptions. This has resulted in staff feeling unreasonable levels of pressure and becoming unwell. Potential causes include: 1. Increased requirements and workload deliverables from central government, especially in a world of local government reform 2. High rate of change in our legislative operating environment 3. High rate of organisation growth 4. Staff wanting to make a difference and make the most of the high volume of opportunities available in a changing environment 5. Increased Covid-specific workload 6. Loss of key staff and difficultly finding replacements 7. Increased workload to enable engagement with tangata whenua 8. High expectations to complete work within required timeframes and produce high quality work 9. Increase in staffing numbers impacting support services		

Current treatments:
 	
Are you assured that these treatments are effective, sustainable and evidenced?
 	
Would you do more, or is the risk reduced?
	1. **Business Resilience**
	
	Develop/review Council's Business Continuity Plan (BCP) Framework to ensure that it supports preparedness to respond to events so that risks to people, property, and significant activities are minimised before, during and after an event. This Includes an analysis of resulting workload issues.
	BCP Policy and Framework have been developed and approved by OMT/ELT. Activity BCP plans are being developed. Seven of fifteen plans have been substantially completed. This work has been impacted by the Covid pandemic response planning requirements but is scheduled for January - March 2022 depending on Covid commitments.
	Once activity plans are complete the full package will be presented to ELT for approval.
	
	Civil Defence and Emergency Management (CDEM).
	NRC has a lead role in CDEM group. The role of the group is to work in partnership with communities to ensure effective and efficient delivery of emergency management within Northland. Council employees are obligated to provide lead and support where necessary as part of their roles (subject to situation specific circumstances). Council staff are trained in specific emergency response roles and have processes and procedures that aim to both reduce the impact of incidents and (where possible) to maintain the provision of Council services.
	This is achieved by (but not limited to):
	    - Requiring each staff member to undertake CDEM induction and, when identified appropriate, encouraging them to attend a civil defence training course covering the types of hazards in the Northland region, roles and responsibilities, use of coordinated incident management system, and working within an Emergency Coordination Centre. This enables CDEM to have a pool of trained resources on standby in case of a significant event.
	    - Regular exercises of emergency management skills through participation in inter-agency /authority exercises and collaboration during events		

Risk Management Framework

Council's Risk Management Framework includes policy, processes, support, tools, and templates. The framework details the expectations and best practice risk management behaviours across all levels of the business

These treatments impact the consequences of the risk by ensuring there is an organisational understanding of Council's commitment to maintain and manage the on-going delivery of Council services during an incident

2.   **Ensure planning processes, particularly the Long Term and annual plan, review the organisation structure and capacity of teams.**

This is a key element of annual and long term planning process. Te Kete Marika, which is managed by the corporate strategy team, requires new projects to include detailed consideration of staff impacts and requirements. Additionally, all proposals are considered as a whole by the team in conjunction with support service managers to ensure that support can be identified.
This treatment impacts the consequences of the risk by ensuring there is adequate consideration of the structure and capacity of the organisation during planning activities, so Council can maintain and manage the on-going delivery of Council services.

An additional recommendation is that the overall rate of organisational change required to deliver on any plan, including cumulative numbers of staff and support required, is considered at ELT level during the initial strategic scoping phase of plan development, and re-evaluated regularly during the process, on the assumption that all proposals will be approved by council.

3.   **Human Resources Plan**

The Human Resources plan guides the direction of Council's people management including but not limited to:
   -   Succession, recruitment, and workforce planning

   -   Learning and development

   -   Initiatives

   -   Support requirements (inc. technology, market analytics and metrics).

This treatment impacts the likelihood by providing the structure to implement pro-active actions associated with attracting, maintaining, and developing our people resource.

4.   **Develop and analyse workload issues.**

Workload issues have been workshopped with ELT, HR/H&S team, the Wellbeing and Stress Groups. Potential mitigations have been identified and a workplan developed to address these including but not limited to:

   -   Analyse what we are doing – if it doesn't help to achieve our goals do we need to do it?

   -   For specific areas perform a detailed work breakdown analysis of the role and capacity

   -   Identify where efficiency can be made whether through process or technology

ID:	- Provide time management, stress, and resilience training - Review training needs of individuals - Analysis of work distractions and see what can be removed - Maintain and support the staff wellbeing steering group - Review processes to identify efficiencies - Actively promote and participate in the coordinated partnership efforts across the sector - Better business planning through the LTP -strategic direction planning sessions with ELT and council - Ensure appropriate management support to staff through e.g., PDP's, regular meetings, and mentoring **5. Managers and staff to develop and implement individual solutions to workload issues. To escalate and resolve roadblocks as necessary.** This is a question in our performance development process which all staff undertake. **6. Council in accordance with the significance and engagement policy engages and communicates potential changes and the associated risks with the public.** This treatment impacts the likelihood of the risk by detailing and providing visibility to the community of potential impacts. **7. Ensure that processes are documented for staff to follow.** This treatment impacts the consequences of the risk by ensuring our people understand the expectations and the right way to do activities. **8. Councillors, Managers and staff to consider the impact on resources ($, People, etc) of the work we take on and ensure that it aligns with the LTP** Ensure that we have clear and defined boundaries around our capacity Ensure that we are focusing on our core functions and organisational objectives and not becoming distracted by side issues.
Recommendations of Management/ planned Treatments *If more needs to be done, what do you suggest – and what are the limitations or constraints.*	**Recommendations include:** 1. Comply with and resource treatment options. 2. Ensure proper project management (incl resource planning, workload allocation, costing) before we commit to directives from central government, councillors, and other funding sources. 3. Ensure long term strategic and annual planning processes include frequent high-level analysis of capacity and support impacts, and that these are adhered to and championed by ELT.

Improvements to span of control:	The treatments will enable us to better manage workload and operational capacity risk, and endeavour to increase staff wellbeing. The proposed treatments are considered the most effective available to council to address this risk.
How will the implementation of planned treatments be effective in improving our ability to mitigate the risk?	

Target Residual Risk Score:	**Likelihood: 3 (Likely)**	**Consequence: 3 (Moderate)**	Residual Risk: 9 (High)
Assumes all mitigations in place			

Attachments/Ngā tapirihanga

Nil

TITLE:	**Health and Safety Update**
From:	Beryl Steele, Human Resources Manager
Authorised by Group Manager/s:	Bruce Howse, Pou Taumatua – Group Manager Corporate Services, on 18 March 2022

Executive summary/Whakarāpopototanga

This report is to inform the audit and risk subcommittee of the activities related to health and safety.

A summary of the activities include:

- A list of the current health and safety priorities.

- An update on the key tasks associated with the COVID-19 response.

- An update on the highest health and safety risks.

- An outline of the health and safety strategy outcomes, action plans and tracking.

Recommendation(s)

1. That the report 'Health and Safety Update' by Beryl Steele, Human Resources Manager and dated 2 December 2021, be received.

Background/Tuhinga

1. Health and safety priorities

The key priorities in health and safety at the present time are:
- Regularly reviewing and updating the COVID-19 response. See section 2 below for details.
- Managing and monitoring staff workload, stress and mental wellbeing.
- Finding a new Health & Safety Advisor

The first three priorities have not changed since the last update.

2. COVID-19 response

The focus areas in the COVID-19 response for health and safety have been:

- Ensuring we are compliant with government requirements.
- Where there have been positive cases in NRC ensuring that appropriate action and safeguarding of staff, visitors and contractors is being taken.
- Conducting role risk assessments for mandatory vaccination requirements.
- Moving to requiring a vaccine pass to work in NRC offices and separating critical staff into work bubbles.
- Supporting the wellbeing of staff through the changing COVID-19 landscape.
- Working through how best to relocate staff back into the building after the peak of omicron is over.
- Communicating updates to staff.

3. Top health and safety risks

Table 1: Top health and safety risks and focus mitigations

COLOUR CODE THESE

Risk	Residual Score	Focus area for mitigation and notes
Working with Contractors	**16**	This has increased from a residual score of 8 to 16. Some of our contractor documentation has expired or not being filed in the right place
COVID-19 pandemic	**16**	This has increased from 10 to 16. This is due to the changing environment. With omicron the potential of catching it is increased however the likelihood of death has decreased.
Dealing with aggressive people – psychological harm	10	No change. We have had to delay our training for this and we have looked at moving most of it to being online. This will start in a few weeks.
Extended workload/stress	9	A deep dive has been carried out. We now need to see what we can put in place. Workload was also highlighted in our stress survey.
Workplace bullying and harassment *Note: This due to potential risk, not high numbers*	9	Psychological safety training will be commencing soon starting with ELT. Delivering diversity, bullying and harassment.
Sedentary work – ergonomic harm	8	We continue to promote movement, completing workstation assessments. The wellbeing group also promotes opportunities for wellbeing challenges that includes physical activities.
Working under the influence of drugs and/or alcohol	8	The drug and alcohol policy has been updated and distributed to staff.
Slips, trips, and falls	8	These continue to be due to work environments combined with inattention. No mitigations at the present time apart from staff awareness.
Driving motor vehicles – accident and injury related	8	We continue to report on any incidents of speeding or any accidents.

Note: The top risks are identified by the residual risk scores. There risks are the highest after all controls have been put in place. Risk scores are between 1 and 25.

The scores listed above represent the residual scores for each of these risks. This means that after all controls are in place, these nine risks have a high residual risk score. The focus area for mitigation column is what we are currently doing or looking into doing in order to further bring these scores down to their lowest possible point. The mitigations listed are not the current controls in place.

4.   Health and safety strategy priority outcomes

Please see attachment 1 for action plans for each out the key outcomes. Note that the timeframes on these outcomes have not been adjusted to include the COVID-19 workload, and as such some will be delayed.

5. Stress Survey

The Stress Survey has been completed and the main area of concern highlighted was workload. The report and actions plans are currently being finalised.

5. Other updates of note

- A new H&S committee has been elected.

- Our H&S Advisor has left and we are currently trying to recruit for the role. We have contracted the services of Construct Health Limited to assist us with investigations, reviewing contractor documentation and other pieces of work as required.

Guide to strategy reporting

The operational status of the strategy items are displayed using traffic light colours (green, yellow, red). The meaning of each status is defined below. See attachment 2 for the health and safety performance towards the strategy.

Colour	Definition of Status
green	Operating to plan. Targets mostly being achieved. Work tracking to agreed timeframes
yellow	No consistent improvement, remedial actions needed. Issues managed but not overcome
red	Issues/problems. Insufficient action and/or skills, resources. Timeframes not being met

Attachments/Ngā tapirihanga

Attachment 1: Health and Safety strategy action plans ⇩ 📄

Attachment 2: Health and safety performance towards strategy ⇩ 📄

Health and Safety Strategy: Action plans and tracking

Our leaders actively model and encourage H&S Excellence, and all our people understand they are responsible for their own H&S

Action	Start Date	Date to be completed	Tracking
Identify how ELT meetings can be used to discuss H&S... i.e., just a prompt/slot weekly and a monthly report, then add committee agenda to establish items that need to be discussed at ELT	1/09/2021	1/12/2021	100%
Request regular slot at ELT for H&S (Standing item)	1/09/2021	1/12/2021	100%
Develop and undertake training for ELT on what their expectations are as leaders, and what their expectations need to be for their staff, including non-compliance	1/09/2021	1/12/2021	100%
Include into the H&S induction for workers' rights	1/09/2021	1/12/2021	100%
Schedule H&S Rep meeting re compulsory induction training	1/09/2021	1/5/2022	20%
Attendance at meetings is prioritised	1/09/2021	1/5/2022	0%
Review H&S committee terms of reference to include attendance	1/09/2021	1/5/2022	100%
		Completed %	**74%**

Near misses and incidents are triaged as soon as possible, but within 48 hours

Action	Start Date	Date to be completed	Tracking
Inform reps of their task to investigate reports (which aren't sensitive, or high risk)	1/09/2021	1/09/2021	100%
Develop instructions for reps to follow to investigate and report back to H&S	1/10/2021	1/6/2022	0%
Develop and offer training to H&S Reps for incident investigations, and ensure all reps complete training	1/10/2021	1/7/2022	25%
Develop process of following up on reported incidents/ time frame tracking	1/10/2021	1/7/2022	0%
Identify and report on Trends for individuals and teams (6-montly reports)	1/12/2021	1/7/2022	0%
Headcount incident rate to stay stable, but below 10% (in H&S report)	1/12/2021	1/7/2022	0%
Reducing the potential serious harm incidents or events caused by our people (contractors and worker) through reporting near misses and preventing serious harm. Regular engagement with contract managers to report incidents that occurred throughout contract.	1/12/2021	Ongoing	0%
		Completed %	**18%**

Health and Safety Strategy: Action plans and tracking

The organisations culture supports wellbeing

Action	Start Date	Date to be completed	Tracking
H&S Committee to support trainer with psychological safety, stress management and resilience training	1/11/2021	Ongoing	0%
Accept direction from the wellbeing committee to engage staff and deliver messaging	Ongoing	Ongoing	0%
Add wellbeing as a standing item to the H&S Committee meeting	1/09/2021	1/09/2021	100%
Promote mindfulness	1/11/2021	Ongoing	0%
Invite Leah to committee meetings (every 2nd, as wellbeing or training is raised)	1/09/2021	1/09/2021	100%
Link in with social club, or ask for update on events/activities (Heather is a member)	1/11/2021	Ongoing	0%
Email wellbeing group for updates/active communication and support	1/11/2021	Ongoing	0%
Have someone on the committee sit on the wellbeing committee also (Kelcie)	1/09/2021	1/09/2021	100%
		Completed %	38%

Work related stress and mental health factors are identified and managed

Action	Start Date	Date to be completed	Tracking
Share/ offer Mental health 101 training to H&S Reps and committee	1/09/2021	1/09/2021	100%
Distribute more information on flexi leave	1/11/2021	1/7/2022	0%
Identifying work stressors with ELT, showing a breakdown in workload	1/12/2021	1/02/2022	100%
Share stress survey questions to wellbeing and H&S committee prior	1/09/2021	1/5/2022	100%
Undertake Stress Survey in November, use results to develop more robust plan for managing stress	15/10/2021	1/12/20221	100%
H&S Committee and Manager to encourage survey completion	15/10/2021	1/12/2021	100%
		Completed %	84%

Health and Safety Strategy: Action plans and tracking

Annual health monitoring programme is undertaken

Action	Start Date	Date to be completed	Tracking
Identify actual exposures for roles, including spot checking	1/12/2021	1/04/2022	0%
Help H&S Advisor get attendance at appointments	1/12/2021	1/04/2022	0%
Share information on what monitoring is required and why	1/12/2021	1/04/2022	0%
Review health monitoring assessment form	1/12/2021	1/04/2022	0%
Review health monitoring guide	1/12/2021	1/04/2022	0%
		Completed %	0%

Health and safety performance towards strategy

Strategy Pillar	Operating to plan	Remedial action needed	Issues/problems	Notes
Hazards and risks	• Generic COVID risk assessments were completed/approved for all roles. • Staff training calendar has been developed and is mostly running to plan (some COVID delays). • The government changes in framework for COVID-19 and vaccine mandates have been incorporated into current protocols and procedures and are regularly updated.	• Not yet up to 100% of new people inducted – need to wait until back in the office buildings to be able to complete. • Emergency procedures for regional offices needs updating	• Risk treatments need to be completed in Promapp. • Duplicate system for risk register creates potential misinformation. • We currently do not have back up fire wardens for when fire wardens are not in the building. • Work needs to be done to ensure that we have all required contracts and documentation from contractors. This will be part of an audit.	'Hazards and Risks' is a new pillar in the 2021-2022 strategy. There is a lot of work in this area to be done.
Injury and illness	• Most incidents are reported with 48 hours of occurrence.	• Need to continue to encourage staff to report all incidents.	• Nil	
Wellbeing	• Wellbeing related training and events are scheduled and running to plan. • Wellbeing group is reviewing their strategy and action plan. • Stress survey complete currently finalising the report and action plans.	• Nil	• Workloads remain a high and largely uncontrolled risk.	Workload and stress remain a challenge to mitigate.
Communication and engagement	• Nil	• H&S is yet to be a standing item at all meetings. • Leaders and new managers need upskilling in modelling H&S.	• Since the H&S Advisor left, we are reliant on H&S Committee members and representatives to do most of the communication and engagement.	The H&S committee is working on how to better engage leaders and managers in H&S.

Learn and improve	• TMP training is being scheduled for staff. • Other scheduled health and safety training has been completed. • H&S representatives have undergone training on how to do incident investigations.	• Nil	• Nil	An external audit is being scoped. We will wait until the new H&S Advisor is on board before doing the audit.

TITLE:	Insurance Summary 2021/2022
From:	Judith Graham, Corporate Services P/A
Authorised by Group Manager/s:	Bruce Howse, Pou Taumatua – Group Manager Corporate Services, on 15 March 2022

Whakarāpopototanga / Executive summary

Council's total insurance premium for 2021/22 is $458,052, this represents an 8.1% increase over the 2020/21 total insurance premium of $423,587.

A summary of council's insurance renewals for 2021/22 is attached.

Ngā mahi tūtohutia / Recommendation

> That the report 'Insurance Summary 2021/2022' by Judith Graham, Corporate Services P/A and dated 11 January 2022, be received.

Background/Tuhinga

Nil.

Attachments/Ngā tapirihanga

Attachment 1: Insurance renewals summary ⇩ 📄

Insurance Policy	Covers	2020-21 Cover	2020-21 Premium	2020-21 Excess	2021-22 Cover	2021-22 Premium	2021-22 Excess	Comments
Material Damage Fire/ Material Damage Ex Fire	Material damage cover insures Council against loss or damage to physical assets including buildings, contents, plant and equipment & field equipment	$56,046,605	$102,012	$5,000	$52,002,751	$115,068	$10,000	Cover value has decreased with sale of Kensington Crossing and is also offset by an increase in the cover on NRC owned residential properties and an increase in contents for the leased computer equipment
Liability Excess Layer - National Councils Collective	Additional Layer over and above the $15,000,000 Liability insurance	$145,000,000	$11,833	$15,000,000	$145,000,000	$18,106	$15,000,000	No Change
Public Liability	Public Liability Insurance, often referred to as General Liability, gives you peace of mind, protecting council business against such claims by providing compensation for property damage, and personal injury or death in circumstances that are not covered by	$15,000,000	$17,438	$10,000	$15,000,000	$18,503	$10,000	No Change

Insurance Policy	Covers	2020-21 Cover	2020-21 Premium	2020-21 Excess	2021-22 Cover	2021-22 Premium	2021-22 Excess	Comments
	the Accident Compensation Commission (ACC)							
Professional Indemnity	Protects Council and staff against any financial losses or legal action taken against Council for services or advice you have provided.	$15,000,000	$65,797	$25,000	$15,000,000	$82,231	$25,000	No Change
Commercial Motor	Protects any vehicles used for Council purposes against property damage and liability	$2,119,942	$53,887	$500	$2,370,052	$66,378	$500	Motor Vehicle Fleet has increased with no sales of vehicles in the 2020/2021 financial year
Employers Liability	Employers Liability insurance provides cover for claims made by employees against. employers for injuries or illness occurring in the workplace - that falls outside the scope of cover provided by ACC.	$1,000,000	$1,510	$1,000	$1,000,000	$1,582	$1,000	No Change

Insurance Policy	Covers	2020-21 Cover	2020-21 Premium	2020-21 Excess	2021-22 Cover	2021-22 Premium	2021-22 Excess	Comments
Statutory Liability	A statutory liability policy is designed to protect Council from fines, penalties and reparation under the health and safety legislation imposed by the courts for unintentional breaches of most laws in New Zealand. It also covers the legal costs of investigating and defending claims	$2,000,000	$7,870	$10,000 except for - $25,000 claims arising from Health and Safety and Resource Management Act	$2,000,000	$8,260	$10,000 except for - $25,000 claims arising from Health and Safety and Resource Management Act	No Change
Harbour Masters Liability	** Wreck removal excess is $100,000

Sums which the Insured is legally liable for whilst exercising the statutory powers and. duties of Harbour Master. | $40,000,000 | $64,575 | $50,000 | $40,000,000 | $64,575 | $50,000 except for - $100,000 claims Wreck Removal | No Change |
| **UAV Hull and Liability Insurance** | UAV Hull/ Drone cover of devices for the named Pilots | $28,892 | $2,763 | $500 | $18,392 | $2,876 | $250 | Decrease as the Value of the Drone has decreased |

Insurance Policy	Covers	2020-21 Cover	2020-21 Premium	2020-21 Excess	2021-22 Cover	2021-22 Premium	2021-22 Excess	Comments
	Includes a $1,000,000 Third party liability							
Forestry Cover	Standing Timber - Mt Tiger forest 12 Blocks. Fire Fighting Levy, Re-establish & Removal of Debris, Hail Strike and Claims Preparation	$3,359,144	$4,836	1.5% of the Sum Insured of each and every Forest Location with Area Damaged minimum $10,000, maximum $2,500,000 Each & Every Single Cause	$3,915,596	$5,949	1.5% of the Sum Insured of each and every Forest Location with Area Damaged minimum $5,000, maximum $2,500,000 Each & Every Single Cause	Increase in forestry Value
Marine Hull	Covers Marine Hull and Navigation Aids - accidental loss or damage to boats used for commercial purposes; it includes salvage costs, and third party liability cover ($5M). Vessels insurance covers accidental loss or damage to the vessel	$3,057,653	$23,872	Various	$3,117,117	$24,437	Various	Increase in Vessel Replacement Values

Insurance Policy	Covers	2020-21 Cover	2020-21 Premium	2020-21 Excess	2021-22 Cover	2021-22 Premium	2021-22 Excess	Comments
Infrastructure	Flood Protection (Awanui, Kaeo, Whangarei Urban) Covers Physical loss caused by a Natural Catastrophe Event including: Earthquake, Natural Landslip, Flood, Tsunami, Tornado, Windstorm, Volcanic Eruption, Hydrothermal & Geothermal Activity and Subterranean Fire	$35,696,710	$28,316	$100,000	$27,266,439	$21,148	$100,000	Decrease in the Cover value as the 2020/21 figure used was incorrect
Crime	Responds to claims for direct loss to Council arising from any fraudulent or dishonest act or acts committed by employees and third parties. Given the nature of this cover it is incumbent upon Council to maintain strictly confidentiality as to the existence or	$1,000,000	$7,317	$25,000	$1,000,000	$8,147	$25,000	No Change

Insurance Policy	Covers	2020-21 Cover	2020-21 Premium	2020-21 Excess	2021-22 Cover	2021-22 Premium	2021-22 Excess	Comments
	otherwise of such cover							
Personal Accident	Financial and other assistance for Council, your employees and their families in the event of an employee's accidental injury or death	Various	$8,963	7 day wait period for Weekly Injury Benefit and Weekly Sickness Benefit	Various	$9,760	7 day wait period for Weekly Injury Benefit and Weekly Sickness Benefit	No Change
Travel	Covers Employees from financial losses occurred during international and domestic business trips	Various	$1,140	$250 for Mobile Electronic Equipment. 7 days wait period for Temporary Total Disablement. No other excesses	Various	$860	$250 for Mobile Electronic Equipment. 7 days wait period for Temporary Total Disablement. No other excesses	Decrease as there is no international travel and domestic travel has reduced
Cyber	Provides cover in the event that Council is a victim of a data breach. It covers the financial consequences of lost or stolen employee or customer data, including damages	$2,000,000	$5,840	$25,000	$2,000,000	$7,660	$25,000	No Change

Insurance Policy	Covers	2020-21 Cover	2020-21 Premium	2020-21 Excess	2021-22 Cover	2021-22 Premium	2021-22 Excess	Comments
	claims and loss of profit, while it also covers the cost of restoring or recollecting data following a breach							
Flyger Road	Covers the Flyger Road Nursery - Including standing Timber - Poplars, Total Span Shed and Equipment used on the nursery	$480,153	$3,756	$500	$374,994	$2,513	$2,500	Decrease in value as the Standing Timber can no longer be insured
Sum			**$423,587**			**$458,052**		

TITLE: Business with the Public Excluded

Whakarāpopototanga / Executive Summary

The purpose of this report is to recommend that the public be excluded from the proceedings of this meeting to consider the confidential matters detailed below for the reasons given.

Ngā mahi tūtohutia / Recommendations

1. That the public be excluded from the proceedings of this meeting to consider confidential matters.

2. That the general subject of the matters to be considered whilst the public is excluded, the reasons for passing this resolution in relation to this matter, and the specific grounds under the Local Government Official Information and Meetings Act 1987 for the passing of this resolution, are as follows:

Item No.	Item Issue	Reasons/Grounds
6.1	Confirmation of Confidentail Minutes - 24 November 2021	The public conduct of the proceedings would be likely to result in disclosure of information, as stated in the open section of the meeting -.
6.2	Cyber Security update	The public conduct of the proceedings would be likely to result in disclosure of information, the withholding of which is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information s7(2)(b)(ii) and the withholding of which is necessary to prevent the disclosure or use of official information for improper gain or improper advantage s7(2)(j).

3. That the Independent Financial Advisors be permitted to stay during business with the public excluded.

Considerations

1. Options

Not applicable. This is an administrative procedure.

2. Significance and Engagement

This is a procedural matter required by law. Hence when assessed against council policy is deemed to be of low significance.

3. Policy and Legislative Compliance

The report complies with the provisions to exclude the public from the whole or any part of the proceedings of any meeting as detailed in sections 47 and 48 of the Local Government Official Information Act 1987.

4. Other Considerations

Being a purely administrative matter; Community Views, Māori Impact Statement, Financial Implications, and Implementation Issues are not applicable.