

Audit and Risk Subcommittee
Wednesday 22 February 2023 at 9am

AGENDA

Audit and Risk Subcommittee Agenda

Meeting to be held in the Council Chamber
36 Water Street, Whangārei
on Wednesday 22 February 2023, commencing at 9am

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, Councillor Peter-Lucas Jones

Councillor Amy Macdonald

Councillor Rick Stolwerk

Councillor Joe Carr

Councillor Marty Robinson

Independent Advisor Stuart Henderson

KARAKIA / WHAKATAU

RĪMITI (ITEM)

Page

1.0 NGĀ MAHI WHAKAPAI/HOUSEKEEPING

2.0 NGĀ WHAKAPAHĀ/APOLOGIES

3.0 NGĀ WHAKAPUAKANGA/DECLARATIONS OF CONFLICTS OF INTEREST

4.0 REPORTS

- | | | |
|-----|--|----|
| 4.1 | For Noting Only: Audit and Risk Sub-committee Minutes - 29 June 2022 | 3 |
| 4.2 | Insurance Summary 2022/2023 | 8 |
| 4.3 | Internal Audit Schedule | 13 |
| 4.4 | Risk Management Activity Update | 16 |
| 4.5 | Risk Deep Dives | 30 |
| 4.6 | Health & Safety report for June to December 2022 | 34 |

5.0 KAUPAPA Ā ROTO / BUSINESS WITH THE PUBLIC EXCLUDED 43

- | | | |
|-----|---|--|
| 5.1 | For Noting Only: Confidential Minutes Audit and Risk Sub-committee - 29 June 2022 | |
| 5.2 | Human Resources Update | |
| 5.3 | Audit of Investment Property Procedures and Management | |
| 5.4 | Cyber Security update | |

Audit and Risk Subcommittee
29 June 2022

Audit and Risk Subcommittee Minutes

Meeting held in the Council Chamber
36 Water Street, Whangārei and via audio visual link
on Wednesday 29 June 2022, commencing at 10.00am

Tuhinga/Present:

Chairperson, Colin Kitchen
Councillor Amy Macdonald
Councillor Rick Stolwerk
Ex-Officio Penny Smart
Independent Advisor Stuart Henderson

I Tae Mai/In Attendance:

Full Meeting

Tumuaki – Chief Executive Officer (*via audio visual link*)
Pou Taumatua - GM Corporate Services (*via audio visual link*)
Pou Tiaki Taiao - Group Manager Environmental Services
PA/Team Admin Governance and Engagement

Part Meeting

Human Resources Manager
Corporate Strategy Manager
Corporate Systems Champion
Financial Accountant

The Chair declared the meeting open at 10.01 with a Karakia by Councillor Stolwerk

Ngā Mahi Whakapai/Housekeeping (Item 1.0)

Ngā whakapahā/Apologies (Item 2.0)

Moved (Stolwerk/Kitchen)

That the apologies from Councillor Yeoman for non-attendance be received.

Carried

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.

Audit and Risk Subcommittee
29 June 2022

Confirmation of Minutes - 30 March 2022 (Item 4.1)

Report from Judith Graham, Corporate Services P/A

Moved (Stolwerk/Macdonald)

That the minutes of the Audit and Risk Subcommittee meeting held on 30 March 2022, 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/Macdonald)

That the action sheet be received.

Carried

The Pou Taumatua - GM Corporate Services provided an overview of the action sheet. It was agreed to remove 6485 and revisit it in the new triennium, when a replacement Independent Audit and Risk Advisor for Danny Tuato'o will have been appointed. His immediate replacement is not essential and active recruitment can wait until after the 2022 local elections in October.

Actions

- Remove 6485 and revisit it in the new triennium.

Internal Audit Schedule (Item 6.1)

Report from Judith Graham, Corporate Services P/A

Moved (Stolwerk/Macdonald)

That the report 'Internal Audit Schedule' by Judith Graham, Corporate Services P/A and dated 16 June 2022, be received.

Carried

Key discussion points:

- There is enough resource for existing internal audits through staff capacity and use of consultants, however, budget is an issue. Although if council accepts all the recommendation in Item 6.3 Internal Audit Maturity Assessment – Update, then at least extra one FTE would be needed
- The Independent Financial Advisor advised that:
 - external auditors in the coming year will be focusing on fraud and re-evaluations, in particular fraud in relation to rates and fees assessments
 - help will be needed to prioritise internal audits.

Actions

- Staff to consider addressing the following in the Internal Audit Schedule:
 - maturity risk assessment on health and safety processes

Audit and Risk Subcommittee
29 June 2022

Audit Plan FY22 (Item 6.2)

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

Moved (Stolwerk/Macdonald)

That the report 'Audit Plan FY22' by Bruce Howse, Pou Taumatua – Group Manager Corporate Services and dated 11 April 2022, be received.

Carried

Key discussion points:

- The audit is consistent with previous years, except for the additional new area of focus – investment in subsidiaries and associates – which reflects the change in ownership of Northland Inc
- There is no additional budget needed for the new area as NRC had already agreed to an uplift in the fee to Deloitte.

Actions

- GM Corporate Services to discuss with Deloitte expanding the audit scope to include:
 - RHSL which will be a complex space as it converts its focus on software to becoming a shared service
 - Kaipara Moana Remediation (Deloitte currently review and report on KMR)
 - Additional checks on Crown contracts given their number and value (noting that some of the large Ministry for the Environment funded projects require annual reporting)
- GM Corporate Services to discuss with Deloitte about how to execute confirmation letters earlier than what is in the audit programme before the Chief Executive Officer's (CEO) retirement, so the incoming CEO is not expected to sign things he is not aware about.

Internal Audit Maturity Assessment - Update (Item 6.3)

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

Moved (Stolwerk/Macdonald)

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

Carried

The Corporate Strategy Manager presented a review of the Deloitte internal audit maturity review and a proposed improvement plan.

Key discussion points:

- Considering the broader maturity, NRC is aiming to move from a 2 to a 3 – 4 rating of internal audit function and capability, rather than a gold star 5 rating
- The organisation's risk profile is growing because the organisation's size is growing. No one has end to end visibility, so NRC needs to keep strengthening systems. It's a commitment over time, not overnight and the challenge is to manage risk in the meantime until all the threads – ISO standards, RMA requirements etc – are integrated into one programme of work. If the ball is dropped, NRC risks reputational damage
- Ideally the organisation would have an internal audit champion with no self-review and a direct channel to the CEO and Chair of Audit and Risk Committee, or have the role outsourced (noting there is currently a shortage of auditors which creates a resourcing issue)

TITLE: Insurance Summary 2022/2023

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

Authorised by Bruce Howse, Pou Taumatua – Group Manager Corporate Services, on 14
Group Manager/s: February 2023

Whakarāpopototanga / Executive summary

Council's total insurance premium for 2022/23 is \$614,958, this represents a 29% increase over the 2021/22 total insurance premium of \$476,631.

A summary of council's insurance renewals for 2022/23 is attached. This summary includes comments on significant changes and drivers in the increase in premium values.

The more material premium increases relate to:

- **Material damage** (\$49,830 premium increase) – driven by increase in revaluations. NRC recovers 77% of the premium from tenants across all rental properties. This lowers to 47% recovery of premium across all properties, when including the ones NRC inhabit. Hence the premium cost increase incurred directly to NRC is \$26,409.
- **Professional indemnity** (\$28,765 premium increase).
- **Commercial motor** (\$23,945 premium increase) – driven by a larger fleet and the increased cost to repair modern vehicles. The subcommittee may wish to discuss the merits and pitfalls of council self-insuring the vehicle fleet or other insurance options. This is discussed in further detail below.
- **Harbour Master Liability** (\$21,815 premium increase) – driven by estimated increase in pilotage volume.

Representatives from AON, NRC's insurance brokers, will be in attendance to discuss insurance related matters with the subcommittee.

Self-insurance of commercial motor

Commercial motor premium is \$90,323 against a total insured value of \$2,997,701 with an excess of \$500. This represents approximately \$1 of premium cost per \$33 of the motor fleet value.

Council could choose to self-insure the motor fleet (or other assets).

Self-insurance of the motor fleet would require council to fund the costs for any damage for which it is liable. This also would include third party liability. Third party liability is considered the greatest risk exposure to council if it were to self-insure, with the potential for liability to greatly exceed the total annual premium cost.

If council were of a mind to consider self-insurance of the motor fleet, it would need to consider mechanisms to fund the cost for potential liabilities. Mechanisms for this could include the establishment of a reserve, funded from the savings in premium cost and adjusted annually. No analysis has been completed on what the quantum of a reserve to cover this should be and further advice would need to be sought on this and the risk profile associated with self-insurance. This approach would not be without risk, as a third-party liability event of a significant nature exceeding the quantum of a reserve would leave council exposed.

There are also other factors to consider. For example, the majority of council's fleet is concentrated at the Water Street office; an adverse event at that location could result in a significant loss to council given the concentrated nature of the fleet. There is also the personal injury component to consider, the Council can be found liable for costs over and above what is covered by ACC which could turn out to be significant if Council is liable to for an extended period of time.

Other options to reduce commercial motor premium

AON have provided some options as an alternate to NRC's current cover. These options are increased excess and/or removal of windscreen cover (Table 1). However, when viewed in comparison to NRC's commercial motor claims history (Table 2) these options are not considered to be preferable over the current cover arrangements.

Table 1: Alternative commercial motor insurance options.

	Excess	Premium	Saving over renewal this year
Windscreen cover	\$ 500	\$ 89,331	
Windscreen cover	\$ 5,000	\$ 81,331	-8,000
Without windscreens	\$ 500	\$ 76,831	-12,500
Without windscreens	\$ 5,000	\$ 68,831	-20,500

Table 2: NRC commercial motor claims history since 2019.

Insurance Period	Fleet value	Fleet Number	Cost per vehicle	Total Premium (EX Levies)	Total Claims Value	Number of Windscreens	Number of claims	Windscreens \$
2019 – 2020	\$ 2,099,775	86	\$703	\$ 60,435	\$ 35,247	85	98	\$ 19,548
2020 – 2021	\$ 2,369,117	82	\$647	\$ 53,030	\$ 17,901	47	50	\$ 10,353
2021-2022	\$ 2,370,052	88	\$744	\$ 65,451	\$ 38,647	61	75	\$ 21,574
2022-2023	\$ 2,997,701	98	\$912	\$ 89,331	\$ 817	5	5	\$ 817
Total				\$268,247	\$ 92,612	198	228	\$ 52,292


Ngā mahi tūtohutia / Recommendation

That the report 'Insurance Summary 2022/2023' by Bruce Howse, Pou Taumatua – Group Manager Corporate Services and dated 20 January 2023, be received.

Background/Tuhinga

Nil.

Attachments/Ngā tapirihanga

Attachment 1: Insurance renewals 2022-23 [↓](#) 

TITLE: Internal Audit Schedule

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

Authorised by Bruce Howse, Pou Taumatua – Group Manager Corporate Services, on 14
Group Manager/s: February 2023

Whakarāpopototanga / Executive summary

The internal audit schedule is provided in Table 1. The schedule shows the timing for each internal audit item and a status update on progress.

A proposed internal audit schedule for 2023/24 onwards is provided in Table 2, noting that the 2024/25 schedule will be developed further over time.

Ngā mahi tūtohutia / Recommendation

That the report 'Internal Audit Schedule' by Bruce Howse, Pou Taumatua – Group Manager Corporate Services and dated 3 February 2023, 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.	Complete.	
2020/21	Human resources procedures.	Complete.	
2020/21	Fraud control environment (counter-fraud gap analysis).	Complete.	
2020/21	Insurance – AON insurable risk review.	Complete.	
2021/22	KDC rates collection, audit to confirm robustness of collection of NRC rate revenue and general title arrears recovery process.	Complete.	
2021/22	Property management.	Complete. Findings are reported within this agenda.	
2021/22	Risk management.	Deferred. Replaced with 'Fraud and Corruption Risk Assessment' as reported to Subcommittee in June 2021. Potential to reconsider undertaking this review in 23/24.	
2021/22	Procurement.	Deferred. Replaced with 'Strengthen the Management of Third parties' as reported to	

		Subcommittee in June 2021. Potential to reconsider undertaking this in 23/24.
2021/22	Fraud and Corruption Risk Assessment.	Complete.
2021/22	Strengthen the Management of Third parties.	Complete.
2022/23	WDC rates collection, audit to confirm robustness of collection of NRC rate revenue and general title arrears recovery process.	Auditors have been engaged to prepare a brief of work. Work to commence in 2022/23.
2022/23	Externally managed funds – Statement of Investment and Policy Objectives review (SIPO).	Work has commenced, with an external draft SIPO review report received late January 2023. The final report will be workshopped with the Investment & Property subcommittee and council to determine which, if any, of the review findings council wishes to adopt in a revised SIPO.
2022/23	Health and Safety.	An independent contractor has been appointed to undertake this audit and work is scheduled to commence in February 2023.
2022/23	Legislative compliance.	Work to commence in 2022/23. Proposing to undertake a review to assess opportunities to strengthen our current approach and systems. Review to be undertaken with internal resources.

Table 2: Proposed internal audit schedule 2023/24 onwards.

Year	Item	Status
2023/24	Policy and protocol management review. Audit to confirm policies and protocols are being reviewed on time, are filed correctly, and that approval lines are appropriate and current. <i>Note – link to risk R00223</i>	Work to commence in 2023/24
2023/24	Business Continuity and pandemic response. Audit to review systems and processes in place against national best practice and lessons learned, conduct gap analysis. <i>Note – link to risk R00235 and R00244</i>	Work to commence in 2023/24
2023/24	Fleet management. Audit of fleet suitability and management, including ratio of 4x4s to electric vehicles. Expected to be largely a desktop exercise pulling together existing work. <i>Note – link to risk R00137</i>	Work to commence in 2023/24
2023/24	Flexible working. Audit of work-from-home arrangements across the organisation, testing consistency and management across activity areas, satisfaction, and comparison to similar organisations.	Work to commence in 2023/24
2024/25	Forest Management, audit of effectiveness of (outsourced) management, harvest schedule, health and safety compliance, reporting etc.	Work to commence in 2024/25, once new forest manager is in place.

Attachments/Ngā tapirihanga

Nil

TITLE: Risk Management Activity Update

From: Kyla Carlier, Corporate Strategy Manager

Authorised by Bruce Howse, Pou Taumatua – Group Manager Corporate Services, on 15
Group Manager/s: February 2023

Whakarāpopototanga / Executive summary

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.

Ngā mahi tūtohutia / Recommendation

That the report ‘Risk Management Activity Update’ by Kyla Carlier, Corporate Strategy Manager and dated 3 February 2023, be received.

Background/Tuhinga

Risk can be simply defined as “The effect of uncertainty on objectives”; Risk management is the assessment of this uncertainty, and encompasses both the likelihood of something happening, and the consequences or impacts if it were to happen, which can introduce both opportunity and hazards.

Risk needs to be understood in order to make informed decisions.

Council uses tools to manage risk including a risk management framework, policy, and risk register which is maintained in council’s Promapp risk module. Council maintains Corporate, group, health and safety and project risk registers.

Progress on risk management since the last meeting of the Audit and Risk Subcommittee includes:

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 is being provided quarterly to the Audit and Risk Subcommittee, or in accordance with the subcommittee’s meeting schedule. The monitoring of the corporate and fraud dishonesty and corruption risk registers is performed by the Corporate Strategy team monthly.

This report provides several summaries:

- The top 14 corporate risks, their pre-control (inherent) and post control (residual) rating and trending (traffic light) are summarised in **Table 1**.
 - Key changes, additions and updates from this quarter’s review are identified in **Table 2**.
 - The corporate risks, their risk types, pre-control (inherent) and post control (residual rating) are summarised in **Attachment 1**.
-

- The Risk register for Kaipara Moana Remediation (KMR) from September 2022 is included as **Attachment 2**. This risk register is reviewed and refreshed every six months and is included here for information only.

Table 1. Top 14 corporate risk listed as their residual scores rank

Key – Risk rating				
Extreme		High	Moderate	Low
Key – Trend		Increasing	Decreasing	Static
#	Risk Statement	Inherent Rating	Residual Rating	Trend
012	Non-compliance with Health and Safety at Work Act 2015	20	20	
252	Marsden Maritime Holdings (MMH) Investment – Capital raising risk	25	20	
080	Changes in legislation and central government policy impacting council’s resources, budgets, and activities.	25	20	
014	Cyber security attack	20	16	
136	Capability and operational capacity to manage events and directives	20	16	
230	Climate change response	20	16	
246	Recruitment and retention of all roles staff	20	16	
221	Workload	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	
229	Management of data and information assets	16	12	
237	Enterprise project	15	12	
131	Treaty Settlements	16	12	
245	Failure to prepare for the future of local government review/reforms and its impacts	15	12	
100	Procurement	12	9	

Table 2. Risks changes, additions, and updates

Key				
Increased rating		Static rating	Decreased rating	New specific risk
Status	Description	Commentary		
	Marsden Maritime Holdings (MMH) investment – capital raising risk	Marsden Maritime Holdings Ltd (MMH) have signalled at a recent shareholder meeting of its intention to commence work on capital raising for growth		

		<p>Dependant on the capital raising scenarios (in terms of quantum, timing, and implementation), there is a risk that NRC may not be able to respond to the capital raising to maintain its majority shareholding in MMH</p>
	<p>Oil Spill risk Whangarei Harbour due to a lack of personnel capacity, capability and planning by Channel Infrastructure.</p>	<p>Identification of the risk following changes in operations at the Refinery. This may result in risk to the environment and damage to Council reputation. Inherent risk is (9), residual risk low (4) once identified mitigations are all in place. Mitigations include:</p> <ul style="list-style-type: none"> • Training of personnel: Done - MOU in place with NorthTugz covering manning of ORV. Tier 1 plan being managed by MNZ. Valid at present. • Settling Pond plan in place following abatement notice. • Implementation planned. (These are being monitored by compliance team.) • Channel Infrastructure have started the work to desludge the stormwater basin pond. In preparation to remove the sludge, sample were collected two weeks ago for analysis, and pipes will be laid and geobag location lined in preparation for desludging operations in the coming weeks. NRC agreed to a deadline of 30 April 2023 to complete the work.
	<p>Non-compliance with Health and Safety at Work Act 2015</p>	<p>Inherent and residual likelihood have remained static even though we have:</p> <ul style="list-style-type: none"> • Recruited a Health and Safety Advisor – commencing October 2022 • Planned an external audit of our Health and Safety systems. This will be performed once the Health and Safety Advisor has commenced • Have an increase in reported incidents and non-compliance (refer Health and Safety report)
	<p>Changes in legislation and central Government policy impacting council's resources, budgets, and activities.</p>	<p>Inherent and residual likelihood have remained static. As identified in the deep dive into this risk reported in June 2022, we have commenced the investigation into the Complywith solution for identification and management of legal compliance risk including:</p> <ul style="list-style-type: none"> • information about changes in legislation and policy,

		<ul style="list-style-type: none"> getting clarity that obligations are complied with, and controls identified and managed
	Cyber security attack.	Inherent and residual likelihood have remained static. An independent assessment was undertaken in late August. An action plan has been developed and will be progressed based on priority as time and resources allow
	Conflict of Interest	Inherent and residual likelihood have remained static even though we have developed a Grant Funding policy that addresses conflict of interest in the work activity
	Investment portfolio financial risk	Inherent and residual likelihood have remained static even though: <ul style="list-style-type: none"> We have put \$305K to the Opex reserve to cover potential shortfall in the Investment and Growth Reserve funding due to the potential for lower than budgeted dividend return. Further potential diversification of the portfolio through investments made via the regional Projects Reserve also reduces our exposure to market volatility and risk
	Workload	Inherent and residual likelihood have remained static even though we have: <ul style="list-style-type: none"> reduced workshops and the frequency of reporting, Managers are endeavouring to support workloads, and Recognised the impacts of the Enterprise Project implementation and have endeavoured to resource this.
	Climate Change response	Inherent and residual likelihood have remained static given the potential impacts of climate change on council's operations. The climate change risks will be fully reviewed as the team embed into their roles and climate change response strategies and activities are implemented
	Recruitment and retention of all roles	Inherent and residual likelihood have remained static, but we acknowledge there more work to do as we still have high turnover and several vacancies and have a plan in place to further mitigate this.
	Management of data and information assets	Inherent and residual likelihood have remained static, but we acknowledge that there is work to be completed to advance the information maturity assessment. An action plan has been developed and will be progressed based on priority as time and resources allow

	Core IT applications are not designed and/or implemented to support all organisational processes, or applications will stop working	Inherent and residual likelihood have remained static. A deep dive into this risk has been performed - see separate agenda item 3.0
	Capability and operation capacity to manage events and directives; and Organisational culture	Inherent and residual risk have remained static, but we acknowledge: <ul style="list-style-type: none"> • increased staff turnover and record levels of new roles. • Staff skills and capability • Flexible working arrangements and the hybrid culture • Resourcing issues and • Workload levels
	Enterprise Project	Inherent and residual risk have remained static, but we acknowledge the impact of the project on workloads and resources. This risk is the subject of a deep dive – see separate agenda item 3.0
	Failure to respond to Covid-19 impact	Inherent and residual likelihood decrease from frequent too often and Inherent consequences decreased from severe to moderate and residual consequence decreased from moderate to minor to reflect the changed environment regarding Covid and the implementation of the: <ul style="list-style-type: none"> • Covid Business Continuity planning and actions • covid recovery plan
	Failure to prepare for the future of local government review/reforms and its impacts	Inherent and residual consequences decrease from major to moderate as we have engaged in the policy position discussions with central government

Deep Dives

The Corporate Strategy Team 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.

Table 3. Risk deep dive schedule.

#	Corporate Risk	February 2023	May 2023	August 2023
8	Core IT applications/systems are not designed and/or implemented to support all organisational processes	√		
9	Enterprise Project	√		
10	Policies and protocols not clearly documented and followed.		√	


11	Climate change			√
----	----------------	--	--	---

Response to COVID-19

Regular monitoring of case numbers across the region and within council is being carried out, with communication to staff as required. Covid business continuity plans are in place and the Covid Recovery Plan is being implemented with significant focus on supporting the mental and physical well-being of staff throughout this time.

Attachments/Ngā tapirihanga

Attachment 1: Summary of Corporate Risks February 2023 [↓](#) 

Attachment 2: KMR Risk Register - Sept 2022 [↓](#) 

TITLE: Risk Deep Dives

From: Kym Ace, Corporate Systems Champion

Authorised by Group Manager/s: Bruce Howse, Pou Taumatua – Group Manager Corporate Services, on 14 February 2023

Whakarāpopototanga / Executive summary

This report presents deep dives into the risks:

- Core IT applications and systems not designed and or implemented to support all organisational processes, or applications will stop working; and
- Enterprise Project.

The inherent and residual rating of these risks are:

Risk	Inherent risk Rating	Residual Risk Rating
Core IT applications and systems	Extreme	Extreme
Enterprise Project	Extreme	High

The causes, treatments and recommendation for these risks are detailed in the below analysis.

Ngā mahi tūtohutia / Recommendation

That the report ‘Risk Deep Dives’ by Kym Ace, Corporate Systems Champion and dated 3 February 2023, be received.

Background/Tuhinga

Risk	<p>Core IT applications/systems are not designed and/or implemented to support all organisational processes, or applications will stop working</p> <p>R00015</p> <p>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, contract, project & risk management, and legislative compliance. 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</p>		
Inherent Risk Score: <i>Unmitigated</i>	Likelihood: 5 (Frequent)	Consequence: 4 (Major)	Inherent Risk: 20 Extreme

<p>Underlying Causes (threats):</p> <p><i>How do you see these causes now – have they changed are there new causes?</i></p>	<ol style="list-style-type: none"> 1. There are gaps in our core systems such as people & capability, enterprise assets, customer relationship management, and contract and project management. 2. Some systems/applications are coming to end of life and vendors will cease to support these. 3. Many people work outside of system or have their own systems and files to support business processes 4. Creates risk for the organisation with data being inaccurate and places high stress on staff having to gather data from multiple places and process manually. 		
<p>Current treatments:</p> <p><i>Are you assured that these treatments are effective, sustainable and evidenced?</i></p> <p><i>Would you do more, or is the risk reduced</i></p>	<ol style="list-style-type: none"> 1. Enterprise system project delivered as per the project plan, meeting all the identified requirements, and mitigation of identified risks. 2. Ensure our current systems/application are updated to current releases/versions. 3. IRIS replacement – IRIS Next Gen Project advanced through RSHL. Ensure active participation in this project. 4. Determine and agree the CRM system to be used throughout the organisation to provide a single set of customer data. 5. Identify and develop the business case for a contract, project and risk management, Health and Safety and Risk management specific systems. 6. Alternative interim solutions considered and assessed based on critical needs. 7. Ensure participation in sector (SIG) activities and initiatives meets/aligns with our needs and the work programme delivers the expected outcomes. 		
<p>Recommendations of Management/Planned Treatments</p> <p><i>If more needs to be done, what do you suggest – and what are the limitations or constraints</i></p>	<p>Recommendations include:</p> <ol style="list-style-type: none"> 1. Continue to monitor and review as necessary. 2. Develop business case for components not delivered by Enterprise or IRIS NG. 3. Agree the CRM of choice (Enterprise or IRIS NG) that supports councils business outcome and ensure it is implemented as a single solution for customer information. 4. Securing and retaining appropriate project resources. 		
<p>Improvements to span of control:</p> <p><i>How will the implementation of planned treatments be effective in improving our ability to mitigate the risk?</i></p>	<p>The treatments will enable us to better manage this risk. The proposed treatments are considered the most effective available to council to address this risk.</p>		
<p>Date actions to be delivered:</p>	<p>Enterprise – as per the project plan</p> <p>IRIS NG – project plan for implementation to be developed</p> <p>Ongoing and as resources are available.</p>		
<p>Target Residual Risk Score:</p> <p><i>Assumes all mitigations in place and where we would like to get to</i></p>	<p>Likelihood: 5 (Frequent)</p>	<p>Consequence: 3 (Moderate)</p>	<p>Residual Risk: 15 Extreme</p>

Risk	Enterprise Project R00237 There is a risk that the Enterprise Project does not deliver on time and quality which will impact councils' resources		
Inherent Risk Score: <i>Unmitigated</i>	Likelihood: 3 (Likely)	Consequence: 5 (Severe)	Inherent Risk: 15 Extreme
Underlying Causes (threats): <i>How do you see these causes now – have they changed are there new causes?</i>	<ol style="list-style-type: none"> 1. Enterprise project resources are not available (unable to be seconded) or are inappropriate (not capable) then the project timeline and work quality will be adversely impacted, and additional cost incurred 2. Enterprise system does not meet the expectations of users and/or implementation is slower than expected and/or performance is poor then the adoption of the new system will be impacted and use of the legacy or alternate systems may need to be investigated which could impact costs and timeframes 3. The organisation does not value the scale of the project, the change effort required and does not free up resources to enable users to effectively participate in the system resulting in poor uptake and utilisation. 		
Current treatments: <i>Are you assured that these treatments are effective, sustainable, and evidenced? Would you do more, or is the risk reduced</i>	<ol style="list-style-type: none"> 1. Project implementation plan developed and on track 2. Project communication plan developed and being implemented 3. Project change management plan developed and being implemented, including comm plan, change champions and ADKAR assessments, regular GM catchups and change resistance management. 4. Resource planning including setting expectations and timeframes for Process Owners, Process Leads and Subject Matter Expert, staffing levels and recruitment. 5. Re-schedule the implementation plan if required 6. Discovery workshops ensuring relevant Process Leads and Subject Matter Experts are included. 7. Good project management skills including reporting applied. 8. Enterprise systems risks are tracked (risk register) and treatments actioned 9. Project resources secured and fully committed to the project 10. Identification of change resisters and engagement plan prepared to address 11. Acknowledgment of increase work required for assets due to suboptimal management of assets and associated processes as current state. 		
Recommendations of Management/Planned Treatments <i>If more needs to be done, what do you suggest – and what are the limitations or constraints</i>	Recommendations include: <ol style="list-style-type: none"> 1. Continue to monitor and review the project plan throughout the project 2. Monitor and manage workloads of key personnel and address contention issues as they arise through prioritisation, rescheduling or additional resourcing. 		
Improvements to span of control: <i>How will the implementation of planned treatments be effective in improving our ability to mitigate the risk?</i>	<p>The treatments will enable us to better manage this risk. The proposed treatments are considered the most effective available to council to address this risk</p>		

Date actions to be delivered:	Ongoing and as resources are available		
Target Residual Risk Score: <i>Assumes all mitigations in place and where we would like to get to</i>	Likelihood: 3 (Likely)	Consequence: 4 (Major)	Residual Risk: 12 High

Attachments/Ngā tapirihanga

Nil

TITLE: Health & Safety report for June to December 2022

From: Tamsin Sutherland, Health and Safety Advisor and Beryl Steele, Human Resources Manager

Authorised by Bruce Howse, Pou Taumatua – Group Manager Corporate Services, on 14
Group Manager/s: February 2023

Whakarāpopototanga / Executive summary

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

Ngā mahi tūtohutia / Recommendation

That the report 'Health & Safety report for June to December 2022' by Tamsin Sutherland, Health and Safety Advisor and Beryl Steele, Human Resources Manager and dated 3 February 2023, be received.

Background/Tuhinga

1. Health and safety priorities

The key priorities in health and safety at the present time are:

- Contractor management
- Managing and monitoring staff workload, stress and mental wellbeing
- Vehicle events
- Aggressive people – either in person or on the phone
- Health and safety inductions
- Compliance with our Traffic Management Plan

2. Risk management

As of the end of December 2022, there were 90 risks listed in the NRC Health and Safety Risk Register. Table 1 below summarises the top ten risks for the organisation, identified by their 'residual risk' score. Residual risk scores are calculated after all controls have been put in place, scores are between one (low) and 25 (extreme).

Risk Updates

- There have been no changes to the top ten risks since April 2022, although the risk from Covid will diminish moving forward.
 - A potentially serious near-miss incident during contract work was brought to the attention of staff two months after the date of the event. An investigation is currently working through the reasons for the non-reporting of the incident. At the conclusion of the investigation, any improvements that can be made to the clarity of roles in contracts will be reviewed and implemented as necessary.
 - Extended workload/stress risk has been reviewed. It was identified that the controls/mitigation strategies are not working, and the the residual risk score has increased from nine to 12.
-

- Dealing with aggressive people – psychological harm has been reviewed. The risk scores in the risk register are considered to be appropriate. It was noted that for teams where dealing with aggressive people is more common, there is a tendency to normalise occurrences.
- The annual stress survey was undertaken in November 2021, with the top three contributors to stress identified as excessive workload, lack of time and difficulty managing/meeting deadlines, and challenges working with NRC systems. Results were provided to the Executive Leadership Team (ELT), who have developed actions to address issues, particularly those relating to workload. These have been presented to council. This survey was due to be repeated in November 2022, but was deferred to 2023 due to workload and the Enterprise go-live.

Table 1: Top ten Health and Safety risks as at 31 December 2022

Risk	Residual risk score	Focus area for mitigation
Working with Contractors	16	This will be reviewed again as part of the February 2023 H&S audit. Internal processes are being reviewed by the Organisational Projects Specialist, the Corporate Policy Specialist and the Health and Safety Advisor. Recommendations identified in the review will be communicated to contract managers in a formal training programme in 2023.
COVID-19 pandemic	16	181 staff have required special leave provision due to Covid. As the Ministry of Health guidelines are revised, Council policy is amended to reflect this.
Extended workload/stress	12	We are providing stress and resilience courses. We are encouraging staff to discuss workload issues with their manager. We have started to do psychological safety training with staff to help with staff feeling safe to raise issues. We are trying our best to fill vacant positions as soon as possible while ensuring the quality of applicants and those employed. The Wellbeing Committee hosted a Stress and Overwhelm workshop.
Dealing with aggressive people – psychological harm	10	In addition to our standard training we are also going to provide training for dealing with people over the phone. We are implementing ‘aggressive dog’ training for all field staff. We are also looking at body worn cameras.
Workplace bullying and harassment <i>Note: This due to potential risk, not high numbers</i>	9	We have started psychological safety training and will be doing work with managers around diversity and inclusion which will include an element of bullying and harassment. This will also be rolled out to the rest of staff.
Sedentary work - working at computers and laptops (including both in the office, and at home)	8	The Wellbeing Group encourage staff to take part in various physical activities. In addition, they are working on a Digital Wellbeing policy.

Working under the influence of drugs and/or alcohol	8	The drug and alcohol policy is due for review, this will include looking at what else can be done in this area.
Slips, trips, and falls	8	A key cause of slips, trips and falls continues to be inattention. There is no key mitigation identified.
Driving motor vehicles – accident related events causing injury or other trauma	8	Speeding in excess of 10km per hour above the limit will be recorded. A policy is being created to formalise consequences for excessive speed, particularly for repeat offending.

Towing incidents

There have been two near miss trailer incidents, which caused some damage to NRC property. One incident involved wind-loads on tied down loads, and resulted in the load being lost onto the road. The other incident involved the trailer unhitching from the tow ball and being held on the safety chains only. An investigation into both incidents has identified some improvements to be made in trailer management. A Standard Operating Procedure has been drafted and is currently with managers for consultation. Suitable training has been identified for staff for 2023.

Health and safety inductions

The H&S Strategy goal was to achieve H&S induction sign off within two days of commencing work. This was not achieved when there was no H&S Advisor in post, but is now much improved. A review of the H&S induction form found it included matters that were not essential during the first two days, and resulted in information overload for new staff. The form has been revised to ensure the urgent and important parts of the H&S induction are carried out within the first two days and the other aspects signed off separately within the Team mentoring processes.

Traffic Management Plan

- Compliance with our Traffic Management Plan (TMP) has been limited in the past, due to confusion by staff as to the requirements of what work falls under the plan, e.g. for those who need to cross a road to do work on both sides. A review of the plan has been conducted. Changes to make the document more user-friendly are with the consultant for inclusion. When the amended plan is available, training for all staff who work under the plan will be provided.
- The existing plan was re-adopted in December 2022 without amendment to ensure that Council hold a TMP.
- A more applicable qualification “Traffic Inspector” has been created under The Code of Practice for Temporary Traffic Management (CoPTTM). Fifty four field staff have received the Traffic Inspector training.

Health and safety strategy work programme

In general, our health and safety work programme is behind schedule as we did not have a H&S Advisor between February and October 2022. The H&S Committee Chair and Committee and others in the organisation continued to ensure health and safety work continued, but the lack of resourcing affected the programme.


Tamsin Sutherland started as H&S Advisor in October 2022. The Health and Safety Committee will meet to review the Health and Safety Strategy, goals and action plans along with identifying priorities.

See Attachment 1 for a summary of activity undertaken for each of the strategy pillars during the financial year July 2021 – June 2022, and for the first half of this year.

Health and Safety maturity audit

In February 2023, an external auditor will be conducting a three-day audit of health and safety across the organisation. Contractor management and workplace stress will be included in the scope of this audit. The audit will provide guidance on areas for further work, as well as confirming what existing processes work well.

Attachments/Ngā tapirihanga

Attachment 1: Summary of activity undertaken for strategy pillars [↓](#) 

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
5.1	For Noting Only: Confidential Minutes Audit and Risk Sub-committee - 29 June 2022	The public conduct of the proceedings would be likely to result in disclosure of information, as stated in the open section of the meeting -.
5.2	Human Resources Update	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).
5.3	Audit of Investment Property Procedures and Management	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).
5.4	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.