

Audit & Risk Committee Public Agenda 12 June 2023

Council Chambers
101 Bank Street
Te Awamutu



Chairperson
Bruce Robertson

Members
Her Worship the Mayor SC O'Regan, Councillors AW Brown, LE Brown, RDB Gordon,
MG Montgomerie.

12 June 2023 11:00 AM

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14.	Asset Management Planning Audit - Improvement Programme	Dawn Inglis	02:00 PM-02:10 PM	118
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APOLOGIES



DISCLOSURE OF MEMBERS' INTERESTS

Members are reminded to declare and stand aside from decision making when a conflict arises between their role as an elected member and any private or other external interest they may have.



LATE ITEMS

Items not on the agenda for the meeting require a resolution under section 46A of the Local Government Official Information and Meetings Act 1987 stating the reasons why the item was not on the agenda and why it cannot be dealt with at a subsequent meeting on the basis of a full agenda item. It is important to note that late items can only be dealt with when special circumstances exist and not as a means of avoiding or frustrating the requirements in the Act relating to notice, agendas, agenda format and content.



CONFIRMATION OF ORDER OF MEETING

Recommendation

That the order of the meeting be confirmed.

COMMITTEE AGENDA



To: The Chairperson and Members of the Audit and Risk Committee
From: Governance
Subject: **CONFIRMATION OF MINUTES**
Meeting Date: 12 June 2023

1 EXECUTIVE SUMMARY – WHAKARĀPOPOTOTANGA MATUA

The local authority, its committees, subcommittees and any local and community boards must keep minutes of their proceedings. These minutes must be kept in hard or electronic copy, authorised by a Chairperson’s manual or electronic signature once confirmed by resolution at a subsequent meeting. Once authorised the minutes are the prima facie evidence of the proceedings they relate to.

The only topic that may be discussed at a subsequent meeting, with respect to the minutes, is their correctness.

2 RECOMMENDATION – TŪTOHU Ā-KAIMAHI

That the open minutes of the Audit and Risk Committee meeting held on 13 March 2023, having been circulated, be taken as read and confirmed as a true and correct record of that meeting.

3 ATTACHMENT - ĀPITITANGA

Audit and Risk Open Minutes – 13 March 2023

COMMITTEE MINUTES



Committee: Audit and Risk Committee
Time: 10am
Date: 13 March 2023
Venue: Council Chambers, Waipā District Council
101 Bank Street, Te Awamutu

PRESENT

Chairperson

Bruce Robertson

Members

Her Worship the Mayor SC O'Regan (joined the meeting at 11.25am), Councillors AW Brown, LE Brown, RDB Gordon, MG Montgomerie.

1 APOLOGIES

RESOLVED

14/23/01

That the apologies for lateness from Her Worship the Mayor O'Regan who was attending another Council related meeting be received.

Chairperson Robertson / Councillor Gordon

2 DISCLOSURE OF MEMBERS' INTERESTS

None

3 LATE ITEMS

There were no late items.

COMMITTEE MINUTES



4 CONFIRMATION OF ORDER OF MEETING

RESOLVED

14/23/02

That the order of the meeting be confirmed.

Councillor A Brown / Chairperson Robertson

5 CONFIRMATION OF MINUTES

RESOLVED

14/23/03

That the open minutes of the Audit and Risk Committee meeting held on 5 December 2022 having been circulated, be taken as read and confirmed as a true and correct record of that meeting.

Chairperson Robertson / Councillor Gordon

6 RISK MANAGEMENT UPDATE

Business Resilience and Risk Advisor, Genny Wilson took the Risk Management Update report as read.

The Committee discussed the impact of Cyclone Gabrielle on Council and other Local Authorities.

RESOLVED

14/23/04

That the Audit and Risk Committee receive the report of Genny Wilson, Business Resilience and Risk Advisor, titled 'Risk Management Update' (document number 10953575), including the 'Quarterly Risk Report' (document number 10969452).

Councillor A Brown / Councillor M Montgomerie

7 RE-APPROVAL OF TOP RISKS AND RISK APPETITE STATEMENT

Manager Organisational Excellence, Georgina Knapp sought re-approval for the revised documents – Council's Top Risks 2022/23 and Council's Risk Appetite Statement 2022/2023 which had previously seen by Council on 15 November 2022.



The Committee acknowledged the work done on these documents and were happy with the changes.

Ms Knapp confirmed the Top Risks document and Appetite Statement would be circulated to other Waipā District Council elected members that did not sit on the Audit and Risk Committee.

RESOLVED

14/23/05

That the Audit and Risk Committee

- a) *Receives the report of Georgina Knapp, Manager Organisational Excellence, titled 'Re-approval of Top Risks and Risk Appetite Statement' (document number 10969224);*
- b) *Approves the revised Top Risks 2022/23 document including the recommended changes to top risk residual risk ratings (ECM 10854729), for Council endorsement;*
- c) *Approves the revised Risk Appetite Statement 2022/23 document including the recommended changes to risk portfolio appetite risk ratings (ECM 10863494), for Council endorsement.*

Councillor Gordon / Councillor Montgomerie

8 CONFIRMATION OF 2023/24 INTERNAL AUDIT PROGRAMME

[This item was taken after Items 13 and 17]

KPMG Directors, Bineeta Nand and Murtaza Ali provided an overview of the proposed 2023/24 Internal Audit Programme.

RESOLVED

14/23/08

That the Audit and Risk Committee

- a) *Receives the report of Genny Wilson, Business Resilience and Risk Advisor titled 'Confirmation of 2023/24 Internal Audit Programme' (document number 10953641);*
- b) *Approves the Internal Audit Plan Refresh FY24 (document number 10971890).*

Councillor Gordon / Councillor Montgomerie

COMMITTEE MINUTES



9 INTERNAL AUDIT REPORTING: CLIMATE CHANGE GOVERNANCE REVIEW

KPMG Directors Bineeta Nand and Murtaza Ali and Associate Director, Tanvi Mohite spoke to their report.

RESOLVED

14/23/09

That the Audit and Risk Committee receive the report of Genny Wilson, Business Resilience and Risk Advisor, titled 'Internal Audit Reporting: Climate Change Governance Review' (document number 10953644).

Councillor L Brown / Councillor A Brown

10 AUDIT NEW ZEALAND MANAGEMENT REPORT 2021/22

[The meeting adjourned at 11.05am and reconvened at 11.25am]

[Her Worship the Mayor O'Regan joined the meeting at 11.25am]

Audit Director René van Zyl spoke to the Audit New Zealand Management Report 2021/22.

Chairperson Robertson requested the Audit Arrangements Letter be received from Audit New Zealand and forwarded to him before the end of May 2023.

RESOLVED

14/23/10

That the Audit and Risk Committee receive the report of Jolanda Hechter, Manager Finance, titled 'Audit New Zealand Management Report 2021/22', (document number 10970353).

Councillor A Brown / Councillor M Montgomerie

11 OUTSTANDING MANAGEMENT REPORT MATTERS

Manager Finance, Jolanda Hechter advised the Committee that a number of outstanding management matters previously reported had now been cleared by Audit New Zealand.

Audit Director, René van Zyl was invited to make comments, there were none.

COMMITTEE MINUTES



RESOLVED

14/23/11

That the Audit and Risk Committee receive the report of Jolanda Hechter, Manager Finance, titled 'Outstanding Management Report Matters' (document number 10958758).

Councillor Gordon / Councillor L Brown

12 INSURANCE MARKET UPDATE FEBRUARY 2023

AON National Client Manager, Deanna Macdonald presented an insurance market update to the Committee.

RESOLVED

14/23/12

That the Audit and Risk Committee receives the report of Aimee Turner, Management Accountant, titled 'Insurance Market Update February 2023' (document number 10972615).

Councillor A Brown / Councillor L Brown

13 BUSINESS RESILIENCE IMPROVEMENT PROGRAMME UPDATE

[This item was taken before Items 8,9,10,11 and 12]

Business Resilience and Risk Advisor, Genny Wilson took the Business Resilience Improvement Programme Update as read and answered questions from the Committee.

RESOLVED

14/23/06

That the Audit and Risk Committee

- a) **Receives** the report of Genny Wilson, Business Resilience and Risk Advisor, titled 'Business Resilience Improvement Programme Update' (document number 10953655) and the updated 'Business Resilience Improvement Programme Plan' (document number 10966898).
- b) **Endorses** the 'Managing Business Resilience at Waipā Policy' (document number 10960285) and 'Guide to Business Resilience' (document number 10960283).

Councillor L Brown / Councillor A Brown

COMMITTEE MINUTES



14 FEES AND CHARGES IMPROVEMENT PROGRAMME PLAN

Group Manager District Growth and Regulatory Services, Wayne Allan spoke to the report.

A discussion was had on timesheets and working with the digital work programme.

RESOLVED

14/23/13

That the Audit and Risk Committee receive the report of Genny Wilson, Business Resilience and Risk Advisor, titled 'Fees and Charges Improvement Programme Plan' (document number 10953646).

Chairperson Robertson / Councillor Montgomerie

15 RISK REPORTING ON THE ANNUAL PLAN 2023/24

Manager Strategy, Melissa Russo provided the Committee with an overview of the Annual Plan 2023/24.

RESOLVED

14/23/14

That the Audit and Risk Committee receive the report of Melanie Andrews, Strategic Projects Driver, titled Risk Reporting on the Annual Plan 2023/24 (ECM 10972182).

Councillor L Brown / Councillor A Brown

16 RISK REPORTING ON THE LONG TERM PLAN 2024-34

Manager Strategy, Melissa Russo took the report on Risk Reporting on the Long Term Plan 2024-34 as read and answered questions from the Committee.

RESOLVED

14/23/15

That the Audit and Risk Committee receive the report of Melanie Andrews, Strategic Projects Driver, titled Risk Reporting on the Long Term Plan 2024-34 (ECM 10974204).

Chairperson Robertson / Councillor Gordon



17 RISK REPORTING ON THE WAIPĀ COMMUNITY SPATIAL PLAN PROJECT

[This Item was taken before Items 8,9,10,11,12,14,15 and 16]

Group Manager Strategy, Kirsty Downey took the Risk reporting on the Waipā Community Spatial Plan project report as read and highlighted that no new risks had been identified since the last reporting in December 2022.

RESOLVED

14/23/07

That the Audit and Risk Committee receive the report of Vanessa Honore, Senior Strategic Planner titled Risk reporting on the Waipā Community Spatial Plan project (ECM 10975164).

Chairperson Robertson / Councillor A Brown

18 WATER TRANSITION RISK MANAGEMENT UPDATE

Manager Delivery Performance, Sherryn Paterson provided an update to the Committee.

RESOLVED

14/23/16

That the Audit and Risk Committee receives the report of Sherryn Paterson, Manager Delivery Performance, titled Water Transition Risk Management Update (document number 10969744).

Councillor A Brown / Councillor Gordon

19 TRANSPORATION PROCEDURAL AUDIT BY WAKA KOTAHI

[Item 20 taken before item 19]

Asset Management Team Leader, Paul Strange gave an overview of the procedural audit by Waka Kotahi.

Mr Strange advised the Committee that an audit had recently been completed.

COMMITTEE MINUTES



RESOLVED

14/23/18

That the Audit and Risk Committee receives the report of Paul Strange, Asset Management Team Leader - Transportation, titled Transportation Procedural Audit by Waka Kotahi NZ Transport Agency (document number 10944618).

Councillor L Brown / Councillor Montgomerie

20 INCLUSION OF CARBON ASSESSMENT IN BUSINESS CASES

[Item 20 was taken before Item 19]

Principal Engineer, Peter Higgs provided the Committee with a summary of the approach to including carbon assessment in business cases.

Mr Higgs advised the Committee that nine staff had volunteered to be carbon champions working alongside business case report writers.

RESOLVED

14/23/17

That the Audit and Risk Committee receives the report of Peter Higgs, Principal Engineer, titled Inclusion of Carbon Assessment in Business Cases (document number 10962056).

Chairperson Robertson / Councillor A Brown

21 CAPITAL PROGRAMME UPDATE TO 31 JANUARY 2023

Peter Thomson, Manager Project Delivery, spoke to the Capital Programme Update to 31 January 2023 report.

RESOLVED

14/23/19

That the Audit and Risk Committee receives the report of Peter Thomson, Manager Project Delivery, titled Capital Programme Update to 31 January 2023 (document number 10969854).

Councillor Gordon / Councillor A Brown



22 RESOLUTION TO EXCLUDE THE PUBLIC

RESOLVED

14/23/20

(Section 48, Local Government Official Information and Meetings Act 1987)

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

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

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
23. Confirmation of Public Excluded Minutes – 5 December 2022 24. Capital Programme Risks to 31 January 2023 25. Potential Asset Sales 6 monthly update 26. Deep Dive into Top Risk 10 27. Litigation Update 28. Group Risk Discussion- Group Manager District Growth and Regulatory Services 29. Organisational Risk Discussion with the Chief Executive	Good reason to withhold exists under section 7 Local Government Official Information and Meetings Act 1987	Section 48(1)(a)

This resolution is made in reliance on section 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by Section 6 or Section 7 of that Act, or Sections 6, 7 or 9 of the Official Information Act



1982, as the case may be, which would be prejudiced by the holding of the whole or relevant part of the proceedings of the meeting in public, are as follows:

Item No.	Section	Interest
23,28,29	Section 7(2)(a)	To protect the privacy of natural persons, including that of deceased natural persons.
23,28,29	Section 7(2)(b)(i)	To protect information which if public would; disclose a trade secret.
23,28,29	Section 7(2)(b)(ii)	To protect the information which if public would; unreasonably prejudice the commercial position of the person who supplied or who is the subject of the information.
23,26	Section 7(2)(c)(i)	To protect information which is subject to an obligation of confidence where the making available of the information would be likely to prejudice the supply of similar information, or information from the same source, where it is in the public interest that such information should continue to be supplied.
23,26	Section 7(2)(c)(ii)	To protect information which is subject to an obligation of confidence where the making available of the information would be likely otherwise to damage the public interest.
23,27	Section 7(2)(g)	To maintain legal professional privilege
23,24,25,27	Section 7(2)(h)	To enable the council to carry out, without prejudice or disadvantage, commercial activities.

Chairperson Robertson / Councillor L Brown



The meeting went into Public Excluded at 1.17pm

There being no further business the meeting closed at 3.15pm

CONFIRMED AS A TRUE AND CORRECT RECORD

CHAIRPERSON:

.....

.....

DATE:

.....

UNCONFIRMED

COMMITTEE REPORT



INFORMATION ONLY

To: The Chairperson and Members of the Audit and Risk Committee
From: Business Resilience and Risk Advisor
Subject: **RISK MANAGEMENT UPDATE**
Meeting Date: 12 June 2023

1 EXECUTIVE SUMMARY – WHAKARĀPOPOTOTANGA MATUA

Robust risk management is essential to Waipā District Council to support the achievement of its strategic objectives.

Council is in the final planned year of the current improvement programme with the objective of raising Council's risk management maturity level from 'sustainable' to 'mature'.

This report outlines initiatives that in staff's view should provide members of the Committee with confidence that risks are being well managed across the organisation and there is continuous improvement in the management of risk at Council.

This formal reporting sits alongside the less formal Chief Executive and Group Manager risk discussions, and the 'Deep Dive' discussions, that generally take place at each meeting of the Committee.

The following appendix accompanies this report:

- Appendix 1 – Quarterly Risk Report (document number 11016497)

2 RECOMMENDATION – TŪTOHU Ā-KAIMAHI

That the Audit and Risk Committee receive the report of Genny Wilson, Business Resilience and Risk Advisor, titled 'Risk Management Update' (document number 11007524), including the 'Quarterly Risk Report' (document number 11016497).

3 COMMENTARY - KŌRERO

The systematic management of risk is important for any organisation and in particular to a business as large and diverse as Council. Ensuring an appropriate risk management framework is in place is an important function of the Audit and Risk Committee.

Actions, Initiatives and Plans Since Last Report

Quarterly Risk Management Report

The Quarterly Risk Management report has been developed in line with Council's current Risk and Compliance Management Policy and feedback from previous Audit and Risk Committee meetings. The report for the February to April 2023 period is attached as Appendix 1.

The key purpose of the report is to provide a base for discussion and to trigger effective risk conversations by the Committee. The report provides the Committee with the results of the quarterly review of risks including top risk trends; an update on the status of the mitigation measures; any emerging risks; as well as an update on the implementation of the risk management strategy. It also includes key compliance management information.

The Executive also conduct a quarterly review of the report in the lead-in to the Audit and Risk Committee review.

The evolution of risk management reporting will continue as mechanisms for gathering the necessary data are developed for the remaining placeholders/gaps and the organisation continues to mature in its' risk management practices. Staff welcome feedback and ideas from this Committee to improve the usefulness of the information provided.

Annual Refresh of Top Risks and Risk Appetite

The annual workshop to refresh the Top Risks and Risk Appetite Statement will be completed immediately prior to this meeting. This year a slightly different approach has been taken to better reflect the increasing maturity of risk governance discussions. The key objective of the risk workshop will be to have a deeper focus on the appetite for each of the Top Risks and enhancement of the existing risk appetite statements to identify tension/trade-off areas for each risk and clearly articulate where Council is willing to pursue or avoid risks. The Leadership Team have workshopped the risk appetite for each of the current Top Risks and the outcomes of the workshop are included in the briefing pack for the workshop held prior to this meeting.

Key Risk Indicators

Staff continue to evolve Council's key risk indicator (KRI) reporting. The main purpose of KRIs is to provide early warning that risks may be escalating or that mitigants may not be effective. The KRI reporting has been further enhanced this quarter to cover more of the Top Risks. The previous financial sustainability KRI dashboard has been improved based on the discussion at the March ARC meeting and was presented to the Finance and Corporate Committee meeting in May.

Notification of Freshwater Gold Clam found in Waikato River

On 25 May Ministry for Primary Industries(MPI)/ Biosecurity New Zealand, released a press statement notifying that the freshwater gold clam (also known as the Asian clam, or by its scientific name *Corbicula fluminea*) has been found at Bob's Landing near Lake Karapiro and downriver to Hamilton.

Overseas, these shellfish are a pest species because they reproduce rapidly and can clog up water infrastructure such as hydro-electricity plants, municipal water supply and irrigation systems. They are also potentially a threat to native species, as in large populations they consume a lot of plankton.

It is not known how the freshwater gold clam will behave in New Zealand conditions, but overseas it has proved difficult to control and there has been no documented successful eradication.

Biosecurity New Zealand and Iwi and Mana Whenua for the Waikato River are urging people who work and play in and around the river to keep a lookout for the clams.

MPI/Biosecurity New Zealand is the lead agency in the response but obviously Waipā District Council has a role to play. We will continue to liaise closely with MPI and the Waikato Regional Council on the response and will be informing our awa stakeholders. From an operations perspective we will also be keeping a close eye on our waters infrastructure and liaising with MPI as required.

A new emerging risk has been raised for the potential impacts if this species were to become invasive.

If the freshwater gold clam invades the Waikato River then the negative impact may result in undermining Iwi and Mana Whenua relationships, damage to infrastructure – particularly water and wastewater treatment, and affect events and tourism in the District.

Cyclone Gabrielle and Weather Events

Waipā District Council staff provided support to the Hawkes Bay Emergency Management response and Thames Coromandel District in the wake of Cyclone Gabrielle, supporting recovery. A watching brief with Waikato CDEM Group has also been ongoing with the further weather events that have been forecasted during the past quarter.

A review of connectivity for communicating with Council staff, and more specifically ensuring that communications are available to the Crisis Management Team, has been proactively taken given the lack of communications in the worst affected areas in the aftermath of Cyclone Gabrielle. A follow up with our telecommunications providers for any lessons learnt and changes has been completed also. Based on current redundancy levels within our network and systems, and having two locations to operate from, reduces the risk of an event severely impacting our communications and does not warrant additional expenditure at this stage. If there was a district or region wide event then the recovery would be reliant on the appropriate lifeline utilities (power and telecommunications) and outside of our mandate/control.

Information about the proposed Starlink network has been received and when available may provide alternative redundancy. A watching brief will be maintained and any future renewal of contract will consider these alternatives.

The emerging risk for last quarter continues to be monitored. It is still unclear of the impact of the recovery on supply chains, funding and resourcing as the financial and infrastructure impacts are still being quantified by insurance and government agencies.

Holidays Act Remediation

Progress continues on the remediation work as per the approach reported previously to ARC. Work is underway with Council's payroll providers and KPMG however the original timeframe of 4 to 6 months has to be extended. This is a complex matter that needs to be completed to a high quality. Staff have been updated on progress.

Risk Management Improvement Programme Update

The focus this quarter has been on implementation planning for the Promapp Risk Module. The system will be used for capturing, managing and reporting Council's operational risks. Information on the lessons learned by other Councils in implementing and their approach to configuring the system has been gathered.

The proposed configuration will be agreed with the Risk and Compliance Oversight Group and Managers Group before implementation. Once configured there will be a soft launch of the system and the Risk Advisor will work with the Operational Managers to ensure that the necessary risks are captured. Data will be captured in the system from August 2023. Once live this will facilitate a clearer view of the operational risk profile for the organisation.

For clarity the table below summarises the tools and reporting for the various types of risks that will be in place for the Committee's information.

Type of Risk	System Used	Governance Reporting	Frequency	Comment
Strategic (Top Risks)	Separate document	Annual Adoption. Quarterly Risk Reporting.	Quarterly	Annual Review via workshop.
Operational	Promapp Risk Module	Quarterly Risk Reporting.	Proposed Quarterly	Risks to be progressively captured over next year.
Project	Standard template risk register in Excel	Significant projects and Capital Works standing ARC agenda item. Very high and extreme risks after mitigation through Quarterly Risk Report.	Quarterly	Summarised for reporting through Power BI.
Health and Safety (subset of operational risk)	TRAX	Part of H&S reporting to Finance and Corporate Committee.	Quarterly	Significant H&S risks for projects are captured in the appropriate project register and reported as per project risks.

Risk Management Training

Risk management e-learning was launched last quarter. There has been a good uptake of the training across the organisation. This training will be built into the induction programme for all new staff.

Fraud risk management training is in development with the following e-learning modules to be released in July:

- Fraud awareness
- Fraud identification and prevention
- Whistle blower (Protected Disclosures)
- Conflict of Interest.

Compliance management training is the next suite of modules planned post fraud.

The threat and response framework, including lock down and duress process was also launched across the organisation and supported by training (e-learning and with frontline teams).

4 APPENDIX - ĀPITITANGA

No:	Appendix Title
1	Quarterly Risk Report



Genny Wilson
BUSINESS RESILIENCE AND RISK ADVISOR



Reviewed by Georgina Knapp
MANAGER ORGANISATIONAL EXCELLENCE



Approved by Ken Morris
DEPUTY CHIEF EXECUTIVE / GROUP MANAGER BUSINESS SUPPORT

APPENDIX 1

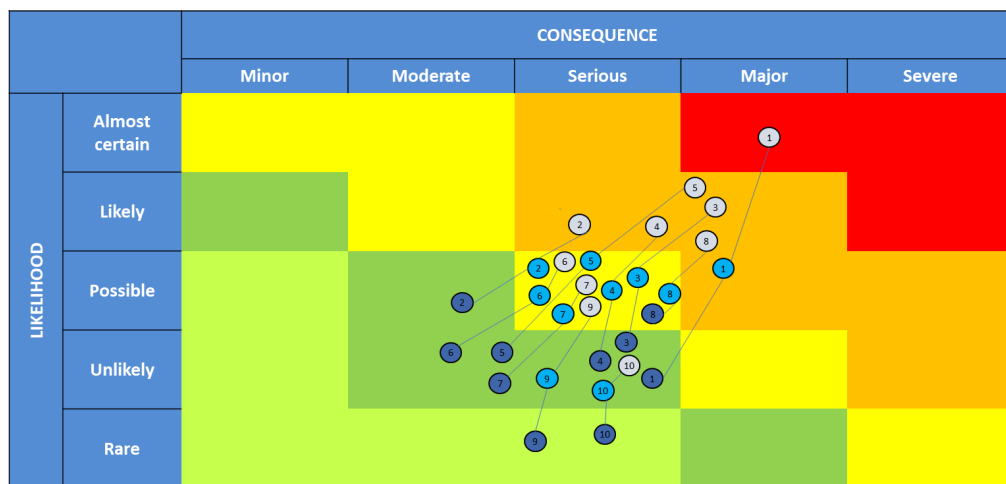
Quarterly Risk Report (document number 11016497)

QUARTERLY RISK MANAGEMENT REPORT FOR FEBRUARY TO APRIL 2023

KEY INSIGHTS

- The annual Top Risks and Risk Appetite Refresh workshop is due to be held prior to this item. The Top Risks and Risk Appetite Statement for 2023/24 will be presented to the next ARC meeting.
- The relatively high levels of residual risk indicate the current volatility within the environment.
- Fitch Ratings has affirmed the Long-Term Local-Currency Issuer Default Rating (IDR) on Waipā District Council at 'AA-' with the Outlook assessed as Stable. The latest Reserve Bank of NZ statement also provided positive indication that they are at the top end of their 'tightening' cycle. The trend for Top Risk 8: Risk to financial sustainability has been returned to neutral this quarter based on this analysis.
- The KRI reporting has been enhanced based on feedback at the last meeting. A further two Top Risks have been added to the KRI section of this report. The KRI results this quarter do not indicate a change in rating is required
- The internal audit programme is on track.

TOP RISKS HEAT MAP – 10 TOP RISKS



Key: 1 Current Residual Risk 2 Risk Appetite 3 Interim Target Risk

- A total of 10 Top Risks identified and assessed for this financial year.

KEYS

E Emitter risk R Receiver risk

- Staff capacity and capability
- Delivery of Capital works
- Risk to Financial Sustainability
- Staff capacity and capability
- Delivery of Capital works
- Stakeholder Relationships
- Community Engagement

Higher velocity Risk Pathways

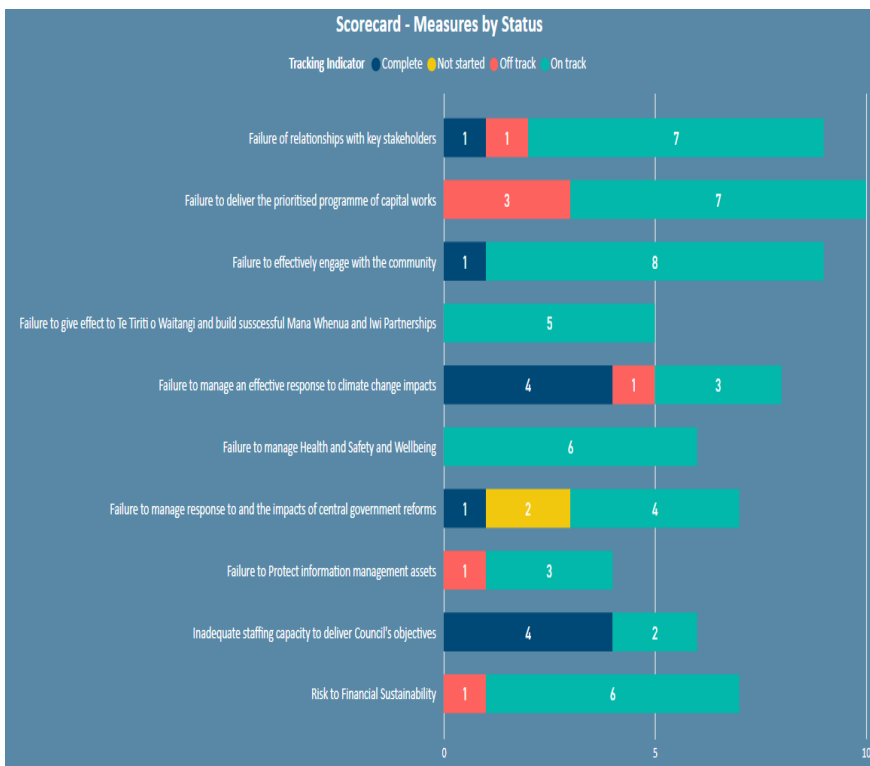
- Information management –
- Community Engagement

SUMMARY OF TOP RISKS

#	Risk Area and Statement	Residual (current) level	Trend
1	Inadequate staffing capacity and capability to deliver Council's objectives: If Council is not adequately resourced, both in terms of capacity and capability, then this under resourcing may contribute to failure and/or significantly increased costs to deliver service levels and key projects.	Very High	➔
2	Failure to deliver the programme of capital works: If Council fails to plan for and deliver the proposed programme of capital works as prioritised then this will impact the overall delivery of infrastructure to support growth, level of service improvements and asset replacement.	Very High	➔
3	Risk to Financial Sustainability: If Council does not have sufficient liquidity and/or funding or debt levels are at a limit; has not planned effectively for growth, including timing of infrastructure; has not completed planned asset sales; or if an unseen event such as a disaster required funding then delivery of service levels and key projects may be significantly impacted.	Very High	➔
4	Failure to effectively engage with the community: If Council does not effectively engage with the community, then the impacts of Council decisions will not be understood, and with the current level of change fatigue Council's reputation and community engagement may be negatively impacted.	Very High	➔
5	Failure to manage an effective response to climate change impacts: If Council does not actively understand climate change impacts and manage an effective response to these impacts then this may have significant financial and reputational effects as well as adverse economic and social impacts on the community.	Very High	➔
6	Failure to give effect to Te Tiriti and build successful Iwi/Mana Whenua partnerships: If Council fails to give effect to Te Tiriti and build and sustain partnerships with Iwi/Mana Whenua, including support of developing capability and capacity internally and within Mana Whenua, then Council will fail to meet its governance obligations and the ability to operate and deliver key projects will be significantly impacted.	High	➔
7	Failure of relationships with key stakeholders: If Council has a breakdown in relationships with key stakeholders, then Council's ability to operate and deliver services and projects effectively and within reasonable timeframes will be significantly impacted with negative flow on impacts to the community.	High	➔
8	Failure to manage response to and the impacts of central government reforms: If Council does not prepare for, understand impacts, and manage the response and transition to the reforms being led by central government then this may have significant financial and reputational effects on the organisation, as well as adverse economic and social impacts on the community	Very High	➔
9	Failure to manage Health and Safety and Wellbeing: If Council does not have a strong health and safety and wellbeing culture and commitment to keeping staff, contractors and members of the public safe and well for Council controlled activities then there will be unacceptable injuries, poor mental wellbeing and potentially fatalities with legal consequences.	High	➔
10	Failure to protect information management assets: If information management assets are compromised through actions of staff or other parties including cyber-security attacks, privacy breaches, data loss or corruption, or non-compliance of legislated obligations then Council's delivery of services and reputation will be negatively impacted.	Moderate	➔

QUARTERLY RISK MANAGEMENT REPORT FEBRUARY TO APRIL 2023

TOP RISK MITIGATION ACTION MONITORING EXCEPTIONS



Top Risk	Measure/Action	Status Action	Tracking Indicator	Exec Owner	Status Comment
Failure to manage response to and the impacts of central government reforms	Commence the review of Waipā 2050 Growth Strategy following the development of Ahu Ake (Waipā Community Spatial Plan) and the Future Development Strategy	Not started	Not started	CE	This work will be informed by Ahu Ake and the FDS.
Failure to manage response to and the impacts of central government reforms	Role established for managing Future of Local Government reforms	Not started	Not started	CE	It has been determined that this role is no longer required.
Failure of relationships with key stakeholders	Complete the review and commence the implementation of the Economic Wellbeing Strategy	In progress	Off track	GM Strategy	The project has experienced delays. With the recent retirement of the Business Development Manager, we are considering where Council's focus should be from an economic development perspective. Once we have filled this vacancy, it will be a high priority to progress this strategy.
Failure to deliver the prioritised programme of capital works	Cambridge Strategic Transport Network Review Business case	In progress	Off track	GM Service Delivery	Waka Kotahi endorsed scope and have provided some funding toward business case. Strategic case complete. Long list of options completed. Developed options for traffic model testing. Project completion will be delayed to September or October as the regional transport model is still undergoing testing and we need this to be validated before running options for new bridge locations etc.
Failure to deliver the prioritised programme of capital works	Cycling – Te Awamutu/ Nga Roto/ Pirongia connection	In progress	Off track	GM Service Delivery	Significant challenges identified in early 2023 and new project scope agreed with Service Delivery Committee in April 2023
Failure to deliver the prioritised programme of capital works	Western Arterial Designation (northern section) uplifting underway	In progress	Off track	GM Service Delivery	Consent process begun. Draft notice prepared. Service Delivery committee approved progressing designation change at February 2023, meeting. Staff resourcing likely to limit ability to complete designation removal/ change by 30 June 2023 but should be completed in 2023 calendar year.
Failure to manage an effective response to climate change impacts	Lead the development of the Environment Strategy (including implementation plan) for adoption by 30 June 2023	In progress	Off track	GM Strategy	Council has recently received the recommendations of an Audit completed by KPMG on our role in responding to climate change. We are in the process of developing an Improvement Plan to map out how best to respond to these recommendations. One of the considerations is our strategy in this space and whether we progress with an Environment Strategy or turn the focus to climate change or a hybrid approach. Due to this, we are undertaking more investigative works and will not be progressing the Environment Strategy externally until we have greater clarity on the most appropriate way forward.
Failure to Protect information management assets	Everything in Its Place Initiative (EIP) – moving from setting the groundwork up to more of a compliance and reporting focus	Ongoing	Off track	GM Business Support	Scope and progress assessment currently underway with new IM Lead.
Risk to Financial Sustainability	Property sales are achieved in line with the Property Strategy which sets the course for realising asset sales revenue and ensuring the highest best use and optimised returns from council owned properties	Ongoing	Off track	GM Business Support	Manager Property Projects role became vacant 21 October 2022, which has slowed this activity down. We have recruited a permanent replacement who commences on 6 March 2023 which should assist in gaining momentum in near future.

INTERNAL AUDIT UPDATE

- The Internal Audit improvement programmes are largely on track.
- The Climate Change Governance Improvement Programme Plan developed to implement the audit recommendations is presented to this ARC meeting as a separate agenda item.
- The Fees and Charges: Building and Resource Consents and Development Contributions Review improvement programme plan developed to implement the recommendations is presented to this ARC meeting.
- Updates on the Asset Management Planning and Legislative Compliance Improvement Programmes are provided as separate agenda items.
- Improvement programs completed and no longer being reported:
 - Payroll (including follow up)
 - Health and Safety
 - Capex procurement (PSP)

Audit	Type of Audit	Year audit completed	Expected programme completion	RAG status
Business Continuity Management Gap Analysis	Maturity	May-2017	Jun-2024	Follow up audit completed May 2022. New action plan
Procure to Pay	Internal control	May-2017	Jun-2024	On track for action plan from follow up audit
Contract Management	Internal control	Mar-2018	Jun-2024	On track for action plan from follow up audit
Risk Management Maturity	Maturity	Jun-2018	Jun-2023	On track
Legislative Compliance Framework	Maturity	Mar-2019	Jun-2023	On track
Asset Management Planning Framework	Internal control	May-2020	Jun-2023	Progressing
Fraud Risk Management Gap Analysis	Internal control	Mar-2021	Jun-2024	On track
Project and Programme Management	Maturity	Oct-2021	Jun-2024	On track
Fees and Charges: BC, RC and DC	Internal control	Oct-2022	Jun-2025	On track

QUARTERLY RISK MANAGEMENT REPORT FOR FEBRUARY TO APRIL 2023

EMERGING RISKS

An emerging risk was identified last quarter due to the impact of Cyclone Gabrielle on infrastructure and is being monitored. It is still unclear of the impact of the recovery on supply chains, funding and resourcing as the financial and infrastructure impacts are still being quantified by insurance and government agencies.

If the remediation of the impacts of Cyclone Gabrielle on infrastructure are given priority then there may be flow on impacts to the capital works programme due to a shortage of resources, including personnel, supplies and funding from central government.

A new emerging risk has been raised after Ministry for Primary Industries advised that freshwater gold clam has been found in the Waikato River at Bob's Landing, near Lake Karapiro.

If the freshwater gold clam invades the Waikato River then the negative impact may result in undermining Iwi and Mana Whenua relationships, damage infrastructure (particularly water and wastewater treatment), and affect events and tourism in the District.

ADDITIONAL RISK REPORTING (as per Risk and Compliance Management Policy)

PROJECT DELIVERY RISKS (Capital Works)

Project Delivery Risks (Capital Works) will be discussed under Project Delivery Report agenda item (may be Public Excluded).

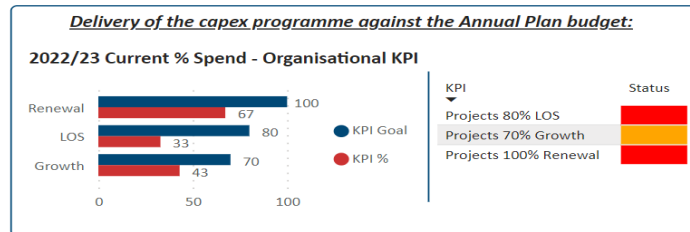
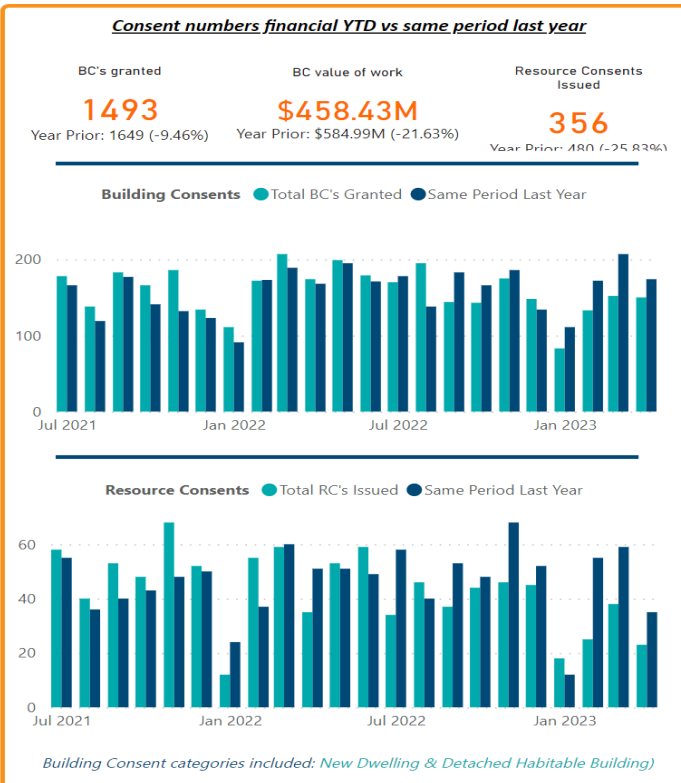
OPERATIONAL RISKS

The implementation project for the Promapp Risk module is underway. The proposed configuration of the system is to be agreed with RCOG and management by the end of June.

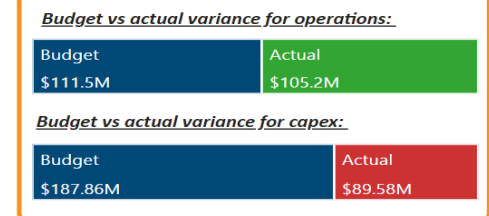
KEY RISK INDICATORS

Top Risk 2: Failure to deliver the prioritized programme of capital works and Top Risk 3: Risk to Financial Sustainability

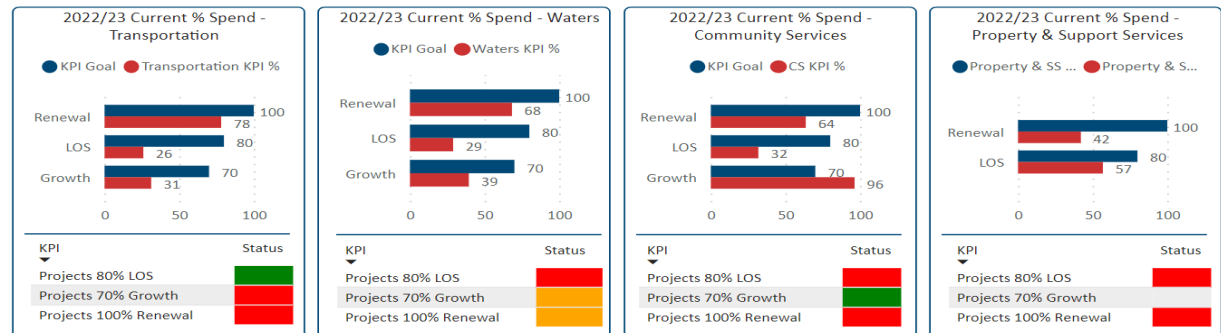
Key Risk Indicator Report



Status = Not started - On track - Off track - At risk - Complete

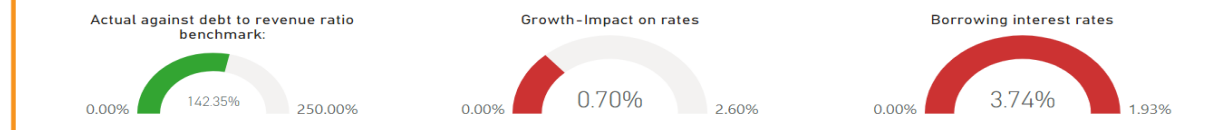


Delivery of the capex programme against the Annual Plan budget by Activity Area:



Status: On Track >= 100% of target || At Risk 80-99% of target || Off Track <79% of target

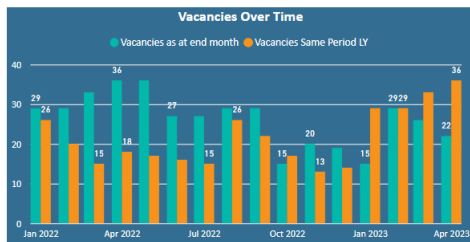
Monitoring of assumptions used in preparing Annual Plan as year progresses:



QUARTERLY RISK MANAGEMENT REPORT FOR FEBRUARY TO APRIL 2023

KEY RISK INDICATORS

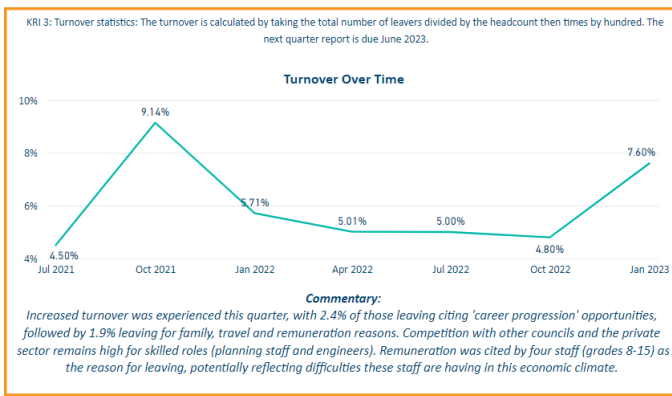
Top Risk 1: Inadequate staffing capacity and capability to deliver Council's objectives



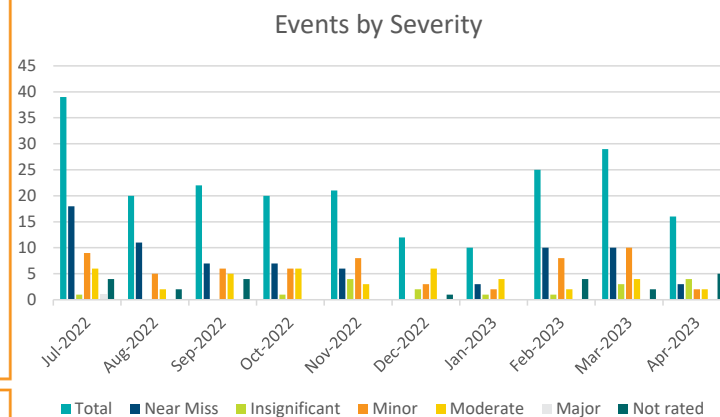
Average Vacancies 23 Quarter (Jan - Mar)	Number of Internal Appointments 15 Quarter (Jan - Mar)	Average Time to Hire 31 (Working Days) Quarter (Jan - Mar)
25 Last 12 months	45.0% % of Total Hires	

KRI 1: Level of vacancies.

Commentary:
The average time to recruit across the six councils utilising the shared recruitment platform was 96 days. Significant differences in recruiting time between councils, indicating challenges with specific roles and/or location. By comparison, Waipā DC doing very well.



Top Risk 9: Failure to manage Health and Safety and Wellbeing



KRI 1: Reported events by severity YTD in TRAX – lag indicator

KRI 2: A Lead indicator for wellbeing will be included once the wellbeing framework is developed and agreed, including measures

OTHER PROGRAMME AND PROJECT RISKS

Project	Description	Risk Reduction Measure & Treatment Type	Residual Risk Rating
Digital programme	If there is a reprioritisation of priorities and in particular significant increase in BAU activity which takes pre-planned project resources away from projects then projects will be delayed.	Project planning including resource requirements completed for all projects. Conservative worst case scenario applied. Backfilling considered where significant resource is required.	Very High Risk
HRP Project	If the project experiences extended timeframes then it will increase the cost of the project.	External consultants being rescheduled. Projections for internal resource costs to scope the effects of the extended timeline. Tight governance around data migration. Raising concerns with T1 consistently throughout project around the challenges to date.	Very High Risk
LTP Project	If there is a lack of resourcing and reliance on key staff and the preparation of the LTP represents a higher workload for those roles (strategy, business case writers, budget owners, finance and communications staff) than an Annual Plan year then in these teams it could result in capacity and knowledge gaps, in particular if those staff are absent or leave the organisation.	Clear timeline and roles and responsibilities in place. Key staff will be made aware of critical times in the project and have contingencies in place for leave. GMs and managers are responsible for engaging external support to assist with preparation of the LTP and more may be engaged at certain points in the project.	Very High Risk
LTP Project	If Council overestimates the level of work Council can do - If Council overestimates the level of work they can deliver and submit budgets and project requirements over and above what can be delivered then this could result in reputational and financial consequences.	Updated 22/5/23 - The LTP PCG moved this risk to very high risk as current mitigations require further analysis. The revised rating is also in line with Council's Top Risk 2. Currently delivery across past years is being examined. Guidance has been issued to activity managers as part of business case development. Staff also plan undertake a deep dive in June on this risk to ensure mitigation measures put in place through the development of the 2024-34 LTP are adequate.	Very High Risk

CYBERSECURITY RISK UPDATE

- Artificial intelligence chatbot platforms such as OpenAI's ChatGPT, have become increasingly popular. To protect the council, official email addresses should not be used to log in, and fictitious names (such as Acme Ltd and John Doe) should be used in place of council and other real names. SSS is currently examining chatbot platforms with a view to release guidance to our clients in the very near future.
- IS continue to implement recommended improvements from the fortnightly reports, including tidying up licences and devices. The level of vulnerabilities is maintained at a manageable level and is well managed by Information Services staff.
- Meraki networking equipment maintain good 'health', i.e. they remain operating as expected.
- ALGIM SAM controls have been updated for cloud services. IS are currently completing a self assessment against these controls.

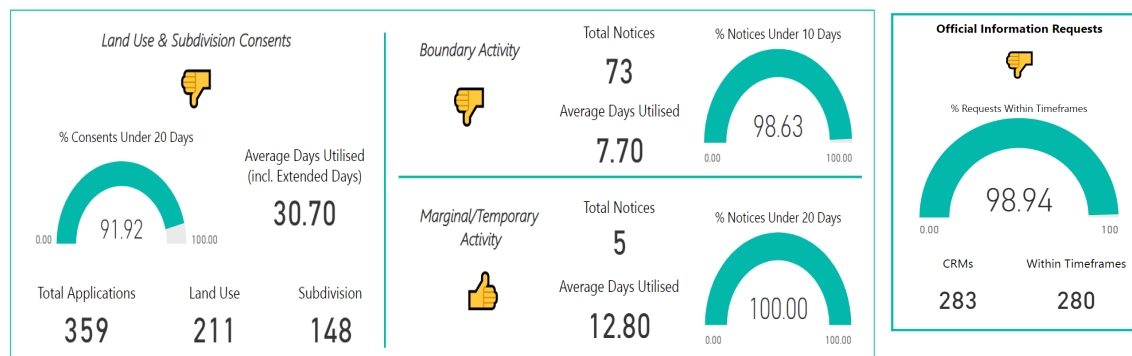
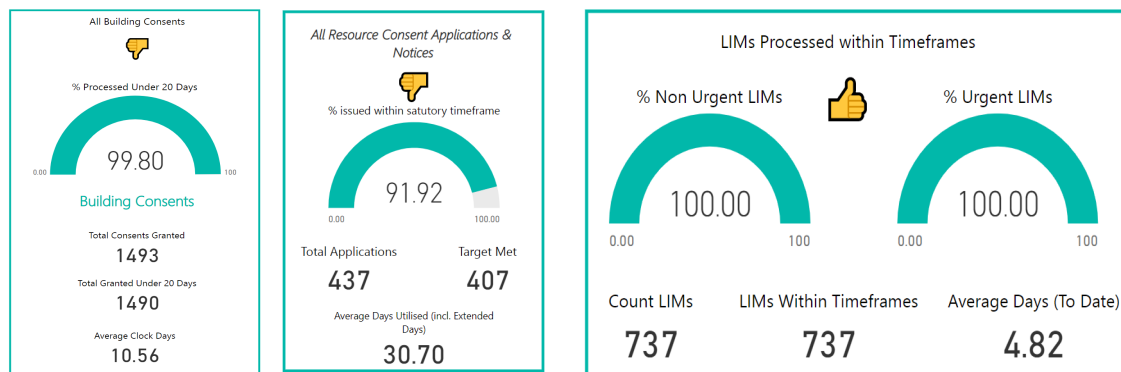
LITIGATION RISK UPDATE

There are currently two legal proceedings initiated in the Courts against Council relating to allegations of negligence. The claims seek damages of over \$2.5 million and \$1 million respectively. Further information is provided in the Litigation update elsewhere in the agenda.

QUARTERLY RISK MANAGEMENT REPORT FOR FEBRUARY TO APRIL 2023

COMPLIANCE REPORTING

STATUTORY TIMEFRAME COMPLIANCE (YTD to 30 April 2023)



Compliance with Protocol Criteria	Karāpiro Down
Network Zones Compliance	Pirongia Down

Commentary for those compliance performance measures not meeting target YTD:

Building Consents

100% of consents issued throughout October 2022 to April 2023 were issued within the statutory timeframes. Those which exceeded the 20 day timeframe in prior months were a result of temporary software issues which have since been resolved and human error. Training has been carried out to prevent reoccurrence of the errors made by staff.

Resource Consents

There have been a total of 30 consent applications which have not been processed within the statutory timeframes, this is a result of staff vacancies and capacity constraints, as well as complexities and specific issues with the applications. One consent which is showing as off track has actually been processed within the statutory timeframe, the system does not allow for the days in which the hearing was open for this application, which are not counted as working days.

Drinking Water Compliance – Network Zone

Compliance was not met for Karāpiro WTP. A programming issue identified in May 2022 which has since been resolved.

A sampling error resulted in a non-compliant status for Pirongia Reticulation Zone for the month of April.

Official Information Requests

Of 283 LGOIMA's total, 3 have not met target. One LGOIMA response was sent out in October with one day's delay - the request was declined under sections 7(2)(g) and 17(a) of the Local Government Official Information and Meetings Act 1987 Waipa District Council - legal privilege. One LGOIMA response was completed in time, however there was a delay by staff in delivery of the response which resulted in the request being 2 days over the 20 day timeframe. The final request over timeframes is relating to an investigation from the Ombudsman and should not have been logged as a LGOIMA.

OMBUDSMAN COMPLAINTS

We had two Ombudsman's investigations. One was notified on 17/02/23 and related to Council's decision to withhold information in response to a LGOIMA request. The other was notified on 28/02/23 and related to Council's decision not to reduce a ratepayer's rates.

The Ombudsman's office has subsequently completed its investigations into both complaints, and notified Council that they were not upheld.

PRIVACY

No privacy breaches have been recorded this quarter.

COMMITTEE REPORT



To: The Chairperson and Members of the Audit and Risk Committee
From: Manager Finance
Subject: **Audit Plan for 2022/23 Audit**
Meeting Date: 12 June 2023

1 PURPOSE - TAKE

The purpose of this report is to provide the Committee with an understanding of the content of the Audit Plan for the 2022/23 financial year end audit and the timetable for adoption of the Annual Report with the view to securing the Committee's approval of the Audit Plan and the signing of the Audit Engagement Letter and any other documentation agreeing the hours and fee for the audit as provided for in the Committee's delegations.

2 EXECUTIVE SUMMARY – WHAKARĀPOPOTOTANGA MATUA

The Audit Plan is an agreement between Audit New Zealand and Council confirming Council's understanding of the audit arrangements for the financial year ending 30 June 2023.

The Audit Plan is submitted annually to Council for consideration prior to commencement of the audit. The Audit Plan, attached as Appendix 1, is made available for the Committee to consider the terms of the agreement and provide input on the draft document prior to finalisation.

The Audit Plan sets out the key audit risks and issues, group audit considerations, respective responsibilities of Council and the Appointed Auditor for the financial statements and performance information, and the nature and limitations of an audit. It also formalises the overall planned materiality and the audit timelines.

At the time of preparing this agenda item there has been no receipt of either an Audit Engagement Letter or any other documentation (such as a Letter of Undertaking) that

would set the level of fee for the audit and outline the number of hours and seniority of the resource to carry out the audit. Because the next scheduled meeting of this Committee is not until October, at which point it is anticipated the audit will be complete and the adoption of the Annual Report will be recommended by this Committee to Council, it is recommended that authority be delegated to the Chair and the Deputy Chair of this Committee to agree and sign both these documents when they are available.

3 RECOMMENDATION – TŪTOHU Ā-KAIMAHI

That the Audit and Risk Committee

- a) *Receives the report of Jolanda Hechter, Manager Finance titled ‘Audit Plan for 2022/23 Audit’, (document number 11022196);*
- b) *Approve the draft Audit Plan attached as Appendix 1 to this report.*
- c) *Delegate authority to the Chair and Deputy Chair of this Committee to, acting jointly, approve and sign the Audit Engagement Letter and any audit fee documentation.*

4 BACKGROUND – KŌRERO WHAIMĀRAMA

The Terms of Reference of the Audit and Risk Committee specifically delegate to this Committee the authority “*To recommend approval of the Auditors engagement and arrangements letters.*” This in fact is one of the few decision-making delegations that the Committee has.

The Audit Plan is an agreement between Audit New Zealand and Council confirming Council’s understanding of the audit arrangements for the financial year ending 30 June 2023.

The Audit Plan is submitted annually to Council for consideration prior to commencement of the audit. The Audit Plan sets out the key audit risks and issues, group audit considerations, respective responsibilities of Council and the Appointed Auditor for the financial statements and performance information, and the nature and limitations of an audit. The Audit Plan, attached as Appendix 1, is made available for the Committee to consider the terms of the agreement and provide input on the draft document prior to finalisation.

Council officers have reviewed the Audit Plan document and are satisfied with the terms set out in it.

The other documentation that should be provided and agreed in advance of an audit are the Audit Engagement Letter, and a document such as a Letter of Undertaking that contains the detail of the audit resource allocation and the audit fee agreed to between the parties. Neither of these documents has been received to date as the Office of the Auditor General is finalising a sector wide moderation review of audit fees. Once these documents have been received they will be shared with members of this Committee, however, because this Committee is not scheduled to meet again until October, delegated authority is sought from the Committee for the Chair and Deputy Chair of the Committee to approve and sign the Audit Engagement Letter and any audit fee documentation.

Annual Report Timetable

Audit New Zealand conducted their interim audit from 8 May 2023 to 25 May 2023. This audit focussed on planning the engagement, updating their understanding of our business, control testing and, in some areas, substantive testing for the period 1 July 2022 to 30 April 2023.

The final audit visit for the Annual Report for the year ended 30 June 2023 is set to commence on 4 September 2023 with the auditors expected to be onsite for a period of two to three weeks.

It should be noted that the scheduled timing for the next Audit and Risk Committee meeting has been amended to fit the audit timetable and it is planned that this committee will now next meet on Thursday 26 October, to among other matters, make a formal recommendation to Council to adopt the 2022/23 Annual Report at its meeting on 31 October 2023. The change to timing was made to coincide with Audit NZ's timing for finalising the audit and issuing verbal clearance, currently planned for 24 October 2023, per their Audit Plan.

It should be noted that the Local Government Act 2002 requires an Annual Report to be adopted by Council, this responsibility cannot be delegated to a Committee. There is a legislative requirement that Council's Annual Report be adopted by 31 October each year.

The audit timetable therefore, is recommended to be follows:

	Date
Commencement of final audit	4 September 2023
Verbal audit clearance	24 October 2023

Audit and Risk Committee consideration of the draft annual report and formal resolution recommending Council to approve.	26 October 2023
Adoption of Annual Report by Council Meeting	31 October 2023
Audit Opinion Issued	31 October 2023

5 SIGNIFICANCE & ENGAGEMENT – KAUPAPA WHAI MANA ME NGĀ MATAPAKINGA

Staff have considered the key considerations under the Significance and Engagement Policy, in particular sections 7 and 8, and have assessed that the matters in this report have a low level of significance.

6 OPTIONS – NGĀ KŌWHIRINGA

Option	Advantages	Disadvantages
Option 1: Approve the Audit Plan	<ul style="list-style-type: none"> The audit can commence 	<ul style="list-style-type: none"> There are no known disadvantages to this option
Option 2: Don't approve the Audit Plan	<ul style="list-style-type: none"> There are no known advantages to this option 	<ul style="list-style-type: none"> Further delays in planning the preparation of the Annual Report and audit

The recommended option is Option 1. The reasons for this are set out above.

7 OTHER CONSIDERATIONS – HEI WHAIWHAKAARO

Legal and Policy Considerations – Whaiwhakaaro ā-Ture

Staff confirm that the approval of option 1 above complies with the Terms of Reference of the Audit and Risk Committee specifically delegated “To recommend approval of the Auditors engagement and arrangements letters.”

The Committee is therefore acting within the terms of its delegations in resolving to approve the Audit Plan and delegate responsibility for the approval of the other key audit engagement documentation not yet received.

Financial Considerations – Whaiwhakaaro ā-Pūtea

As the audit fee for the 2022/23 Annual Report is not finalised, officers are unable to indicate what the costs associated with this audit is likely to be. The Office of the Auditor General has signalled an increased audit fee.

Risks - Tūraru

There are no known significant risks associated with the decisions required for this matter.

8 NEXT ACTIONS

Action	Responsibility	By When
Communicate the approval of the Audit Plan to Audit NZ	Manager Finance	13 June 2023

9 APPENDIX- ĀPITITANGA

No:	Appendix Title
1	Draft Audit Plan for the June 2023 audit (Document number: 11028033)



Jolanda Hechter
MANAGER FINANCE



Approved by Ken Morris
DEPUTY CHIEF EXECUTIVE / GROUP MANAGER BUSINESS SUPPORT

APPENDIX 1

Draft Audit Plan for the June 2023 audit (Document number: 11028033)

Audit plan

Waipā District Council

For the year ending 30 June 2023

Audit plan

I am pleased to present our audit plan for the audit of Waipā District Council (the Council) for the year ending 30 June 2023. The purpose of this audit plan is to discuss:

Audit risks and issues	2
Group audit	10
Our audit process	12
Reporting protocols	20
Audit logistics	21
Expectations.....	23

The contents of this plan should provide a good basis for discussion when we meet with you.

We will be happy to elaborate further on the matters raised in this plan.

Our work improves the performance of, and the public’s trust in, the public sector. Our role as your auditor is to give an independent opinion on the financial statements and performance information. We also recommend improvements to the internal controls relevant to the audit.

If there are additional matters that you think we should include, or any matters requiring clarification, please discuss these with me.

Yours sincerely

René van Zyl
 Appointed Auditor
 2 June 2023 - draft

Audit risks and issues

Focus areas



Based on the planning work and discussions that we have completed to date, we set out in the table below the main audit risks and issues. These will be the main focus areas during the audit.

Audit risk/issue	Our audit response								
Revaluation of property, plant and equipment									
<p>The Council revalues its operational and infrastructure assets held at fair value whenever there is expected to be a material movement in the fair value of these assets. The last revaluations performed is stated in the table below.</p> <p>Because of the recent inflationary environment most councils have been revaluing more frequently.</p> <p>The accuracy of the valuation depends on the valuation method applied, the completeness and accuracy of the source data and the appropriateness of underlying assumptions. Because of the large value of the assets held by the group, a small movement in the key assumptions can have a significant impact on the valuation and consequential depreciation expense recognised in the financial statements.</p> <p>The assets undergoing revaluation as at 30 June 2023 include the following classes of infrastructure assets:</p> <ul style="list-style-type: none"> • Roothing infrastructural assets. • Three waters infrastructural assets (wastewater, water supply and stormwater). 	<p>We will:</p> <ul style="list-style-type: none"> • review the valuation report to assess the competence and experience of the person completing the valuation and whether the requirements of PBE IPAS 17 Property, Plant and Equipment (including the appropriateness of the valuation basis) have been met; • audit the method of valuing the assets and assess if the valuation method used is in line with the financial reporting framework; • review the reasonableness of the data and key assumptions used; and • assess the presentation and disclosure of information related to the valuation in the financial statements. 								
<table border="1"> <thead> <tr> <th data-bbox="234 1711 1160 1749">Asset Class</th> <th data-bbox="1160 1711 1364 1749">Last valuation</th> </tr> </thead> <tbody> <tr> <td data-bbox="234 1749 1160 1787">Operational Land and Buildings</td> <td data-bbox="1160 1749 1364 1787">June 2022</td> </tr> <tr> <td data-bbox="234 1787 1160 1825">Three waters infrastructural assets (wastewater, water supply and stormwater)</td> <td data-bbox="1160 1787 1364 1825">June 2021</td> </tr> <tr> <td data-bbox="234 1825 1160 1863">Roothing infrastructural assets</td> <td data-bbox="1160 1825 1364 1863">June 2021</td> </tr> </tbody> </table>		Asset Class	Last valuation	Operational Land and Buildings	June 2022	Three waters infrastructural assets (wastewater, water supply and stormwater)	June 2021	Roothing infrastructural assets	June 2021
Asset Class	Last valuation								
Operational Land and Buildings	June 2022								
Three waters infrastructural assets (wastewater, water supply and stormwater)	June 2021								
Roothing infrastructural assets	June 2021								

Audit risk/issue	Our audit response
Fair value assessment of property, plant and equipment (non-revaluation year)	
<p>For those assets that the Council is not planning to revalue, the Council should perform a fair value movement assessment (assessment) to determine whether there is a significant difference between the fair value and the carrying value. Where the estimated difference is significant a revaluation may be necessary.</p> <p>An assessment should:</p> <ul style="list-style-type: none"> • factor in local cost information; • utilise relevant and reliable price movement indicators; and • involve consulting with valuers, if necessary. <p>Alternatively, Council could engage valuers to assist in preparing a fair value assessment.</p> <p>In accordance with PBE IPSAS 21, <i>Impairment of Non-Cash-Generating Assets</i> and PBE IPSAS 26 <i>Impairment of Cash-Generating Assets</i>, at each reporting date management must assess whether there is any indication that an asset may be impaired. If management identifies any indication of an impairment, then they must estimate the recoverable service amount of the asset.</p> <p>Assets are required to be assessed for indicators of impairment on an annual basis.</p> <p>Irrespective of whether there are any indications of impairment, intangible assets not yet available for use (that is, work in progress) and intangible assets with indefinite useful lives must be <i>tested</i> for impairment at least annually.</p> <p>Work-in-progress (WIP) values on projects that span an extended period of time should be assessed regularly for impairment over the life of the project. The Council needs to ensure that as phases of a project are completed, and assets become operational, capitalisation of the WIP balance occurs in a timely manner. This will ensure that depreciation expense on these assets is recognised and accounted for appropriately.</p>	<p>We will:</p> <ul style="list-style-type: none"> • review the fair value movement assessment; • review the impairment assessment; • review the WIP assessment; • evaluate the reasonableness of the significant assumptions; • evaluate how management has addressed estimation uncertainty; and • reperform calculations made by management. <p>If the movement of the assets individually or in combination with other asset classes is significant the Council may need to complete a revaluation. In certain circumstances it <i>may</i> be acceptable to make an adjustment based on the desktop revaluation.</p>

Audit risk/issue	Our audit response
Major capital projects	
<p>The Council continues to have a significant ongoing capital programme which is in some instances challenging to deliver against in the current market.</p> <p>Accounting for capital projects, whether completed during the year or in progress at balance date, requires assumptions and judgements to be made that can have a significant impact on the financial statements. Management and the Council are responsible for managing the financial statement risks associated with capital projects.</p> <p>This includes ensuring:</p> <ul style="list-style-type: none"> • project costs are reviewed to ensure these are appropriately classified as capital or operational in nature; • work in progress (WIP) balances for projects already completed or available for use are transferred to the appropriate class of asset in a timely manner and depreciated accordingly from the date of capitalisation; • WIP balances on projects that span an extended period of time are assessed regularly for impairment over the period of the project. Costs no longer meeting criteria for recognition as an asset should be expensed in a timely manner; • asset components are identified at an appropriate level, and appropriate useful lives are assigned to these components on completion; • the value and remaining useful life (RUL) of existing assets remains appropriate given replacement projects underway; and • capital commitments related to contracts entered into before balance date are disclosed in the notes to the financial statements. 	<p>We will review the accounting for costs incurred on capital projects, including:</p> <ul style="list-style-type: none"> • assumptions and judgements used by management in classifying costs as either capital or operational; • appropriate capitalisation point for completed assets, including transfers from work in progress; • the reasonableness of depreciation rates and useful lives applied to asset components; • the disclosures included within the financial statements, including those relating to capital commitments; • treatment and disclosure related to additional cost claims for projects, including where these remain in dispute or under negotiation.

Audit risk/issue	Our audit response
<p>The financial and disclosure implications of contract variations or additional claims from contractors are appropriately accounted for, where construction costs are significantly higher than originally agreed including where payment of these remains under negotiation with the contractors.</p>	
<p>Water services reform</p>	
<p>The Water services reform programme (the Reform) is expected to result in significant structural changes to the management, funding and ownership of water supply, wastewater, and stormwater assets in the local government sector.</p> <p>The Government has recently announced a number of changes to the reform. On 13 April 2023, the Government outlined changes to the number of water services entities and a staggering of their establishment dates starting from early 2025, with all the water services entities to be established by 1 July 2026. The timing of the transfer of assets and liabilities is therefore uncertain until amendments to existing legislation are passed.</p> <p>The Bill to enable the transfer of three waters related assets and liabilities to the water services entities is currently with the select committee and will need to be passed to enable water assets to transfer to the related water entity.</p> <p>The timing of the legislation through Parliament will impact the 30 June 2023 annual report. If the legislation has not passed before 30 June an updated disclosure may still be appropriate. If the legislation is passed before 30 June, there will likely be some additional accounting and disclosure requirements.</p> <p>The Council should ensure that sufficient disclosure about impact of the reform (to the extent that the impact is known) is included in the annual report.</p>	<p>We will review the Council’s disclosures to ensure they accurately reflect the significance and uncertainty of the Reforms on Council.</p> <p>Because the impact could be significant, but is uncertain, we are likely to include information in our audit report to draw a reader’s attention to Council’s disclosure about the Reform.</p>

Audit risk/issue	Our audit response
Drinking water quality performance measures	
<p>Providing safe drinking water is a core function of the council and reporting how Council has performed in respect of this function in the annual report is important performance information.</p> <p>The regulatory regime in place over the safety of drinking water has transitioned in the current year from the Drinking Water Quality Standards (DWS) to the new Drinking Water Quality Assurance Rules (DWQARs) which came into effect on 14 November 2022.</p> <p>Performance measures about compliance with the DWS are currently mandated by the Department of Internal Affairs who have issued mandatory performance measures that are required to be reported against in Council’s annual report.</p> <p>There are currently no similar performance measures with respect to the new DWQARs. Despite this it is important that the Council includes appropriate performance information about their compliance with the new DWQARs. This performance information will be subject to audit and therefore it is important that Council is able to support the performance results that they report.</p>	<p>We will work with Council to agree what performance information and measures would be appropriate and audit the results reported against the agreed measures.</p>
The risk of management override of internal controls	
<p>There is an inherent risk in every organisation of fraud resulting from management override of internal controls.</p> <p>Management are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>Auditing standards require us to treat this as a risk on every audit.</p>	<p>Our audit response to this risk includes:</p> <ul style="list-style-type: none"> • testing the appropriateness of selected journal entries; • reviewing accounting estimates for indications of bias; and • evaluating any unusual or one-off transactions, including those with related parties.

Please tell us about any additional matters we should consider, or any specific risks that we have not covered. Additional risks may also emerge during the audit. These risks will be factored into our audit response and our reporting to you.

New accounting standards

First-time adoption of PBE IPSAS 41 Financial Instruments

PBE IPSAS 41: *Financial Instruments* is effective for periods beginning on, or after 1 January 2022. Earlier application was permitted however the Council did not early adopt the standard. The standard introduces new and amended classification, measurement, impairment and hedging requirements and disclosure for financial assets and financial liabilities. This standard replaces both PBE IPSAS 29 and PBE IFRS 9. PBE IPSAS 41 is based on PBE IFRS 9 and has been amended to include additional PBE guidance relevant to the New Zealand context.

As the Council is transitioning from PBE IPSAS 29, the transition may result in a number of significant changes.

The main changes introduced by PBE IPSAS 41 are that the standard:

- Introduces a new classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held. This could result in some instruments moving from amortised cost accounting to fair value accounting, or vice versa.
- Applies a forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing.
- Introduces a hedge accounting model that broadens the hedging arrangements in scope of the guidance and removal of the 80-125% effectiveness "bright line" test. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. Entities that adopt PBE IPSAS 41 have a choice of either adopting the new hedging model of PBE IPSAS 41 or continuing to apply the hedging model of PBE IPSAS 29.
- There are also new disclosure requirements as the standards setters believe additional information on risks such as credit risk are increasingly important to users of the financial statements.

The Council will need to prepare an analysis of the classification of its financial instruments in terms of the standards and determine the necessary accounting and disclosure adjustments required.

The Council will need to update its accounting policies and disclosures in the financial statements to reflect the adoption of the new standard. The 21J [Local authorities model financial statements](#) reflect the early adoption of this standard and provide illustrative disclosures.

Adoption of PBE FRS 48 Service Performance Reporting

PBE FRS 48 Service Performance Reporting replaced that part of PBE IPSAS 1 Presentation of Financial Statements that deals with service performance reporting requirements and is effective for annual reporting periods beginning on or after 1 January 2022, that is, for the Council, it is for the year ending 30 June 2023.

The objective of the standard is “to establish principles and requirements for an entity to present service performance information that is useful for accountability and decision-making purposes in a general-purpose financial report”. PBE FRS-48 requires an appropriate and meaningful mix of performance measures and/or descriptions, including, where appropriate, measures of both the goods and services provided and of what has been achieved in the Council’s areas of responsibility.

In addition, PBE FRS 48 imposes additional disclosure obligations on entities. For example, paragraph 44 requires an entity to “disclose those judgements that have the most significant effect on the selection, measurement, aggregation and presentation of service performance information reported in accordance with this Standard that are relevant to an understanding of the entity’s service performance information”. Further if the district Council changes what it reports as service performance information compared to the previous year, then PBE FRS 48 requires the district Council to explain the nature of the changes and their effect.

We will review Council’s compliance with the new standard. We are providing a PBE FRS 48 *Service Performance Reporting* checklist to the Council to perform a self-review.

Fraud risk

Misstatements in the financial statements and performance information can arise from either fraud or error. The distinguishing factor between fraud and error is whether the underlying action is intentional or unintentional. In considering fraud risk, two types of intentional misstatements are relevant – misstatements resulting from fraudulent reporting, and misstatements resulting from misappropriation of assets.

The primary responsibility for the prevention and detection of fraud and error rests with the Council, with assistance from management. In this regard, we will discuss the following questions with you:

- What role does Council play in relation to fraud? How do you monitor management’s exercise of its responsibilities?
- Has a robust fraud risk assessment been completed? If so, is the Council satisfied that it had appropriate input into this process?
- How does management provide assurance that appropriate internal controls to address fraud risks are in place and operating?
- What protocols/procedures have been established between the Council and management to keep you informed of instances of fraud, either actual, suspected, or alleged?

- Are you aware of any actual, suspected, or alleged fraud? If so, have the results of management's investigation been reported to Council? Has appropriate action been taken on any lessons learned?

Our responsibility

Our responsibility is to obtain reasonable, but not absolute, assurance that the financial statements and performance information are free from material misstatement resulting from fraud. Our approach to obtaining this assurance is to:

- identify fraud risk factors and evaluate areas of potential risk of material misstatement;
- evaluate the effectiveness of internal controls in mitigating the risks;
- perform substantive audit procedures; and
- remain alert for indications of potential fraud in evaluating audit evidence.

The Auditor-General has published useful information on fraud that can be found at oag.parliament.nz/reports/fraud-reports.

Group audit



The group comprises:

- Waipā District Council;
- Waipā Community Facilities Trust; and
- Cambridge Town Hall Trust.

Our auditor’s report covers the group as a whole. Our audit approach is developed to ensure we have sufficient information to give an opinion on the group. In designing our group audit approach, we considered the structure of the group and identified the entities which are included in the group financial statements. Each entity is referred to as a component. We have assessed the risks of material misstatement and have identified our approach for each component. The table below shows the work planned for the significant component.

Significant component	Work to be performed
Waipā District Council	<p>Waipā District Council will be audited by the Appointed Auditor using the Audit New Zealand audit team.</p> <p>The audit work on this component will be a full financial statement and performance report audit relating to classes of transactions and account balances.</p>

For non-significant components, we will perform analytical procedures at the group level to identify unexpected movements.

We will report any significant internal control deficiencies to the Council and management of the group. This will include any deficiencies identified by the group engagement team or brought to our attention by the component auditor. We will communicate deficiencies related to:

- group-wide internal controls; or
- internal controls at each component.

We will also communicate any fraud identified by the group engagement team or brought to our attention by the component auditor.

Considerations regarding Cambridge Town Hall Trust

During the 2020/21 financial year, the District Council formed a new entity, the Cambridge Town Hall Community Trust (the Trust). The Trust was created after a special consultative procedure under section 83 of the Local Government Act 2002 was run late last year, proposing the creation of a charitable trust as the preferred option for making better use of the Cambridge Town Hall, a well-loved, but outdated community facility in need of significant redevelopment/maintenance investment and re-activation.

We confirmed that the Trust Deed for Cambridge Town Hall Community Trust was established in April 2021. As part of the 2021/22 audit, we obtained a copy of management’s assessment of the treatment of the new entity for the audit of the 2021/22 financial reporting period regarding:

- whether the entity is a Council-controlled Organisation or Council-controlled Trading Organisation; and
- if the entity should be consolidated into the financial statements of the District Council for 2021/22.

We draw your attention to the recent OAG publication regarding accountability requirements to consider when establishing a new “public entity”. This can be found at <https://oag.parliament.nz/2021/new-public-entity>.

At the time of issuing the 2021/22 audit opinion we were awaiting feedback from our technical department regarding control of Cambridge Town Hall Community Trust by Waipā District Council.

For the 2022/23 audit, we will follow up on whether the Cambridge Town Hall Community Trust should be consolidated into the financial statements of Waipā District Council.

Our audit process

Initial planning

Initial planning activities include verifying compliance with independence requirements and building the audit team.

Understand your business and environment

We use our extensive sector and business knowledge to make sure we have a broad and deep understanding of Waipa District Council, your business, and the environment you operate in.

Assess audit risk

We use our knowledge of the business, the sector and the environment to identify and assess the risks that could lead to a material misstatement in the financial statements and performance information.

Evaluate internal controls

We update our understanding of internal controls relevant to the audit. This includes reviewing the control environment, risk assessment process, and relevant aspects of information systems controls. Most of this work is done during the initial audit visits. We evaluate internal controls relevant to the audit for the whole financial year, so we consider internal controls relevant to the audit at all visits.

Finalise the audit approach

We use the results of the internal control evaluation to determine how much we can rely on the information produced from your systems during our final audit.

Gather audit evidence

During the final audit we audit the balances, disclosures, and other information included in the District Council's financial statements and performance information.

Conclude and report

We will issue our audit report on the financial statements and performance information. We will also report to the Council covering any relevant matters that come to our attention.

New auditing standard

ISA (NZ) 315 (Revised 2019), Identifying and Assessing the Risks of Material Misstatement, is effective for the audit of your financial statements for the first time this year. The standard sets out how auditors identify and assess the risks of material misstatement in financial statements. The standard requires the auditor to understand the entity, its environment, and its internal controls and use that knowledge to identify and assess risks. There are changes to how this is done compared to the previous standard.

There will be additional work required on your audit compared to previous years. In your case, the impact will be in the following areas:

- A greater emphasis on identifying and understanding the IT applications and the other aspects of your IT environment that are subject to risks arising from the use of IT.
- Evaluating the design and implementation of the general IT controls that address the risks arising from the use of IT.
- Considering the new inherent risk factors and updating our risk assessment documentation where relevant to address these risk factors.
- Revisions to the matters we consider in evaluating your system of internal control.
- Strengthened documentation requirements relating to the exercise of professional scepticism. There is a greater emphasis on demonstrating a questioning mind and a critical assessment of audit evidence gathered when performing our risk assessment procedures.

Prioritising higher risk work to ensure an efficient year end processes

To ensure the year-end annual report and audit thereof are efficient, Council should prioritise their work to ensure higher risk areas and those that involve significant management judgment are planned to be ready for auditing as soon as possible. Timelines for this information should be agreed with us early. Delays in providing this information to us could impact our ability to resolve technical issues late in the audit process.

Examples of areas that typically involve management and auditor judgment include, and should be resolved early include:

- valuation of investment properties;
- fair value assessments and revaluations of property, plant and equipment held at fair value;
- impairment assessments for property, plant and equipment;
- provision estimates; and
- financial assets or liabilities held at fair value.

Bringing forward audit procedures

Substantive audit procedures are traditionally performed after the year-end. Where possible, we will aim to bring audit procedures earlier in the year. This will be focused on year-to-date transactions for revenue, expenditure, property, plant and equipment additions etc. Completion of these tests earlier in the year should allow for more timely identification and resolution of errors.

This testing will be completed during the interim audit. If we can complete this work earlier in the year, we expect this to reduce the final audit onsite work hours, as these hours will have been performed earlier in the year. This requires us to have the right information available during this visit to enable us to complete this work.

We will work with management to facilitate getting the information required at the right time. We will communicate with management if information is not available as agreed, including any impact on the year-end audit.

Materiality

In performing our audit, we apply materiality. In the public sector, materiality refers to information that if omitted, misstated, or obscured could reasonably be expected to:

- influence readers' overall understanding of the financial statements and service performance information; and
- influence readers in making decisions about the stewardship and allocation of resources, or assessing your performance.

This definition of materiality is broader than the one used in the private sector.

It is a matter of judgement whether information is material. We consider the nature (qualitative) and amount (quantitative) of each item judged in the surrounding circumstances and its impact. In the public sector qualitative considerations are of equal significance as quantitative considerations. Qualitative considerations are of primary importance in our assessment of materiality in the context of disclosures for transparency and accountability reasons, and in evaluating any non-compliance with laws and regulations.

The Council and management need to consider materiality in preparing the financial statements and service performance information and make their own assessment of materiality from a preparer's perspective. IFRS Practice Statement 2, *Making Materiality Judgements*, provides guidance on how to make materiality judgements from a financial statements preparer's perspective. Although this guidance is primarily aimed at for-profit entities, the same principles can be applied by public benefit entities. Management and the Council should not rely on our materiality assessment as a basis for owning and making judgements about the integrity of the financial statements and service performance information.

Financial statements materiality

For planning purposes, we have set **overall group materiality** for the financial statements at \$199,550,000 based on budgeted total property, plant and equipment. This is subject to change once the actual results for the current year are available. For this audit we are only applying this overall group materiality to the fair value of property, plant and equipment.

Overall group materiality	\$199,550,000
Specific group materiality	\$3,050,000
Group clearly trivial threshold	\$152,500
Overall parent materiality	\$197,600,000
Specific parent materiality	\$3,000,000
Parent clearly trivial threshold	\$150,000

For this audit we have set a lower, **specific group materiality** of \$3,050,000 for all items not related to the fair value of property, plant and equipment.

We have set **overall parent materiality** for the financial statements at \$197,600,000 based on budgeted total property, plant and equipment. This is subject to change once the actual results for the current year are available. For this audit we are only applying this overall parent materiality to the fair value of property, plant and equipment. We have set a lower, **specific materiality** of \$3,000,000 for all items not related to the fair value of property, plant and equipment.

We also set a lower, **specific materiality** for some items due to their sensitivity. For example, we apply a lower specific materiality to related party and key management personnel disclosures.

We design our audit procedures to detect misstatements at a lower level than overall materiality. This takes account of the risk of cumulative misstatements and provides a safety net against the risk of undetected misstatements.

We will report all uncorrected misstatements to the Council other than those that are **clearly trivial**. We consider misstatements of less than \$152,500 to be clearly trivial for the **group** financial statements and misstatements of less than \$150,000 to be clearly trivial for the **parent** financial statements unless there are qualitative considerations that heighten its significance. We will ask for each misstatement to be corrected, other than those that are clearly trivial. Where management does not wish to correct a misstatement, we will seek written representations from management and the Council on the reasons why the corrections will not be made.

Misstatements
 Misstatements are differences in, or omissions of, amounts and disclosures that may affect a reader’s overall understanding of your financial statements and service performance information. The effects of any detected and uncorrected misstatements, individually and in aggregate, are assessed against overall materiality and qualitative considerations.

Overall financial statement materiality does not apply to any matters of effectiveness and efficiency, waste, or a lack of probity or financial prudence.

Materiality for service performance information

At an overall level, we assess whether the service performance information is suitable, given your purpose and the nature of your activities, and whether the reporting allows for an informed assessment of the District Council’s performance. In doing this we consider whether the information is relevant, complete, reliable, neutral, and understandable.

We set materiality for service performance information at an individual measure level based on what we expect would influence readers’ overall understanding, decision making, or assessment of Waipa District Council’s performance. We consider a variety of factors including the level of public interest and potential public risk. Because of the variety of measurement bases applied, we normally express this materiality as a percentage of the reported result.

We have identified the following measures as material and assessed materiality for planning purposes. We will reassess this during the audit.

Material measure	Materiality
<p>Safety of drinking water</p> <p>The extent to which the local authority’s drinking water supply complies with:</p> <ul style="list-style-type: none"> • part 4 of the drinking-water standards (bacteria compliance criteria); and • part 5 of the drinking-water standards (protozoal compliance criteria). 	<p>The Council needs to report the actual result.</p> <p>The result reported is either right or wrong. It is not appropriate to set a materiality level.</p>
<p>Wastewater - Discharge compliance/ management of environmental impacts</p> <p>Compliance with the territorial authority’s resource consents for discharge from its sewerage system measured by the number of:</p> <ul style="list-style-type: none"> • abatement notices; • infringement notices; • enforcement orders; and • convictions, <p>received by the territorial authority in relation to those resource consents.</p>	<p>5%</p>
<p>Building and resource consents</p> <p>Percentage of building consent applications processed in accordance with statutory timeframes.</p> <p>Percentage of non-notified resource consents processed within statutory timeframes.</p>	<p>8%</p>

Material measure	Materiality
<p>Road condition</p> <p>The average quality of ride on a sealed local road network, measured by smooth travel exposure.</p>	8%
<p>Water loss</p> <p>The percentage of real water loss from the local authority’s networked reticulation system (including a description of the methodology used to calculate this).</p>	5%
<p>Drinking water - customer satisfaction</p> <p>The total number of complaints received by the local authority about any of the following:</p> <ul style="list-style-type: none"> • drinking water clarity; • drinking water taste; • drinking water odour; • drinking water pressure or flow; • continuity of supply; and • the local authority’s response to any of these issues, <p>expressed per 1000 connections to the local authority’s networked reticulation system.</p>	5%
<p>Dry weather sewerage overflows</p> <p>The number of dry weather sewerage overflows from the territorial authority’s sewerage system, expressed per 1000 sewerage connections to that sewerage system.</p>	8%
<p>Stormwater - resource consents</p> <p>Compliance with the TA’s resource consents for discharge from its stormwater system, measured by the number of:</p> <ul style="list-style-type: none"> • abatement notices; • infringement notices; • enforcement orders; and • convictions, <p>received by the TA in relation to those resource consents.</p>	8%
<p>Stormwater - customer satisfaction</p> <p>The number of complaints received by the TA about the performance of its stormwater system, expressed per 1000 properties connected to the TA’s stormwater system.</p>	8%

Material measure	Materiality
<p>Road safety</p> <p>The change from the previous financial year in the number of fatalities and serious injury crashes on the local road network, expressed as a number.</p>	<p>5%</p>

Professional judgement and professional scepticism

Many of the issues that arise in an audit, particularly those involving valuations or assumptions about the future, involve estimates. Estimates are inevitably based on imperfect knowledge or dependent on future events. Many financial statement items involve subjective decisions or a degree of uncertainty. There is an inherent level of uncertainty which cannot be eliminated. These are areas where we must use our experience and skill to reach an opinion on the financial statements and performance information.

The term “opinion” reflects the fact that professional judgement is involved. Our audit report is not a guarantee but rather reflects our professional judgement based on work performed in accordance with established standards.

Auditing standards require us to maintain professional scepticism throughout the audit. Professional scepticism is an attitude that includes a questioning mind and a critical assessment of audit evidence. Professional scepticism is fundamentally a mind-set. A sceptical mind-set drives us to adopt a questioning approach when considering information and in forming conclusions.

Exercising professional scepticism means that we will not accept everything we are told at face value. We will ask you and management to provide evidence to support what you tell us. We will also challenge your judgements and assumptions and weigh them against alternative possibilities.

How we consider compliance with laws and regulations

As part of the Auditor-General’s mandate, we consider compliance with laws and regulations that directly affect your financial statements or general accountability. Our audit does not cover all of your requirements to comply with laws and regulations.

Our approach involves first assessing the systems and procedures that you have in place to monitor and manage compliance with laws and regulations relevant to the audit. We may also complete our own checklists. In addition, we will ask you about any non-compliance with laws and regulations that you are aware of. We will evaluate the effect of any such non-compliance on our audit.

Wider public sector considerations

A public sector audit also examines whether:

- Waipā District Council carries out its activities effectively and efficiently;
- waste is occurring or likely to occur as a result of any act or failure to act by Waipā District Council;
- there is any sign or appearance of a lack of probity as a result of any act or omission by Waipā District Council or by one or more of its members, office holders, or employees; and
- there is any sign or appearance of a lack of financial prudence as a result of any act or omission by Waipā District Council or by one or more of its members, office holders, or employees.

Reporting protocols

Communication with management and the Council



We will meet with management and the Council throughout the audit. We will maintain ongoing, proactive discussion of issues as and when they arise to ensure there are “no surprises”.

Reports to Council



We will provide a draft of all reports to management (and Council) for discussion/clearance purposes. Once management comments are received the report will be finalised and provided to Council.

We will also follow up on your progress in responding to our previous recommendations.

Audit logistics

Our team



Our engagement team is selected to ensure that we have the right subject matter expertise and sector knowledge. Each member of the audit team has received tailored training to develop their expertise.

Our senior audit team members are:

René van Zyl	Appointed Auditor
Kayode Oloro	Audit Manager
Qaqamba Melapi	Assistant Manager
Parakum Pathirana	Information Systems Audit and Assurance Manager

Timetable



Our proposed timetable is:

Interim audit begins	8 May 2023
Draft financial statements available for audit (including notes to the financial statements) with actual year-end figures	18 August 2023
Final audit begins	4 September 2023
Final financial statements available, incorporating all the amendments agreed to between us	16 October 2023
Verbal audit clearance given	24 October 2023
Annual report available, including any Chair and Chief Executive's overview or reports	24 October 2023
Audit opinion issued	31 October 2023
Draft report to Council issued	9 November 2023

There is the possibility that, due to Covid-19, there may be disruptions that will require changes to the timetable proposed above. Where this arises, we will discuss a revised timetable with you.

AuditDashboard

In 2021 and 2022, we used AuditDashboard, our online portal, to transfer files between your employees and Audit New Zealand. Overall, the use of AuditDashboard made it easy to fulfil requests. Real time status updates provided greater visibility to everyone and helped to keep everyone organised and on the same page.

We will again use AuditDashboard for transferring files as part of the audit.

Working remotely

Covid-19 restrictions, such as lockdowns, and resultant changes to our own and our client's work locations, including increasing numbers working from home since the start of the pandemic have meant we changed how we worked with our clients over the last two years.

Lockdowns meant that our clients and our auditors did not always have access to their premises and information and had to work remotely. For clients able to work remotely, with access to systems and electronic documentation, as well as being prepared for the audit, audits continued to progress and progress well.

Performing our audit work during higher alert level restrictions confirmed that aspects of our audit work can be done efficiently off-site. We plan to continue to perform aspects of your audit remotely as there are some benefits to you and us of having our team off-site for parts of the audit. For you these benefits include:

- Staging and sending the information we request for audit over an agreed period of time as opposed to having all the information requested ready for our arrival at one agreed date.
- Less time spent on travel, so we will have more time focus on auditing what matters and raising issues earlier.
- Reduction in disbursements as we will incur less travel and overnight costs.
- Less auditor time on site which allows you to get on with your work and enables planned focused conversations when these take place.

To enable audit work to be completed off-site and fully obtain the benefits detailed above, you will need to ensure that you can provide supporting documents electronically.

During the previous audit, we were able to perform some of our audit work remotely. Based on our experience we found that Waipā District Council has good systems and processes in place to facilitate any future off-site work by us.

We recognise different organisations are positioned differently to enable off-site audit work. We will be discussing and agreeing off-site working expectations in conjunction with our information requests with you as part of your 2023 audit. This will include our continued use of AuditDashboard to manage our information requests.

Expectations



For the audit process to go smoothly for both you and us, there are expectations that each of us need to meet.

Our respective responsibilities are set out in our audit engagement letter.

We expect that:

- you will provide us with access to all relevant records and provide information in a timely manner;
- staff will provide an appropriate level of assistance;
- the draft financial statements, including all relevant disclosures, will be available in accordance with the agreed timetable;
- management will make available a detailed workpaper file supporting the information in the financial statements; and
- the annual report, financial statements and performance information will be subjected to appropriate levels of quality review before being provided to us.

To help you prepare for the audit, we will liaise with management and provide them with a detailed list of the information we will need for the audit.

Health and safety



The Auditor-General and Audit New Zealand take seriously their responsibility to provide a safe working environment for audit staff.

Under the Health and Safety at Work Act 2015, we need to make arrangements with management to keep our audit staff safe while they are working at your premises.

We expect you to provide a work environment for our audit staff that minimises or, where possible, eliminates risks to their health and safety. This includes providing adequate lighting and ventilation, suitable desks and chairs, and safety equipment where required. We also expect management to provide them with all information or training necessary to protect them from any risks they may be exposed to at your premises. This includes advising them of emergency evacuation procedures and how to report any health and safety issues.

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COMMITTEE REPORT



INFORMATION ONLY

To: The Chairperson and Members of the Audit and Risk Committee
From: Manager Finance
Subject: **Outstanding Management Report Matters**
Meeting Date: 12 June 2023

1 EXECUTIVE SUMMARY – WHAKARĀPOPOTOTANGA MATUA

Outstanding Management report items are reported to the Audit and Risk Committee at each meeting, documenting the progress officers have made in clearing these findings.

Audit has completed their interim audit for the 2022/23 financial year but has not issued an interim management report.

The findings identified during the 2021/22 audit have now been added to this report for ongoing monitoring.

2 RECOMMENDATION – TŪTOHU Ā-KAIMAHI

That the Audit and Risk Committee receive the report of Jolanda Hechter, Manager Finance, titled 'Outstanding Management Report Matters' (document number 11022285).

3 COMMENTARY - KŌRERO

At each meeting of the Audit and Risk Committee a report is considered providing a status update on outstanding audit management report items arising from previously received audit management reports. This report provides the latest update on the status of management follow-up actions on the outstanding management report recommendations for all prior years.

4 APPENDIX - ĀPITITANGA

No:	Appendix Title
1	Summary of Management report matters



Jolanda Hechter
MANAGER FINANCE



Approved by Ken Morris
DEPUTY CHIEF EXECUTIVE / GROUP MANAGER BUSINESS SUPPORT

APPENDIX 1

Summary of Management Report Matters

2018/2019 Interim Report

Audit Recommendation	Most recent audit status	Priority	Management update	Status
Bribery and corruption policies, risks assessments, and associated processes are enhanced to reflect good practice.	<p>Draft Fraud Policy has been updated – due for approval in September 2022.</p> <p>We note that Council’s draft ‘Guide to Protecting Against Fraud and Corruption’ document includes information that covers:</p> <ul style="list-style-type: none"> Fraud and corruption risks (Incentives/ Pressure, Opportunities and Attitudes) The key processes for conducting investigations. <p>The two other matters previously identified still remain outstanding.</p> <p>Matter progressing.</p>	Beneficial	<p>March 2023 and June 2023 update</p> <p>The updated policy was submitted to audit prior to adoption. Our position is that the policy is reviewed every two years and we consider the policy as it stands appropriate until that time.</p> <p>No further action proposed.</p>	

2019/2020 Interim Report

Audit Recommendation	Most recent audit status	Priority	Management update	Status
<p>Establish a central register for contractors working at the District Council that is reconciled against payments made to contractors and the network.</p> <p>Staff who previously worked at the District Council and return to work as a contractor should also follow the same process as a contractor.</p>	<p>Management is planning on leveraging the Human Resource Planning system to address this matter. The project is at scoping phase.</p> <p>Matter progressing.</p>	Necessary	<p>March 2023 and June 2023 update</p> <p>This is part of Phase 2 of the HRP process. Project scoping underway.</p> <p>Staff will continue to progress this matter.</p>	

2019/2020 Annual Report

Audit Recommendation	Most recent audit status	Priority	Management update	Status
We recommend the District Council adopts a financial delegations policy that documents the delegations for both operations and capital expenditure	A policy has been drafted but is yet to be reviewed. Open.	Necessary	March 2023 and June 2023 update The financial delegations of staff were reviewed and updated. A formal policy capturing these financial delegations is in the review phase. Risk of incorrect approvals minimal. Staff will continue to progress this matter.	

2020/2021 Annual Report

Audit Recommendation	Most recent audit status	Priority	Management update	Status
Review network login accounts and remove redundant accounts.	Council confirmed that a full review of users was done and dormant accounts were deleted. We noted from work performed that there were still a number of redundant user accounts that remain. Account management procedure was updated. Matter progressing.	Necessary	March 2023 update IT audit work confirmed that a number of redundant user accounts remain. June 2023 update We are continuously refining our process around removing dormant accounts. Contractors are added with an end date – no further activity can happen on our systems post the set date. Dormant users are removed on a periodic basis. Matter progressing.	
Incomplete interest register – in addition to the annual interest declaration, interest register to be updated on an ad-hoc basis as required. Include interest declaration as a standing agenda item.	Disclosure of members' interests is a standing agenda item at each Council meeting. We identified some related parties through our Companies Office and Charities Register searches	Necessary	March 2023 update A detailed review of key parties' interests is undertaken annually and appropriate disclosure ensured. June 2023 update	

Audit Recommendation	Most recent audit status	Priority	Management update	Status
	that had not been included in Council's interest register. Issue outstanding.		We reviewed interests and ensured that all are disclosed. No further action required.	
Sensitive expenditure policy	Audit has reviewed the draft Sensitive Expenditure policy and recommended additional changes to align with good practice. Matter progressing.	Necessary	March 2023 and June 2023 update The updated policy was submitted to audit prior to adoption. Our position is that the policy is reviewed every two years and we consider the policy as it stands appropriate until that time. The suggested enhancements will be considered in the next policy review cycle No further action is required.	

2021/2022 Annual Report

Audit Recommendation	Most recent audit status	Priority	Management update	Status
Sensitive expenditure: We recommend one-up approval for all sensitive expenditure	No formal update since the Annual Report audit 2021/22	Necessary	June 2023 update The one-up approval principle has been reiterated around the organisation. Additional care is being taken to ensure an adequate audit trail is retained. No further action required.	
Evidence of review: We recommend that all check and approvals are evidenced to maintain the integrity of the internal controls system.	No formal update since the Annual Report audit 2021/22	Necessary	June 2023 update A formal review process for reconciliations has been implemented. These are retained for future reference. No further action required.	
Annual leave policy: We recommend a formal annual leave policy is implemented. Some of the matters that should be included in the policy are:	No formal update since the Annual Report audit 2021/22	Necessary	June 2023 update The principles are contained within our current processes and will be added into our	

Audit Recommendation	Most recent audit status	Priority	Management update	Status
<ul style="list-style-type: none"> - Mandatory leave hours taken for staff mental health benefits - The extent to which leave is carried forward; and - How much advance notice is given for annual leave. 			guidelines with the next review cycle. Matter progressing.	
Asset capitalisation: We recommend a formal sign off by the appropriate project engineers/managers on ARF forms and asset lists as approved for capitalisation before assets are capitalised.	No formal update since the Annual Report audit 2021/22	Necessary	June 2023 update The re-design of the sign off process across the different departments is underway. Matter progressing.	

COMMITTEE REPORT



INFORMATION ONLY

To: The Chairperson and Members of the Audit and Risk Committee

From: Financial Accountant

Subject: **Annual Report – Review of Accounting Policies, Key Accounting Estimates and Update on Asset Revaluation Results**

Meeting Date: 12 June 2023

1 EXECUTIVE SUMMARY – WHAKARĀPOPOTOTANGA MATUA

The purpose of this report is to provide information on new accounting policies and key judgements to be applied in the preparation of the Annual Report 2022/23.

2 RECOMMENDATION – TŪTOHU Ā-KAIMAHI

That the Audit and Risk Committee receive the report of Nada Milne, Financial Accountant, titled ‘Annual Report – Review of Accounting Policies, Key Accounting Estimates and Update on Asset Revaluation Results’ (document number 11022347).

3 COMMENTARY - KŌRERO

Accounting policies

Council is classified as a tier one public sector public benefit entity (PBE) under the multi-standards financial reporting framework introduced in New Zealand by the External Reporting Board effective 1 July 2014.

For the 30 June 2023 financial year, two new accounting standards are effective and will need to be applied in our Annual Report. The key changes to these standards as applicable to Council are:

- Financial Instruments - PBE IPSAS 41 ‘Financial Instruments’ replaces PBE IPSAS 29 ‘Financial Instruments: Recognition and Measurement’ and PBE IFRS 9 ‘Financial Instruments’. The standard introduces new and amended classification, measurement, impairment and hedging requirements and disclosure for financial assets and financial liabilities. The standard replaces both PBE IFRS 9 and PBE

IPSAS 29. As Council is transitioning from PBE IPSAS 29, the transition may result in a number of changes. The main changes are:

- Introducing a new classification and measurement model for financial assets by considering the characteristics of the asset's cash flows and the objective for which the asset is held. In Councils context it is unlikely that instruments held at amortised cost would move to accounting at fair value or visa versa;
- The need to apply a forward-looking expected credit losses model, applicable to all financial instruments subject to impairment testing. Our council has a history of high collection of our revenue and this will be taken into consideration when the model is applied;
- Introducing a model that develops a strong link between an entity's risk management strategies and the accounting treatment of hedges. Entities have a choice to retain their current treatment under BPE IPSAS 29 or adopt the new hedging model; and
- New disclosure requirements to enhance users' understanding of risks such as credit risks.

Council will need to update its accounting policies to comply with the requirements, enhance disclosure in the financial statements and analyse the classification of its financial instruments to ensure full compliance. Officers will work with Audit New Zealand to ensure appropriate changes are made to the Annual Report 2022/23.

- Service Performance Reporting – PBE FRS 48 Service Performance Reporting replaces the part of PBE IPSAS 1 Presentation of Financial Statements that deals with service performance reporting requirements.
 - The standard requires an appropriate and meaningful mix of performance measures and/or descriptions, including measures of what has been provided and what has been achieved in Council's areas of responsibility. Officers do not expect significant changes in how performance is measured and reported in our Annual Report; and
 - The standard imposes additional disclosure obligations on entities. Council is required to “disclose those judgements that have the most significant effect on selection, measurement, aggregation and presentation of service performance information reported in accordance with this Standard that are relevant to an understanding of the entity's service performance information”. Officers will test our current disclosure against the standard and use the checklist available from Audit New Zealand to ensure compliance with the requirements of the standard.

It should be noted that officers will be drafting updated accounting policies in preparing the draft Annual Report 2022/23, however change is only anticipated in regard to the matters noted above.

Update on the 2023 revaluation of Property Plant and Equipment

In line with the amended timetable for revaluations of the 'three waters' (water, wastewater and stormwater) assets and transportation assets, the revaluations have been completed and the draft reports received. These revaluations are effective as at 30 June 2023 and the results will be disclosed in the Annual Report 2022/23.

Further to this, a fair value assessment will be completed for land and building assets at 30 June 2023 to ensure there is no need for revaluation of that class of asset. This has become an annual evaluation for all our major asset classes, when outside a scheduled revaluation year, to ensure that our values are recognised at appropriate value.

If a revaluation is not triggered from our fair value assessments, we will maintain the current revaluation cycle for each of the classes.

Infrastructure Asset Objectives

Set out below are the key objectives to be achieved as part of the 2023 revaluation process:

1. Complete full revaluation of all Infrastructure Assets.
2. Continue ongoing improvement of asset databases and incorporation of database improvements using recommendations from 2021 revaluation reports.

Objective 1: Complete full revaluation of Infrastructure Assets

We have completed a full revaluation of all Infrastructure Asset classes as at 30 June 2023. We have received the draft reports of our revaluations of our 'three waters' and transportation assets for the year ended 30 June 2023, these show material increases to replacement costs of each asset class with overall total increases of 21.3% for transportation assets and 33.7% for water assets.

We are currently completing the processing of these reports and we are aware of some minor changes to be made to them. Once finalised, the values will be updated in our financial system.

Objective 2: Asset database improvements

Revaluation reports received for 30 June 2021 noted recommendations from prior years revaluation reports. All those recommendations have now been actioned. The draft revaluation reports have minor new recommendations on transportation assets and we will work on actioning these recommendations in the 2023/24 financial year. There are no new recommendations on Three Waters Assets.

Key Accounting Estimates

At this stage there are no matters to draw to the Committee's attention in regard to key accounting estimates. The estimation of expected credit losses will be applied for the first time in 2022/23. Given Council's strong history of high levels of collectability officers are not expecting a significant change to the assessment.

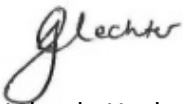
Climate-related disclosures on the horizon

The External Reporting Board (XRB) has issued the Climate-related Disclosures standards and most economically significant entities have started reporting against these standards from 1 January 2023. Although these disclosure standards are not applicable to Local Government entities and there is no definitive timeline available on when these would be applicable, Council is keeping an eye on this space and will put systems and measures in place along the way to ensure that we are responsive to the disclosure requirements and have the information available to report against when required.



Nada Milne

FINANCE ACCOUNTANT



Jolanda Hechter

MANAGER FINANCE



Approved by Ken Morris

DEPUTY CHIEF EXECUTIVE / GROUP MANAGER BUSINESS SUPPORT

COMMITTEE REPORT



To: The Chairperson and Members of the Audit and Risk Committee
From: Manager Organisational Excellence
Subject: **Two Tiered Assurance Model Proposal**
Meeting Date: 12 June 2023

1 PURPOSE - TAKE

The purpose of this report is to seek approval to further pursue the implementation of a two tiered approach to internal audit at Waipā District Council (WDC).

2 EXECUTIVE SUMMARY – WHAKARĀPOPOTOTANGA MATUA

Internal audit is an important component of Council's control environment. The key outcome sought through internal audit is that assurance is provided to Elected Members and senior management that Council's risks are being managed appropriately, and that internal controls are operating adequately and effectively including recommendations for areas of improvement.

Council currently utilises KPMG, through a Co-Lab contract, to provide independent internal audit services to Council. Every three years an internal audit plan is developed and presented to ARC for approval. The plan is generated based on Council's top risk profile and areas that may be considered higher risk and/or lower maturity and/or of sector interest and focus. The programme has been in place for seven years and has been greatly successful in raising Council's maturity in key areas of strategic risk.

Council however, has a current gap in its' internal audit practices across a large proportion of the operational areas of Council. Whilst there are robust assurance practices in place in the regulatory, fleet and rates areas there is no current formalised plan or resource in place to support cross-organisation operational assurance. There could be considered lower levels of assurance from an organisational view point that Council's key business processes are accurately documented, aligned with internal policies and have appropriate and effective internal controls and risk mitigations in place. This exposes the organisation to increased operational risks associated with non-compliance, reputation and inconsistent and inadequate delivery of services. There are also missed opportunities in Council's continuous improvement activity which is a key outcome sought through internal audit.

There is benefit in Council putting in place a more formalised internal audit programme and resource internally in the operational risk realm. In response to this risk it is proposed that Council adopts a two-tiered approach to internal audit.

Tier 1:

- Strategically focused independent assurance delivered through Council's existing internal auditors.
- Oriented around relevant top risk areas where specialist competency is required and/or cross-sector best practice should be leveraged.

Tier 2:

- Operationally focused assurance supported through a new dedicated internal resource. Existing operational assurance activity that is carried out currently would continue.
- Oriented around the management of operational risk including business process documentation and review, compliance and control testing.

Officers believe the migration to a two-tiered model should involve a scaling back of the tier 1 programme. The historical programme of work has addressed a number of key strategic risk areas for Council and supported increased levels of maturity, the remaining gaps could be considered lower risk and thus priority. The forward focus would be contained to follow ups or strategic audits where a significant council or sector risk was raised and/or a significant gap in Council's risk maturity in relationship to its' top risks was identified.

This proposal is presented here for approval. The Audit and Risk Committee, in conjunction with the Chief Executive and the Group Manager Business Support, has responsibility for the sign-off of any internal audit programme and changes to the delivery model.

3 RECOMMENDATION – TŪTOHU Ā-KAIMAHI

That the Audit and Risk Committee

- a) *Receives the report of Georgina Knapp, Manager Organisational Excellence titled 'Two Tiered Assurance Model Proposal' (document number 11009072).*
- b) *The Audit and Risk Committee approve the proposal to further pursue the two tiered approach to internal audit at Waipā District Council.*
- c) *The Audit and Risk Committee approve staff to review the current internal audit programme for the 2023/24 financial year and present back to ARC at the September meeting any proposed changes for approval.*
- d) *The Audit and Risk Committee approve the funding of the recommended operationally focussed in-house internal audit resource from the existing Internal Audit consultancy budget and existing operating budgets.*

4 BACKGROUND – KŌRERO WHAIMĀRAMA

The case for a two-tiered internal audit approach

Both external and internal audit are important in providing assurance to Council that risks are being adequately managed. Internal audit focuses on ensuring risk management practices are in place, internal controls are effective and monitored and that the organisation is compliant with policies, processes and legislative and/or regulatory requirements.

External audit has a different focus; providing an independent opinion on the fairness and accuracy of the financial statements and service performance. The external audits do perform assessments of the control environment; however this is more for the purpose of planning and delivering an approach to achieve the objectives of the audit.

The outcomes of Council's current, more strategically focused, internal audit programme have been good. A number of key strategic risk areas have shown significant improvement in maturity levels during follow up audits. Over the last two years Council has sought to focus more on follow-up audits to ensure recommendations have been implemented effectively. The programme is now at the point where the high risk areas have been addressed and Council is addressing what could be considered more discretionary areas.

Internal audit areas completed through KPMG to date:

- Payroll (and follow-up)
- Health and Safety (and follow-up)
- Capex procurement (and follow-up)
- Business Continuity Management (and follow-up)
- Risk Management
- Procure to Pay (and follow-up)
- Contract Management (and follow-up)
- Legislative Compliance Framework
- Asset Management Planning Framework
- Fraud Risk Management
- Procurement through Professional Services Panel
- Project and Programme Management
- Fees and Charges for Resource Consents, Building Consents and Development Contributions
- Holidays Act application within Payroll system
- Climate Change Governance

It is now timely to revisit the internal audit approach for Council, in particular as Council seeks to commence making significant improvements to its operational risk practices.

Internal assurance activity is currently carried out in Council across the regulatory, rating and vehicle areas as per the list below. There may be ad hoc assurance work

completed across other areas if a significant issue were to arise and resources were available.

- Building consent processing
- Resource consent processing (pending commencement)
- Health and safety processes
- Food regulation processes
- Rating data
- Fuel card purchasing
- Vehicle relicensing and sales
- Vehicle sales

However, there is not an organisational wide approach or support for internal assurance practices linked to operational risk across Council. This exposes the organisation to increased operational risk associated with non-compliance, and reputational and inconsistent and inadequate delivery of services. There are also missed opportunities in Council's continuous improvement activity which is a key outcome sought through internal audit.

It is noted a two-tiered approach was first raised at the commencement of Council's internal audit programme in 2016. The independent delivery through KPMG was commenced however the second tier was not well progressed due to other priorities and resource constraints.

Proposal

In response to this risk it is proposed that Council adopts a two-tiered approach to internal audit as follows:

Tier 1:

- Strategically focused independent assurance delivered through Council's existing internal auditors.
- Oriented around relevant top risk areas where specialist competency is required and/or cross-sector best practice should be leveraged.

Tier 2:

- Operationally focused assurance supported through a new dedicated internal resource. Existing operational assurance activity that is carried out currently would continue.
- Oriented around the management of operational risk including business process documentation and review, compliance and control testing.

Officers believe the migration to a two-tiered model should involve a scaling back of the tier 1 programme. The focus would be contained to strategic audits where a significant council or sector risk was raised and/or a significant gap in Council's risk maturity in relationship to its top risks was identified. To implement this in the 2023-24 year a review of the internal audit programme planned for the year would be

required. This would occur in consultation with ARC and a revised programme to be approved by ARC.

Council would retain the existing approach for the yearly review of council's top risks and risk appetite setting and the adoption of any new methodology in this area.

Focus of tier two work programme

Activity would focus on the following:

- Providing assurance of key process documentation and ongoing review.
- Supporting the organisation in the identification, documentation, review and reporting of operational risks.
- Undertake the evaluation of controls in areas of interest or higher risk; financial, operational and compliance controls.
- Provide recommendations and facilitate improvement for improving the efficiency and effectiveness of operations, processes and controls.
- Communicate and report programme progress and findings.

It is proposed that the tier two work programme would be approved by ARC on an annual basis with regular reporting on progress through to the Committee.

Funding source

It is proposed a new resource to support the two tiered function would be funded from the existing internal audit consultancy budget and other existing operational budgets.

For context the table below outlines the cost of the internal audit programme over the last three years and forward plan for the next twelve months. This excludes ad hoc support and the annual review of Council's top risks and risk appetite.

Year	Fees ¹	Activity
2023/24	\$ 107,000	1 new and 2 follow up audits
2022/23	\$ 122,000	3 new audits
2021/22	\$ 133,000	2 new and 3 follow up audits
2020/21	\$ 49,000	2 new audits (impacted by COVID)

5 SIGNIFICANCE & ENGAGEMENT – KAUPAPA WHAI MANA ME NGĀ MATAPAKINGA

Staff have considered the key considerations under the Significance and Engagement Policy, in particular sections 7 and 8, and have assessed that the matter in this report has a low level of significance.

¹ 2021,2022 and 2023 years taken from transaction reporting. The 2024 year is taken from the Internal Audit Plan presented to ARC.

6 OPTIONS – NGĀ KŌWHIRINGA

Option	Advantages	Disadvantages
<p>Option 1: Retain current internal audit delivery model focused on strategic risks.</p>	<ul style="list-style-type: none"> ▪ None 	<ul style="list-style-type: none"> ▪ Limited assurance of the effective management of operational risk. ▪ Assurance investment is largely isolated to strategic review areas and over time the value to the organisation reduces as the areas audited are lower risk or only confirmation of improvements made. ▪ High cost with (generally) operational assurance not provided.
<p>Option 2: Adopt a two-tiered approach to internal audit using internal resource to provide operational risk assurance.</p>	<ul style="list-style-type: none"> ▪ Greater assurance of the effective management of operational risk. ▪ Internal audit skill-sets built internally and institutional knowledge retained. ▪ Internal knowledge of operational context and environment can be more efficiently leveraged. 	<ul style="list-style-type: none"> ▪ None
<p>Option 3: Adopt a two-tiered approach with both tiers carried out through third party delivery.</p>	<ul style="list-style-type: none"> ▪ Utilise frameworks owned by third parties. ▪ Complete independence maintained. 	<ul style="list-style-type: none"> ▪ Higher cost which would result in lower volume of work completed. ▪ The organisation does not build capacity and capability to provide operational assurance internally. ▪ Cross-functional operational opportunities more difficult to take advantage of as less flexibility. ▪ Additional effort required from the organisation to provide

Option	Advantages	Disadvantages
		context and understanding of operational environment.

The recommended option is Option 2. Implementing an internal resource to more formally provide operational assurance support into Council’s control environment is the lower cost option in achieving the objectives of the two-tiered assurance approach.

This option allows for Council to build capability internally and supports a more flexible approach to providing operational assurance to Council. Retaining the status quo does not address the current risks around the inconsistencies and gaps in internal assurance activity at the operational level.

7 OTHER CONSIDERATIONS – HEI WHAIWHAKAARO

Council’s Vision and Strategic Priorities

This proposal supports the internal audit function of Council. Robust risk management practices are in support of Council achieving its vision, community outcomes and priorities.

Legal and Policy Considerations – Whaiwhakaaro ā-Ture

Staff confirm that the adoption of a two tiered internal audit model complies with Council’s legal and policy requirements. It is in support of reducing the risk of non-compliance.

Financial Considerations – Whaiwhakaaro ā-Pūtea

The anticipated costs of employing a new internal position to implement this change is approximately \$85,000. This would be funded from the existing internal audit consultancy budget and other existing operational budgets to avoid impact on rates.

Risks – Tūraru

There are no known significant risks associated with the decisions required for this matter. This proposal seeks to reduce Council’s risk profile in the area of operational risk.

8 NEXT ACTIONS

Action	Responsibility	By When
Internal resource further scoped and financial impact confirmed.	Mgr Operational Excellence	June 2023
Current internal audit programme reviewed and consultation and approval with ARC in regards to any proposed changes.	Mgr Operational Excellence	September 2023



Georgina Knapp
MANAGER ORGANISATIONAL EXCELLENCE



Approved by Ken Morris
DEPUTY CHIEF EXECUTIVE / GROUP MANAGER BUSINESS SUPPORT

COMMITTEE REPORT



INFORMATION ONLY

To: The Chairperson and Members of the Audit and Risk Committee
From: Manager Strategy
Subject: **Risk Reporting on the 2023/24 Annual Plan, 2024-34 Long Term Plan and the Ahu Ake - Waipā Community Spatial Plan projects**
Meeting Date: 12 June 2023

1 EXECUTIVE SUMMARY – WHAKARĀPOPOTOTANGA MATUA

The purpose of this report is to provide a quarterly update on risks for the following projects:

- Ahu Ake - Waipā Community Spatial Plan;
- 2024-34 Long Term Plan; and
- 2023/24 Annual Plan

The report outlines where changes to risk ratings have been made since the last Audit and Risk Committee meeting in March 2023.

The risk registers for each project can be found in Appendices 1 to 3.

2 RECOMMENDATION – TŪTOHU Ā-KAIMAHI

That the Audit and Risk Committee receives the report of Melissa Russo, Manager Strategy, titled 'Risk Reporting on the 2023/24 Annual Plan, 2024-34 Long Term Plan and the Ahu Ake Waipā Community Spatial Plan projects' (document number 11007561).

3 COMMENTARY - KŌRERO

This report focuses on identified risks rated as 'Very High' and above (being residual risks) and where the risk rating has changed as an outcome of recent re-assessments by the respective project teams. Also detailed in this report are any changes to risk descriptions and consequences.

Ahu Ake - Waipā Community Spatial Plan

Background

Ahu Ake, Waipā Community Spatial Plan, is being developed to ensure that we achieve the Council's Vision and Community Outcomes and to articulate the near-term and long-term aspirations of our Waipā communities.

The Plan will be a leading document in our integrated strategic planning framework which will inform the development of the 2024-34 Long Term Plan and consecutive ones, as well as other strategic documents such as the Environment Strategy and the Economic Wellbeing Strategy.

Council has undertaken a successful community engagement roadshow on the Ahu Ake Interim Draft Plan, which concluded at the end of March 2023.

Following the community engagement, a two-part workshop was held with activity managers. The purpose of these workshops was to present the engagement feedback and to strengthen the alignment between the community feedback and the business cases being presented for consideration for the 2024-34 Long Term Plan.

The project team is currently in the planning phase for an enhanced community participatory process scheduled for June-October 2023, ahead of the project's Special Consultative Procedure in early 2024.

To allow for this enhanced community participatory phase, the project timeframe has been updated and was presented for approval at the Strategic Planning and Policy Committee meeting on 30 May 2023.

Due to tight timeframes and as the project advances towards the implementation stage, the project team has focussed efforts on updating the interim draft plan following the engagement feedback and developing the implementation plan.

In early May, a re-assessment of the project's risks was conducted by the project manager, project owner, and project director with a peer review by the rest of the core project team.

The risks associated with the operational changes triggered by Ahu Ake and its implementation within the changing legislative context (i.e. national election, local government reforms, etc.) are not yet fully understood and will need to be further explored as the implementation plan is drafted.

This quarterly report presents an interim audit of the project risks until such time as the implementation plan is drafted. A comprehensive update of the overall project, including the implementation risk, will be provided at the next Audit and Risk Committee meeting on 26 October 2023.

Identified risks and other items for discussion

By way of background, the report presented on 13 March 2023 concluded that none of the identified risks outlined in the risk register retained a rating of 'Very High' and above, post-mitigation.

The description of some of these risks has been amended to reflect the current phase of the project and, more so, the delivery of enhanced community participation and the finalisation of the implementation plan. These amendments have not impacted any of the ratings (initial and residual) of these risks but have prompted an update of the mitigation measures.

The risk register can be found in Appendix 1 *Ahu Ake Waipā Community Spatial Plan Risk Register*. All changes have been marked in red for ease of reference.

An outline of these changes is provided below:

Project delivery timeframe & Level of influence for LTP 2024-34 (Row 13)

- The risk description has been updated to reflect the new project timeframe and the inclusion of the implementation plan workstream.
- Consequences associated with the risk have been updated to reflect alignment with the delivery of the 2024-34 Long Term Plan.
- The risk reduction measure has been updated to include the output of the implementation phase but also to draw a distinction between the risk associated with drafting the implementation plan (scope of this project) and the planning phase in delivering Ahu Ake interventions.

Community, Staff and Partner's active participation and support (Row 14)

- The risk description has been updated to reflect the implementation plan workstream.
- Neither the associated consequences nor the risk reduction measure sections required amendment as each narrative is still fit for purpose.

2024 - 34 Long-Term Plan

Of the 26 risks initially identified for the 2024-34 LTP project, 10 were initially rated 'very high' with mitigation measures reducing them to 'medium' and 'high'. One risk was also identified as 'extreme' which mitigation measures reduced to 'very high'.

After a recent reassessment of the risk register by the LTP Project Steering Group (PSG), four risks have had their post mitigation ratings elevated.

The risk register can be found in Appendix 2 *2024-34 Long Term Plan Risk Register*. Commentary on these risks is outlined below.

Overestimation of the level of work Council can undertake

If Council overestimates the level of work it can achieve in the LTP, there is a risk that budget and project requirements may be more than what can be delivered. The initial risk rating was 'very high' but it was reduced to 'high' following mitigations being put in place.

Through the recent reassessment, the PSG decided to raise the post mitigation risk from 'high' to 'very high' as it felt that current mitigations needed further analysis. Staff will undertake a 'deep dive' of the mitigations in June to ensure they are adequate.

Affordable Water reform

There is a risk that if Council does not adequately understand, respond and transition to the central government water reforms there will be a significant impact on the LTP process. This risk rating was initially rated 'very high' but it was reduced to 'high' following mitigations being put in place.

The Government's changes to the reform programme in April created an increased level of uncertainty particularly with three waters activities being retained by Council in years one and two of the LTP. As a result, the PSG decided to increase the post mitigation rating from 'high' to 'very high'. The same mitigations remain in place.

Future for Local Government reform

There is a risk that if Council does not adequately understand and respond to the local government reforms being led by central government that this could have a significant impact on the LTP process.

This risk was initially rated 'very high' then reduced to 'high' following mitigations being put in place. However, the PSG decided to increase the post mitigation risk rating to 'very high' due to the level of uncertainty surrounding the reform programme, particularly with the October General Election approaching. The same mitigation measures remain in place.

Central government elections

There is a risk that if there is a change of government in October that this could impact on the current government's reform programme which could then impact the direction of the LTP process.

This risk was initially rated 'very high' then reduced to 'high' following mitigations being put in place. However, the PSG decided to raise the post mitigation risk rating up to 'very high' due to the level of uncertainty that will remain until the election has taken place. The same mitigations remain in place.

2023/24 Annual Plan

The risk register can be found in Appendix 3 *2023/24 Annual Plan Risk Register*. All changes have been marked in red for ease of reference.

The 2023/24 Annual Plan is scheduled to be adopted by Council at their meeting on 30 June 2023. As the bulk of the work has been completed for the project and given the remaining duration (one month), the likelihood of risks occurring overall has decreased, specifically for the risks listed below.

- Lack of resourcing – post-mitigation risk has reduced from high to medium.
- Internal comms – post-mitigation risk remains as low.

- Capital works programme – the draft Annual Plan was approved by the Strategic Planning and Policy Committee on 7 March 2023 therefore it is unlikely the capital works programme would be significantly changed at this stage in the project. .

Not achieving timeframes

The risk description has been amended to acknowledge that timeframes until adoption of the Annual Plan are very tight and there is very little room for slippage and little to no contingency. Post-mitigation measures will be critical in ensuring the remaining project timeframes are met.

4 APPENDICES - ĀPITITANGA

No:	Appendix Title
1	Ahu Ake Waipā Community Spatial Plan Risk Register (ECM# 10822623)
2	2024-34 Long Term Plan Risk Register (ECM# 11020176)
3	2023/24 Annual Plan Risk Register (ECM# 10893488)



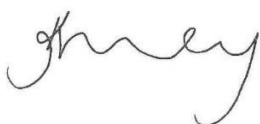
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APPENDIX 1

Ahu Ake Waipā Community Spatial Plan Risk Register (ECM# 10822623)

Risk Area	Description	CONSEQUENCES	Risk Reduction Measure & Treatment Type	Risk Priority
Governance, reputation, legislative compliance and control	If the aspirations of Mana Whenua and Iwi, and Mātauranga Māori, are not accurately and appropriately reflected in the Waipā Community Spatial Plan, then relationships between Waipā District Council, Mana Whenua, Iwi, and our Māori communities can be detrimentally affected, resulting in a failure to successfully deliver on the Council's vision to build connected communities.	The Plan may not fully reflect the aspiration of Mana Whenua, Iwi and Māori. Mana Whenua, Iwi and Māori will see no value in engaging with Waipā District Council, and will not participate in future decision-making processes. The aspirations and wellbeing of Mana Whenua, Iwi and Māori communities within Waipā is not provided for and/or enhanced. There is no partnership between Waipā District Council and Mana Whenua, Iwi and Māori.	Development of the Mana Whenua & Iwi Engagement Plan which will be updated as required; Provide regular updates with the rationale for decisions made and ensure that these align with the Mana Whenua & Iwi Engagement Plan and the Communications Strategy; Council's Significance & Engagement Policy also provides guidance as to the level of engagement required for different scenarios; Utilisation of the GIS tool to record Mana Whenua, Iwi and Māori aspirations, ensuring that we manage data appropriately in accordance with the data statement, to help build trust; Engagement of an independent advisor as a key member of the core project team; Appointment of Mana Whenua/Iwi representatives to the Project Control Group; Hui at key delivery milestones; Reporting to the Project Control Group, Ngā Iwi Toopū o Waipā and possibly at marae-based hui and using marae communication channels.	High Risk
Operations and Service Delivery	If we are not able to engage with Mana Whenua, Iwi and Māori in ways that make it accessible for them to participate as partners in the development of the Waipā Community Spatial Plan then it will not reflect their values, insights, and aspirations, and the plan will not successfully deliver on the Council's vision to build connected communities.	The Plan may not fully reflect the aspiration of Mana Whenua, Iwi and Māori. Mana Whenua, Iwi and Māori have limited resources available to participate in Council processes. If they are not able to participate, there will be gaps in the information used to develop the Waipā Community Spatial Plan, it will not reflect the aspirations of Mana Whenua, Iwi and Māori, and it will not capture their long term aspirations. Similarly, these will not be captured in future strategic planning documents, Long Term Plans and/or business cases and implementation becomes increasingly difficult if we don't have buy-in from Mana Whenua, Iwi and Māori.	Development of Mana Whenua & Iwi Engagement Plan; Engagement of independent advisor as a key member of the core project team; Appointment of Mana Whenua/Iwi representatives to the PCG; Hui at key delivery milestones; Reporting to Ngā Iwi Toopū o Waipā and possibly at marae-based hui and using marae communication channels; providing for a range of engagement tools - including on-line and in-person hui, utilisation of the GIS tool. Mana Whenua and Iwi Engagement Plan is in place and will be updated as required. Council's Significance & Engagement Policy also provides guidance with respect to engagement.	Medium Risk

<p>People (incl. H&S)</p>	<p>If COVID-19 is not successfully contained within Waipā District, then the number of those who contract the virus will increase and morbidity rates may also rise; there will be adverse impacts on the way we undertake our daily lives; there may be high rates of absenteeism in the workplace as people become unwell and/or are required to isolate; there will be restrictions on our ability to connect in person; and people will prioritise what is important to them.</p>	<p>Significant impacts on the health and wellbeing of our communities (including the Waipā District Council workforce) with resulting social, and economic impacts. Reduced availability of staff and consultants to produce key delivery milestones. Reduced resources available for Mana Whenua, Iwi and Māori communities, and key stakeholders, to participate in engagement processes. Potential impact on Council ability and prioritisation to deliver the project.</p>	<p>Detailed project plan developed and implemented. In-house and external resourcing of core project team, with ability to bring in additional resources from within the current providers and wider if required to ensure business continuity. Regular and robust reporting to the PCG, SP & P and ARC. Develop a contingency for in-person events to respond effectively to staff becoming ill. Ensuring access to a range of on-line tools. Monitor partners, staff and stakeholders' ability to participate in the project. An organisational recovery programme, incorporating COVID-19 information sharing is in place. The Western Waikato Civil Defence Emergency Management arrangements provide ongoing capability, monitoring and management as required. Council also has sound Crisis Management, and Business Continuity Planning frameworks in place. Nonetheless, we recognise the sense of complacency currently being felt in our communities, and the project team will reinforce continued hygiene and best practice controls.</p>	<p>High Risk</p>
<p>Financial (\$ & %)</p>	<p>If the project budget is not transparent and well managed, then costs may exceed the available funds, and Council's reputation will be detrimentally affected if the Waipā Community Spatial Plan does not successfully deliver on the Council's vision to build connected communities.</p>	<p>If costs exceed budget, the project could be incomplete at project end; it could be delivered with a reduced scope, or we could be required to recommend to Council that additional funding be provided. If the Waipā Community Spatial Plan does not successfully deliver on the Council's vision or if it does not meet Council/partner/stakeholder/community expectations, Council's reputation could be detrimentally impacted.</p>	<p>Comprehensive monitoring and reporting of budget (Total budget / Spend to date / What is committed / Budget remaining) to project team, PCG. Monitor progress against project milestones, spend and benefits realised.</p>	<p>Medium Risk</p>
<p>Operations and Service Delivery</p>	<p>The timeline for the development of the Waipā Community Spatial Plan is extremely ambitious. If staff, consultants, partners and/or stakeholders have competing priorities, they may not have sufficient time and resources available to provide the required inputs for this project, the quality of project deliverables could be compromised, the timeframe may not be met in regards to the outcome sought to be achieved by the 2022 triennial local election in October 2022 and the strategic direction will not be provided for the development of the 2024-34 Long Term Plan.</p>	<p>If the plan is not sufficiently progressed by October 2022, the results of the 2022 triennial local election could add further delays. If there are new Elected Members, they would be required to be fully briefed on the project, and there would be uncertainties as to their level of support for adoption of the plan. The project cost could escalate if the sought outcomes cannot be achieved. The quality of our deliverables could be compromised while stakeholder and partner relationships could be challenged to meet timelines which could undermines level of engagement. The lack of strategic level of input is not achieved by the next LTP and he next programmes doesn't aligned strategically with the Community Spatial Plan.</p>	<p>Detailed project plan developed and implemented. Our interim deliverables are designed to a level of detail that are able to be used for the LTP and the preparation of business cases. In-house and external resourcing of the core project team, with an ability to bring in additional resources if required to ensure business continuity. Regular and robust reporting to the PCG, SP & P and ARC. Ensuring open and clear communication with the project team leading the development of the 2024-34 Long Term Plan. Implementation, monitoring and review of the Communications Strategy will be critical.</p>	<p>Completed</p>

<p>Operations and Service Delivery</p>	<p>The timeline for the development of the Waipā Community Spatial Plan is extremely ambitious. If staff, consultants, partners and/or stakeholders have competing priorities, they may not have sufficient time and resources available to provide the required inputs for this project, the quality of project deliverables could be compromised, the updated timeframe (expected completion by Winter 2023) may not be met and the strategic direction will not be provided for the development of the 2024-34 Long Term Plan.</p>	<p>If the plan is not sufficiently progressed by October 2022, the results of the 2022 triennial local election could add further delays. If there are new Elected Members, they would be required to be fully briefed on the project, and there would be uncertainties as to their level of support for adoption of the plan. The project cost could escalate if the sought outcomes cannot be achieved. The quality of our deliverables could be compromised while stakeholder and partner relationships could be challenged to meet timelines which could undermines level of engagement. The lack of strategic level of input is not achieved by the next LTP and the next programmes doesn't aligned strategically with the Community Spatial Plan.</p>	<p>Detailed project plan developed and implemented. Project timeframes have been revised and agreed with the outgoing council and PCG. Our interim deliverables are designed to a level of detail that are able to be used for the LTP and the preparation of business cases. In-house and external resourcing of the core project team, with an ability to bring in additional resources if required to ensure business continuity. Regular and robust reporting to the PCG, SP & P and ARC. Ensuring open and clear communication with the project team leading the development of the 2024-34 Long Term Plan. Implementation, monitoring and review of the Communications Strategy will be critical.</p>	<p>Completed</p>
<p>Operations and Service Delivery</p>	<p>The timeline for developing the Waipā Community Spatial Plan and the scope of implementation is highly ambitious. If staff, consultants, partners and/or stakeholders have competing priorities, they may not have sufficient time and resources available to provide the required inputs for this project, and the quality of project deliverables could be compromised. The expected deliverables to achieve within the updated timeframe (expected completion by Winter 2024) may not be met and the strategic direction will not be provided for the development and approval of the 2024-34 Long Term Plan.</p>	<p>If the plan is not sufficiently progressed by October 2022, the results of the 2022 triennial local election could add further delays. If there are new Elected Members, they would be required to be fully briefed on the project, and there would be uncertainties as to their level of support for adoption of the plan.</p> <p>If the project timeframe and scope extend significantly, the project cost could escalate if the sought outcomes cannot be achieved. If staff, consultants, partners and/or stakeholders do not have the capacity to provide comprehensive input, the quality of our deliverables could be compromised. In contrast, stakeholder and partner relationships could be challenged to meet timelines which could undermine the level of engagement. The lack of strategic input level is not achieved by the next LTP, and subsequent programme of work doesn't align strategically with the Community Spatial Plan. The required strategic input level is not achieved in time for the next LTP, and subsequent programme of work doesn't align strategically with the Community Spatial Plan and the project benefits are not realised.</p>	<p>Detailed project plan developed and implemented. Project timeframes have been revised and agreed upon with Council and PCG. Our interim deliverables are designed to a level of detail that is able to be used for the LTP and the preparation of business cases. In-house and external resourcing of the core project team, with an ability to bring in additional resources if required to ensure business continuity. Regular and robust reporting to the PCG, SP & P and ARC. Ensuring open and transparent communication with the project team leading the development of the 2024-34 Long-Term Plan. Implementation, monitoring and review of the Communications Strategy will be critical. The delivery of the Implementation phase sits outside of the development of Ahu Ake. The implementation of Ahu Ake will be detailed in a separate programme of works (i.e. via an updated business case through the LTP 24-34). Other teams at Council must have a complete understanding of the expectations and possible change in project delivery triggered by the implementation of Ahu Ake's interventions. The project team will need to work closely with Activity managers when beginning the implementation of the Community Spatial Plan.</p>	<p>Medium Risk</p>

<p>Governance, reputation, legislative compliance and control</p>	<p>If Elected Members, staff, partners, stakeholders and/or the communities of Waipā don't buy-in to and engage on the development and the implementation of Ahu Ake, Waipā Community Spatial Plan, or the affordability of the plan's selected scenario is not sustainable then the plan will not deliver on our communities' aspirations. reflect the aspirations of our communities; it will not be successfully delivered and implemented, and Waipā District Council will not achieve its vision to build connected communities.</p>	<p>Behaviours and communications of those who do not buy-in to and engage on the development of the Waipā Community Spatial Plan could detrimentally affect the progress, delivery and implementation of this work, impacting on Council's reputation.</p>	<p>Detailed project plan is developed and implemented. Communications Strategy (including internal and external communications and engagement) is prepared and delivered. Community Advisors, staff within the Strategic Partnerships team and the Business Development Manager, as well as Executive Team members, will play a valuable relationship-building and champion role. Early relationship building will need to occur with FutureProof partnership or other partnerships essential to the implementation of the plan and the benefits realisation.</p>	<p>Medium Risk</p>
<p>Governance, reputation, legislative compliance and control</p>	<p>The project is becoming more complex as we progress the development of the Waipā Community Spatial Plan. If it becomes so complex that it is not possible to deliver all of the benefits that we're seeking to achieve within the agreed project scope and/or required timeframe and this iteration of the plan, then we may not meet the expectations of Council, partners, stakeholders and the communities of Waipā.</p>	<p>If not fully understood and clearly communicated, this could undermine the effectiveness of the plan, including partner prioritisation and investment opportunities, whilst also detrimentally affecting Council's reputation.</p>	<p>Detailed project plan is developed and implemented. Communications Strategy (including internal and external communications and engagement) is prepared and delivered. Robust reporting to PCG, SP & P, ARC, HCC, and NITOW. Providing clarity as to what can be achieved in version 1 of the plan, and what will be delivered in future iterations. It is also essential to make and communicate a clear distinction between developing the plan (including developing the implementation plan) and undertaking the implementation itself. The implementation plan will also provide insight into how Ahu Ake will influence the 2024-34 LTP while being given effect to the subsequent LTPs (i.e. 2027-37 onwards).</p>	<p>Medium Risk</p>
<p>Governance, reputation, legislative compliance and control</p>	<p>If Council's process requirements are unduly onerous and compliance is required, then this may detrimentally impact on our ability to be innovative, to fully utilise technology, and to move at pace, as we progress the development and implementation of the Waipā Community Spatial Plan.</p>	<p>We are working to an incredibly ambitious timeframe and any obstructions to collaborative working / access to data / delays and/or inefficiencies in processes, could significantly impact on timing for delivery of key project milestones and the completed project, thus detrimentally impacting on project costs, relationships and organisational reputation. Inadequate technologies undermine the level of interaction of our end-product.</p>	<p>Detailed project plan is developed and implemented. Communications Strategy (including internal and external communications and engagement) is prepared and delivered. Establish and maintain close working relationships between the core project team (including consultants) and Council's IT, Information Management and GIS teams throughout the development of the plan and its implementation. Robust reporting through to PCG, SP & P, ARC.</p>	<p>Medium Risk</p>

<p>Governance, reputation, legislative compliance and control</p>	<p>If we do not actively engage with our diverse communities and across the generations, the Waipā Community Spatial Plan will not be representative of our future communities, and will not incorporate the insights and aspirations that are unique to them.</p>	<p>If our diverse community groups, and our younger generation are not fully represented, the plan will not deliver what it set out to do - to achieve Council's vision and community outcomes; and to articulate the near term and long term aspirations of our future Waipā communities. These groups will see no value for them, and this will detrimentally impact on the Council's reputation.</p>	<p>Detailed project plan is developed and implemented. Communications Strategy (including internal and external communications and engagement) is prepared and delivered. Identification and contact of our stakeholders in a timely manner i.e. appropriate with regard to the time of engagement and their level of input. Identify influencers and champions within our communities who can articulate the near to long term purpose of the Waipā Community Spatial Plan. Robust reporting through to PCG, SP & P will also allow for any gaps within our stakeholder list to be identified early in the process.</p>	<p>Medium Risk</p>
<p>Governance, reputation, legislative compliance and control</p>	<p>If Central Government introduces legislative reform which cuts across the purpose/scope/implementation of the Waipā Community Spatial Plan, then this could undermine what we set out to achieve and our Elected Members and community could perceive this as a total waste of time, effort and money.</p>	<p>Resources could be wasted, and work compromised, or required to be redone, as a result of changes to legislation, regulations and/or policy. This could impact on delivery of the project as a whole / timing/cost/relationships/reputation.</p>	<p>The project has been scoped to respond to changes arising from interventions already undertaken by the government (eg the new housing requirements, water NPS, Te Ture Whaimana etc). Detailed project plan is developed and implemented. Communications Strategy (including internal and external communications and engagement) is prepared and delivered. Establish close working relationships with Central Government agencies, pre-existing multi-agencies strategy (i.e. FutureProof), but also at an internal level with the establishment of an internal advisory group. These connections and outcomes will aim to champion Waipā and the work we're doing on place making on the national stage. The implementation plan needs to be flexible to adapt to legislative changes and would trigger upfront the need for partnership/ communication with any new emerging entities as they are established. The implementation plan will need to recognise that Ahu Ake plan review cycle aligns with the LTP cycle and will allow enough flexibility for a re-prioritisation of actions in Ahu Ake to align with Government priorities. Robust reporting through to the PCG, SP & P, ARC.</p>	<p>High Risk</p>

APPENDIX 2

2024 - 2034 Long Term Plan Risk Register (ECM# 11020176)

Risk Area	Description	Consequences	Risk Reduction Measures	Risk Priority
Project management				
Planning & Strategy	Poor project management - Project management framework/practices not followed.	If this is an issue then the wider organisation will lack clarity/understanding of LTP processes throughout LTP preparation. Elected members may not feel they have ownership of outcome. Project deliverables may not be met. Additional pressure may be put on staff or conflicts may arise.	Project Plan adopted by PGG and organisation project management principles/framework will be followed. Regular project updates will be provided to the PGG. Line manager will monitor wellbeing and performance and address concerns as they arise. Line manager will ensure adequate support is provided to the project manager and this the project.	Medium Risk
Governance, reputation, legislative compliance and control	Not achieving timeframes - The LTP must be adopted prior to 30 June 2024. 12 months has been allocated to preparation of activity management plans, developing budgets, and other supporting documents. The remaining 6 months is allocated to the auditing process, adoption and consultation on the documents, hearings, amendments. If there is a slippage of meeting timeframes then this will flow into subsequent phases of the project and risk the final deadline of 30 June 2024.	Sufficient time and attention is not given to deliverables and timeframes are not met - therefore we are non-compliant with LGA, fail to meet Audit NZ requirements and the LTP is based on poor information	The LTP is included in the internal priorities. This should have fed into GM KPIs and teams business plans. Keep business owner and project sponsor informed to escalate issues. External resources have been engaged to assist with deliverables and meet timeframes. Further external resource assistance could be sought.	Medium Risk
Governance, reputation, legislative compliance and control	Commitment to the project - If there is a lack of commitment to the project from organisational leadership then this will impact on the ability to achieve timeframes and produce a quality document.	Lack of resourcing assigned to the project. Lack of focus from the organisation on the project.	The exec are on the PGG. The '10 year plan' has been included in the internal priorities - this indicates strong commitment to preparing the LTP under the proposed approach. The Chief Executive has been assigned as the project sponsor and regularly meets with the Chief Financial Officer, Business Owner and Project Manager.	Medium Risk
Financial (\$ & %)	Inadequate information - With the project timeframes (particularly budgets) early in the LTP development timeline, if budget holders don't have suitable information to plan going forward i.e. budget holders won't have the previous year's complete budget, then this could impact on their ability to deliver complete and up to date information on time.	Budgets inadequate/not accurate. Poor decision making due to inadequate information. Little to no alignment across the organisation in planning (i.e. against forecasting assumptions) and to strategic priorities. Fail to meet audit NZ or LGA requirements.	Accountants to ask questions from budget holders of what they are expecting. Budget holders to keep informed of process, key input requirements and timing of these, developments / impacts	Medium Risk
Resourcing				

People (incl. H&S)	Lack of resourcing / reliance on key staff - The preparation of the LTP represents a higher workload for Strategy, business case writers, budget owners, Finance and Communications staff than an Annual Plan year. If these areas are not sufficiently resourced, then the high level of organisational reliance on key staff in these teams could result in capacity and knowledge gaps when those staff are absent or leave the organisation.	Decision making sub-optimal due to knowledge gaps Completion of key steps are delayed or missed altogether Delays add pressure on resourcing and timeframes for subsequent steps Fail to meet Audit NZ or LGA requirements	Clear timeline and roles and responsibilities in place. Key staff will be made aware of critical times in the project and have contingencies in place for leave. GMs and managers are responsible for engaging external support to assist with preparation of the LTP and more may be engaged at certain points in the project.	Very High Risk
Political				
Governance, reputation, legislative compliance and control	Elected member cohesion - If the new council doesn't buy into the proposed approach and wishes to prepare the LTP in a significantly different way, then this will significantly impact on the timeframes and approach outlined in the LTP Project Plan.	Wasted effort as work to date 'thrown out' Significant delays as previously completed work has to be redone Completion of key steps are delayed Delays add pressure on resourcing and timeframes for subsequent steps Fail to meet Audit NZ or LGA requirements	The executive are the PGG and play a key role in linking politicians to organisational processes. The 2024-34 LTP is built into the Councillor induction process. The new council is responsible for adoption of Ahu Ake, a key strategic document that will drive the LTP.	Low Risk
Governance, reputation, legislative compliance and control	Change in strategic priorities - as a result of the formal consultation on Ahu Ake.	Timing of deliverables planned through the LTP needs re-work or new projects/initiatives added.	Community views on the long term future of the district is unlikely to change between early engagement (March 2023) and formal consultation (July 2023). Staff will need to connect with elected member following early engagement to gain a better understand of their priorities based on the feedback received.	Medium Risk
Technical / financial systems				
Information Management	Engagement systems - If there are issues with consultation systems then this will make it difficult to collect, analyse and provide stakeholder information.	Completion of key steps are delayed. Delays add pressure on resourcing and timeframes for subsequent steps. Fail to meet audit NZ or LGA requirements. Risk of submissions/information not being missed.	Options are being explored for integrated consultation software for the organisation Adequate testing both in a test and real environment prior to consultation on the LTP will need to take place.	High Risk
Information Management	Finance systems - If there are issues with the finance system, then this will make it difficult to prepare reliable budgets.	Key processes are disrupted and are sub-optimal, leading to time delays and greater demand on resources. Completion of key steps are delayed. Delays add pressure on resourcing and timeframes for subsequent steps. Fail to meet Audit NZ or LGA requirements.	Budget module improvements planned to be implemented in early 2023. Adequate resources provided when implemented so relevant staff can become subject matter experts.	High Risk
Forecasting assumptions				

Planning & Strategy	Inaccurate forecasting assumptions - The underlying assumptions are critical to the robustness of the LTP and it is essential that we work with the best information available. If our forecasting assumptions are significantly inaccurate then it could result in misallocation of resources to plan for the development of our district. Key forecasts for Council are population growth projections and the economic environment.	Misalignment of project needs and timings across the LTP. Decisions made on incorrect assumptions leading to project scope and timing errors. Financials are delayed or have to be redone completely. Delays/additional work adds pressure on resourcing and timeframes for subsequent steps. Changes required to financial assumptions (interest rates, inflation etc.) which impacts our financial position and therefore ability to fund projects. Fail to meet Audit NZ or LGA requirements.	Regularly review key forecasting assumptions throughout preparation of the plan. Seek external expertise for technical areas where Council is not the expert.	Medium Risk
Financial (\$ & %)	BERL - If there is a delay in receiving BERL information, then this will impact timing for the budget preparation process.	Financials are delayed. Only incomplete financials are available to inform LTP discussions. Delays add pressure on resourcing and timeframes for subsequent steps. Fail to meet Audit NZ or LGA requirements.	Use BERL rates from previous year.	Medium Risk
Planning & Strategy	PC26 - Population projections - The new development standards which are enabled through Plan Change 26 will impact growth and infrastructure planning. Our population projections regarding new development standards enabled through Plan Change 26 are not realised, having an impact on our infrastructure planning and funding.	Infrastructure doesn't meet demand. Reputational damage (poor planning and liveability of our urban centres) as well as financial burden in the cost to upgrade infrastructure sooner than expected to meet demand. More likely to impact outer years of LTP.	Data gathered until end of 2023 may provide a snap shot of the development trends as a result of Plan Change 26 however it is unlikely there will be enough time and therefore data to provide useful information to be able to inform asset and financial planning. More likely to be able to inform planning for 2027-37 LTP.	Medium Risk
Planning & Strategy	Government priorities - change in the priorities from central government.	Council may be forced to divert resourcing away from where it was originally planned to align with central government direction. This may also lead to incorrect financial forecasting. i.e. Waka Kotahi priorities and funding as experienced through the 2021 LTP.	Recent change in prime minister and the impending national elections make it very difficult to reduce this risk. Remaining across national politics may provide more certainty as to any impending significant changes or risks.	Medium Risk
Levels of service				

Governance, reputation, legislative compliance and control	Any misalignment between documented strategic direction, desired level of service direction, and business case prioritisation will result in projects and budgets that do not provide a cohesive or achievable route to intended outcomes.	Projects and budgets approved that are not aligned with intended strategic direction and levels of service. Unrealistic expectations set around LOS increases, LOS not achievable/no longer met. LTP projects and budgets, AMPs and business cases out of step with strategic direction and desired levels of service. Council's reputation among residents is negatively impacted. Fail to meet Audit NZ or LGA requirements.	Revised business case template with clearer alignment requirements between proposed project and strategic direction and AMPs. Revised project prioritisation process to provide more consistent and evidence based prioritisation. Budget holders to review alignment between intended levels of service and projects and budgets. Groups Managers to review business cases and ensure alignment with strategic direction and intended levels of service. Clear messaging to elected members and executive regarding desired levels of service and impacts on costs, and the impact of budgets on ability to deliver on service levels.	Medium Risk
Business cases				
Financial (\$ & %)	If there is poor project costing then Draft budgets are inaccurate and do not reflect actual costs of proposed budgets and service delivery	LTP budgets have low confidence levels Fail to meet Audit NZ or LGA requirements Post LTP Council resources are put under pressure to deliver projects and services for which inadequate funding has been allowed for. May trigger Annual Plan consultation or LTP amendment.	Develop estimation policy. Provide managers info pack with key questions to consider, one of which is resourcing (business case template). Ensure financial accountants are part of the Business Case working group and provide support to Business Case writers throughout the process.	Medium Risk
Governance, reputation, legislative compliance and control	Overestimate the level of work Council can do - If departments overestimate the level of work they can achieve then they might put in budget and project requirements over and above what can be delivered	Failure to meet community expectations. LTP budgets have low confidence levels. Fail to meet Audit NZ or LGA requirements. Post LTP Council resources are put under pressure to deliver projects and services for which inadequate funding has been allowed for.	Organisation needs to develop good understanding what it can realistically deliver. Business owner, Project Sponsor and Project Governance Group to keep informed of discussions in this area. Review what has been delivered in previous year to get sense of what can realistically delivered and develop pipeline of work for funding. Include guidance to activity managers on this. Updated 22/5/23 - The LTP PCG moved this risk to very high risk as current mitigations require further analysis. The revised rating is also in line with Council's Top Risk 2. Currently delivery across past years is being examined. Guidance has been issued to activity managers as part of business case development. Staff also plan undertake a deep dive in June on this risk to ensure mitigation measures put in place through the development of the 2024-34 LTP are adequate.	Very High Risk
Planning & Strategy	Collaboration - If Cross department collaboration does not occur, then this will impact accurate business case impacts and identification of integration across projects and parts of council.	Required resources are not well identified, making it difficult to deliver projects LTP budgets have low confidence levels No integration across Council projects. Fail to meet Audit NZ or LGA requirements	The right mix of staff from across the organisation are identified to assess business case impacts. Cross Council collaboration to occur at the start, during and at the end of the business case process.	High Risk
Activity management plans				

Planning & Strategy	If the AMP reviews are not completed in time / to sufficient quality then this will impact on the ability for these to inform the business case development and prioritisation	Business case timeframes are pushed back Added pressure on resourcing and timeframes for subsequent steps or: Business cases developed without alignment to AMPs. Quality of information underpinning the LTP reduced. Fail to meet Audit NZ or LGA requirements.	Inform the business owner, project sponsor and PGG. Raise the profile of this work among relevant staff to help drive the project forward. Dedicated staff position in place to co-ordinate and manage this process.	Medium Risk
Consultation document				
Planning & Strategy	Consultation topics - If there is no clear process to identify key topics, content and options, then the Consultation Document may not provide options to a sufficient level of detail or it may impact on the timing of delivering the CD.	Fail to engage with community Fail to meet Audit NZ or LGA requirements Reputational damage.	Areas requiring consultation to be developed early - options also developed early along with required technical information to inform content. Matrix developed to help determine key issues. Communications and Engagement team support document preparation to ensure sufficient and clear information.	Medium Risk
Planning & Strategy	Stakeholder engagement - Failure to effectively engage with community.	Reputational damage and trust in the organisation.	Stakeholder analysis against consultation topics to ensure engagement occurs with the right people at the right time.	Medium Risk
External risk				
People (incl. H&S)	Pandemic - If Coronavirus COVID-19 continues to affect Council staff involved in the preparation of the LTP, then this will impact on project deliverables and timeframes.	In the short term it has the potential to limit staff involvement in the project. There is also potential for further disruption to the project, especially regarding staff availability to attend meetings, future community engagement, and changes to financial situation and growth assumptions.	Keep informed and follow instructions from the CMT. Develop succession plans for key staff so a backup is in place if needed. Have robust document control systems in place if information is needed and a staff member is away.	Medium Risk
People (incl. H&S)	A large-scale event (i.e. a natural disaster) - if an event such as this occurs, it may impact staff involved in the preparation of the LTP, then this will impact on project deliverables and timeframes. Such an event may also cause significant damage to assets.	Resources may have to be diverted elsewhere in the organisation to respond to a large-scale event. Financially, Council may have to use reserves to fund immediate needs and insurance excess.	Business continuity plans remain current and take effect should an event occur to help minimise disruption.	Medium Risk
Local Government reforms				

<p>Governance, reputation, legislative compliance and control</p>	<p>Affordable Water Reform - If Council does not prepare for, understand impacts, and manage the response and transition to the reforms being led by central government then this may have significant financial and reputational effects on the organisation and the ability to prepare and adopt an LTP, as well as adverse economic and social impacts on the community.</p>	<p>LTP and supporting documents will require (possibly significant) reworking to ensure alignment with the new priorities / legislative requirements. Key processes are disrupted leading to time delays and greater demand on resources. Completion of key steps are delayed. Delays add pressure on resourcing and timeframes for subsequent steps. Fail to meet Audit NZ or LGA requirements. Reduction in community wellbeing. Stranded overheads.</p>	<p>Keep informed of upcoming changes. Regular Affordable Water progress updates from key staff and identification of LTP implications. Seek guidance from sector experts such as Taituarā and LGNZ. Council staff participation in Entity B Local Transition Team. New role of Water Transition Co-ordinator created in the Service Delivery Group. Updated 22/5/23 - The LTP PCG moved this risk to very high risk as there are too many uncertainties associated with this risk.</p>	<p>Very High Risk</p>
<p>Governance, reputation, legislative compliance and control</p>	<p>RMA reforms – If Council does not prepare for, understand impacts, and manage the response and transition to the reforms being led by central government then this may have significant financial and reputational effects on the organisation and the ability to prepare and adopt an LTP, as well as adverse economic and social impacts on the community.</p>	<p>LTP and supporting documents will require (possibly significant) reworking to ensure alignment with the new priorities / legislative requirements. Key processes are disrupted leading to time delays and greater demand on resources. Completion of key steps are delayed. Delays add pressure on resourcing and timeframes for subsequent steps. Fail to meet Audit NZ or LGA requirements.</p>	<p>Keep informed of upcoming changes. Seek guidance from sector experts such as Taituarā and LGNZ. Key staff are part of the response team considering information provided by central government on the RMA reform.</p>	<p>Medium Risk</p>
<p>Governance, reputation, legislative compliance and control</p>	<p>Future for Local Government Reform. If Council does not prepare for, understand impacts, and manage the response and transition to the reforms being led by central government then this may have significant financial and reputational effects on the organisation and the ability to prepare and adopt an LTP, as well as adverse economic and social impacts on the community.</p>	<p>LTP and supporting documents will require (possibly significant) reworking to ensure alignment with the new priorities / legislative requirements. Key processes are disrupted leading to time delays and greater demand on resources. Completion of key steps are delayed. Delays add pressure on resourcing and timeframes for subsequent steps. Fail to meet Audit NZ or LGA requirements.</p>	<p>Keep informed of upcoming changes. Seek guidance from sector experts such as Taituarā and LGNZ. Incorporating five key shifts into Council's thinking for Ahu Ake, the LTP process and broader Council approach. Updated 22/5/23 - The LTP PCG moved this risk to very high risk as there are too many uncertainties associated with this risk.</p>	<p>High Risk</p>
<p>Governance, reputation, legislative compliance and control</p>	<p>Central Government Elections 2023 - If there is a change of government, then this will impact on central government reforms, strategic direction and priorities.</p>	<p>LTP and supporting documents will require (possibly significant) reworking to ensure alignment with the new priorities / legislative requirements. Key processes are disrupted leading to time delays and greater demand on resources. Completion of key steps are delayed. Delays add pressure on resourcing and timeframes for subsequent steps. Fail to meet Audit NZ or LGA requirements.</p>	<p>Keep informed of upcoming changes. Seek guidance from sector experts such as Taituarā and LGNZ. Updated 22/5/23 - the LTP PCG moved this risk to very high risk as there are too many uncertainties associated with this risk.</p>	<p>Very High Risk</p>

APPENDIX 3

2023/24 Annual Plan Risk Register (ECM# 10893488)

Risk Area	Description	Consequences	Risk Reduction Measures	Risk Priority
Governance, reputation, legislative compliance and control	Not achieving timeframes - The annual plan must be adopted no later than 30 June 2023 and remaining deadlines are tight. If there is slippage in meeting any of the remaining deadlines then this may affect the ability to adopt the plan as scheduled on 30 June 2023.	Sufficient time and attention is not given to deliverables e.g. preparing the draft annual plan/supporting documents, and timeframes are not met. We are non-compliant with LGA, or the annual plan is based on poor information, or we may fail to strike a rate.	Develop project plan/timeline collaboratively and keep it front of mind at project meetings. Communicate directly to the organisation as much as possible to keep staff informed of deadlines. Take a conservative approach and escalate issues to the executive team as needed to resolve any issues.	Low Risk
Governance, reputation, legislative compliance and control	Lack of resourcing / reliance on key staff - There is a high level of organisational reliance on key staff in the Finance team. Staff vacancies in Communications may also impact on development of the Annual Plan. If key staff are absent or leave the organisation then it could result in capacity and knowledge gaps, and impact on the quality and timing of the information provided.	Decision making may be sub-optimal due to knowledge gaps. Completion of key steps could be delayed or missed altogether adding pressure on resourcing and timeframes. This could result in failure to meet LGA requirements or strike a rate.	Two Finance reps are part of the project group - with training given to relevant staff in the financial planner role aspects of the project. Managers of key staff need to be aware of critical times in the project and have contingencies in place for leave. The project group should identify critical times and key staff - and managers should have a plan in place for these periods.	Medium Risk
Governance, reputation, legislative compliance and control	Wrong level of engagement - There is a risk of a lack of sufficient engagement with the community during the project. If we choose a level of engagement out of step with - Council's Significance and Engagement Policy, e.g. we may only 'inform' or 'engage' when we should 'consult', or - the expectations of our communities, then there are reputational and legislative compliance risks for Council. - Consultation on a 'non issue' contributing to consultation fatigue.	This may lead to a misunderstanding of what is important to the community and impacts the decisions Council makes. This creates a reputational risk and also potential failure to comply with the LGA.	Develop a communication/engagement plan for the project and discuss with Elected Member's throughout the project. Apply the significance test through Council's Significance and Engagement Policy.	Low Risk
Governance, reputation, legislative compliance and control	Internal comms - If relevant staff lack clarity/understanding of processes throughout preparation of annual plan then we risk the quality of the annual plan and project timeframes.	Key deliverables are not prepared on time and we fail to meet legislative requirements.	Develop project plan collaboratively with experienced staff. Check in on project progress at weekly project meetings. Regular project updates will be provided to key staff throughout the process, e.g. mostly via email, but also at the managers meetings as required	Low Risk

<p>Governance, reputation, legislative compliance and control</p>	<p>Finance systems - If there are issues with the finance system (Enterprise Budgeting) that can not be quickly resolved then it will make it difficult to prepare reliable budgets on time. This is a risk for quality and timeframes. There is a lot of reliance on spreadsheets outside of the finance system.</p>	<p>Key processes are disrupted and are sub-optimal, leading to time delays and greater demand on resources. Completion of key steps are delayed. Delays add pressure on resourcing and timeframes for subsequent steps. Fail to meet LGA requirements or strike rate.</p>	<p>Staff will continue to upskill themselves in use of the system - including troubleshooting as required and escalating issues to Tech One as needed. Enterprise Budgeting (EB) is fully integrated with Council's core finance system. There is however a piece of work and associated funding in 22/23 to look at how to optimise the use of EB and understand any other functional gaps. A variety of historical challenges means it is not currently being used to its full potential - some processes having been moved to outside of the system.</p>	<p>Medium Risk</p>
<p>Governance, reputation, legislative compliance and control</p>	<p>Inaccurate forecasting assumptions - The underlying assumptions are critical to the robustness of the plan and it is essential that we work with the best information available. If our forecasting assumptions are significantly inaccurate then it could result in misallocation of resources to plan for the development of our district. Key forecasting assumptions for the annual plan are economic/financial related ones, e.g. the economic environment, interest rates, inflation, increase in rateable units etc.</p>	<p>Financials are delayed or have to be redone completely. Delays/additional work adds pressure on resourcing and timeframes for subsequent steps. Changes required to financial assumptions (interest rates, inflation etc.) which impacts our financial position and therefore ability to fund projects. Failure to meet LGA requirements.</p>	<p>Financial and economic advice will continue to be received throughout the project. Include as a key part of our story telling for the annual plan.</p>	<p>Medium Risk</p>
<p>Governance, reputation, legislative compliance and control</p>	<p>Lack of elected member engagement - The annual plan is 'owned' by elected members and should accurately represent their decisions. If there is a lack of engagement with elected members then it could lead to a misrepresentation of what they collectively see as the right decisions for the district. This a risk to final approval of the plan and therefore project timeframes.</p>	<p>A lack of engagement with elected members could lead to a misrepresentation of what the collectively see as the right decisions for the district. This may risk final approval of the plan as elected members seek late changes to the plan.</p>	<p>At the beginning of the project, elected members will be briefed on an approach to preparing the plan to try and get buy in. Ongoing conversations will be had with the elected member's throughout development of the plan.</p>	<p>Low Risk</p>
<p>Governance, reputation, legislative compliance and control</p>	<p>Capital works programme - There is potentially a lot of work that may be pushed out in the annual plan and the impact of carry forwards from this year. If there is a larger quantum than previous annual plans then this creates risks with - Elected Members approving the plan, e.g. if they do not think it is realistic to achieve the quantum of work in the annual plan year then Managers may have to redo work programmes late in the project</p>	<p>Failure to develop a credible annual plan within project timeframes</p>	<p>Added project delivery to working group. Set up timeframes to have known changes processed. The executive team have some oversight on the issues and receive regular updates, this should help manage the risk</p>	<p>Low Risk</p>

COMMITTEE REPORT



INFORMATION ONLY

To: The Chairperson and Members of the Audit and Risk Committee
From: Manager Delivery Performance
Subject: **Water Transition Risk Management Update**
Meeting Date: 12 June 2023

1 EXECUTIVE SUMMARY – WHAKARĀPOPOTOTANGA MATUA

The failure to manage the response to, and the impacts of, Central Government reforms is one of Council's Top Risks. This report gives an update of the current risks identified in the 3 Waters Reform Transition programme.

Council's Risk Management Policy requires any risks rated as 'Very High' or above, to be reported to the Audit and Risk Committee. Currently there are 62 live project risks that are being actively managed in the programme. The attached Appendix provides an overview of the seven 'Very High' risks that are being managed at a programme and project level within the 3 Waters Reform Transition Project Control Group (PCG). There are no 'Extreme' risks.

2 RECOMMENDATION – TŪTOHU Ā-KAIMAHI

That the Audit and Risk Committee receives the report of Sherryn Paterson, Manager Delivery Performance, titled Water Transition Risk Management Update (document number 11016667).

3 COMMENTARY - KŌRERO

The 3 Waters Reform Transition PCG is ensuring that the programme objectives and timeframes are met and that risks, resourcing and all other challenges are being appropriately managed. The PCG is operating at a level that is providing oversight, direction setting, decision making and organisational co-ordination. One of the key functions of the PCG is to support the resolution of any resourcing, information requests or any other issues.

The Government announced a re-set of the 3 Waters Reform on 13 April 2023. This re-set will see entities being stood up from early 2025, and a staggered approach to the establishment dates for water service entities (WSEs) will ensure all are fully operational by 1 July 2026. There may also be potential for an earlier stand up of some WSEs (e.g., from 1 July 2024). The re-set also moves from four entities to 10. The National Transition Unit is currently exploring how to make the adjusted transition timeframe work efficiently and effectively, and is working on guidance for this process. Guidance and legislation changes are expected late June 2023.

The Water Transition Risk Register is a live document and has been reviewed and updated accordingly based on the information received to date on the re-set.

Recently identified very high risks due to the re-set as evident in the Risk Register in the Appendix, include increased resources due to the extended transition programme and the impact that this will have on available funding. Impacts on the capital programme in years 1 and 2 of the LTP, include affordability and the required resourcing to deliver, both organisational wide and within 3 Waters.

Previously there were ‘very high’ risks around staff retention and staff confidence about job security through the transition – these risks have been reduced based on the deferred start date as well as current staff sentiment.

Where appropriate the PCG will continue to identify risks and provide recommendations to Council or to the Entity B Local Transition Team (LTT) to be escalated to the National Transition Team.

4 APPENDIX - ĀPITITANGA

No: 1	3 Water Reform Transition Programme Risks May 2023 (document 11016679)
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Sherryn Paterson
MANAGER DELIVERY PERFORMANCE



Approved by Dawn Inglis
GROUP MANAGER SERVICE DELIVERY

APPENDIX 1

3 Water Reform Transition Programme Risks May 2023 (*document number 11016679*)

3 Waters Reform Transition Programme

Overall Quantity of Project Risks (post mitigation)

Extreme Risk	Very high risk	High risk	Medium risk	Low risk	Total risks
0	6	23	24	9	62

Ref	Workstream	Risk Area	Description	Consequences	Risk Reduction Measure & Treatment Type	Risk Priority
1	People & Workforce	Financial (\$ & %)	Increased resources required due to the extended transition programme. Resourcing required is greater than funding available.	Gap in budget for transition tasks.	Update budget forecast once new programme and funding is known. PCG to monitor and liaise with DIA and NTU teams.	Very High Risk
2	People & Workforce	People (incl. H&S)	Reduced staff morale / engagement / damage to workplace culture due to uncertainty	Absenteeism / presenteeism Reduced wellbeing, productivity and quality of work	Company wide comms	Very High Risk
3	People & Workforce	Financial (\$ & %)	Rates affordability for Waipa communities - uncertainty around pricing policy and plans	Non-compliance with Financial Strategy - rates affordability benchmark. Negative customer feedback, disengaged or disgruntled community. Local economy taking a hit with businesses moving elsewhere.	Extensive rates modelling through the LTP process. Review of financial strategy benchmarks. Consultation with community. Monitoring and understanding impact of legislation.	Very High Risk
4	Finance	Financial (\$ & %)	With inclusion of 3 Waters Capex into years 1 and 2 of 2024-34 LTP the organisational debt limit is exceeded.	Debt limit exceeded - non-compliance with Financial Strategy. Reduction and re-prioritisation in organisational LOS projects. Downgrade in our Fitch rating - not financially stable. Non-compliance with LGFA covenant which may impact future borrowing potential. Possible non-compliance with LGA.	Review of financial strategy debt limits. Monitoring and understanding impact of legislation. The deferral of other important community projects to incorporate critical waters activities. Robust re-prioritisation in the first two years to make the overall programme affordable.	Very High Risk
5	Finance	Financial (\$ & %)	The 3 Waters capex programme for years 1 and 2 of the 2024-34 LTP is unaffordable and does not have the required resourcing to deliver.	Non-compliance with Financial Strategy. Capex KPI's not met. Delays to capital programme. Staff wellbeing	Review of financial strategy. Monitoring and understanding impact of legislation. Prioritisation and delaying of some projects depending on guidance and legislation from DIA. Robust re-prioritisation in the first two years to make the overall programme affordable. Review of resourcing requirements.	Very High Risk
6	Customer and Digital	Information Management	Limited funding available through C&D workstream and transitional funding already allocated leading to a big short-fall in funding for the Data Migration programme.	Shortage of resources to deliver to NTU timeframes. Reduced wellbeing, productivity and quality of data	On-going negotiation with NTU. Consultation with other councils on how they will be funding data migration programme.	Very High Risk

COMMITTEE REPORT



To: The Chairperson and Members of the Audit and Risk Committee
From: Business Resilience and Risk Advisor
Subject: **Climate Change Governance Improvement Programme Plan Approval**
Meeting Date: 12 June 2023

1 EXECUTIVE SUMMARY – WHAKARĀPOPOTOTANGA MATUA

As part of Council’s Internal Audit Plan, Council’s Internal Auditors, KPMG, completed an audit of Council’s Climate Change Governance practices in March 2023. The result of the audit rated the control environment relating to Waipā District Council’s (WDC’s) climate change governance as ‘Developing’.

The purpose of this report is to seek the Committee’s approval of the Climate Change Governance Improvement Programme Plan which has been developed to respond to the improvements that were identified as an outcome of the audit report.

Work has already commenced on implementing the improvement plan. Ownership of Council’s Climate Change Improvement Programme has been agreed and staff are operationalising the plan. The Climate Change Governance Improvement Programme Plan is included as Appendix 1.

2 RECOMMENDATION – TŪTOHU Ā-KAIMAHI

That the Audit and Risk Committee receive the report of Genny Wilson, Business Resilience and Risk Advisor, titled ‘Climate Change Governance Improvement Programme Plan Approval’ (document number 11007956), and approve the Improvement Programme Plan.

3 COMMENTARY - KŌRERO

Waipā District Council has developed a climate change governance improvement programme plan in response to the KPMG internal audit carried out in March 2023.

The plan is based on the principle of continuous improvement and is cognisant of the links of climate change governance across related organisation wide functions. It also

builds on the initiatives completed to date in the climate change space. The synergies with Ahu Ake - Waipā Community Spatial Plan, will also be utilised.

As part of the improvement plan, ownership of the Climate Change Governance Improvement Programme has been confirmed as the Group Manager Strategy and the plan agreed by the Executive Team.

4 APPENDIX - ĀPITITANGA

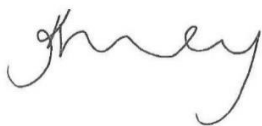
No:	Appendix Title
1	Climate Change Governance Improvement Programme Plan



Genny Wilson
BUSINESS RESILIENCE AND RISK ADVISOR



Reviewed by Georgina Knapp
MANAGER ORGANISATIONAL EXCELLENCE



Reviewed by Kirsty Downey
GROUP MANAGER STRATEGY



Approved by Ken Morris
DEPUTY CHIEF EXECUTIVE / GROUP MANAGER BUSINESS SUPPORT

APPENDIX 1

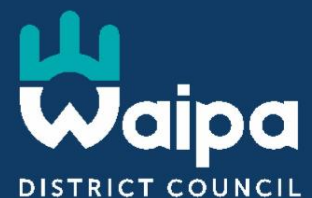
Climate Change Governance Improvement Programme Plan (*ECM 11013238*)

Waipā District Council

Climate Change Governance Improvement

Programme Plan

May 2023



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Issue	Reason for Issue	Author	Reviewer	Date
1	First draft in response to Internal Audit recommendations	Business Resilience and Risk Advisor	Group Manager Strategy	16 May 2023
2	Revised draft for release to Executive Team for discussion	Business Resilience and Risk Advisor	Group Manager Strategy Manager Organisational Excellence	19 May 2023
3	Final draft to Audit and Risk Committee	Business Resilience and Risk Advisor	Group Manager Business Support	25 May 2023

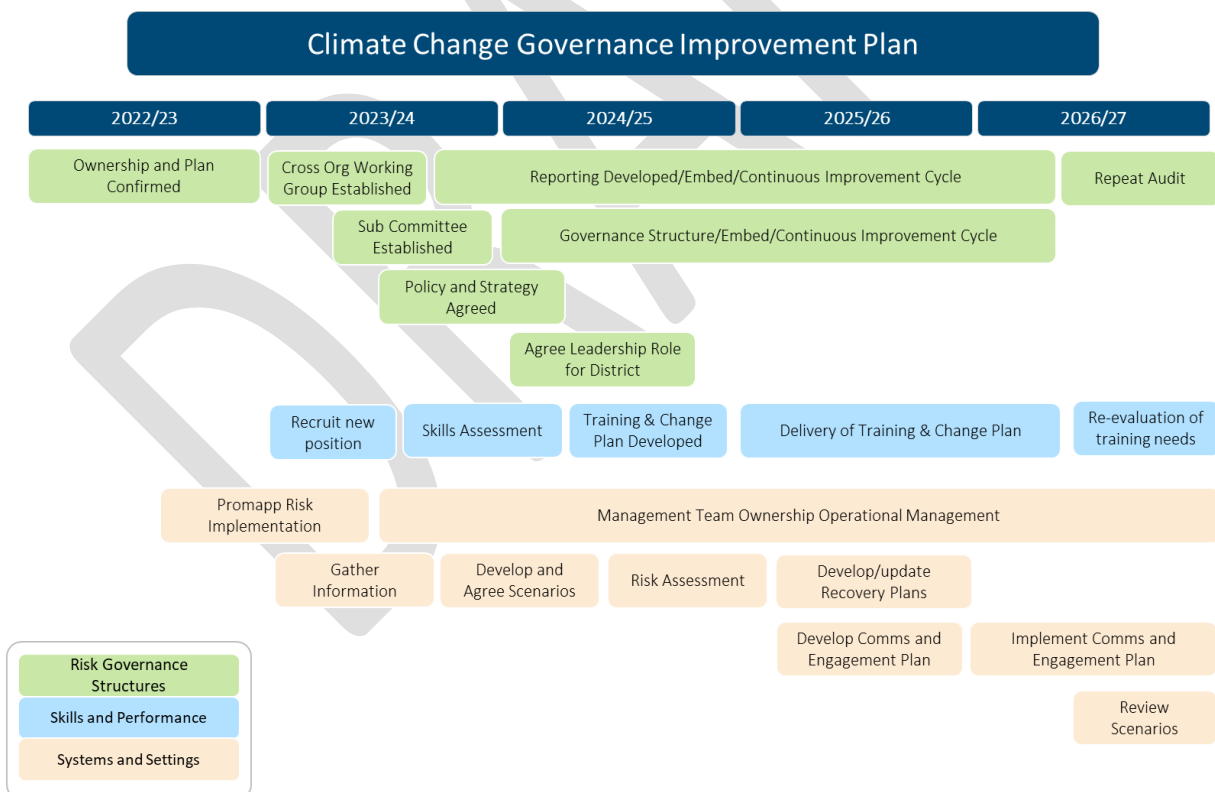
PART 1 - EXECUTIVE SUMMARY

Waipā District Council (WDC) has developed an improvement programme to implement the recommendations from the KPMG Internal Audit on Climate Change Governance completed in March 2023.

The plan is based on the principle of continuous improvement and is cognisant of the links of climate change governance across related organisation wide functions. It also builds on the initiatives completed to date in the climate change space. The synergies with Ahu Ake - Waipā Community Spatial Plan, will also be utilized.

As part of the improvement plan, ownership of the Climate Change Governance Improvement Programme has been confirmed as the Group Manager Strategy and the plan agreed by the Executive Team.

A summary of the initiatives, within each financial year is set out below:



PART 2 - BACKGROUND

A review of Council’s Climate Change Governance was carried out in March 2023 by Internal Auditors, KPMG. The result was a rating of “Developing” indicating that there are a number of areas that can be improved to enhance the maturity of Climate Change Governance and achieve control objectives (figure 1) ([full report here](#)) . Council is committed to continue to improve its climate change governance and will implement an improvement programme plan over the next three years.

Audit rating
The audit ratings are defined as follows:

Rating	Definition
GOOD	The controls are fit for purpose and are being performed in a manner which effectively mitigates the identified risks.
EFFECTIVE	Despite the fact that some control weaknesses were identified, existing controls within the audited process are considered to be generally adequate, appropriate, and effective. They ensure that the audited business processes will achieve their control objectives.
DEVELOPING	Control weaknesses were identified which, if not appropriately addressed, could in the future result in the audited business processes not achieving their control objectives.
NOT EFFECTIVE	Existing controls are considered to be inadequate and ineffective to ensure that the audited business processes will achieve their control objectives. Significant improvements are required to improve the adequacy and effectiveness of the control environment.

Figure 1 – KPMG audit ratings and definitions

Based upon the findings the plan will focus on the improvement of the following areas:

- **Risk Governance Structures:** Overall policy, ownership, and structure of climate change risk management at a governance level
- **Skills and Performance:** Capability to undertake correct assessment of climate change risk situations and act accordingly through developing skills, competencies and performance of governance and staff
- **Systems and Settings:** Focus on tools and supports to identify, assess and measure known and emerging climate change risks.

This document outlines WDC’s plan to address the assessment findings as well as implement the recommendations to improve climate change governance maturity.

PART 3 – IMPROVEMENT PLAN

This improvement plan has been tailored for WDC:

A. Key factors:

- The plan focuses on increasing maturity of climate change risk management governance.
- The focus of the first twelve months is agreeing and implementing the appropriate risk governance structures; obtaining a baseline of current skills and gaps to be addressed; and providing a centralised report and understanding of all initiatives underway.
- The initiatives are interrelated and may respond to a number of improvement opportunities. Therefore some of the actions proposed will straddle more than one component but they have not been replicated in the plan.
- Climate Change Governance functions are interdependent with many other functions at Council such as procurement, financial planning, risk management, governance, activity management, spatial planning, and corporate planning therefore this plan will be cognisant of these functions and leverage best practice and expertise in these areas.
- This includes leveraging the existing risk management framework, processes and reporting rather than developing a separate approach.
- Where certain practices are already in place in parts of the organisation, for example Carbon emission monitoring and development of the Environment Strategy, the initiatives identified will seek to leverage from and expand best practice from these areas. This also includes leveraging the information received from the community as part of the development of the 2024/34 LTP and Ahu Ake - Waipā Community Spatial Plan.
- The initiatives will ensure that the outcomes and deliverables are aligned with Ahu Ake - Waipā Community Spatial Plan and the 2024/34 LTP.
- Training plans will be developed based on change management principles to ensure governance and staff engagement and adoption of the improvements are well supported.
- The plan will also leverage the Council's values, particularly "We are better together", "We do the right thing" and "We strive to improve", in implementation.
- The plan assumes that an additional resource will be required to drive the implementation of this improvement programme which will be addressed through reshaping of a vacancy within the Strategy Group.

B. Work completed to date:

- Owner of the Climate Change Top Risk and Climate Change Improvement Programme confirmed as the Group Manager Strategy.
- Climate Change Governance Improvement Programme Plan (this plan) agreed by Executive Team for presentation to Audit and Risk Committee (tbc at Exec meeting 25 May)

TABLE 1: Detail of initiatives

Component	Description	Expected Outcomes	Tasks to Implement
Risk Governance Structures	<p>Risk Governance Structures includes the ‘Governance-level’ Elected members - (the Elected Council members) and ‘Executive Management-Level’ – Governance have the right structures, skills, processes, and policies in place to govern Waipā DC’s climate related risks, opportunities, and performance in an effective manner.</p>	<ul style="list-style-type: none"> • Climate Change Policy will inform decision making, including strategic; financial and risk management through a climate change risk lens. • Waipā will have a formal Sustainability/Climate Change Committee to direct, drive and implement climate change related actions from agreed strategies and planned workstreams at a governance level. This is expected to be a Sub-Committee of the Strategic Planning and Policy Committee. • A cross functional group will maintain oversight of delivery of planned climate change outcomes ensuring a holistic view of projects and initiatives and effective management of resources. • Elected Members and Officers will have agreed expectations and a common understanding of Council’s leadership role in the management of climate change in the District. • Regular and effective reporting of climate-related risks, opportunities and performance to Elected Members and 	<p>FY 2022/23</p> <ul style="list-style-type: none"> • Determine ownership of the Climate Change Top Risk and Improvement Programme Plan at Executive level. • Develop and agree the Climate Change Governance Improvement Programme with Executive and present to Audit and Risk Committee and Council. • Include standard agenda item for climate change on Executive Team meeting agenda monthly. <p>FY 2023/24</p> <ul style="list-style-type: none"> • Establish cross functional group and agree terms of reference for this group • Develop baseline of all climate change initiatives underway or planned and prioritise through cross functional group • Cross functional group to provide input into workshop with Elected Members and provide analysis and recommendation for Sustainability/Climate Change Sub-Committee. • Develop and agree structure and terms of reference for Sustainability/Climate Change Sub -Committee • Develop and agree initial workplan for Sustainability/Climate Change Sub-Committee ensuring alignment with 2024/34 LTP. • Develop and agree Climate Change Policy and Strategy. • Workshop vision and expectations for Council’s leadership role for management of climate change risks and opportunities in the District. Note this will

Component	Description	Expected Outcomes	Tasks to Implement
		<p>insights for effective decision making.</p>	<p>build on the information gathered during the development and implementation of Ahu Ake.</p> <p>FY 2024/25</p> <ul style="list-style-type: none"> • Develop and implement regular reporting from the cross functional group to the Executive Team and Sustainability/Climate Change Sub -Committee and Council. This reporting will include climate related risks, opportunities, and performance. The reporting will utilise existing information and evolve with time. It is also expected that the reporting will provide governance with progress updates for the various initiatives across Council. • Provide climate change risk and opportunity insights to governance, including updating standard report templates for Council, Committees and Executive Team. • Update and agree further workplan for Sustainability/Climate Change Sub-Committee • Confirm Council’s leadership role for the management of climate change risks and opportunities for the district. <p>FY 2025/26</p> <ul style="list-style-type: none"> • Further enhancements and evolution of reporting to Executive Team, Sustainability/Climate Change Sub-Committee and Council. • Review of the effectiveness of the climate change risk governance structure to identify further improvements. <p>FY 2026/27</p> <ul style="list-style-type: none"> • Follow up internal audit to measure progress to increased maturity and identify further improvements.

Component	Description	Expected Outcomes	Tasks to Implement
Skills and Performance	<p>Council has a framework in place to support the development of capability to ensure that correct assessments of complex climate change risk situations and act accordingly. This includes skills and competencies for Elected Members and Executive Team executing governance responsibilities as well as all staff. It includes staff awareness, culture, training and development and keeping updated with best practice and latest knowledge in climate change risk management. Training will be required in climate change, sustainability and carbon literacy.</p>	<ul style="list-style-type: none"> • A climate change skills assessment for all Elected Members and Executive Team members is completed and a training programme implemented to address gaps and ongoing up-skilling as knowledge in this domain develops and is verified. Training will include climate change, sustainability and carbon literacy. • All staff are aware of climate change risks and their role in managing and mitigating these risks, including where to escalate. • Council’s induction of new staff and governance roles includes climate change risk management skills and knowledge. • Processes are in place for including new knowledge to ensure that the training programmes are based on best practice and verified knowledge. 	<p>FY 2023/24</p> <ul style="list-style-type: none"> • Recruit new Climate Change Advisor position • Requirements for climate change skills assessment developed and agreed. • Procurement of climate change skills assessment for all Elected Members and Executive Team. • Training and change management plan developed. <p>FY 2024/5</p> <ul style="list-style-type: none"> • Delivery of training and change management plan: <ul style="list-style-type: none"> ○ Elected Members ○ Executive Team ○ All staff ○ Induction. • Framework and process for identifying and verifying new knowledge agreed. <p>FY 2025/26</p> <ul style="list-style-type: none"> • Embed training and skills development. • Induction of new Elected Members and individual skill development plan for climate change risk. • Incorporation of new knowledge as appropriate. • Re-evaluation of training needs/requirements.
Systems and Settings	<p>Council has an agreed risk management framework and process for identifying, assessing and quantifying known and emerging risks.</p>	<ul style="list-style-type: none"> • Climate change risk management part of operational risk management. • Management Team take more leadership of operational 	<p>FY 2023/24</p> <ul style="list-style-type: none"> • Implement Promapp Risk Module for managing, monitoring and reporting operational risks across Council. This will include specific climate change risk management requirements.

Component	Description	Expected Outcomes	Tasks to Implement
	<p>This will be leveraged to complete a specific climate change risk assessment and apply the outcome of the assessment across the operations of the business.</p>	<p>management of climate change risks, including energy usage and carbon emissions</p> <ul style="list-style-type: none"> • Climate change risk assessment using scenario analysis provides a common understanding for decision makers. • Climate change risk assessment included into the operations and operational risk management across the business, including Activity Management Plans • Council’s scenario analysis leveraged by local communities and business in their risk assessments, mitigation and adaptation efforts. 	<ul style="list-style-type: none"> • Management Team take more leadership of operational management of climate change risks, including energy usage and carbon emissions. • Gather climate change risk assessment information completed to date – within WDC and wider organisations e.g. CDEM, WRC, MfE. • Identify other relevant information that will inform scenario analysis, including Ahu Ake. • Develop potential scenarios for risk assessment. <p>FY 2024/25</p> <ul style="list-style-type: none"> • Agree scenarios for climate change risk assessment. • Complete climate change risk assessment using scenario analysis. • Develop and agree recovery plans. This includes updating Council’s business resilience plans and also developing recovery plans for broader outcomes. <p>FY 2025/26</p> <ul style="list-style-type: none"> • Develop a communications and engagement plan for engaging local communities and businesses and sharing the scenario analysis and how this information may be used as part of their mitigation and adaptation efforts. Note this plan will need to align with the agreed leadership role Council wants to take in climate change risk management in the district. It will also need to align with Ahu Ake. • Implement communications and engagement plan, including sharing the scenario analysis with local communities and businesses and providing support. <p>FY 2026/27</p> <ul style="list-style-type: none"> • Review and update scenarios for analysis and refresh climate change risk assessment.

PART 4 – MEASURES OF SUCCESS

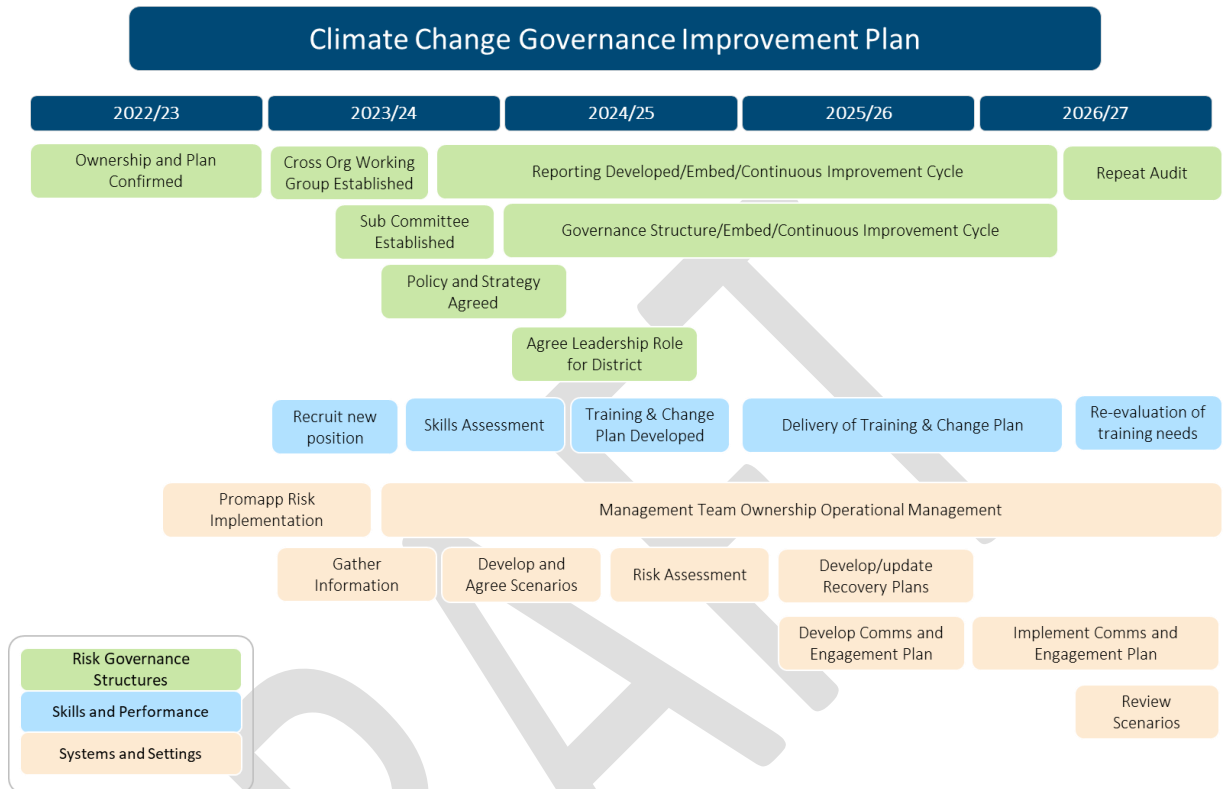
The measures of success for this plan are:

- The improvement program is implemented according to time and identified outputs.
- The outputs of the improvement program are recognized and considered effectively implemented in the follow-up internal audit by Council’s internal auditors to be completed in approximately 3 to 4 years’ time.
- Increase in capability, including knowledge and skills, across Elected Members and Executive Team. The baseline skills assessment will be reviewed after the training plan has been implemented to show progress.
- Increase in awareness of climate change risk management across the wider organisation. A baseline survey is planned prior to commencement of the substantive improvement actions that will be repeated to show progress.
- Maturity at a department level is evaluated and raised where relevant.

DRAFT

PART 5 – SUMMARY SCHEMATIC IMPROVEMENT PLAN

A summary schematic of the project management improvement plan is shown as Figure 2 below.





TE AWAMUTU - HEAD OFFICE

101 Bank Street, Private Bag 2402, Te Awamutu Ph 07 872 0030

CAMBRIDGE - SERVICE CENTRE

23 Wilson Street, Cambridge Ph 07 823 3800 

[/WaipaDistrictCouncil](#)  [/Waipa_NZ](#)  [/Waipa_DC](#)



To: The Chairperson and Members of the Audit and Risk Committee
From: Group Manager Service Delivery
Subject: **Asset Management Planning Audit - Improvement Programme**
Meeting Date: 12 June 2023

1 EXECUTIVE SUMMARY – WHAKARĀPOPOTOTANGA MATUA

In June 2020 a report was presented to the Committee outlining the findings from the KPMG Asset Management Planning Audit. The resolution from that report stated:

The Audit and Risk Committee endorse the proposal for staff to develop an improvement programme to address the issues raised in the internal audit, and request this be presented to the Audit and Risk Committee at its September 2020 meeting.

This report provides a further update on progress achieved since the last report to the Audit and Risk Committee (ARC) in June 2022.

2 RECOMMENDATION – TŪTOHU Ā-KAIMAHI

That the Audit and Risk Committee receives the report of Dawn Inglis, Group Manager Service Delivery, titled Asset Management Planning Audit - Improvement Programme (document number 11015070).

3 COMMENTARY - KŌRERO

Late in 2019, KPMG was engaged to undertake an internal audit of Waipā District Council’s asset management planning processes. Overall Council was rated as “Developing”. While the review found some good practices and a genuine desire for improvement, overall Waipā DC’s asset management planning was limited by:

- an ineffective approach to governance
- persistent resource shortages and staff churn
- an absence of a documented asset management framework

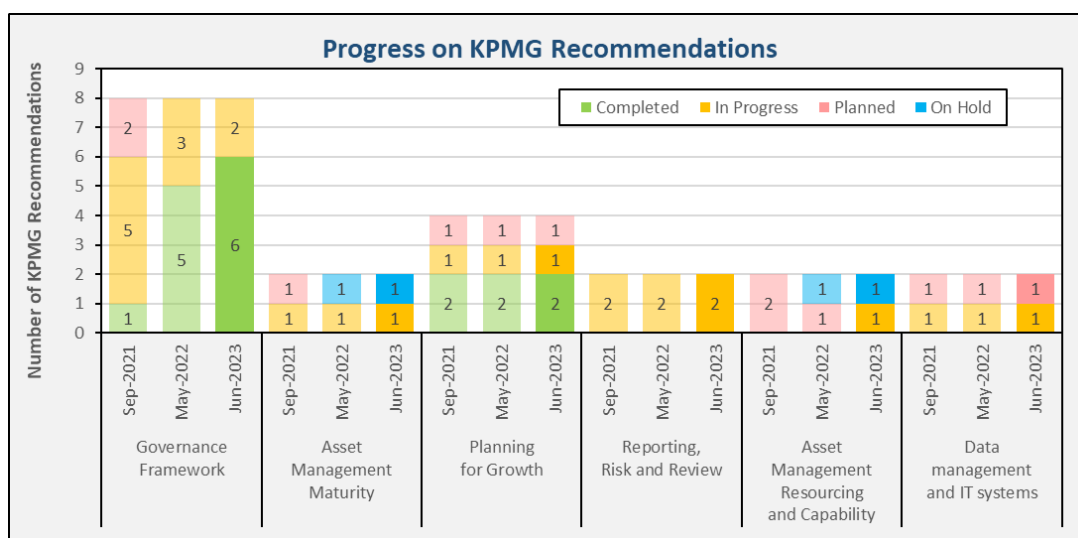
- teams operating varied approaches of differing efficiency and effectiveness, and generating different outcomes.

In response to the audit, a number of management actions were agreed.

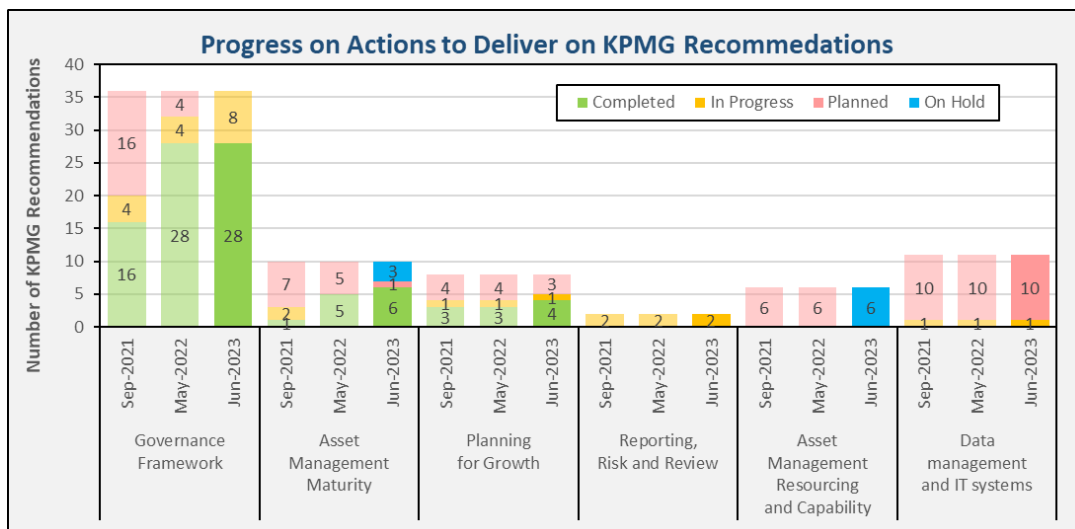
Waipā’s approach to resourcing activity management planning is to utilise staff who are embedded within activities, often with many operational tasks within their roles. This approach raises challenges associated with AM/AMP tasks not being a focus for many of the staff involved and this is reflected in the rate of progress. The improvement actions will therefore be a longer term commitment than if dedicated resourcing was in place.

Summary of Progress to Date

The chart below shows Council’s progress against the KPMG recommendations. Since the last report (June 2022) another recommendation in the Governance Framework area has been completed, this being the AM Policy and Strategic AMP. The Governance Framework recommendations were prioritised for action as they will help guide further work.



Progress against the organisational improvements required to achieve the KPMG recommendations is shown in the chart below. This shows that a small number of individual actions have been progressed/completed.

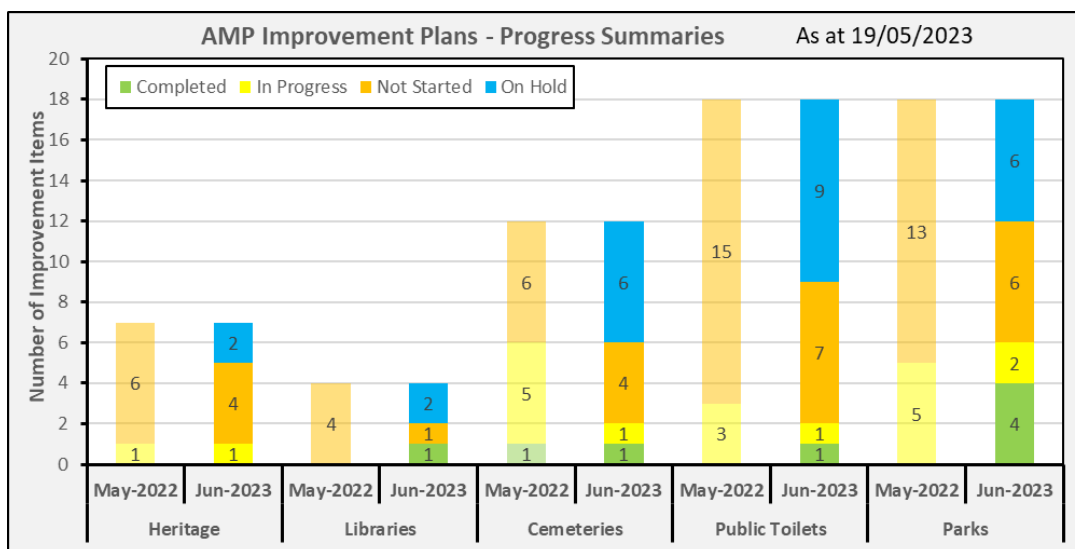


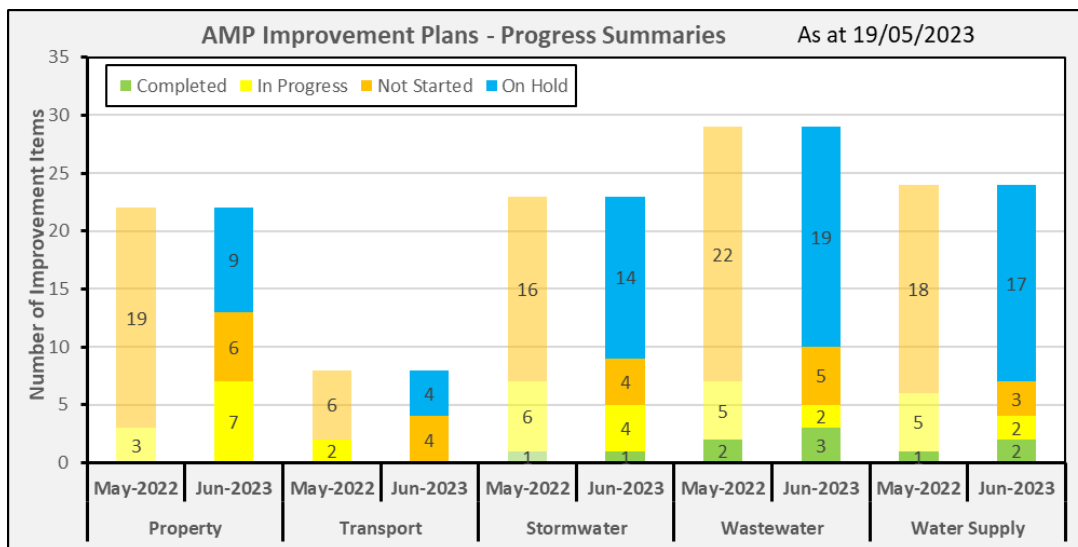
1. Governance Framework

The AM Policy has been reviewed and updated and aligned with the new organisational template for policies. The policy has been incorporated into the Strategic Asset Management Plan (SAMP) and endorsed as part of that document. This approach is being taken as it's expected to provide the policy with more visibility. The SAMP is now scheduled for an external review to identify any further areas for improvement.

2. Asset Management Maturity

The focus for this work has been the improvement action plans in each of the Activity Management Plans (AMPs) that are intended to help close any gaps in asset management maturity in those activity areas. The charts below show the progress on actions identified in the AMP improvement plans. Progress reflects the ongoing challenges associated with AM/AMP tasks not being a focus for many of the staff involved. Additionally resources have been focused on progressing the 2024 AMP documents, which have received positive feedback in their recent peer review.





Dawn Inglis
GROUP MANAGER SERVICE DELIVERY

COMMITTEE REPORT



To: The Chairperson and Members of the Audit and Risk Committee
From: Business Resilience and Risk Advisor
Subject: **COMPLIANCE MANAGEMENT IMPROVEMENT PROGRAMME
UPDATE**
Meeting Date: 12 June 2023

1 EXECUTIVE SUMMARY – WHAKARĀPOPOTOTANGA MATUA

The compliance management strategy has been reviewed and this report provides an update on what has been achieved through the Compliance Management Improvement Programme and what is still outstanding.

Whilst the improvement programme is largely completed there are two outstanding areas that will be completed over the next six months:

- Build on training completed by developing a training needs analysis and training plan for key legislation, with online modules to be delivered for all staff and as part of induction.
- Identify high risk or vulnerable functions that need deep dive risk assessment and/or further testing.

2 RECOMMENDATION – TŪTOHU Ā-KAIMAHI

That the Audit and Risk Committee receives the report of Genny Wilson, Business Resilience and Risk Advisor, titled 'Compliance Management Improvement Programme Update' (document number 11007877).

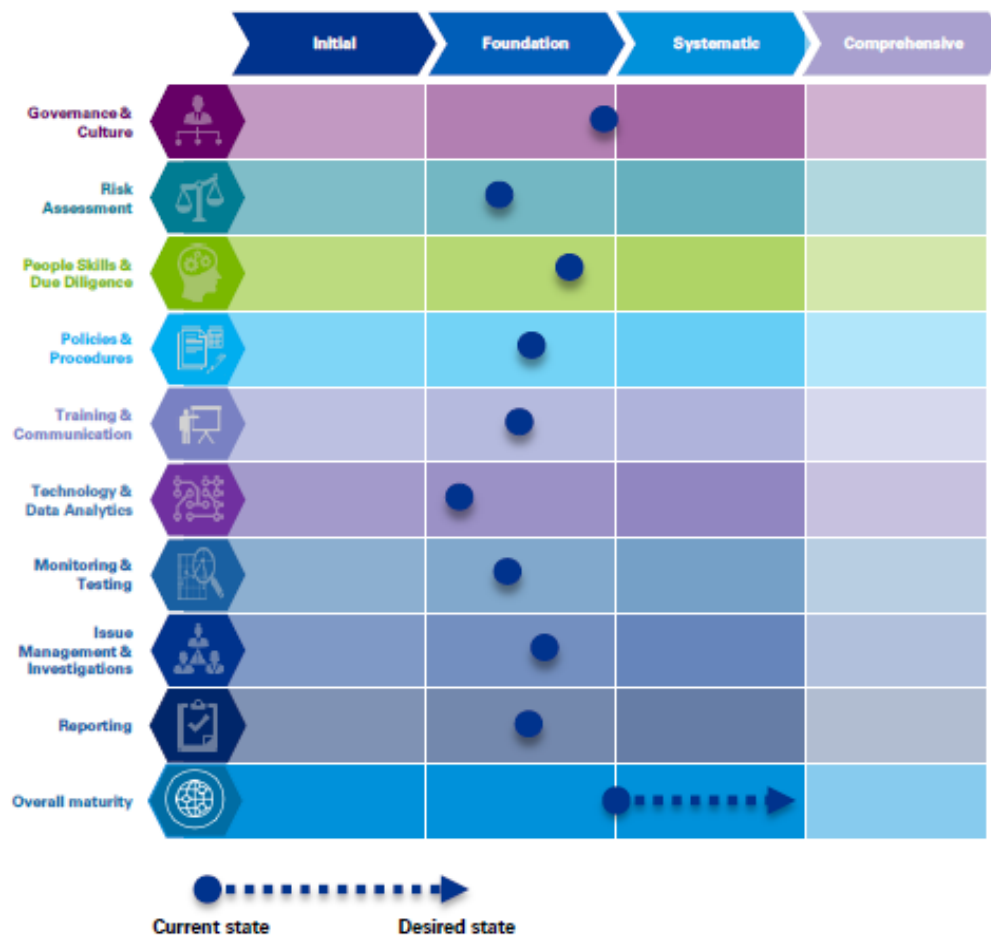
3 COMMENTARY – KŌRERO

A Compliance Management maturity review was completed in March 2019 as part of the internal audit programme. This review rated Council as 'Systematic' and a Compliance Management Strategy outlined the improvement programme to move the organisation to a level of 'Comprehensive' maturity over the course of the programme. The compliance management strategy also leveraged off the risk management improvement programme.

The compliance management strategy has been reviewed and this report provides an update on what has been achieved through the Compliance Management Improvement Programme and what is still outstanding.

The key components of the Compliance Management Framework and maturity model are aligned to NZS/AS 3806:2006 and AS ISO 19600:2014 standards.

Figure 1: Compliance Management Framework and Maturity Model



The recommendations in the review were detailed for each component. However due to the repetition and overlap of activities between items, this report will report on the key actions as summarised in the table included as Appendix 1.

Overall the Compliance Management Improvement Programme is largely completed with the implementation of ‘Complywith’ addressing or facilitating resolution of most of the actions. This includes a central register of obligations; notification of new/amended legislation and related obligations; annual attestation survey and report; and corrective action functionality to manage gaps and improvements.

The key outstanding areas that will be completed over the next six months are:

- Build on training completed by developing a training needs analysis and training plan for key legislation, with online modules to be delivered for all staff and as part of induction.
- Identify high risk or vulnerable functions that need deep dive risk assessment and/or further testing.

A follow-up maturity audit for compliance management is scheduled for Quarter 3 (Jan to Mar 2024) in next year’s agreed internal audit plan.

4 APPENDICES - ĀPITITANGA

No:	Appendix Title
1	Table of Actions from Compliance Management Strategy



Genny Wilson
BUSINESS RESILIENCE AND RISK ADVISOR



Reviewed by Georgina Knapp
MANAGER ORGANISATIONAL EXCELLENCE



Reviewed by Diana Aquilina
LEGAL COUNSEL



Approved by Ken Morris
DEPUTY CHIEF EXECUTIVE / GROUP MANAGER BUSINESS SUPPORT

APPENDIX 1

Appendix 1 Table of Actions from Compliance Management Strategy

Action Description	Current Status	How Completed	Comment
Establish Cross Council Group	Completed	Risk and Compliance Oversight Group	Role expanded to include QA of policies and development of Pou Tātaki. Regular meetings and review of role of group ongoing.
Develop Compliance Management Policy – including governance roles and responsibilities	Completed	Policy developed and later included in Managing Risk and Compliance at Waipā policy and guides	
Complete stock take and gap analysis of obligations	Completed	Complywith	Corrective Action functionality will manage addressing gaps identified
Incorporate risks associated with non-compliance into risk management improvement programme	Completed	Non-compliance information in risk management training and guides	
Define reporting to include in ARC Quarterly risk report	Completed	Section on compliance in quarterly risk report	
Develop a Council compliance register with ownership clearly defined	Completed	Complywith	Ongoing ownership and administration provided by Legal Services
Conduct risk deep dives for key legislation	Partial Completion	Deep dive for Information Management and LGOIMAs completed	Further deep dives based on risk to be agreed with Legal Counsel and Managers.
Assign responsibility for Compliance Management	Completed	Executive ownership: GM Business Support Oversight for organisation: Legal Counsel	Ownership/oversight moved from risk management to Legal Counsel
Develop processes for monitoring changes to legislation, including	Completed	Complywith Promapp	Complywith identifies and notifies changes

Action Description	Current Status	How Completed	Comment
communication protocols			Promapp process for responding to proposed and actual changes published
Develop Compliance Management Guidelines	Completed	Guide to risk management overview Guide to risk management process and risk assessment matrices	Included into risk management guides and includes escalations
Complete training needs analysis and training plan, develop and deliver training materials	Partial completion	Risk Management training rolled out Feb 2023 LGOIMA training developed and rolled out 2021/22 Privacy Act changes training rolled out 2022 Whistleblower training on track for June 2023 rollout	Further training needs analysis and plan to be completed now online modules possible.
Implement Learning Management System	Completed	This is a wider requirement than compliance management Delivered through HRP Phase 1	Online modules can be developed and delivered in house
Define requirements, procure and implement compliance management system	Completed	Complywith	Potential for addons for comply watch and controls reporting being explored
Define requirements for any other systems to support compliance e.g. delegations	Not required		Will monitor and complete as BAU if risk level merits this.
Develop reporting, based on risk and performance, that assures compliance	Completed	Complywith attestation reporting Compliance reporting in quarterly risk report	Reporting will continue to evolve
Implement annual attestation process	Completed	Baseline survey completed October 2022	Annual survey will be run in October each year – administered by Legal Services

Action Description	Current Status	How Completed	Comment
Identify through Deep Dives high risk or vulnerable functions that may require further testing/audit	Not started	Fraud Risk Assessment planned for 2022/23	Further deep dives based on risk to be agreed with Legal Counsel and Managers.
Develop a centralised reporting approach for compliance management, including breaches	Completed	Comply with LGOIMA role established in Legal Services Legal Services manage any breach investigations and report Ombudsman complaints and privacy breaches included into quarterly risk report	

COMMITTEE REPORT



INFORMATION ONLY

To: The Chairperson and Members of the Audit and Risk Committee
From: Manager Project Delivery
Subject: **CAPITAL PROGRAMME UPDATE TO 30 APRIL 2023**
Meeting Date: 12 June 2023

1 EXECUTIVE SUMMARY – WHAKARĀPOPOTOTANGA MATUA

Failure to deliver the 10-Year Plan Capital Expenditure Programme is one of Council's Top Risks. Providing reports on the delivery to the programme is a key mitigant in ensuring that the risk is being pro-actively managed.

This report provides a summary of the Service Delivery and Customer and Community Services capital programme delivery as at the end of April 2023.

A total of 162 budgeted projects are currently being delivered across the Service Delivery and Community Services Groups. Total spend to date is \$71.8 million (55% of the 2022/23 forecast budget), and a further \$55.5 million, (42.46% of the budget) is committed, although a number of these commitments will go into the 2023/24 financial year. The criteria for a budget allocation to be shown as a committed spend is only when a contract for either professional services or physical works has been approved and signed. There is currently \$3.4 million, (2.6% of the 2022/23 budget) that is not yet committed.

Delivery of the capital programme against the Annual Plan budget by funding source is a key performance indicator. The targets set are reported on when compared with the 2022/23 Annual Plan budget and therefore do not take into account any budget reforecasting that has occurred throughout the year. The current key risk indicator report is currently showing renewal and Level of Service (LOS) targets as being 'off track' and the growth target being 'at risk'.

The renewal projects currently have 67% spent against the Annual Plan budget, and are expected to fall short of the KPI goal of 100% at year end. Renewal contracts are in place but due to timing of contract awards, weather delays and some contracts going over a longer period than anticipated, it is not expected that the 100% will be met this financial year.

The LOS projects are at 33%, and are also expected to fall short of the KPI goal of 80% at year end. This is due to projects being deferred to future years; largely Finlay Detention Ponds \$1.5m and Te Awamutu/Ngaroto/Pirongia Cycleway Section \$5.1m. Delays have also occurred with the Cambridge Fire and Water LOS Upgrades which have required further modelling; Cambridge Town Hall Upgrades and New Pensioner Housing Construction.

The Growth projects are at 43% and are currently showing ‘at risk’ of falling short of the KPI target of 70% due to approximately \$27.5m of the Annual Plan budgets being deferred to future years.

Peter Thomson, Manager Project Delivery, will be present at the meeting to answer any questions.

2 RECOMMENDATION – TŪTOHU Ā-KAIMAHI

That the Audit and Risk Committee receives the report of Peter Thomson, Manager Project Delivery, titled Capital Programme Update to 30 April 2023 (document number 11015592).

3 APPENDIX – ĀPITITANGA

1	Audit and Risk Committee Report – Service Delivery and Customer & Community Services Programme Update as at 30 April 2023 (<i>document number 11015599</i>).
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Peter Thomson
MANAGER PROJECT DELIVERY



Dawn Inglis
GROUP MANAGER SERVICE DELIVERY

Appendix 1

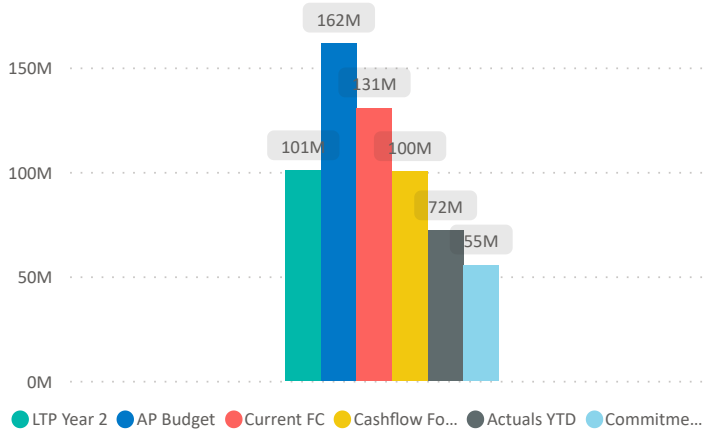
Audit and Risk Committee Report – Service Delivery and Customer & Community Services Programme Update as at 30 April 2023 (*document number 11015599*).

Definitions Used in Appendix:

- LTP Year 2 – the capex sum from the 2021-2031 LTP Year 2
- Forecast – the capex sum as nominated in the most recent quarterly forecast completed by staff (including carry forward sums from 2021/2022)
- Actual – the capex spend to date
- Commitments - contract for either capex professional services or physical works has been approved

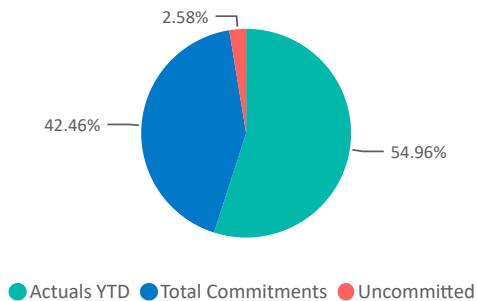
Audit & Risk Committee Report - Service Delivery & Customer and Community Services Programme Update 30 April 2023

Budget vs Actual 2022/2023



Comments: The current forecast is \$131m with the cashflow spreadsheets projecting a spend of \$100m. Cashflow projections have dropped largely due to growth projects. There are \$55.5m of commitments, a number of these commitments will go into the 2023/24 financial year. There have been a number of large contracts awarded in the last couple of months - commitments for these are not yet showing as contract documentation is still being signed.

% Uncommitted Forecast

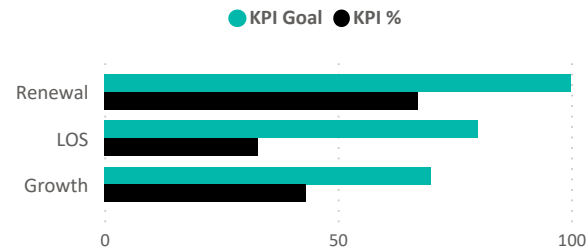


Total No. Budgeted Projects

Month	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr
Total No. Budgeted Projects	155	160	161	152	152	154	154	150	162	162

Increase in projects between July and August was due to projects carried forward from the 2021/22 year. The additional project in September is the C1 Land Purchase - budget added as per Council July resolution. Through the October Forecast process 9 projects across Service Delivery were deferred to future years. In December 2 new projects were set up in Transportation for rehab to manage individual contracts - budgets have been transferred from the Pavement Rehab project. During the February FC process 3 projects were deferred to future years - Fairview Watermain / DW WWTP Renewals / Golf Rd (T8) WW Provision. In March 12 new Transportation projects were setup - 11 for projects in relation to the Transport Choices programme and 1 for CCTV re Better Off Funding.

2022/23 Current % Spend - Organisational KPI

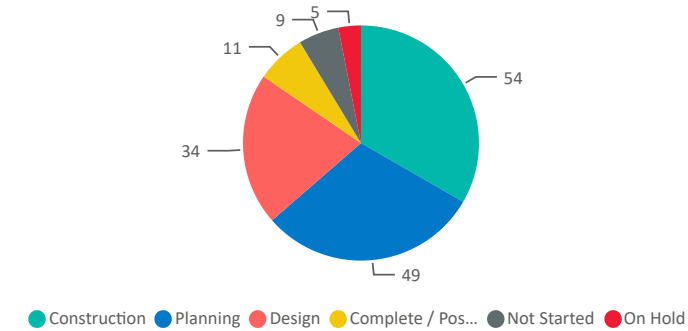


Organisational Risk Indicator

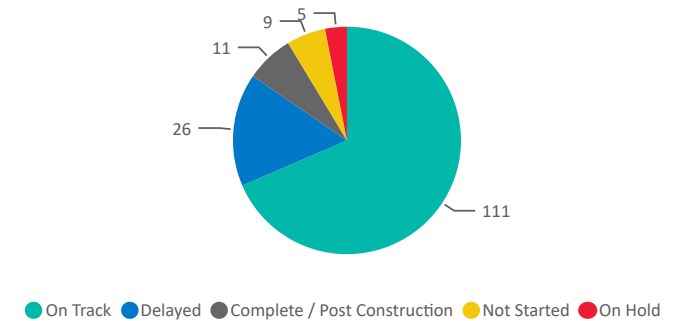
KPI	Status
Projects 100% Renewal	At risk
Projects 80% LOS	At risk
Projects 70% Growth	Off Track

Status	On track	Off Track	At risk
	>= 100% of target	<79% of target	80%-99% of target

Project Phase



Project Tracking



5 Projects are on hold:

Growth: PR3041 - Picquet Hill Plan Change Roading - on hold while land issues are resolved.

Transportation: Stock Underpasses, Street Light Improvements x2 projects - on hold due to no Waka Kotahi funding.

3 Waters - PR2025 TA Active Retic Control - on hold while relooking and confirming reservoir strategy in light of growth cell development and timing.

COMMITTEE REPORT



To: The Chairperson and Members of the Audit and Risk Committee
From: Governance
Subject: **RESOLUTION TO EXCLUDE THE PUBLIC**
Meeting Date: 12 June 2023

1 RECOMMENDATION

(Section 48, Local Government Official Information and Meetings Act 1987)

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

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

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
18. Confirmation of Public Excluded Minutes – 13 March 2023 19. Capital Programme Risks to 30 April 2023 20. Deep Dive into Top Risks 6 and 7 21. Litigation Update 22. Group Risk Discussion – Group Manager Strategy 23. Organisational Risk Discussion with the Chief Executive	<i>Good reason to withhold exists under section 7 Local Government Official Information and Meetings Act 1987</i>	<i>Section 48(1)(a)</i>

This resolution is made in reliance on section 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests

protected by Section 6 or Section 7 of that Act, or Sections 6, 7 or 9 of the Official Information Act 1982, as the case may be, which would be prejudiced by the holding of the whole or relevant part of the proceedings of the meeting in public, are as follows:

Item No.	Section	Interest
18,22,23	Section 7(2)(a)	<i>To protect the privacy of natural persons, including that of deceased natural persons.</i>
18,22,23	Section 7(2)(b)(i)	<i>To protect information which if public would; disclose a trade secret.</i>
18,22,23	Section 7(2)(b)(ii)	<i>To protect the information which if public would; unreasonably prejudice the commercial position of the person who supplied or who is the subject of the information.</i>
18,20	Section 7(2)(c)(i)	<i>To protect information which is subject to an obligation of confidence where the making available of the information would be likely to prejudice the supply of similar information, or information from the same source, where it is in the public interest that such information should continue to be supplied.</i>
18,20	Section 7(2)(c)(ii)	<i>To protect information which is subject to an obligation of confidence where the making available of the information would be likely otherwise to damage the public interest.</i>
18,21	Section 7(2)(g)	<i>To maintain legal professional privilege</i>
18,19	Section 7(2)(h)	<i>To enable the council to carry out, without prejudice or disadvantage, commercial activities.</i>