

Notice is hereby given that an ordinary meeting of the Horowhenua District Risk and Assurance Committee will be held on:

Date: Wednesday 7 June 2023
Time: 3.30pm
Meeting Room: Council Chambers
Venue: 126-148 Oxford St
Levin

Risk and Assurance Committee OPEN AGENDA

MEMBERSHIP

Chairperson	Cr Sam Jennings	
Deputy Chairperson	Cr Paul Olsen	
Members	Cr Alan Young	
	Cr Clint Grimstone	
	Cr Jonathan Procter	
	Cr Piri-Hira Tukapua	
	Mayor Bernie Wanden	
	Jenny Livschitz	Independent Member
	Sarah Everton	Independent Member

Contact Telephone: 06 366 0999
Postal Address: Private Bag 4002, Levin 5540
Email: enquiries@horowhenua.govt.nz
Website: www.horowhenua.govt.nz

Full Agendas are available on Council's website
www.horowhenua.govt.nz

Full Agendas are also available to be collected from:
Horowhenua District Council Service Centre, 126 Oxford Street, Levin
Te Awahou Nieuwe Stroom, Foxton,
Shannon Service Centre/Library, Plimmer Terrace, Shannon
and Te Takeretanga o Kura-hau-pō, Bath Street, Levin

Note: The reports contained within this agenda are for consideration and should not be construed as Council policy unless and until adopted. Should Members require further information relating to any reports, please contact the Chief Executive Officer or the Chairperson.

ITEM	TABLE OF CONTENTS	PAGE
PROCEDURAL		
1	Apologies	5
2	Public Participation	5
3	Late Items	5
4	Declarations of Interest	5
5	Confirmation of Minutes	5
REPORTS		
6	Reports for Noting	
6.1	Audit Management Letter, Engagement letter and Audit plan for 2022/23 Annual Report	7
6.2	Treasury Report for the March 2023 quarter	85
6.3	Risk and Assurance Committee Resolutions and Actions Monitoring Report	95
6.4	Health, Safety and Wellbeing Quarterly Report - June	121
6.5	Insurance Renewal Strategy Update	141
6.6	Risk Management Status Quarterly Report - June 2023	153
6.7	Internal Audit Work Programme	225
6.8	Conflict of Interest Report	229
6.9	Legislative Compliance Report	245
6.10	Risk and Assurance Committee Work Programme	249
7	Proceedings of Committees	
IN COMMITTEE		
8	Procedural motion to exclude the public	253
6.6	Risk Management Status Quarterly Report - June 2023	
D.	Operational Risk Register May 2023 Updated 10	253
E.	Organisation Risk Register May 2023 Updated 10	253

Karakia

Whakataka te hau ki te uru	Cease the winds from the west
Whakataka te hau ki te tonga	Cease the winds from the south
Kia mākinakina ki uta	Let the breeze blow over the land
Kia mātaratara ki tai	Let the breeze blow over the ocean
E hī ake ana te atakura	Let the red-tipped dawn come with a sharpened air.
He tio, he huka, he hau hū	A touch of frost, a promise of a glorious day.
Tihei mauri ora!	

1 Apologies

2 Public Participation

Notification of a request to speak is required by 12 noon on the day before the meeting by phoning 06 366 0999 or emailing public.participation@horowhenua.govt.nz.

3 Late Items

To consider, and if thought fit, to pass a resolution to permit the Council to consider any further items which do not appear on the Agenda of this meeting and/or the meeting to be held with the public excluded.

Such resolution is required to be made pursuant to Section 46A(7) of the Local Government Official Information and Meetings Act 1987, and the Chairperson must advise:

- (i) The reason why the item was not on the Agenda, and
- (ii) The reason why the discussion of this item cannot be delayed until a subsequent meeting.

4 Declarations of Interest

Members are reminded of their obligation to declare any conflicts of interest they might have in respect of the items on this Agenda.

5 Confirmation of Minutes

5.1 Meeting minutes Risk and Assurance Committee, 1 March 2023

5.2 Meeting minutes In Committee Meeting of Risk and Assurance Committee, 1 March 2023

5.3 Meeting minutes Extraordinary Meeting of Risk and Assurance Committee, 26 April 2023

Recommendations

That the meeting minutes of the Risk and Assurance Committee, 1 March 2023 be accepted as a true and correct record.

That the meeting minutes of the In Committee Meeting of Risk and Assurance Committee, 1 March 2023 be accepted as a true and correct record.

That the meeting minutes of the Extraordinary Meeting of Risk and Assurance Committee, 26 April 2023 be accepted as a true and correct record.

6.1 Audit Management Letter, Engagement letter and Audit plan for 2022/23 Annual Report

File No.: 23/369

1. Purpose

- 1.1 This report is to present to the Risk and Assurance Committee the Audit management letter for the 2021/22 year and the engagement letter and audit plan for the 2022/23 Annual Report.

2. Recommendation

- 2.1 That Report 23/369 Audit Management Letter, Engagement letter and Audit plan for 2022/23 Annual Report be received.
- 2.2 That this matter or decision be recognised as not significant in terms of s76 of the Local Government Act 2002.
- 2.3 That the Audit and Risk Committee agree to joining the Council meeting on 25 October, 2023 to review and adopt the Annual Report for 2022/23, noting that this will provide greater opportunity for the report to be adopted prior to 31 October, 2023.

3. Issues for Consideration

Audit Management Letter

- 3.1 A copy of the draft management letter is included in Appendix D. It is in line with the presentation that the Committee received from our Audit Director when the Annual Report was presented. The points cleared by audit during this annual report have been cleared from the monitoring report.

Audit Engagement Letter

- 3.2 Audit New Zealand have provided the engagement letter for the 2022/23 Financial Year. This is included in Appendix B.

Audit Fee

- 3.3 Audit New Zealand have also recently begun a review of the 2022/23 proposed fees and have provided an early indication that it could be as high as \$340,000. This compares to \$194k for 2021/22. Appendix A includes a table outlining the proposal.

Audit Plan

- 3.4 Audit New Zealand's overall Audit Plan is included within a summary of the proposed timing that is included below. It is important to note that this plan includes an assumption that the Council will need to revalue our three waters, roading and land and building assets again for this financial year.
- 3.5 This is a significantly costly exercise both in officer time, contracting external valuers and auditor time to review. Officers are currently completing a high level review of how assets values have changed (fair value assessment) to determine if it is necessary to revalue the assets again.

Audit Timing

- 3.6 In preparation for the 2022/23 Annual Report, officers have been working with Audit New Zealand to ensure that the Annual Report is adopted before the 31 October statutory deadline. This is proving difficult to meet as resources for the audit have yet to be confirmed,

and the focus of effort for Audit New Zealand in the first part of September is on Central Government audits.

- 3.7 The soonest that Audit New Zealand can agree to provide verbal audit clearance is 20 October 2023. This assumes a standard audit of four weeks.
- 3.8 While the extraordinary Council meeting scheduled to adopt the 2022/23 annual report is on 25 October 2023, this would not allow the reports to be released for the agenda on 18 October with clearance already provided.
- 3.9 This is an unfortunate timeframe that would also require independent members of the Risk & Assurance Committee to join the Council meeting to review and discuss the report prior to adoption rather than the standard process of first taking the report through the Committee.
- 3.10 Council's Audit Director Clint Ramoo has agreed to provide regular updates for the committee on the status of the audit.

Attachments


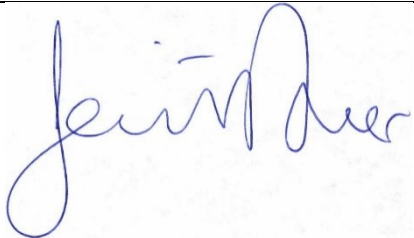
No.	Title	Page
A	Memo to R&A Committee from Audit NZ	10
B	Audit Engagement Letter	14
C	Audit Plan 2023	28
D	Audit Management Letter - Final 2022	49


Confirmation of statutory compliance

In accordance with section 76 of the Local Government Act 2002, this report is approved as:

- containing sufficient information about the options and their benefits and costs, bearing in mind the significance of the decisions; and,
- is based on adequate knowledge about, and adequate consideration of, the views and preferences of affected and interested parties bearing in mind the significance of the decision.

Signatories

Author(s)	Pei Shan Gan Financial Controller	
Approved by	Jacinta Straker Group Manager Organisation Performance	

	Monique Davidson Chief Executive Officer	
--	--	---



AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Level 1, 100 Molesworth Street
Thorndon
PO Box 99, Wellington 6140

MEMORANDUM

To: Risk and Assurance Committee
Horowhenua District Council

From: Clint Ramoo
Appointed Auditor

Date: 16 May 2023

Subject: Audit Planning Documents

Kai ora koutou

Please find attached the following draft audit planning documents:

1. Audit Engagement Letter
2. Draft Audit Plan.

At this stage, I am unable to provide final details relating to the audit fee for the year ending 30 June 2023 as the fees are still subject to moderation within Audit New Zealand and will then go to the Office of the Auditor General for final moderation and approval.

I do however set out in this memorandum my proposed fee that I have submitted for moderation and share this with the Committee on the basis that it is likely to change post the two moderations.

1. Audit Engagement Letter

This letter outlines:

the terms of the audit engagement and the nature, and limitations, of the annual audit; and

the respective responsibilities of the governing body (the Council) and me, as the Appointed Auditor, for the financial statements and performance information.

It also sets out our independence requirements and reporting obligations.

2. Audit Plan

The audit plan sets out the following matters in respect of the audit for the year ending 30 June 2023:

Audit risks and issues

- Revaluation of Property, Plant & Equipment (revaluation year);
- Complaints and response time performance measures;
- Service performance reporting;
- Impact of three waters reform; and
- Risk of management override of internal controls.

Materiality

- Overall materiality - \$67.7m (applicable to revaluations only)
- Specific materiality - \$1.75m (all other balances)
- Clearly trivial threshold - \$87,500
(errors over this amount not adjusted will be reported to Council)

Material performance measures and related materiality

Our audit process

Reporting protocols

Audit logistics

- Interim audit (2 weeks) commencing 19 June 2023
- Final audit (4 weeks) commencing 25 September 2023
- Audit opinion issued – 25 October 2023
- Draft report to Council – 31 October 2023

3. Proposed fees for the year ending 30 June 2023 (subject to moderation)

As noted above, the proposed fee for the audit is still subject to internal moderation, however, I set out below details of the hours and costs I have provided to the moderation panel noting that this will be subject to change.

Estimated audit hours

Audit team member	2022 budget	2022 actual hours charged to date	2023 proposed
Appointed Auditor	85	124	85
Audit Manager	110	178	120
Other Audit Staff	739	1,520	1,510
Specialist	10	7	19
Information Systems specialists	20	21	32
Total audit hours	964	1,850	1,766

The increased hours relate largely to increased audit work as a result of new auditing and accounting standards (PBE FRS 48, PBE IPSAS 41 & ISA 315) as well as the additional audit work relating to the revaluations.

The total hours to complete the 2020 & 2021 audits were 1,706 & 1,697 respectively.

Proposed audit fees

Structure of audit fees	2022 budget fees	2022 actual costs to date (Note 1)	2023 proposed fees
	\$	\$	\$
Net audit fee	168,459	329,566	308,398
OAG Audit Standards and Quality Support fee	15,341	15,341	32,141
Total audit fee (excluding disbursements)	183,800	344,907	340,539

Note 1 – total fees billed to including OAG Quality Support fee is \$183,800 plus disbursements of \$3,465.

The net audit costs to complete the 2020 and 2021 audits were \$280,346 and \$298,109 respectively.

Key drivers for the increase in costs are:

- Change in team mix due to revaluations;
- Increase in hours; and
- Projected increases in staff salaries



AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Draft – 16 May 2023

Bernie Wanden
Horowhenua District Council
Private Bag 4002
Levin 5540

Kia ora Bernie

Audit Engagement Letter

This audit engagement letter is sent to you on behalf of the Auditor-General who is the auditor of all “public entities”, including Horowhenua District Council (District Council), under section 14 of the Public Audit Act 2001 (the Act). The Auditor-General has appointed me, Clint Ramoo, using the staff and resources of Audit New Zealand, under sections 32 and 33 of the Act, to carry out the annual audits of the District Council and group’s financial statements and performance information. We will be carrying out these annual audits on the Auditor-General’s behalf, for the years ending 30 June 2023 to 30 June 2025.

This letter outlines:

- the terms of the audit engagement and the nature, and limitations, of the annual audit; and
- the respective responsibilities of the governing body (the Council) and me, as the Appointed Auditor, for the financial statements and performance information.

The objectives of the annual audit are:

- to provide an independent opinion on the District Council and group’s financial statements and performance information; and
- to report on other matters that come to our attention as part of the annual audit (typically those matters will relate to issues of financial management and accountability).

We will carry out the audit in accordance with the Auditor-General’s Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board (collectively the Auditing Standards). The Auditing Standards require that we comply with ethical requirements, and plan and perform the annual audit to obtain reasonable assurance about whether the District Council and group’s financial statements and performance information are free from material misstatement. The Auditing Standards also require that we remain alert to issues of concern to the Auditor-General. Such issues tend to relate to matters of financial management and accountability.

Draft Horowhenua DC Audit Engagement Letter.DOCX

The Council's responsibilities

Our audit will be carried out on the basis that the Council, as the governing body, acknowledges that it has responsibility for:

preparing the financial statements and performance information in accordance with any applicable legal requirements and financial reporting standards;

having such internal control as determined necessary to enable the preparation of financial statements and performance information that are free from material misstatement, whether due to fraud or error; and

providing us with:

- access to all information relevant to preparing the financial statements and performance information such as records, documentation, and other information;
- all other information, in addition to the financial statements and performance information, to be included in the annual report;
- additional information that we may request from District Council and group for the purpose of the audit;
- unrestricted access to council members and employees that we consider necessary; and
- written confirmation concerning representations made to us in connection with the audit;

In addition, the Council is responsible for:

the preparation of the summary financial statements and summary performance information;

making the audited summary financial statements and summary performance information readily available to the intended users of that information; and

including our audit report on the summary financial statements and summary performance information in any document that contains that information and that indicates that we have reported on that information.

The Council's responsibilities extend to all resources, activities, and entities under its control. We expect that the council will ensure:

the resources, activities, and entities under its control have been operating effectively and efficiently;

it has complied with its statutory obligations including laws, regulations, and contractual requirements;

it has carried out its decisions and actions with due regard to minimising waste;

it has met Parliament's and the public's expectations of appropriate standards of behaviour in the public sector in that it has carried out its decisions and actions with due regard to probity; and

its decisions and actions have been taken with due regard to financial prudence.

We expect the Council and/or the individuals within the District Council and group with delegated authority, to immediately inform us of any suspected fraud, where there is a reasonable basis that suspected fraud has occurred – regardless of the amount involved. Suspected fraud also includes instances of bribery and/or corruption.

The Council has certain responsibilities relating to the preparation of the financial statements and performance information and in respect of financial management and accountability matters. These specific responsibilities are set out in Appendix 1. Appendix 2 contains some additional responsibilities relating to the health and safety of audit staff. We expect members of the Council to be familiar with those responsibilities and, where necessary, have obtained advice about them.

The Council should have documented policies and procedures to support its responsibilities. It should also regularly monitor performance against its objectives.

Our responsibilities

Carrying out the audit

We are responsible for forming an independent opinion on whether the financial statements of the District Council and group:

present fairly, in all material respects:

- its financial position; and
- its financial performance and cash flows for the financial year;

comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Standards.

We are also responsible for forming an independent opinion on whether the performance information of District Council and group:

presents fairly, in all material respects, the performance for the financial year, including:

- its performance achievements as compared with the intended levels of service for the financial year; and
- its actual revenue and expenses as compared with the forecasts included in the Long-Term Plan and Annual Plan for the financial year; and

complies with generally accepted accounting practice in New Zealand.

In addition to the above we are also responsible for forming an independent opinion whether:

the funding impact statement of District Council, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the Long-term plan; and

the statement about capital expenditure for each group of activities of District Council, presents fairly, in all material respects, actual capital expenditure as compared to the budgeted capital expenditure included in the Long-term plan; and

the funding impact statement for each group of activities of District Council, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the Long-term plan.

We are also required to report on whether the District Council has:

complied with the requirements of Schedule 10 of the Local Government Act 2002 that apply to the annual report; and

made the disclosures about performance against benchmarks as required by the Local Government (Financial Reporting and Prudence) Regulations 2014.

An audit involves obtaining evidence about the amounts and disclosures in the financial statements and performance information. How we obtain this information depends on our judgement, including our assessment of the risks of material misstatement of the financial statements and performance information, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements and performance information.

We do not examine every transaction, nor do we guarantee complete accuracy of the financial statements and performance information. Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with the Auditing Standards.

During the audit, we obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District Council and group's internal controls. However, we will communicate to you in writing about any significant deficiencies in internal control relevant to the audit of the financial statements and performance information that we identify during the audit.

During the audit, the audit team will:

be alert for issues of effectiveness and efficiency – in particular, how the Council and the District Council have carried out their activities;

consider laws and regulations relevant to the audit;

be alert for issues of waste – in particular, whether the Council obtained and applied the resources of the District Council in an economical manner, and whether any resources are being wasted;

be alert for issues of a lack of probity – in particular, whether the Council and the District Council have met Parliament's and the public's expectations of appropriate standards of behaviour in the public sector; and

be alert for issues of a lack of financial prudence.

Our independence

It is essential that the audit team and Audit New Zealand remain both economically and attitudinally independent of District Council; including being independent of management personnel and members of the Council). This involves being, and appearing to be, free of any interest that might be regarded, whatever its actual effect, as being incompatible with the objectivity of the audit team and the Audit New Zealand.

To protect our independence, specific limitations are placed on us in accepting engagements with the Council other than the annual audit. We may accept certain types of other engagements, subject to the requirements of the Auditing Standards. Any other engagements must be the subject of a separate written arrangement between the Council and me or Audit New Zealand.

Reporting

We will issue an independent audit report that will be attached to the financial statements and performance information. This report contains our opinion on the fair presentation of the financial statements and performance information and whether they comply with the applicable reporting requirements. The audit report may also include comment on other financial management and accountability matters that we consider may be of interest to the addressee of the audit report.

In addition, we will issue an audit report that will be attached to the summary financial statements and summary performance information. This audit report will contain an opinion that provides the same level of assurance as the audit report on the full financial statements and full performance information.

Our audit report will communicate key audit matters in accordance with ISA (NZ) 701: Communicating Key Audit Matters in the Independent Auditor's Report. Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and performance information for the current year.

We will also issue a report that will be sent to the Council. This report communicates any matters that come to our attention during the audit that, in our opinion, are relevant to the Council. Typically, those matters will relate to issues of financial management and accountability. We may also provide other reports to District Council from time to time. We will inform the Council of any other reports we have issued.

Please note that the Auditor-General may publicly report matters that are identified in the annual audit, in keeping with section 21 of the Public Audit Act 2001.

Next steps

Please acknowledge receipt of this letter and the terms of the audit engagement by signing the letter in the space provided and returning a copy to me. The terms will remain effective until a new Audit Engagement Letter is issued.

If you have any questions about the audit generally, or have any concerns about the quality of the audit, you should contact me as soon as possible. If, after contacting me, you still have concerns, you should contact the Director of Auditor Appointments at the Office of the Auditor-General on (04) 917 1500.

If you require any further information, or wish to discuss the terms of the audit engagement further before replying, please do not hesitate to contact me.

Nāku noa, nā

Clint Ramoo
Appointed Auditor
On behalf of the Auditor-General

I acknowledge the terms of this engagement and that I have the required authority on behalf of the Council.

Signature: _____ Date: _____
Name: Bernie Wanden
Title: Mayor

Appendix 1: Respective specific responsibilities of the Council (the governing body) and the Appointed Auditor

Responsibilities of the Council	Responsibility of the Appointed Auditor
Responsibilities for the financial statements and performance information	
<p>You are required by legislation to prepare financial statements and performance information in accordance with legal requirements and financial reporting standards.</p> <p>You must also ensure that any accompanying information in the annual report is consistent with that reported in the audited financial statements and performance information.</p> <p>You are required by legislation to prepare the financial statements and performance information and provide that information to us before the statutory reporting deadline. It is normal practice for you to set your own timetable to comply with statutory reporting deadlines. To meet the reporting deadlines, we are dependent on receiving the financial statements and performance information ready for audit and in enough time to enable the audit to be completed. "Ready for audit" means that the financial statements and performance information have been prepared in accordance with legal requirements and financial reporting standards, and are supported by proper accounting records and complete evidential documentation.</p>	<p>We are responsible for carrying out an annual audit, on behalf of the Auditor-General. We are responsible for forming an independent opinion on whether the financial statements:</p> <ul style="list-style-type: none"> present fairly, in all material respects: <ul style="list-style-type: none"> ○ the financial position; and ○ the financial performance and cash flows for the financial year; comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Standards. <p>We are also responsible for forming an independent opinion on whether the performance information:</p> <ul style="list-style-type: none"> presents fairly, in all material respects, the performance for the financial year, including: <ul style="list-style-type: none"> ○ the performance achievements as compared with the intended levels of service for the financial year; and ○ the actual revenue and expenses as compared with the forecasts included in the Long-Term Plan and Annual Plan for the financial year. complies with generally accepted accounting practice in New Zealand. <p>In addition to the above we are also responsible for forming an independent opinion whether:</p> <ul style="list-style-type: none"> the funding impact statement of District Council, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the Long-term plan; and

Responsibilities of the Council	Responsibility of the Appointed Auditor
	<p>the statement about capital expenditure for each group of activities of District Council, presents fairly, in all material respects, actual capital expenditure as compared to the budgeted capital expenditure included in the Long-term plan; and</p> <p>the funding impact statement for each group of activities of District Council, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the Long-term plan.</p> <p>We are also required to report on whether District Council has:</p> <p>complied with the requirements of Schedule 10 of the Local Government Act 2002 that apply to the annual report; and</p> <p>made the disclosures about performance against benchmarks as required by the Local Government (Financial Reporting and Prudence) Regulations 2014.</p> <p>We will also read the other information accompanying the financial statements and performance information and consider whether there are material inconsistencies with the audited financial statements and performance information.</p>

Responsibilities of the Council	Responsibility of the Appointed Auditor
	<p>Materiality is one of the main factors affecting our judgement on the areas to be tested and on the timing, nature, and extent of the tests and procedures performed during the audit. In planning and performing the annual audit, we aim to obtain reasonable assurance that the financial statements and performance information do not have material misstatements caused by either fraud or error. Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence the audit report addressee's overall understanding of the financial statements and performance information.</p> <p>If we find material misstatements that are not corrected, they will be referred to in the audit opinion. The Auditor-General's preference is for you to correct any material misstatements and avoid the need for them to be referred to in the audit opinion.</p> <p>An audit also involves evaluating:</p> <ul style="list-style-type: none"> the appropriateness of accounting policies used and whether they have been consistently applied; the reasonableness of the significant accounting estimates and judgements made by those charged with governance; the appropriateness of the content and measures in any performance information; the adequacy of the disclosures in the financial statements and performance information; and the overall presentation of the financial statements and performance information. <p>We will ask you for written confirmation of representations made about the financial statements and performance information. In particular, we will seek confirmation that:</p> <ul style="list-style-type: none"> the adoption of the going concern basis of accounting is appropriate; all material transactions have been recorded and are reflected in the financial statements and performance information;

Responsibilities of the Council	Responsibility of the Appointed Auditor
	<p>all instances of non-compliance or suspected non-compliance with laws and regulations have been disclosed to us; and</p> <p>uncorrected misstatements noted during the audit are immaterial to the financial statements and performance information.</p> <p>Any representation made does not in any way reduce our responsibility to perform appropriate audit procedures and enquiries.</p> <p>We will ensure that the annual audit is completed by the reporting deadline or, if that is not practicable because of the non-receipt or condition of the financial statements and performance information, or for some other reason beyond our control, as soon as possible after that.</p> <p>The work papers that we produce in carrying out the audit are the property of the Auditor-General. Work papers are confidential to the Auditor-General and subject to the disclosure provisions in section 30 of the Public Audit Act 2001.</p>
Responsibilities for the accounting records	
<p>You are responsible for maintaining accounting and other records that:</p> <ul style="list-style-type: none"> correctly record and explain the transactions of District Council; enable you to monitor the resources, activities, and entities under your control; enable District Council's financial position to be determined with reasonable accuracy at any time; enable you to prepare financial statements and performance information that comply with legislation (and that allow the financial statements and performance information to be readily and properly audited); and are in keeping with the requirements of the Commissioner of Inland Revenue. 	<p>We will perform sufficient tests to obtain reasonable assurance as to whether the underlying records are reliable and adequate as a basis for preparing the financial statements and performance information.</p> <p>If, in our opinion, the records are not reliable or accurate enough to enable the preparation of the financial statements and performance information and the necessary evidence cannot be obtained by other means, we will need to consider the effect on the audit opinion.</p>

Responsibilities of the Council	Responsibility of the Appointed Auditor
Responsibilities for accounting and internal control systems	
<p>You are responsible for establishing and maintaining accounting and internal control systems (appropriate to the size of District Council), supported by written policies and procedures, designed to provide reasonable assurance as to the integrity and reliability of financial and performance information reporting.</p>	<p>The annual audit is not designed to identify all significant weaknesses in your accounting and internal control systems. We will review the accounting and internal control systems only to the extent required to express an opinion on the financial statements and performance information.</p> <p>We will report to you separately, on any significant weaknesses in the accounting and internal control systems that come to our notice and that we consider may be relevant to you. Any such report will provide constructive recommendations to assist you to address those weaknesses.</p>
Responsibilities for preventing and detecting fraud and error	
<p>The responsibility for the prevention and detection of fraud and error rests with you, through the implementation and continued operation of adequate internal control systems (appropriate to the size of District Council) supported by written policies and procedures.</p> <p>We expect you to formally address the matter of fraud, and formulate an appropriate policy on how to minimise it and (if it occurs) how it will be dealt with. Fraud also includes bribery and corruption.</p> <p>We expect you to consider reporting all instances of actual, suspected, or alleged fraud to the appropriate law enforcement agency, which will decide whether proceedings for a criminal offence should be instituted. We expect you to immediately inform us of any suspected fraud where you, and/or any individuals within District Council with delegated authority have a reasonable basis that suspected fraud has occurred – regardless of the amount involved.</p>	<p>We design our audit to obtain reasonable, but not absolute, assurance of detecting fraud or error that would have a material effect on the financial statements and performance information. We will review the accounting and internal control systems only to the extent required for them to express an opinion on the financial statements and performance information, but we will:</p> <ul style="list-style-type: none"> obtain an understanding of internal control and assess its ability for preventing and detecting material fraud and error; and report to you any significant weaknesses in internal control that come to our notice. <p>We are required to immediately advise the Office of the Auditor-General of all instances of actual, suspected, or alleged fraud.</p> <p>As part of the audit, you will be asked for written confirmation that you have disclosed all known instances of actual, suspected, or alleged fraud to us.</p> <p>If we become aware of the possible existence of fraud, whether through applying audit procedures, advice from you, or management, or by any other means, we will communicate this to you with the expectation that you will consider whether it is appropriate to report the fraud to the appropriate law enforcement agency. In the event that you do not report the fraud to the appropriate law enforcement agency, the Auditor-General will consider doing so, if it is appropriate for the purposes of protecting the interests of the public.</p>

Responsibilities of the Council	Responsibility of the Appointed Auditor
Responsibilities for compliance with laws and regulations	
<p>You are responsible for ensuring that District Council has systems, policies, and procedures (appropriate to the size of District Council) to ensure that all applicable legislative, regulatory, and contractual requirements that apply to the activities and functions of District Council are complied with. Such systems, policies, and procedures should be documented.</p>	<p>We will obtain an understanding of the systems, policies, and procedures put in place for the purpose of ensuring compliance with those legislative and regulatory requirements that are relevant to the audit. Our consideration of specific laws and regulations will depend on a number of factors, including:</p> <ul style="list-style-type: none"> the relevance of the law or regulation to the audit; our assessment of the risk of non-compliance; the impact of non-compliance for the addressee of the audit report <p>The way in which we will report instances of non-compliance that come to our attention will depend on considerations of materiality or significance. We will report to you and to the Auditor-General all material and significant instances of non-compliance.</p> <p>We will also report to you any significant weaknesses that we observe in internal control systems, policies, and procedures for monitoring compliance with laws and regulations.</p>
Responsibilities to establish and maintain appropriate standards of conduct and personal integrity	
<p>You should at all times take all practicable steps to ensure that your members and employees maintain high standards of conduct and personal integrity. You should document your expected standards of conduct and personal integrity in a "Code of Conduct" and, where applicable, support the "Code of Conduct" with policies and procedures.</p> <p>The expected standards of conduct and personal integrity should be determined by reference to accepted "Codes of Conduct" that apply to the public sector.</p>	<p>We will have regard to whether you maintain high standards of conduct and personal integrity – particularly in matters relating to financial management and accountability. Specifically, we will be alert for significant instances where members and employees of District Council may not have acted in accordance with the standards of conduct and personal integrity expected of them.</p> <p>The way in which we will report instances that come to our attention will depend on significance. We will report to you and to the Auditor-General all significant departures from expected standards of conduct and personal integrity that come to our attention during the audit.</p>

Responsibilities of the Council	Responsibility of the Appointed Auditor
	<p>The Auditor-General, on receiving a report from us, may, at his discretion and with consideration of its significance, decide to conduct a performance audit of, or an inquiry into, the matters raised. The performance audit or inquiry will be subject to specific terms of reference, in consultation with you. Alternatively, the Auditor-General may decide to publicly report the matter without carrying out a performance audit or inquiry.</p>
Responsibilities for conflicts of interest and related parties	
<p>You should have policies and procedures to ensure that your members and employees carry out their duties free from bias.</p> <p>You should maintain a full and complete record of related parties and their interests. It is your responsibility to record and disclose related-party transactions in the financial statements and performance information in accordance with generally accepted accounting practice.</p>	<p>To help determine whether your members and employees have carried out their duties free from bias, we will review information provided by you that identifies related parties, and will be alert for other material related-party transactions. Depending on the circumstances, we may enquire whether you have complied with any statutory requirements for conflicts of interest and whether these transactions have been properly recorded and disclosed in the financial statements and performance information.</p>
Responsibilities for publishing the audited financial statements on a website	
<p>You are responsible for the electronic presentation of the financial statements and performance information on District Council's website. This includes ensuring that there are enough security and controls over information on the website to maintain the integrity of the data presented.</p> <p>If the audit report is reproduced in any medium, you should present the complete financial statements, including notes, accounting policies, and any other accountability statements.</p>	<p>Examining the controls over the electronic presentation of audited financial statements and performance information, and the associated audit report, on your website is beyond the scope of the annual audit.</p>

Appendix 2: Health and safety of audit staff

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 you to keep our audit staff safe while they are working at your premises.

We expect you to provide a safe work environment for our audit staff. This includes providing adequate lighting and ventilation, suitable desks and chairs, and safety equipment, where required.

We also expect you 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.

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Audit plan

Horowhenua District Council

For the year ending 30 June 2023

Audit plan

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

Audit risks and issues	2
Group audit	8
Our audit process	9
Reporting protocols	16
Audit logistics	17
Expectations	18

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.

Nāku noa, nā

Clint Ramoo
Appointed Auditor
Draft – 16 May 2023

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 (Revaluation year)	
<p>The District Council periodically revalues its infrastructural assets yearly and operational assets every three years. PBE IPSAS 17, <i>Property, Plant and Equipment</i>, requires that valuations are conducted with sufficient regularity to ensure that the carrying value does not differ materially from fair value.</p> <p>Due to the judgemental nature of the revaluation there is a risk of bias or error in the assumptions used. Due to the nature and value of the revaluations any bias or errors in the assumptions used or calculations performed could result in a material misstatement in the value of infrastructural assets.</p> <p>Roading and three waters infrastructure assets</p> <p>Roading and three waters infrastructure assets were last revalued to fair value as at 30 June 2022, respectively and will be revalued again this year.</p> <p>The District Council uses the depreciated replacement cost methodology to determine fair value. The valuation is based on a number of significant assumptions, including the useful lives and costs of the assets. The high level of estimation uncertainty resulting from the need to apply these assumptions in the valuation creates a risk that the value is materially misstated.</p> <p>Land and buildings</p> <p>Land and buildings were last revalued at 30 June 2022 and will be revalued again this year.</p> <p>The fair value is usually based on either market value approach or depreciated replacement cost. These valuations also include a degree of estimation uncertainty, which results in an increased risk of materially misstated.</p>	<p>Our audit procedures will include:</p> <ul style="list-style-type: none"> reviewing the information and instructions provided to the valuer; assessing relevant controls in place including the completeness of items being revalued, the reasonableness of useful lives and consideration of the condition of assets; evaluating the qualifications, competence and expertise of the external valuer used; reviewing the method of valuing the assets and assessing if the applicable method used is in line with the financial reporting framework, including the reasonableness of the assumptions and judgements made by the valuer and other inputs to the valuation; reviewing evidence of management's review of the appropriateness of the valuation inputs (e.g. confirming unit rates back to recent contract data); and assessing the presentation and disclosure of information related to the valuation in the financial statements, including whether the resulting change in values are correctly incorporated into the financial statements and the assumptions and judgements relating to the valuation are adequately disclosed.

Audit risk/issue	Our audit response
Complaints and response time performance measures	
<p>An important part of the District Council's service provision is the number of complaints it receives over the water, wastewater and stormwater networks and the response times to these complaints. This is important because the number of complaints and the response time for them are indicative of the quality of services received by ratepayers.</p> <p>The District Council reports on a number of complaints and response time related performance measures included in its long-term plan in accordance with the Non-Financial Performance Measures Rules 2013 made by the Secretary for Local Government.</p> <p>For the year ended 30 June 2022, and its comparative information for 2021, we were unable to determine whether the District Council's reported results for these measures were materially correct as the District Council only recorded the first call received about an issue in its system. This does not comply with guidance from the Department of Internal Affairs (DIA) which says where there is more than one complaint per event, each complaint is counted separately, not each event or occurrence.</p> <p>The District Council updated its internal processes part way through the 2020/21 financial year. However, these updates were not in place for the entire 2021/22 year in respect of after-hours complaints, which are recorded on behalf of the District Council by the Palmerston North City Council.</p>	<p>We will:</p> <ul style="list-style-type: none"> obtain an understanding of any changes made to the system and controls to rectify these errors; if able, test the completeness of the numbers recorded using media reports, maintenance jobs logged and call recordings; and consider any impact on our opinion over the comparative figures
Service performance reporting	

Audit risk/issue	Our audit response
<p>Mandatory performance measures</p> <p>The Non-Financial Performances Measures Rules 2013 promulgated by the Department of Internal affairs specify a set of standard performance measures for local authorities (the mandatory measures).</p> <p>The measures were included in the District Council's 2021-31 long-term plan and must be reported against in the 2023 annual report.</p> <p>The District Council needs to ensure that reliable systems are in place for the entire year to enable accurate performance reporting in the annual report.</p> <p>PBE FRS 48 Service Performance Reporting</p> <p>PBE FRS 48 <i>Service Performance Reporting</i> (PBE 48) replaced that part of PBE IPSAS 1 <i>Presentation of Financial Statements</i> that deals with service performance reporting requirements and is effective for the current year ending 30 June 2023.</p> <p>PBE 48 imposes additional reporting 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".</p> <p>PBE 48 also requires that the City Council has:</p> <ul style="list-style-type: none"> applied the qualitative characteristics in determining the mix of its performance measures to ensure service performance information is appropriate and meaningful to people outside the organisation; and focused its performance reporting on what it is accountable and responsible for to ensure the service performance information is relevant and understandable to readers of the annual report. <p>The District Council should complete an assessment to understand the impact how the application of PBE 48 will affect its statement of service performance.</p>	<p>We will assess the District Council's reporting against significant mandatory performance measures as part of our overall audit of the performance framework.</p> <p>We will also:</p> <ul style="list-style-type: none"> follow up on the District Council's progress to address our prior year recommendations; complete appropriate testing of performance reporting to determine the accuracy of results; complete an appropriateness review through assessing the elements, and the measures/descriptions reported for material deficiencies; and review the adequacy of disclosures under PBE 48.

Audit risk/issue	Our audit response
Impact of Three Water Reforms	
<p>In April 2023, the Government announced changes in the Three Waters Reform Programme. The number of entities had increased from the previously proposed four to ten regional water service entities (WSEs) with the aim of strengthening local representation.</p> <p>The establishment date of the new entities was moved back two years from 1 July 2024 to 1 July 2026 with entities being able to proceed earlier if they were ready.</p> <p>The Government intends to introduce and pass legislation before the October 2023 general election to reflect the changes in the number of entities and timeframe of the reform.</p> <p>There are still several uncertainties associated with the proposed three waters delivery model including the mechanism for how assets will be transferred to the newly established entities, and the control and governance of these entities and the accounting implications. Notwithstanding the current uncertainty the impact of these reforms will mean that the District Council will no longer deliver three waters services or own the assets required to deliver these services from 1 July 2026.</p> <p>The District Council should ensure that sufficient disclosure about the impact of the reform (to the extent that the impact is known) is included in the annual report. Given the significance, we will also continue to include an emphasis of matter in the audit opinion drawing readers attention to this disclosure.</p>	<p>We will continue to monitor any significant developments and assess the implications on the financial statements.</p> <p>We will review the appropriateness of the District Council's disclosure about the Government's legislative programme and other progress to implement the reforms (to the extent that the impact is known) after year end, in its financial statements.</p> <p>Where there are uncertainties over the process of the Three Waters Reform at 30 June 2023, we are likely to include information in our audit report to draw a reader's attention to the District Council's disclosure about the Three Waters Reform programme.</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. 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. 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.

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 have discussed the following questions with you at our audit planning meetings:

What role does the 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 the 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:

Horowhenua District Council (parent); and
Shannon Community 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 each significant component.

Significant component	Work to be performed
Horowhenua District Council (parent)	This will be audited by the same Appointed Auditor using the Audit New Zealand audit team. The significant audit risks relevant to this component can be found in the Audit Risks and Issues section above.

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

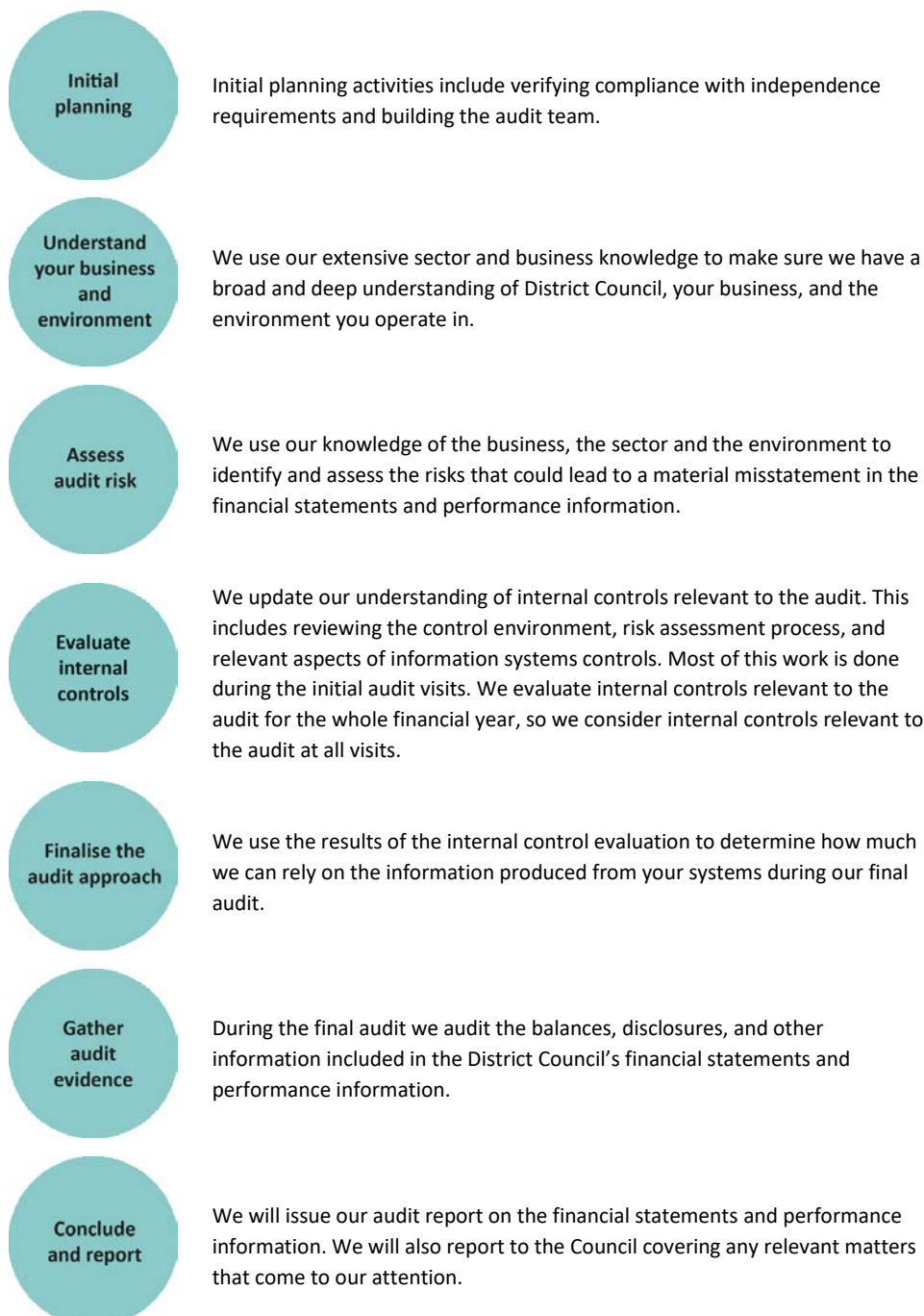
We will report any significant internal control deficiencies to the District Council and management of the group. We will communicate deficiencies related to:

group-wide internal controls; or

internal controls at each component.

We will also communicate any fraud identified.

Our audit process



Enhancing year-end processes

The year-end financial statement close process and the preparation of the annual report requires a large number of resources for it to be completed. This diverts the attention of your staff away from the current financial year and focuses them on past events. We want the audit process to run smoothly and we will work with management to achieve this.

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.

These include a greater emphasis on the risks arising from the use of IT and the associated general IT controls and application processing controls. There will be additional work required to comply with the new requirements, especially in the first year. However, we expect that these will have only a modest impact on your 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 materiality** for the financial statements at \$67.7 million 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 materiality to the fair value of property, plant, and equipment.

Overall materiality	\$67,700,000
Specific materiality	\$1,750,000
Clearly trivial threshold	\$87,500

For this audit we have set a lower, **specific materiality** of \$1.8 million 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 \$90,000 to be clearly trivial 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

Horowhenua 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
Water Supply – Safe water supply Council's drinking water supply complies with: <ul style="list-style-type: none"> a) part 4 of the Drinking Water Standards (bacteria compliance criteria) in Levin, Shannon, Foxton, Foxton Beach and Tokomaru. b) part 5 of the Drinking Water Standards (protozoa compliance criteria) in Levin, Shannon, Foxton, Foxton Beach and Tokomaru. Target = Achieve	0% - the measure is reported as "Yes" (compliant) or "No" (not compliant) for each water supply. Therefore, the result is either right or wrong.
Water Supply – Drinking water that tastes and looks satisfactory The total number of complaints received about any of the following (expressed per 1000 connections): <ul style="list-style-type: none"> drinking water clarity (Target = 1); drinking water taste (Target = 1); drinking water odour (Target = 1); drinking water pressure or flow (Target = 1); continuity of supply (Target = 1); Council's response to any of these issues (Target = 1); and Total (Target = less than or equal to 6) 	5%
Water Supply – Minimal water losses Real water loss performance of the network as measured by the standard World Bank Institute Band for leakage Target = Band "B"	8%
Water Supply – Response to faults The median time from the time that Council received notification to the time that service personnel confirm resolution of the fault or interruption of urgent call-outs. Target = Less than 8 hours	8%
Wastewater Disposal – Reliable wastewater collection and disposal The number of dry weather wastewater overflows from wastewater system, per 1000 connections. Target = Less than or equal to 2	5%

Material measure	Materiality
Wastewater Disposal – Safe disposal of wastewater The number of abatement notices, infringement notices, enforcement orders, and convictions received by Council in relation to Horizons Regional Council resource consents for discharge from its wastewater system. Target = 0	5%
Wastewater Disposal – The service is satisfactory The total number of complaints received (expressed per 1000 connections to the wastewater system) regarding: wastewater odour (Target = less than 4); wastewater systems faults (Target = less than 6); wastewater system blockages (Target = less than 8); Council's response to issues with its wastewater system (Target = less than 4); and Total number of complaints received about any of the above (Target = less than 22) .	5%
Wastewater – Resolution time The median time (hrs) from the time that Council receives a notification, to the time that services personnel reach the site in responding to an overflow resulting from a wastewater blockage or other fault Target = Less than 1 hour	5%
Stormwater - An adequate stormwater system For each flooding event, the number of habitable floors affected. (Expressed per 1000 properties connected to Council's stormwater networks). Target = 2 or less	5%
Stormwater - A sustainable stormwater service The number of abatement notices, infringement notices, enforcement orders, and convictions received by Council in relation to Horizons Regional Council resource consents for discharge from its stormwater system. Target = 0	5%
Stormwater - Customer satisfaction The number of complaints received by Council about the performance of its stormwater system expressed per 1000 properties connected to the system. Target = less than 10 per year	5%

Material measure	Materiality
Land Transport – A safe road network The change from the previous financial years in the number of fatalities and serious injury crashes on the local road network. Target = 0 change or less from previous year	5%
Land Transport – Roads in good condition The average quality of a ride on a sealed local road network measured by Smooth Travel Exposure. Target = Minimum 85%	8%
Regulatory Services – Building Consenting Percentage of building consent applications that are processed withing statutory timeframe. Target = 98%	8%
Regulatory Services – Resource Consents Percentage of applications under the RMA that will be processed within statutory timeframe. Target =95%	8%

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:

the 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 the District Council;

there is any sign or appearance of a lack of probity as a result of any act or omission by the District Council or by one or more of its Councillors, 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 the District Council or by one or more of its Councillors, 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 the Council



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

Clint Ramoo

Appointed Auditor

Valerie Wang

Audit Manager

Memory Fambisayi

Senior Auditor

Timetable



Our proposed timetable is:

Planning audit begins (for 1 week)	8 May 2023
Interim and Pre-final audit begin (for 2 weeks)	19 June 2023
Draft financial statements and council services statements available for audit (including notes to the financial statements) with actual year-end figures	11 September 2023
Final audit begins (4 weeks)	25 September 2023
Annual report available, including any Chair and Chief Executive's overview or reports	13 October 2023
Final financial statements available, incorporating all the amendments agreed to between us and the annual report available, including any Mayor and Chief Executive's overview or reports	20 October 2023
Verbal audit clearance given	20 October 2023
Audit opinion issued	25 October 2023
Draft report to the Council issued	31 October 2023

AuditDashboard

In 2022, we used AuditDashboard, our online portal, to transfer files between your employees and Audit New Zealand. We will again use 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.

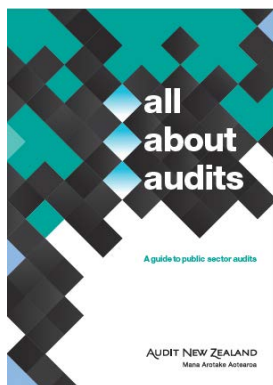
staff will provide an appropriate level of assistance.

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. We have also published information to help explain the audit process:



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 our audit staff 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.



AUDIT NEW ZEALAND
Mana Arotake Aotearoa

www.auditnz.parliament.nz

PO Box 99
Wellington, 6140
Phone: 04 496 3099



AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Report to the Council on the audit of

Horowhenua District Council

For the year ended 30 June 2022

Contents

Key messages	3
1 Recommendations	4
2 Our audit report	5
3 Matters raised in the Audit Plan	7
4 Assessment of internal control	11
5 Public sector audit.....	15
6 Group audit	16
7 Useful publications.....	17
Appendix 1: Status of previous recommendations	21
Appendix 2: Disclosures	34

Key messages

We have completed the audit for the year ended 30 June 2022 . This report sets out our findings from the audit and draws attention to areas where Horowhenua District Council (the District Council) is doing well and where we have made recommendations for improvement.

Audit opinion

We expect to issue

- an unmodified audit opinion on the on the audited information, excluding the Statement of Service Performance; and
- a qualified opinion on the Statement of Service Performance because our work was limited with respect to the verification of the number of complaints for some services.

In addition, without further modifying our opinion, the audit report will include a paragraph emphasising the disclosures in the financial statements relating to the Government's three waters reform programme announcements.

Matters identified during the audit

In carrying out our audit we identified the following matter that we wish to bring to your attention:

- **Valuation of land and buildings and infrastructure assets** – While we are satisfied that these assets are fairly stated in the financial statement, we do not that the valuation process and accounting for the movements is a challenge for the District Council. We noted a number of errors as part of our review mainly relating to disclosures and completeness of information provided to independent valuers. A more focussed approach to this process is required going forward

Thank you

We would like to thank the , management and staff for assistance received during the audit..



Clint Ramoo
Appointed Auditor
29 May 2023

1 Recommendations



Our recommendations for improvement and their priority are based on our assessment of how far short current practice is from a standard that is appropriate for the size, nature, and complexity of your business. We use the following priority ratings for our recommended improvements.

PriorityW	Explanation
Urgent	Needs to be addressed <i>urgently</i> These recommendations relate to a significant deficiency that exposes the District Council to significant risk or for any other reason need to be addressed without delay.
Necessary	Address at the earliest reasonable opportunity, <i>generally within six months</i> These recommendations relate to deficiencies that need to be addressed to meet expected standards of best practice. These include any control weakness that could undermine the system of internal control.
Beneficial	Address, <i>generally within six to 12 months</i> These recommendations relate to areas where the is falling short of best practice. In our view it is beneficial for management to address these, provided the benefits outweigh the costs.

1.1 Status of previous recommendations

Set out below is a summary of the action taken against previous recommendations. Appendix 1 sets out the status of previous recommendations in detail.

Priority	Priority			
	Urgent	Necessary	Beneficial	Total
No of recommendations open at 30 June 2022	-	11	-	11
Recommendations Implemented or closed during the year	1	24	-	25
Matters that will be followed up in the next audit visit	-	3	-	3
Total	1	38	-	39

2 Our audit report

2.1 We plan to issue a non-standard audit report



We plan to issue a non-standard audit report.

We plan to issue an unmodified opinion on the financial statements. This means we were satisfied that the financial statements present fairly the Council's activities for the year and its financial position at the end of the year.

We will issue a qualified opinion on the Department of Internal Affairs mandatory performance measures on the total number of complaints received for water supply, wastewater and stormwater activities. Our work was limited with respect to the verification of the number of complaints for these services.

Without further modifying our opinion, our report also included an emphasis of matter paragraph drawing the readers' attention to the Government's proposed Three Waters Reform Programme.

2.2 Uncorrected misstatements

The financial statements are free from material misstatements, including omissions. During the audit, we have discussed with management any misstatements that we found, other than those which were clearly trivial.

The misstatements that have not been corrected are listed below along with management's reasons for not adjusting these misstatements. We are satisfied that these misstatements are individually and collectively immaterial.

Current year uncorrected misstatements	Reference	Assets	Liabilities	Equity	Financial performance
		Dr (Cr)	Dr (Cr)	Dr (Cr)	Dr (Cr)
Other Gains	1				419
Carbon Credit Revaluation Reserve				(419)	
Commercial Property	2	326			
Other Gains					(326)
Total		326		(419)	93

Explanation of uncorrected misstatements

- 1 Not considered material and adjustment will increase risk of other disclosure errors.
- 2 Not considered material

2.3 Uncorrected disclosure deficiencies

Detail of disclosure deficiency

The District Council treats the carbon credits held as an intangible asset and accounts for the valuation movement on carbon credits held through operating surplus or deficit. The accounting standards require that gains and losses on intangible assets be included in other comprehensive revenue and expense and that a separate equity reserve account be established for this.

As both the value of the carbon credits and movement in the current year is not material, the District Council has not corrected this error but will need to do so going forward.

2.4 Corrected misstatements

We also identified misstatements that were corrected by management. These corrected misstatements had the net effect of the operating deficit by \$634k, decreasing assets and equity by \$4.7m and \$4.6m respectively and increasing liabilities by \$595k compared to the draft financial statements.

2.5 Quality and timeliness of information provided for audit



Management needs to provide information for audit relating to the annual report of the . This includes the draft annual report with supporting working papers. We have set up the Audit Dashboard final audit requests on 7 September 2022. This included the dates we required the information to be provided to us.

We note an improvement in performance from last year in terms of provision of information in time for the audit team's arrival at the District Council. There are still areas where improvements could be made particularly with the quality of the information being provided in respect of the roading valuation and roading additions as well as the quality review of the draft annual report presented for audit.

We acknowledge that the improvements from the previous year delivery and responsiveness to audit requests and we will continue to work with management to achieve improvements as part of the 2022/23 audit.

3 Matters raised in the Audit Plan



In our Audit Plan of , we identified the following matters as the main audit risks and issues:

Audit risk/issue	Outcome
Revaluation of Property, Plant and Equipment (Revaluation year)	
<p>The District Council periodically revalues its infrastructural yearly and operational assets every three years. PBE IPSAS 17, <i>Property, Plant and Equipment</i>, requires that valuations are conducted with sufficient regularity to ensure that the carrying value does not differ materially from fair value.</p> <p>Due to the judgemental nature of the revaluation, there is a risk of bias or error in the assumptions used. Due to the nature and value of the revaluations any bias or errors in the assumptions used or calculations performed could result in a material misstatement in the value of infrastructural assets.</p> <p>Roading and three waters infrastructure assets</p> <p>Roading and three waters infrastructure assets were last revalued at 1 June 2020 and 30 June 2020, respectively and was subject to a full revaluation this year.</p> <p>The District Council uses the depreciated replacement cost methodology to determine fair value. The valuation is based on a number of significant assumptions, including the useful lives and costs of the assets. The high level of estimation uncertainty resulting from the need to apply these assumptions in the valuation creates a risk that the value is materially misstated.</p>	<p>As part our audit procedures we:</p> <ul style="list-style-type: none"> reviewed the information and instructions provided to the valuer; assessed relevant controls in place including the completeness of items being revalued, the reasonableness of useful lives and consideration of the condition of assets; evaluated the qualifications, competence and expertise of the external valuer; reviewed the method of valuing the assets and assessed if this was in line with the financial reporting framework, including the reasonableness of the assumptions and judgements made by the valuer and other inputs to the valuation; reviewed evidence of management's review of the appropriateness of the valuation inputs (e.g. confirming unit rates back to recent contract data); and assessed the presentation and disclosure of information related to the valuation in the financial statements, including whether the resulting change in values are correctly incorporated into the financial statements and the assumptions and judgements relating to the valuation are adequately disclosed. <p>Recommendations made by the external valuers and us have been partly addressed and continues to be worked on by the District Council.</p> <p>We are satisfied that the District Council's land and buildings, roading and three water</p>

Audit risk/issue	Outcome
<p>Land and buildings</p> <p>Land and buildings were revalued this year.</p> <p>The fair value is usually based on either market value approach or depreciated replacement cost. These valuations also include a degree of estimation uncertainty, which results in an increased risk of materially misstated.</p>	<p>infrastructure assets are fairly stated in the financial statements.</p>
Complaints and response time performance measures	
<p>An important part of the District Council's service provision is the number of complaints it receives over the water, wastewater and stormwater networks and the response times to these complaints.</p> <p>For the year ended 30 June 2021, and its comparative information for 2020, we were unable to determine whether the Council's reported results for the number of complaints was materially correct as the District Council only recorded the first call received about an issue in its system. This does not comply with guidance from the Department of Internal Affairs (DIA) which requires that where there is more than one complaint per event, each complaint is counted separately, not each event or occurrence.</p> <p>The District Council updated its internal processes part way through the previous financial year. However, these updates were not in place for the entire 2020/21 year and the after-hours complaints, which are recorded on behalf of the District Council by the Palmerston North City Council, are still not being recorded correctly.</p>	<p>We issued a qualified audit opinion over the incomplete information for complaints relating to three waters for the current year and comparative results.</p> <p>We have not been able to obtain reasonable assurance as to the completeness of the complaints reported for the current year and comparative information as the systems and processes to record this information was only operational for part of the year.</p> <p>In February 2021, the District Council updated its systems to record complaints received during office hours and in January 2022 updated the after-hours business rules.</p> <p>As complete records, for all calls/complaints made to the District Council, were not available, we were unable to determine whether the District Council's reported results for these performance measures, were materially correct. As a result, our work was limited and there were no practical audit procedures we could apply to obtain assurance over the number of complaints reported for these three performance measures.</p> <p>We continue to recommend that the District Council ensure its system/process records all complaints in accordance with the DIA guidelines.</p>
Drinking water performance measures	
<p>The District Council is responsible for reporting performance against the safe drinking water standards. This requires</p>	<p>The District Council appointed an independent assessor, Wai Comply Limited for the period 1 July 2021 to 30 June 2022 to assess compliance with</p>

Audit risk/issue	Outcome
<p>Councils to report the extent to which the local authority's drinking water supply complies with:</p> <p>(a) part 4 of the drinking-water standards (bacteria compliance criteria), and</p> <p>(b) part 5 of the drinking-water standards (protozoal compliance criteria).</p> <p>Up until November 2021 performance related data was captured in the Drinking Water Online (DWO) database and compliance was assessed by Drinking Water Assessors (DWA). As a result of changes to the regulatory framework for drinking water quality, the DWO is no longer being accessible and the DWA role no longer exists.</p> <p>Given these changes, the District Council needed to ensure appropriate systems and controls were in place to ensure performance information is complete and accurate for reporting purposes.</p>	<p>the drinking water standards. We were provided with a copy of the assessor's report and are satisfied that the correct disclosure has been made in the annual report based on the work performed by the assessor.</p> <p>As part of our audit, we have:</p> <ul style="list-style-type: none"> • updated our knowledge of the systems and controls in place for this performance measure • confirmed the competency and independence of any assessor engaged by the District Council to test compliance the drinking water standards; and • confirmed the disclosures in the Annual Report.
Impact of three waters reform	
<p>On 27 October 2021, the Local Government Minister announced the Government's intention to proceed with the three waters service delivery reforms using a legislated "all in" approach.</p> <p>The Three Waters Reform involves the creation of four statutory water services entities to be responsible for the service delivery and infrastructure currently owned by local authorities, with effect from 1 July 2024. The Three Waters Reform programme is expected to result in significant changes to how water supply, wastewater and stormwater assets are owned and managed in the local government sector.</p> <p>There are still a number of uncertainties associated with the new three waters delivery model including the mechanism</p>	<p>We included an emphasis of matter paragraph in our audit report to draw attention to the disclosures in the financial statements relating to the Government's three waters reform programme announcement.</p> <p>The Water Services Entities Act 2022 received royal assent on 14 December 2022. The Act establishes four publicly owned water services entities to take over responsibilities for three waters service delivery and infrastructure from local authorities from 1 July 2024, or earlier by Order in Council. In December 2022, the Government introduced two additional water services Bills, one of which will enable the transfer of three waters related assets and liabilities to the water services entities. Until the Bills receive royal assent, the financial impact of the transfer on the District Council remains uncertain.</p> <p>On 13 April 2023, the Government announced further proposed amendments to the number of</p>

Audit risk/issue	Outcome
<p>for how assets will be transferred to the newly established entities, and the control and governance of these entities and the accounting implications. Notwithstanding the current uncertainty the announcement once legislated will mean Council is no longer responsible for the delivery and infrastructure of three water services from 1 July 2024.</p> <p>Post balance date, in December 2022 legislation was passed to establish the four publicly owned water service entities and a Bill to enable the transfer of these assets and liabilities to the water services entities, is currently before Parliament. Until the Bill is passed, the financial impact of the transfer on the District Council, remains uncertain</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>water services entities and to stagger 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>We are satisfied that the disclosures made in respect of the three water reforms is appropriate.</p> <p>We also reviewed and gained an understanding of the water stimulus funding agreements signed by the District Council. We were satisfied that the revenue recognition of those agreements is in line with accounting standards.</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. Management is 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. 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.

4 Assessment of internal control



The Council, with support from management, is responsible for the effective design, implementation, and maintenance of internal controls. Our audit considers the internal control relevant to preparing the financial statements and the service performance information. We review internal controls relevant to the audit to design audit procedures that are appropriate in the circumstances. Our findings related to our normal audit work, and may not include all weaknesses for internal controls relevant to the audit.

Control environment

The control environment reflects the overall attitudes, awareness and actions of those involved in decision-making in the organisation. It encompasses the attitude towards the development of accounting and performance estimates and its external reporting philosophy, and is the context in which the accounting system and control procedures operate. Management, with the oversight of Council, need to establish and maintain a culture of honesty and ethical behaviour through implementation of policies, procedures and monitoring controls. This provides the basis to ensure that the other components of internal control can be effective.

We have performed a high level assessment of the control environment, risk management process, and monitoring of controls relevant to financial and service performance reporting. We considered the overall attitude, awareness, and actions of the and management to establish and maintain effective management procedures and internal controls.

We consider that a culture of honesty and ethical behaviour has been created and maintained. The elements of the control environment provide an appropriate foundation for other components of internal control.

Internal controls

Internal controls are the policies and processes that are designed to provide reasonable assurance as to the reliability and accuracy of financial and non-financial reporting. These internal controls are designed, implemented and maintained by the Council and management.

We reviewed the internal controls, in your information systems and related business processes. This included the controls in place for your key financial and non-financial information systems.

We identified the following areas for improvement in internal control:

4.1 Approval of sensitive expenditure

We recommend that sensitive expenditure is approved on a one-up basis.

Sensitive expenditure is any spending by an organisation that could be seen to be giving private benefit to staff additional to the business benefit to the organisation (e.g. travel, accommodation, and hospitality).

Good practice is that sensitive expenditure should only be approved when approval is given by a person who is senior to the person who will benefit (or might be perceived to benefit) from the sensitive expenditure.

From the work we undertook, we were satisfied that sensitive expenditure for the Mayor, Chief Executive and senior management was reasonable, and we had no concerns with waste and probity. However, the one-up approval principle should be followed.

We tested a sample of sensitive expenditure incurred by senior management and found one instance where the sensitive expenditure did not follow the one-up approval principle and one unsupported sensitive expenditure as follows:

- An instance where the expenditure did not follow the one-up approval principle. Food expenses for the Mayor, Deputy Mayor and Chief Executive (CE) was paid for on the Chief Executive's credit card and the Chief Executive's credit card statement was in turn approved by the Mayor.
- An instance where the expenditure does not have any supporting documentation (flowers purchase for a Library incident).

Management comment

Improvements have been made around the management of credit card usage during the year.

4.2 Elevated network user accounts need management

Last year, during our review of network login accounts with elevated access we noted that there were some accounts that should not have this level of access and that the generic Administrator account is being used with no tracking of the usage.

This raises the risk of someone inappropriately changing data, technology, systems and controls

We recommended that any elevated access account creation have formalised approval by the IS manager and that regular reviews of these accounts be carried out.

Use of the generic Administrator account should be eliminated and the password stored away for use in an emergency.

Logging of any changes to privileged network accounts, and to usage of the Administrator account should be established and reviewed

We noted in our review this year that there has been a review and reduction on the elevated user accounts on the network.

We note that the generic Administrator account is still in use.

We continue to recommend a review and removal of the use of the generic administrator network account

Management comment

Currently investigating moving from E3 to E5 Microsoft Licencing which allow us to implement Privileged Identity Management – this supports appropriate access and permission management across various administrative roles and eliminates the need for staff to have separate ADM account.

4.3 Organisational Business Continuity and IT Disaster Recovery

We noted during prior years that the Council's Business Continuity and IT Disaster Recovery plans have not been finalised and tested.

We recommended that the council continue to support and execute the overall BCP work programme underway to achieve BCP and DR plans that meet council requirements. This includes confirming the risk tolerance and response to achieve mitigation required for the council's target risk level.

IT have developed an IT Disaster Recovery plan and have DR mitigation strategies in place, but organisational Business Continuity planning and testing is still to be finalised.

We understand that a new organisational Risk Manager is starting at the council and will take on responsibility for organisational Business Continuity

Management comment

Council now has a permanent Risk Manager role in place and is in process of building capability and maturity across risk and business continuity. Information Services is working closely with the Risk Manager to ensure that IT risks and BCPs are captured and managed.

4.4 Improve network login and application login password strength

Current network and application login passwords are below generally accepted standards.

Current passwords are a minimum of 8 characters with complexity enforced.

NZ Information Security Manual standards recommend a minimum of 10 characters with complexity or 16 characters without complexity

We recommend that the council improve its network and application password settings to meet current NZ Information Security Manual or other internationally recognised standards.

Management comment

We are now in the process of updating our Password policies and processes and will be rolled out to Council by the end of this financial year.

The District Council is accountable to their local community and to the public for its use of public resources. Everyone who pays taxes or rates has a right to know that the money is being spent wisely and in the way the District Council said it would be spent.

As such, public sector audits have a broader scope than private sector audits. As part of our audit, we have considered if the District Council has fairly reflected the results of its activities in its financial statements and non-financial information.

We also consider if there is any indication of issues relevant to the audit with:

- compliance with its statutory obligations that are relevant to the annual report;
- the District Council carrying out its activities effectively and efficiently;
- waste being incurred as a result of any act or failure to act by ;
- any sign or appearance of a lack of probity as a result of any act or omission, either by the District Council or by one or more of its members, office holders, or employees; and
- any sign or appearance of a lack of financial prudence as a result of any act or omission by the District Council or by one or more of its members, office holders, or employees.

There were no items noted during our audit that need to be brought to your attention apart from those noted below and in section four of this report.

5 Public sector audit



The District Council is accountable to their local community and to the public for its use of public resources. Everyone who pays taxes or rates has a right to know that the money is being spent wisely and in the way the District Council said it would be spent.

As such, public sector audits have a broader scope than private sector audits. As part of our audit, we have considered if the District Council has fairly reflected the results of its activities in its financial statements and non-financial information.

We also consider if there is any indication of issues relevant to the audit with:

- compliance with its statutory obligations that are relevant to the annual report;
- the District Council carrying out its activities effectively and efficiently;
- waste being incurred as a result of any act or failure to act by ;
- any sign or appearance of a lack of probity as a result of any act or omission, either by the District Council or by one or more of its members, office holders, or employees; and
- any sign or appearance of a lack of financial prudence as a result of any act or omission by the District Council or by one or more of its members, office holders, or employees.

There were no items noted during our audit that need to be brought to your attention apart from those noted below and in section four of this report.

6 Group audit



The group comprises of:

- Horowhenua District Council
- Shannon Community Trust

We have not identified any of the following during our audit for the year ended :

- Instances where our review of the work of component auditors gave rise to a concern about the quality of that auditor's work.
- Limitations on the group audit.
- Fraud or suspected fraud involving group management, component management, employees with significant roles in group-wide controls, or others where the fraud resulted in a material misstatement of the group financial statements.

7 Useful publications



Based on our knowledge of the , we have included some publications that the and management may find useful.

Description	Where to find it
Performance reporting	
Public organisations are responsible for reporting their performance to Parliament and the public in a way that meaningfully reflects their organisation's aspirations and achievements. The Auditor-General published a discussion paper that explores five areas for improvement in performance reporting.	On the Office of the Auditor-General's website under publications. Link: The problems, progress, and potential of performance reporting
The Office of the Auditor-General, the Treasury and Audit New Zealand have jointly prepared good practice guidance on reporting about performance. The guidance provides good practice examples from public organisations in central government. Those working in other sectors may also find this useful.	On Audit New Zealand's website under good practice. Link: Good practice in reporting about performance — Office of the Auditor-General New Zealand (oag.parliament.nz)
Local government risk management practices	
The Covid-19 pandemic is a stark reminder for all organisations about the need for appropriate risk management practices. In our audit work, we often see instances where councils do not have effective risk management. This report discusses the current state of local government risk management practices and what councils should be doing to improve their risk management.	On the Office of the Auditor-General's website under publications. Link: Observations on local government risk management practices
Public accountability	
Public accountability is about public organisations demonstrating to Parliament and the public their competence, reliability, and honesty in their use of public money and other public resources. This discussion paper explores how well New Zealand's public accountability system is working in practice.	On the Office of the Auditor-General's website under publications. Link: Building a stronger public accountability system for New Zealanders

Description	Where to find it
Setting and administering fees and levies for cost recovery	
This good practice guide provides guidance on settings fees and levies to recover costs. It covers the principles that public organisations should consider when making any decisions on setting and administering fees and levies. It also sets out the matters public organisations should consider when calculating the costs of producing goods or providing services and setting charges to recover those costs.	On the Office of the Auditor-General's website under publications. Link: Setting and administering fees and levies for cost recovery: Good practice guide
Managing conflicts of interest involving council employees	
This article discusses findings across four councils on how conflicts of interest of council employees, including the chief executive and staff, are managed.	On the Office of the Auditor-General's website under publications. Link: Getting it right: Managing conflicts of interest involving council employees
Model financial statements	
Our model financial statements reflect best practice we have seen. They are a resource to assist in improving financial reporting. This includes: <ul style="list-style-type: none"> • significant accounting policies are alongside the notes to which they relate; • simplifying accounting policy language; • enhancing estimates and judgement disclosures; and • including colour, contents pages and subheadings to assist the reader in navigating the financial statements. 	Link: Model Financial Statements
Tax matters	
As the leading provider of audit services to the public sector, we have an extensive knowledge of sector tax issues. These documents provide guidance and information on selected tax matters.	On our website under good practice Link: Tax Matters

Description	Where to find it
Sensitive expenditure	
The Auditor-General's good practice guide on sensitive expenditure provides practical guidance on specific types of sensitive expenditure, outlines the principles for making decisions about sensitive expenditure, and emphasises the importance of senior leaders "setting the tone from the top". It also describes how organisations can take a good-practice approach to policies and procedures for managing sensitive expenditure.	On the Office of the Auditor-General's website under good practice. Link: Sensitive expenditure
Conflicts of interest	
<p>The Auditor-General has published guidance on conflicts of interest. A conflict of interest is when your duties or responsibilities to a public organisation could be affected by some other interest or duty that you have.</p> <p>The material includes a printable A3 poster, an animated video on predetermination and bias, gifts and hospitality, and personal dealings with a tenderer. There is also an interactive quiz.</p> <p>These can all be used as training resources for your own employees.</p>	On the Office of the Auditor-General's website under 2019 publications. Link: Conflicts of interest
Severance payments	
Because severance payments are discretionary and sometimes large, they are likely to come under scrutiny. The Auditor-General has released updated good practice guidance on severance payments. The guide is intended to help public sector employers when considering making a severance payment to a departing employee. It encourages public organisations to take a principled and practical approach to these situations. The update to the 2012 good practice guidance reflects recent case law and changes in accounting standards.	On the OAG's website under 2019 publications. Link: Severance payments

Description	Where to find it
Procurement	
<p>The OAG are continuing their multi-year work programme on procurement.</p> <p>They have published an article encouraging reflection on a series of questions about procurement practices and how processes and procedures can be strengthened.</p> <p>Whilst this is focused on local government, many of the questions are relevant to all types of public sector entities.</p>	<p>On the OAG's website under publications.</p> <p>Links: Strategic suppliers: Understanding and managing the risks of service disruption Getting the best from panels of suppliers Local government procurement</p>

Appendix 1: Status of previous recommendations

Open recommendations

Recommendation	First raised	Status
Necessary		
Annual Reporting Process		
<p>Implement audit recommendations to improve the audit process including improving the quality assurance review over the annual report.</p> <p>The particular areas we would expect to see improving is</p> <ul style="list-style-type: none"> implementing a quality assurance review over the annual report before providing to audit, performed by a staff member not directly involved in collating the information. This should include a check that notes agree to the face of the accounts, disclosures, variance explanations and statement of service performance information are complete; and 	2018	<p>Matter ongoing</p> <p>One of the prior year recommendations have been closed.</p> <p>The initial draft provided for audit review contained issues that we found indicate quality assurance could be improved.</p> <p>Management comment</p> <p><i>Significant improvements are planned and currently being implemented for the 2022/23 annual report to improve the document and the way that it is prepared to ensure better quality assurance is achieved.</i></p>
Credit card usage		
<ul style="list-style-type: none"> Credit card holders should be reminded of, and adhere to, the requirements of the sensitive expenditure policy. Either the sensitive expenditure policy be updated to reflect current practice where the Chief Financial Officer's credit card is used as a corporate card or the practice of using that credit card as a corporate card should cease. 	2020	<p>Matter progressing</p> <p>Some issues were noted with credit card approval during testing. See section 4.1 of this report.</p> <p>Management comment</p> <p><i>Improvements have been made around the management of credit card usage during the year.</i></p>
Legislative compliance		
The District Council should look at mechanisms to actively monitor compliance with legislative requirements.	2016	<p>Matter outstanding</p> <p>No change in processes from last year.</p> <p>The District Council uses an informal system to monitor</p>

Recommendation	First raised	Status
		<p>compliance with legislation. Reporting to governance (i.e. Council) is performed on an exception basis rather than regular positive reporting. There is less chance of the District Council not complying with legislation if there is effective monitoring.</p> <p>Management comment</p> <p><i>A formal process has being developed where managers will be responsible for reporting on compliance.</i></p>
Three Waters Alliance arrangements		
The risk register could be improved by making the intended or expected impact of any risk treatment on the likelihood and/or consequence (the risk priority) clearer.	2020	<p>Matter outstanding</p> <p>The risk register does now include a Residual risk section which we assume is intended to document the impact of the mitigation or treatment on the risk priority assessment. However, it would appear it is not being used in this way. Where it is populated, it is more of a commentary on latest developments.</p> <p>Management comment</p> <p><i>Our risk manager is currently working with the alliance to improve the risk management practice at the Alliance.</i></p>
We encourage the District Council to take some time to rationalise and fully align performance measures and ensure they are being used consistently for reporting purposes.	2020	<p>Matter Outstanding</p> <p>The October 2021 Principal Group report includes KPIs. But the Performance Management Framework, which should inform the measures to be reported, has not yet been finalised so we could not confirm consistency. We will revisit in 2022/23.</p> <p>Management comment</p> <p><i>The performance measures will be reviewed as part of the LTP 2024-44</i></p>

Recommendation	First raised	Status
Maintenance of fixed assets WIP schedule/depreciation		
<p>The Perform a full review of the FAR to ensure valid data is contained in the module. Review accounting policies to ensure depreciation rates are appropriate and detailed enough for assets which are commonly added to the schedule.</p> <p>Implement regular reconciliations between the Asset Management Systems, maintained by the asset managers, and the FAR, maintained by the finance team. The reconciliations should be reviewed by an independent person evidenced with a dated signature.</p>	2016	<p>Matter outstanding</p> <p>Our recommendations are yet to be implemented.</p> <p>We were advised that this is a resource issue which prevents a monthly reconciliation.</p> <p>Management comment</p> <p><i>This is currently being worked on.</i></p>
Three water infrastructure assets		
<p>As part of the 2020/21 revaluation, the valuers, (WSP) recommended that the District Council:</p> <ul style="list-style-type: none"> • update of the GIS asset register to reflect the reassessed useful lives in the valuation worksheet; • componentisation of the treatment plants and pump stations; • water supply tanks are revalued in conjunction with treatment plants and pump stations; • further investigation and tracking of Alliance costs as the true on-costs applied to capex projects could be higher than the currently applied value; • investigate and reconcile the discrepancy between water and wastewater laterals and house connections; and • investigate the impact of significant population growth on the remaining life where the replacement date could be brought forward to achieve required capacity/standards. 	2021	<p>Matter progressing</p> <p>WSP noted that there have been improvements since the 2020/21 valuation specifically in respect of the componentisation of the treatment plants and pumps stations. All other recommendations are progressing.</p> <p>Management comment</p> <p><i>The asset registers are being moved into Hansen and the above will be addressed as part of that process.</i></p>

Recommendation	First raised	Status
Ensuring all assets withing an asset class are revalued		
We recommend that a process be implemented to ensure that all assets within an asset class are revalued.	2021	<p>Matter progressing</p> <p>Our initial review of the three-water infrastructure asset revaluation identified that asset additions for the year were not included in the revaluation while the external valuer for the roading assets identified that some privately owned assets in the RAMM was included in the previous and current valuation.</p> <p>Management comment</p> <p><i>Currently working through a process that ensures all assets within an asset class are revalued.</i></p>
Payroll masterfile review		
<ul style="list-style-type: none"> Changes to the payroll masterfile be regularly reviewed against the supporting documentation for appropriateness through the running and review of a Masterfile change report. Consideration be given to giving the reviewer "read-only" access to the payroll masterfile to ensure the review is independent. 	2020	<p>Matter progressing</p> <p>We reviewed this during the interim audit. We were advised by management that individual changes are being checked; however, these are not evidenced. Therefore, we cannot confirm that these checks are being done.</p> <p>In addition, as there is no audit report, we cannot confirm that all changes are being reviewed. We obtained copies of reports post balance date and noted discrepancies with the dates of the reviews and timeliness thereof.</p> <p>Management comment</p> <p><i>Any masterfile changes must be supported by the appropriate paperwork. The pay edit listing is reviewed by two people and the documentation for changes is supplied to the second reviewer. The pay edit listing is signed by the second reviewer before the pay is completed.</i></p>

Recommendation	First raised	Status
		<i>A new payroll masterfile audit report has been written and will be in place by the end of June 2022.</i>
Elevated network user accounts need management		
We recommended that any elevated access account creation have formalised approval by the IS manager and that regular reviews of these accounts be carried out.	2021	Matter progressing See item 4.2
Organisational Business Continuity and IT Disaster Recovery		
We recommended that the council continue to support and execute the overall BCP work programme underway to achieve BCP and DR plans that meet council requirements. This includes confirming the risk tolerance and response to achieve mitigation required for the council's target risk level.	2016	Matter progressing See item 4.3
Infrastructure, land and buildings valuations		
<p>Ensure there is a clear reconciliation between the revalued assets back to the valuation information.</p> <p>Develop a clear process to document adjustments to the valuation information and reassess the useful lives of infrastructure assets on a regular basis to ensure lives are in line with asset condition.</p>	2017	<p>Matter outstanding</p> <p>We encountered similar issues during our review of infrastructure.</p> <p>We will follow up in the next revaluation for infrastructure and land and buildings in 2023.</p> <p>Management comment</p> <p><i>A focus on improvements is underway.</i></p>

Implemented or closed recommendations

Recommendation	First raised	Status
Urgent		
Recording of complaints not in line with DIA guidance		
<p>The process of recording in CRM the complaints received by the District Council be reviewed and amended to ensure completeness of records and compliance with the requirements of the Non-Financial Performance Measures Rules 2013. For records received from the Palmerston North City Council (PNCC), a monthly reconciliation (evidenced with a dated signature) be implemented to ensure:</p> <ul style="list-style-type: none"> all "Jobs Logged" on the spreadsheets are appropriately broken down into the correct category and have been classified correctly to the CRM system; all "Jobs Logged" on the PNCC spreadsheet have the supporting request for service (RFS); and any issues are followed up within a month to be resolved between PNCC and the District Council prior to the data being overwritten by PNCC. 	2020	<p>See section 3 of this report</p> <p>Recording is now in line with DIA standards with the implementation of the business rules for after hours calls for PNCC in 2022.</p>
Necessary		
Annual report disclosure improvements		
<p>We noted several disclosures where improvements could be made to better align with the accounting standards. These include:</p> <p>PBE IPSAS 17 <i>Property, plant and equipment</i></p> <p>PBE IPSAS 1 <i>Presentation of Financial Statements</i></p> <p>PBE IPSAS 29 <i>Financial Instruments: Recognition and Measurement</i></p>	2019	<p>Suggested disclosure improvements included a part of the 21/22 annual report.</p>
Evidence on NZTA claim review		
<p>The reviewer signs and dates the documentation as evidence of their review.</p>	2017	<p>The NZTA claim is reconciled to the General Ledger monthly and signed and dated starting 21/22</p>

Recommendation	First raised	Status
Evidence of review of journals		
For each journal, retain evidence of the preparer and reviewer to confirm appropriate segregation of duties is in place.	2020	Journals are reviewed and signed off on a one-up or same level basis. No issue noted during our testing
Timing of revaluations		
Consideration should be given to having the revaluation of infrastructure assets effective "as at 30 June", instead of "as at 1 July".	2021	Revaluation of infrastructure assets are effective as at 30 June 2022
Sensitive expenditure policies		
The sensitive expenditure policies should be updated to reflect good practice, such as the OAG's Controlling sensitive expenditure: Guide for public organisations.	2019	The sensitive expenditure policy was updated 14 September 2022 to reflect good practice.
Bribery and corruption		
<ul style="list-style-type: none"> • Include the fraud policy in the induction pack. • Expand the fraud policy to be explicit about reporting requirements in relation to attempted bribery and corruption. • At least annual reporting to Council that would consider mechanisms indicating the adequacy of controls, including consideration by senior management of any changes required. 	2019	Fraud policy has been updated and approved by Council to include the recommendations
Conflict of interest management		
<ul style="list-style-type: none"> • Training be provided to staff on conflict of interest and risk management. • The current form of interest registers is improved to include columns on whether: <ul style="list-style-type: none"> ○ the interest is pecuniary or non-pecuniary; ○ the interest declared represents actual, potential or perceived conflict, and the agreed approach to managing any conflicts amongst the declared interests; and 	2020	<p>The conflict-of-interest prevention policy had been reviewed and updated during 2021/22 financial year. The updated policy was adopted by the Council on 14 September 2022.</p> <p>Process is put in place to maintain and monitor interest register for all staff with sample declarations prepared and interest register requirements stipulated.</p>

Recommendation	First raised	Status
<ul style="list-style-type: none"> a staff interest register is maintained as well. 		
Councillors – System for identifying transactions greater than \$25,000		
A system be put in place to monitor all payments in which a member has an “interest” to ensure the limit is not exceeded and if it is likely to exceed the \$25,000 threshold (in total) that these are identified and approval is sought from the OAG in advance.	2020	A spreadsheet is being maintained by the District Council to monitor if any of the member is likely to exceed the limit.
Cash receipting		
<p>Require reconciliation of the amounts in the “receipt listing after closing reports” to be initialled by the preparer and independently recounted.</p> <p>Require all cashiers to log out after use and to use their own login to process transactions.</p>	2019	The receipt listing after close report is initialled at the end of the day. The cash is independently recounted the next morning when that person is preparing the banking.
Payroll – post input review of timesheets		
An independent post input review should be carried out over timesheet data inputted into the system.	2020	No issue noted in testing completed
No records of retentions by contract		
<p>Maintain a separate listing for all contract retentions held by Council and review them for reasonableness on a regular basis.</p> <p>2020 comment: Reason for raising this issue is that there is a risk that a retention is being held by the District Council for longer than intended. With no separate listing for retentions, there is no practical way of reviewing every credit balance to check for retentions due to be released.</p>	2019	Retentions are already recorded in the creditor’s ledger. Council does not see the need to duplicate this information by recording it separately. Management accepts the risk.
Policy on deposits and bonds		
Adopt a policy on deposits and bonds and review deposits and bonds held to determine whether those no longer required should be refunded or recognised as revenue.	2016	Work on the closing of old deposits and bonds is expected to be completed by 30 June 2023, albeit management no longer see the need for a policy.

Recommendation	First raised	Status
Landfill valuation		
<p>Areas of improvement identified by the external valuer, Stantec New Zealand, should be addressed prior to the next valuation being:</p> <ul style="list-style-type: none"> Review replacement costs compared to historic costs with CAF (Cost Adjustment Factor) adjustment, on the basis of modern technology, or methods for the same level of service. Review all assets and assess any that may have residual values at the end of the overall landfill useful life. This would include assets that could be sold or used at another site. Assess overall valuation confidence based on standard assessment grades. 	2020	Landfill valuation was performed by Stantec for 2021/22. No areas of improvement identified in the report.
Procurement review		
<p>The Procurement Policy is dated July 2019 and the Procurement Guideline is dated March 2016.</p> <p>We continue to recommend that the policy and guidelines include documentation on:</p> <ul style="list-style-type: none"> methods of procurement; handling of late tenders; reviewing contracts prior to the end of contracted period; and <p>the transition periods between suppliers.</p>	2016	A detailed review has been completed by Aurecon and a programme is in place rolling out the procurement improvement programme and required reporting.
Contract Management policy and guidelines		
<ul style="list-style-type: none"> A contract management policy and guidelines should be put in place that are consistent with best practice in the sector. Processes should be implemented that improve contract management. 	2020	Council has appointed a procurement manager. A detailed review has been completed by Aurecon and a programme is in place to roll out a procurement improvement programme.
Creditor master file		
Review current processes to ensure there is adequate supporting information to verify that new creditors, and changes are bona fide.	2017	We reviewed this area during the interim audit. No issues noted.

Recommendation	First raised	Status
Implement a regular review process to remove redundant creditors.	2017	A review of redundant creditors will be done on an annual basis going forward.
Purchase Order Clearing Account		
<ul style="list-style-type: none"> Ensure an appropriate report can be generated and reviewed for the <i>Purchase Order Clearing Account</i>. Remove/adjust for purchase order outstanding balances where invoices have been received/outstanding amounts paid. 	2019	As at 30 June 2022, the purchase order clearing account reconciles with the General Ledger and its balance is significantly reduced from prior year.
Roading assets		
The areas of improvement, identified by the external valuer GHD, are addressed.	2021	We note that WSP has not made any new recommendations and the District Council has updated ownership attributes which resulted in an error being detected and corrected.
Robustness of fair value assessments		
The District Council improve its fair value assessments by making reference to recent contract rates for contracts completed for the District Council, or neighbouring Councils.	2021	Full valuations were undertaken this year for all infrastructure assets and land and buildings.
Maintenance of fixed assets WIP schedule/depreciation		
<p>Monitor WIP balances on a regular basis to ensure that any WIP that should be capitalised, is done so in a timely manner. All significant capital additions be depreciated when the asset becomes available for use.</p> <p>As depreciation is only calculated at year end, the District Council should review larger additions to check if depreciation should be recognised earlier.</p>	2016	WIP balances now being monitored on regular basis with effect from 1 July 2022.
Stand-alone fixed asset registers for treatment plants		
Develop stand-alone fixed asset register for treatment plants so they are revalued at component level.	2019	Stand-alone registers now in place for treatment plants.

Recommendation	First raised	Status
Review of Land and Buildings Fixed Asset Register		
Review the listing of land and buildings to be valued before submitting the information to the AFvaluers to ensure that all assets owned by the District Council are revalued and that only District Council owned assets are valued.	2017	No issues noted with 2022 revaluation.
Revaluation of Infrastructure assets		
Improve the revaluation asset data by: <ul style="list-style-type: none"> Updating asset condition information and review the reasonableness of asset useful lives. Reviewing the assumptions used in the revaluation of the treatment plants; and reviewing and simplifying revaluation templates. 	2018	Matters raised included in three water infrastructure assets recommendation.
Content of the Summary of the Annual Report		
The Summary of the Annual Report should only include information that has been included in the full Annual Report.	2021	2021/22 Summary Annual Report only includes information included in the full Annual Report.

Matters that we will follow up when next relevant testing are undertaken

Recommendation	First raised	Status
Necessary		
Performance measures process for complaints		
<ul style="list-style-type: none"> Review the effectiveness of the current reporting and systems to accurately capture the underlying data and to ensure the data is complete. Systems and processes should be formally documented and regular training provided to all staff involved. Perform a regular, weekly or even daily, quality review of data entered into the Customer Request Management system (CRM) for complaints, service requests and response times to ensure it is complete, accurate and supportable. Reviews should also focus on following up unclosed jobs, ensuring all data fields are updated, and review of unusual response times. We would expect that these reviews are formally evidenced by way of a date and signature. Ensure data fields include information to clearly show why data has been amended or re-categorised with a clear audit trail of any changes made and who authorised them. Document any calls that are excluded as Department of Internal Affairs (DIA) service requests or complaints. This may require additional fields to be added to the existing CRM if this information is not already captured. Continue to review DIA guidance to ensure that the data being captured and reported, meets the mandatory reporting requirements. We expect that there will be further clarification around these measures as they 	2016	<p>As there was an issue with the recording of the complaints in line with DIA guidance, we did not complete testing of detail over the records in the CRM system as part of the 2021/22 audit.</p> <p>We will review this in the 2022/23 audit.</p>

Recommendation	First raised	Status
<p>become embedded into the annual reporting.</p> <ul style="list-style-type: none"> Establish a system to check contractor times recorded, are accurate instead of relying solely on the time that the contractor/staff noted. This is important to ensure accurate monitoring of contractor performance against the District Council's key performance targets. Use the data from the CRM to monitor the District Council's performance, on a regular basis, to ensure corrective action can be taken as needed. 		
Service performance: Evidencing monthly review of CRM requests		
Evidence review of the CRM requests at month-end with a dated signature.	2019	<p>As there was an issue with the recording of the complaints in line with DIA guidance, we did not complete testing of detail over the records in the CRM system as part of the 2021/22 audit.</p> <p>We will review this in the 2022/23 audit.</p> <p>Management comment</p> <p><i>The CRMs are reviewed by Managers & Group Managers electronically.</i></p>
Classification of records in the CRM system		
We recommend that a monthly review of the CRM is implemented in order to mitigate the risk of overstating the reported results.	2020	<p>As there was an issue with the recording of the complaints in line with DIA guidance, we did not complete testing of detail over the records in the CRM system as part of the 2021/22 audit.</p> <p>We will review this in the 2022/23 audit.</p> <p>Management comment</p> <p><i>The CRMs are reviewed by Managers & Group Managers electronically</i></p>

Appendix 2: Disclosures

Area	Key messages
Our responsibilities in conducting the audit	<p>We carried out this audit on behalf of the Controller and Auditor-General. We are responsible for expressing an independent opinion on the financial statements and performance information and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001.</p> <p>The audit of the financial statements does not relieve management or the District Council of their responsibilities.</p> <p>Our Audit Engagement Letter contains a detailed explanation of the respective responsibilities of the auditor and the .</p>
Auditing standards	<p>We carried out our audit in accordance with the Auditor-General's Auditing Standards. The audit cannot and should not be relied upon to detect all instances of misstatement, fraud, irregularity or inefficiency that are immaterial to your financial statements. The Council and management are responsible for implementing and maintaining your systems of controls for detecting these matters.</p>
Auditor independence	<p>We are independent of the Council in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: <i>International Code of Ethics for Assurance Practitioners</i>, issued by New Zealand Auditing and Assurance Standards Board.</p> <p>In addition to our audit, we have performed a limited assurance engagement related to the District Council's debenture trust deed. Other than the audit and this engagement, we have no relationship with, or interests in, the District Council.</p>
Fees	<p>The audit fee for the year is \$183,800, as detailed in our Audit Proposal Letter.</p> <p>Other fees charged in the period are \$5,000, for the assurance engagement related to the debenture trust deed.</p>
Other relationships	<p>We are not aware of any situations where a spouse or close relative of a staff member involved in the audit occupies a position with the District Council or its subsidiaries that is significant to the audit.</p> <p>We are not aware of any situations where a staff member of Audit New Zealand has accepted a position of employment with the District Council or its subsidiaries during or since the end of the financial year.</p>



AUDIT NEW ZEALAND
Mana Arotake Aotearoa

PO Box 99
Wellington 6140
Phone: 04 496 3099

www.auditnz.parliament.nz



6.2 Treasury Report for the March 2023 quarter

File No.: 23/333

1. Purpose

- 1.1 To present to the Risk and Assurance Committee the Bancorp Treasury Reporting Dashboard for the March 2023 quarter.

2. Recommendation

- 2.1 That Report 23/333 Treasury Report for the March 2023 quarter be received.
- 2.2 That this matter or decision be recognised as not significant in terms of s76 of the Local Government Act 2002.

3. Background/Previous Council Decisions

- 3.1 This quarterly Treasury Reporting Dashboard is produced by Council's Treasury Advisors, Bancorp Treasury Services Limited, for the benefit of Executive Leadership Team, Council and the Risk and Assurance Committee.
- 3.2 Standard and Poor's visited the Council and the Risk and Assurance Committee during May as part of the annual ratings review. We are expecting to receive our updated rating on 1 June 2023.

4. Issues for Consideration

- 4.1 Council had \$144m of current external debt as at 31 March 2023, comprised of Commercial Paper (CP), Fixed Rates Bonds (FRBs) and Floating Rates Notes (FRNs), all sourced from the Local Government Funding Agency (LGFA).
- 4.2 Cost of funds as at 31 March 2023 was 3.78%. Interest rates had a very volatile quarter, driven largely by swings in offshore markets. Officers work closely with Council's Treasury Advisor to manage fixed vs. floating rate cover.
- 4.3 Since the last meeting, Council has entered into a new interest rate agreement with BNZ in April for \$10,000,000 starting 20 March 2026 and finishing on 20 April 2029 at 3.89%. This has been done to ensure an increased level of fixed rate debt based on Council's policy bands set out in the Liability Management Policy. This corrects the reported breach for our level of fixed rate debt in the 2-4 year bucket.

Attachments

No.	Title	Page
A↓	Horowhenua Treasury Dashboard as at 31 March 23	87


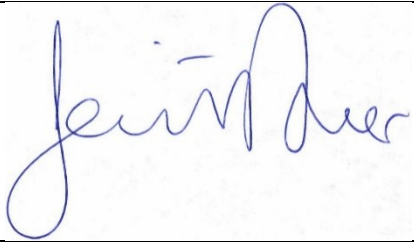
Confirmation of statutory compliance

In accordance with section 76 of the Local Government Act 2002, this report is approved as:

a. containing sufficient information about the options and their benefits and costs, bearing in mind the significance of the decisions; and,

- b. is based on adequate knowledge about, and adequate consideration of, the views and preferences of affected and interested parties bearing in mind the significance of the decision.

Signatories

Author(s)	Pei Shan Gan Financial Controller	
Approved by	Jacinta Straker Group Manager Organisation Performance	



Treasury Reporting Dashboard

31 March 2023

STRICTLY PRIVATE AND CONFIDENTIAL



Economic Commentary

Global (for the March 2023 quarter)

2

The confidence that permeated financial markets at the start of the year has well and truly dissipated with the collapse of Silicon Valley Bank ("SVB") in the US, and the forced merger of Credit Suisse with UBS. This has moved the market's focus from higher interest rates which are aimed at fighting inflation, to concerns about financial contagion and recession. Expectations around the quantum of rate hikes still required, and the scale and timing of the subsequent cutting cycle have changed dramatically. This has seen the US 10-year yield retest support around the 3.30% area after testing the 4.10% area at the start of March. In early March, the Overnight Index Swap ("OIS") curve was implying a cash rate peak in the US of 5.50% to 5.75% by June, with the first rate cut in early 2024. This was circa 0.50% higher than the peak priced in late January. However, by the end of March the OIS curve was implying no more hikes in the US with the first cut of 0.25% by September and a rate of 3.75% to 4.00% by March 2024.

As was widely expected, despite the volatility in the banking sector, the Fed increased its cash rate target range to 4.75%-5.00% in late March. However, the dot plot (forward projections from committee members) saw a slightly lower peak of 5.10% that was implied from its November 2022 update. US Federal Reserve ("Fed") Chairman Jerome Powell expressed confidence in the US banking system but did note that the recent turbulence in the banking sector could lead to a tightening of credit and this would in turn tighten monetary settings. As outlined above, markets saw the statement as 'dovish' and priced in aggressive rate cuts over the next 12-months despite Powell making it clear that rate cuts in 2023 were not the Fed's current base case scenario.

The recent banking sector issues have highlighted that a sole focus on getting inflation under control through higher interest rates could have unintended consequences on financial system stability. This is because banks around the globe have significant unrealised losses on the 'risk free' (if held to maturity) liquidity held via Government bonds. As the SVB collapse demonstrated, if there is a run on a bank, the forced selling of these bonds will crystallise these mark-to-market losses and, as in SVB's case, wipe out its equity.

While central banks had made it clear they are prepared to risk a recession to get, in their view, the more serious evil of imbedded inflation under control, markets are guessing that they will be much less sanguine around the risk of financial market contagion. This is causing almost unprecedented volatility in short-term interest rate markets. The US 2-year bond yield traded in a 1.20% range over a few weeks and the OIS curve changed by more than 1.0%. The US10-year bond yield was a little quieter, albeit trading both ends of a 0.50% range a number of times.

Economic Commentary

New Zealand (for the March 2023 quarter)

3

	OCR	90 day	2 years	3 years	5 years	7 years	10 years
31 Dec 2022	4.25%	4.82%	5.38%	5.13%	4.86%	4.80%	4.80%
31 March 2023	4.75%	5.24%	5.03%	4.72%	4.40%	4.31%	4.27%
Change	+0.50%	+0.42%	-0.35%	-0.41%	-0.46%	-0.49%	-0.53%

During the March quarter, two important data releases highlighted the fragility of the New Zealand economy. Firstly, GDP data for the December 2022 quarter (released at the end of March) came in as a real outlier. GDP plummeted to -0.6% against market forecasts at -0.2%, and the RBNZ's projection of +0.7%. Annual GDP eased from 6.4% to 2.2%. If the negative print for December 2022 is followed by another negative number in the March quarter (which many are predicting), then the country is officially in recession, something the Reserve Bank of New Zealand ("RBNZ") has signalled as being necessary to quell inflation.

Secondly, the current account deficit widened by NZD9.46 billion to a record NZD33.8 billion in the December 2022 quarter, this represents 8.9% of GDP. This exceeded the 7.8% deficit recorded during the global financial crisis in 2008. This saw S&P Global Ratings warn NZ's 'AAA' rating could come under pressure as the current account deficit "is at an extremely high level at the moment. It is much wider than we were expecting it to be." The current account gives an indication of whether an economy is 'living within its means' and the wide deficit suggests New Zealand has not been. Encouragingly though, the outlook is for the deficit to narrow as domestic demand softens and international tourism and the education sectors continue to recover.

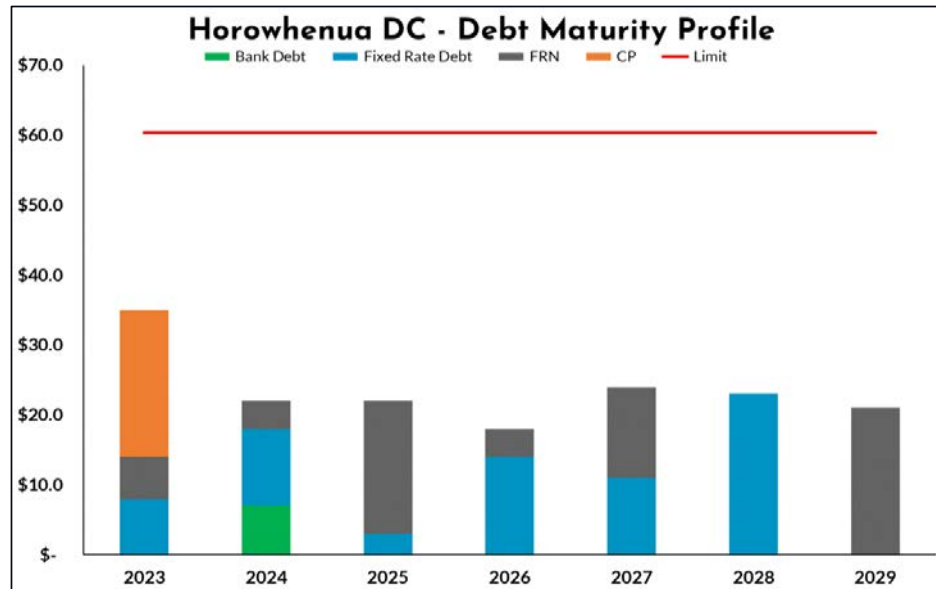
In late February, in the Monetary Policy Statement ("MPS") the RBNZ raised the Official Cash Rate ("OCR") by 50 basis points to 4.75% and left the projected peak unchanged at 5.50%. The RBNZ stated that the decision about the extent of the increase was whether it should be 50 or 75 basis points and not 25 or 50 basis points. Obviously, the RBNZ is still worried about inflation, stating in the MPS that "higher interest rates are still needed to meet our inflation and employment objectives, to the same extent as in the November Statement."

Interest rates had a very volatile quarter, driven largely by swings in offshore markets. The 2-year and 10-year swap rates reached lows of 4.65% and 4.02%, respectively in early February, then climbed to 5.56% and 4.79%, respectively by early March as markets refocused on inflation and the need for central banks to tighten monetary policy to quell inflation. However, by the end of March the 2-year rate was at 5.03% and the 10 year at 4.27% as inflation worries subsided a little and, more importantly, the banking crisis in the US and Europe led to a pattern of risk aversion trading where investors sought the safety of the bond markets.

Market pricing for the OCR also reacted to the global banking woes. In early March, markets were pricing the OCR to be at 5.49% in August 2023 and then to fall to 5.06% by July 2024. By the end of March, pricing was at 5.20% for August 2023 and 4.54% for July 2024. This compares with the RBNZ's forecasts of the OCR peaking at 5.50% in December 2023 and to be only down to 5.4% by September 2024. In the past, the RBNZ had made it very clear that its priority is to get the inflation rate down, even if it pushes the country into recession. The outlook may become a little clearer on 5 April when the RBNZ delivers the Monetary Policy Review with markets looking for a sign that the shock GDP print and the recent global events may soften the RBNZ's stance.

Liquidity and Funding

4



Policy Compliance	Compliant
Have all transactions been transacted in compliance with policy?	Yes
Is fixed interest rate cover within policy control limits?	No
Is the funding maturity profile within policy control limits?	Yes
Is liquidity within policy control limits?	Yes
Are counterparty exposures within policy control limits?	Yes

Current Debt

\$144m

External Council Drawn Debt

Current LGFA Debt

\$144m

Funds Drawn from LGFA

Headroom = undrawn bank facility,
cash in bank, term deposits

\$34.71m

Liquidity Ratio

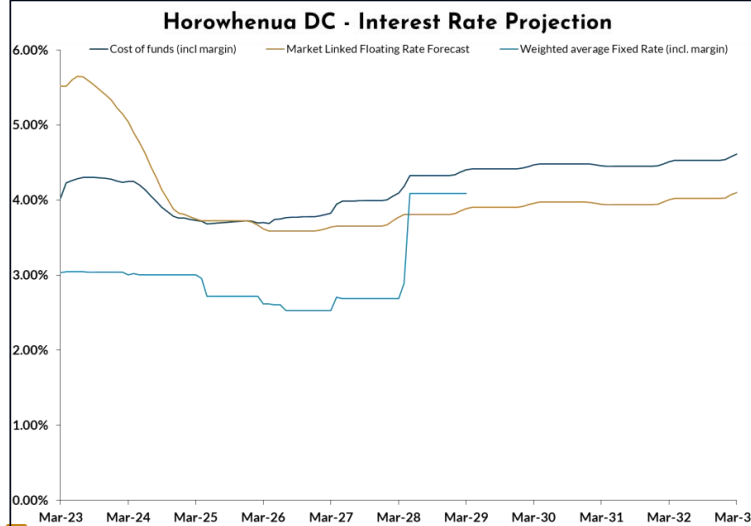
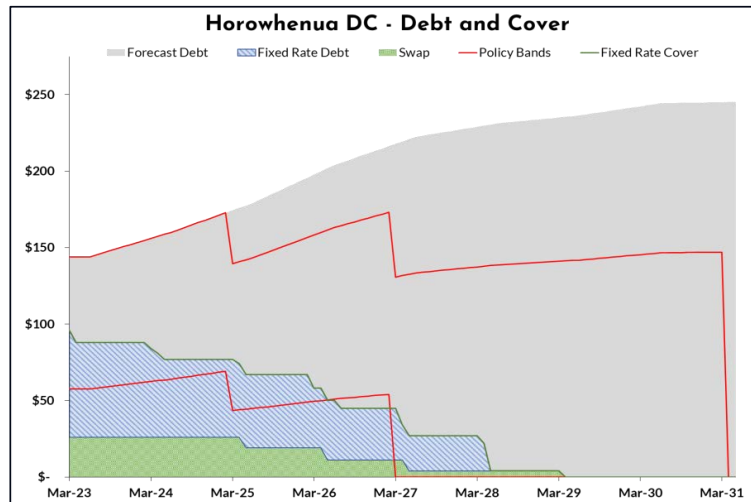
124.1%

Definition: (Cash Reserves + Lines of Credit + Drawn Debt)/Drawn Debt

Cost of Funds as at 31 March

3.78%

Debt & Cover Profile



BANCORP

Current % of Debt Fixed	66.7%
Current % of Debt Floating	33.3%
Value of Fixed Rate (m)	\$96.0
Weighted Average Cost of Fixed Rate Instruments	2.91%
Value of Forward Starting Cover	\$4.0
Weighted Average Cost of Forward Starting Cover	3.56%
Value of Floating Rate (m)	\$48.0
Current Floating Rate	5.22%
Current Floating Rate (incl margin)	5.69%
All Up Weighted Average Cost of Funds Including Margin	3.78%
Total Facilities In Place	\$151.0

Policy Bands			
	Minimum	Maximum	Policy
0 - 2 years	40%	100%	Compliant
2 - 4 years	25%	80%	Breach
4 - 8 years	0%	60%	Compliant

5

LGFA Borrowing Rates

As at 31 March

6

Listed below are the credit spreads and applicable interest rates as at the end of March for Commercial Paper ("CP"), Floating Rate Notes ("FRN") and Fixed Rate Bonds ("FRB"), at the Horowhenua District Council could source debt from the Local Government Funding Agency ("LGFA").

Maturity	Margin	FRN (or CP Rate)	FRB
3 month CP	0.15%	5.32%	N/A
6 month CP	0.20%	5.48%	N/A
April 2024	0.35%	5.52%	5.58%
April 2025	0.43%	5.60%	5.31%
April 2026	0.53%	5.70%	5.11%
April 2027	0.61%	5.78%	5.03%
May 2028	0.67%	5.84%	5.05%
April 2029	0.77%	5.94%	5.11%
May 2031	0.82%	5.99%	5.13%
April 2033	0.92%	6.09%	5.20%
May 2035	0.97%	6.14%	5.34%
April 2037	0.98%	6.15%	5.40%

Disclaimer

IMPORTANT NOTICE

Statements and opinions contained in this report are given in good faith, but in its presentation, Bancorp has relied on primary sources for the information's accuracy and completeness. Bancorp does not imply, and it should not be construed, that it warrants the validity of the information. Moreover, our investigations have not been designed to verify the accuracy or reliability of any information supplied to us. It should be clearly understood that any financial projections given are illustrative only. The projections should not be taken as a promise or guarantee on the part of Bancorp. Bancorp accepts no liability for any actions taken or not taken on the basis of this information and it is not intended to provide the sole basis of any financial and/or business evaluation. Recipients of the information are required to rely on their own knowledge, investigations and judgements in any assessment of this information. Neither the whole nor any part of this information, nor any reference thereto, may be included in, with or attached to any document, circular, resolution, letter or statement without the prior written consent of Bancorp as to the form and content in which it appears.

CONFIDENTIALITY

The information provided herein is provided for your private use and on the condition that the contents remain confidential and will not be disclosed to any third party without the consent in writing of Bancorp first being obtained.

GET IN TOUCH

Bancorp New Zealand Ltd
Head Office, Level 3, 30 Customs Street, Auckland
09 912 7600

www.bancorp.co.nz

Risk and Assurance Committee Resolutions and Actions Monitoring Report

File No.: 23/362

1. Purpose

The purpose of this report is to report to the Risk and Assurance Committee on previous resolutions.

2. Recommendation

- 2.1 That Report 23/362 Risk and Assurance Committee Resolutions and Actions Monitoring Report be received.
- 2.2 That this matter or decision be recognised as not significant in terms of s76 of the Local Government Act 2002.
- 2.3 That the Risk & Assurance Committee notes the Risk & Assurance Committee resolution and actions monitoring report.

3. Issues for Consideration

This paper reports on actions generated from Committee resolutions, and any requests noted through the minutes, or requested for action accepted by the Chair.

This paper is provided for information. Much like the Committee Work Programme, the Resolution Monitoring Report will be standing item, and reported through at each committee meeting.

The monitoring actions have been carried over from the Finance, Audit and Risk Committee from the previous Triennium.

Attachments


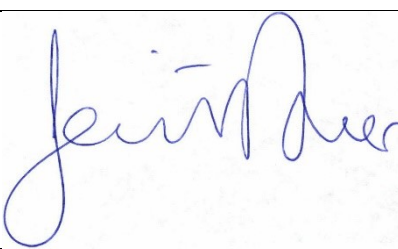

No.	Title	Page
A ↓	Risk & Assurance Committee Monitoring Report	97

Confirmation of statutory compliance

In accordance with section 76 of the Local Government Act 2002, this report is approved as:

- a. containing sufficient information about the options and their advantages and disadvantages, bearing in mind the significance of the decisions; and,
- b. is based on adequate knowledge about, and adequate consideration of, the views and preferences of affected and interested parties bearing in mind the significance of the decision.

Signatories

Author(s)	Pei Shan Gan Financial Controller	
Approved by	Jacinta Straker Group Manager Organisation Performance	
	Monique Davidson Chief Executive Officer	



Risk & Assurance Committee Actions Monitoring Report

	Completed
	In progress
	Transfer
	Off track

Reference	Resolution/Action	Officer	Due date	Status	Officer Comment
21/337	Health & Safety Report <ul style="list-style-type: none"> Enhanced risk management reporting, over time, in response to the SafePlus comment "some risk controls were being monitored but effectiveness of controls were not being verified" 	T Glavas	Ongoing		The effectiveness of the controls is being monitored through ongoing incident reporting.
21/392	Finance, Audit & Risk Committee Work Programme <ul style="list-style-type: none"> Council's Risk Register – what should be added in terms of risk due to the proposed reforms – Local Government, RMA, and Three Waters to be considered. Also what was learned during the recent CouncilMARK process to be included. 	A Huria	Complete		Risk improvement programme presented to Council and implementation programme underway. Future updates will be via Risk Status Reports.

D23/18110

Last update: 31-May-23

Key from Audit

Priority	Explanation
Urgent	Needs to be addressed <i>urgently</i> These recommendations relate to a significant deficiency that exposes the District Council to significant risk or for any other reason need to be addressed without delay.
Necessary	Address at the earliest reasonable opportunity, <i>generally within six months</i> These recommendations relate to deficiencies that need to be addressed to meet expected standards of best practice. These include any control weakness that could undermine the system of internal control.
Beneficial	Address, <i>generally within six to 12 months</i> These recommendations relate to areas where the District Council is falling short of best practice. In our view it is beneficial for management to address them, provided the benefits outweigh the costs.

Audit Management Report 2020/22 Previous Recommendations			
Recommendation	Due date	Status	Officer Comment
Necessary			
Credit card usage			
<ul style="list-style-type: none"> Credit card holders should be reminded of, and adhere to, the requirements of the sensitive expenditure policy. Either the sensitive expenditure policy be updated to reflect current practice where the Chief Financial Officer's credit card is used as a corporate card or the practice of using that credit card as a corporate card should cease. 	30/06/2023		Improvements have been made around the management of credit card usage during the year.
Annual Reporting Process			
<p>Implement audit recommendations to improve the audit process including improving the quality assurance review over the annual report.</p> <p>The particular areas we would expect to see improving is:</p> <ul style="list-style-type: none"> Implementing a quality assurance review over the annual report before providing to audit, performed by a staff member not directly involved in collating the information. This should include a check that notes agree to the face of the accounts, disclosures, variance explanations and statement of service performance information are complete. 	30/06/2023		Significant improvements are planned and currently being implemented for the 2022/23 annual report to improve the document and the way that it is prepared to ensure better quality assurance is achieved.
Three water infrastructure assets valuation			
<p>Areas of improvement identified by the external valuer (WSP) and us, should be addressed prior to the next valuation, being:</p> <ul style="list-style-type: none"> update of the GIS asset register to reflect the reassessed useful lives in the valuation worksheet; componentisation of the treatment plants and pump stations; water supply tanks are revalued in conjunction with treatment plants and pump stations; 	31/12/2023		WSP noted that there have been improvements since the 2020/21 valuation specifically in respect of the componentisation of the treatment plants and pumps stations. All other recommendations are progressing.

D22/59985

Last update: 31-May-23

<ul style="list-style-type: none"> further investigation and tracking of Alliance costs as the true on-costs applied to capex projects could be higher than the currently applied value; investigate and reconcile the discrepancy between water and wastewater laterals and house connections; and investigate the impact of significant population growth on the remaining life where replacement date could be brought forward to achieve required capacity/standards. 			The asset registers are being moved into Hansen and the above will be addressed as part of that process.
Ensuring all assets within an asset class are revalued			
A process/reconciliation should be implemented to ensure that all assets within an asset class are revalued.	30/06/2023		Currently working through a process that ensures all assets within an asset class are revalued.
Elevated network user accounts need management			
Use of the generic administrator account should be eliminated, and the password stored away for use in an emergency.	31/12/2023		Currently investigating moving from E3 to E5 Microsoft Licencing which allow us to implement Privileged Identity Management – this supports appropriate access and permission management across various administrative roles and eliminates the need for staff to have separate ADM account.
Legislative compliance			
The District Council should look at mechanisms to actively monitor compliance with legislative requirements.	30/06/2023		A formal process is being developed where managers will be responsible for reporting on Compliance.

Three Waters Alliance arrangements			
The risk register could be improved by making the intended or expected impact of any risk treatment on the likelihood and/or consequence (the risk priority) clearer.	31/12/2023		Our risk manager is currently working with the alliance to improve the risk management practice at the Alliance.
We encourage the District Council to take some time to rationalise and fully align performance measures and ensure they are being used consistently for reporting purposes.	30/06/2024		The performance measures will be reviewed as part of the LTP 2024-44.
Maintenance of fixed assets WIP schedule/depreciation			
<p>Perform a full review of the Fixed Asset Register (FAR) to ensure valid data is contained in the module. Review accounting policies to ensure depreciation rates are appropriate and detailed enough for assets which are commonly added to the schedule.</p> <p>Implement regular reconciliations between the Asset Management Systems, maintained by the asset managers, and the FAR, maintained by the finance team. The reconciliations should be reviewed by an independent person evidenced with a dated signature.</p>	31/12/2023		This is currently being worked on
Infrastructure, land and buildings valuations			
<p>Ensure there is a clear reconciliation between the revalued assets back to the valuation information.</p> <p>Develop a clear process to document adjustments to the valuation information and reassess the useful lives of infrastructure assets on a regular basis to ensure lives are in line with asset condition.</p>	30/06/2024		A focus on improvements is underway.

Payroll masterfile review			
<ul style="list-style-type: none"> Changes to the payroll masterfile be regularly reviewed against the supporting documentation for appropriateness through the running and review of a Masterfile change report. Consideration be given to giving the reviewer "read-only" access to the payroll masterfile to ensure the review is independent. 	30/06/2023		<p>Any masterfile changes must be supported by the appropriate paperwork. The pay edit listing is reviewed by two people and the documentation for changes is supplied to the second reviewer. The pay edit listing is signed by the second reviewer before the pay is completed.</p> <p>A new payroll masterfile audit report has been written and will be in place by the end of June 2023.</p>
Performance measures process for complaints			
<ul style="list-style-type: none"> Review the effectiveness of the current reporting and systems to accurately capture the underlying data and to ensure the data is complete. Systems and processes should be formally documented, and regular training provided to all staff involved. Perform a regular, weekly or even daily, quality review of data entered into the Customer Request Management system (CRM) for complaints, service requests and response times to ensure it is complete, accurate and supportable. Reviews should also focus on following up unclosed jobs, ensuring all data fields are updated, and review of unusual response times. We would expect that these reviews are formally evidenced by way of a date and signature. 	30/06/2023		<p>CRMs are currently a focus for Council for ongoing improvement.</p>

<ul style="list-style-type: none"> • Ensure data fields include information to clearly show why data has been amended or re-categorised with a clear audit trail of any changes made and who authorised them. • Document any calls that are excluded as Department of Internal Affairs (DIA) service requests or complaints. This may require additional fields to be added to the existing CRM if this information is not already captured. • Continue to review DIA guidance to ensure that the data being captured and reported, meets the mandatory reporting requirements. We expect that there will be further clarification around these measures as they become embedded into the annual reporting. • Establish a system to check contractor times recorded, are accurate instead of relying solely on the time that the contractor/staff noted. This is important to ensure accurate monitoring of contractor performance against the District Council's key performance targets. • Use the data from the CRM to monitor the District Council's performance, on a regular basis, to ensure corrective action can be taken as needed. 			
Service performance: Evidencing monthly review of CRM requests			
Evidence review of the CRM requests at month-end with a dated signature.	30/06/2023		The CRMs are reviewed by Managers & Group Managers electronically.

Classification of records in the CRM system			
We recommend that a monthly review of the CRM is implemented in order to mitigate the risk of overstating the reported results.	30/06/2023		The CRMs are reviewed by Managers & Group Managers electronically.
Organisational Business Continuity and IT Disaster Recovery			
We recommend that the District Council continue to support and execute the overall BCP work programme underway to achieve BCP and DR plans that meet Council requirements, including confirming the risk tolerance and response to achieve mitigation required for the District Council's target risk level.	30/06/2023		Council now has a permanent Risk Manager role in place and is in process of building capability and maturity across risk and business continuity. Information Services is working closely with the Risk Manager to ensure that IT risks and BCPs are captured and managed.

Key from PricewaterhouseCoopers

Priority	Explanation
Urgent	High risk/immediate action required
Necessary	Medium risk/attention recommended in the medium term
Beneficial	Low risk/for your information only
√	Tax opportunity/action required

GST Compliance evaluation by PwC Recommendations – 17 February 2023					
Area of focus	Recommendation	Priority	Due date	Status	Officer Comment
GST Process/Procedure					
GST Procedural Documentation	We recommend that Council updates the GST procedural documentation to provide support for the basis of the calculations being made. In the event of an Inland Revenue risk review or audit, one of the first things that Inland Revenue request is procedural documentation and Inland Revenue will have a high degree of confidence over tax compliance if a taxpayer can produce up-to-date, comprehensive procedural documentation.	Beneficial	31/12/2023		Procedural documentation being reviewed and tested by new staff doing GST return to ensure completeness of the documentation. Further refinement to the documentation will be made as needed.
GST Return Preparation					
GST Return Preparation Process	We are of the view that Council's GST return process is broadly sound and in line with our expectations. Whilst a manual workaround has been created, we recommend that the underlying	Necessary	30/06/2023	Not started	

D22/59985

Last update: 31-May-23

	system settings are investigated to ensure these transactions are posted to the correct GST payable or receivable account. The manual workaround may correct this in most instances, however there can be legitimate reasons for negative postings (e.g. credit notes), which should not be transferred to the opposite GST account. We provide our further comments below in respect to individual aspects of the return for specific consideration, including an additional adjustment recommend for resource consent deposits.				
Trend Analysis	To support the high-level analysis already undertaken by Council each month, the input and output GST accounts could be tracked in a separate workbook or system output, with larger variances above a defined threshold noted within. This could also be translated into a graph which can provide an effective high-level visualisation of movements in GST for Council.	√	31/12/2023		Separate workbook had been created for trend analysis, further work is needed to refine the data and create a user-friendly visualisation of movement in GST for Council.
GST Codes	We agree that in some instances, GST treatment can differ for items coded to a particular code, however there are many instances (e.g. rates penalties), where a default GST code should be used to ensure these are treated correctly for GST. Accordingly, we recommend Council review the default GST coding and ensure there is a default code where	√	31/12/2023	Not started	

	a particular GST treatment is certain or very common.				
Rates					
Rates – General	For GST purposes, rates have a modified time of supply trigger, being the earlier of: <ul style="list-style-type: none"> - The date the instalment notice is issued; - the due date for payment required by the instalment notice; or - the date any payment is received. Council sets the rates for the year around July/August with four instalment dates which are invoiced as a "Tax Invoice/Credit Note/Debit Note" quarterly each year. For the GST return, Council's system defaults to return the full GST portion of the rates set for the year and will make an adjustment per month according to how much has been invoiced and how much has been paid in advance. No action required.	Beneficial	NA	For noting. No action required.	No action required.
Rates – Penalties	We recommend that Council amend the invoice format to include a total amount of GST in the row above the total due. We also recommend that there is a specific comment stating the rates penalties are exempt from GST.	Necessary	31/12/2023	Not started	
Rates - Paid in Advance	Technically, Council has no obligation to return GST on rates paid in advance of the rates being set. However, given the rarity of rates paid in advance and that Council's approach is conservative, we	Beneficial	NA	For noting. No action required.	No action required.

D22/59985

Last update: 31-May-23

	consider the risk minimal, and the current treatment is appropriate. No action required.				
Rates – Remissions	We recommend that Council amend the tax invoice template to include a separate line to show the remission amount. Council should make clear that GST will only apply to the discounted rate where remissions have been applied.	Necessary	31/12/2023	Not started	
Rates - Recent Invoice Error	<p>We recommend that when Council reissues an amended invoice, that it shows a separate line for the full amount incorrectly charged as a credit, then have the correct amount shown as the amount due. For example: Opening balance: \$1,200 Credit for prior invoice: (\$1,200) Correct Amount: \$1,000 ----- Total Amount Due: \$1,000</p> <p>We note that whilst there is a risk that a ratepayer may inadvertently claim GST on both invoices, the onus falls on the recipient to ensure GST is not over claimed in these instances.</p>	Necessary	NA	For noting. No action required.	No action required.
Dog Licence Registrations					
Time of Supply	We recommend that going forward, Council ensure any invoices dated the 1st of the month are not sent during the month earlier, to avoid triggering the time of supply for GST purposes.	Necessary	30/06/2023		Compliance team had been notified and this is built into the processing notes for future invoices.

D22/59985

Last update: 31-May-23

Dog Licensing – Invoices	We recommend that to rectify the issues noted going forward, Council amend the invoice template to read "Tax invoice when paid" as well as include a GST line on the document. This will ensure that the documentation issued reflect Council's current practice and simplifies the process.	Necessary	31/12/2023		Invoice template is being updated to include the wording "Tax invoice when paid" and a separate GST line. This is being targeted for an earlier completion by 30 June 2023 to align with the Dog registration timing.
Dog Licensing Fees - Credit Notes	Consistent with the above recommendation, we recommend that Council amend the invoices for licensing to read "Tax Invoice When Paid". This would negate the requirement for Council to issue a credit note.	Necessary	31/12/2023		Invoice template is being updated to include the wording "Tax invoice when paid". This is being targeted for an earlier completion by 30 June 2023 to align with the Dog registration timing.
Property and Land Transactions					
Property Purchases and Disposals	We recommend that Council update the sales/disposals on property and land policy and procedure documentation to ensure the finance team is made aware of potential transactions early and the expected GST treatment is determined prior to the transaction being finalised. We recommend that Council ensures that the GST schedule within all Sale & Purchase agreements are completed. In the event that the GST treatment is ever scrutinised by the other party or by Inland Revenue, having this completed should support the GST position taken by Council.	Urgent	30/06/2023		Whilst more time is needed to work on updating the policy and procedure documentation related to the sales/disposals on property and land, the relevant team had been notified of the need to include the Finance team in completing the GST schedule within the agreements, and generally with questions around GST treatment.
Residential Property	We recommend that Council confirm whether the tenants at Valvaalen Farm	Necessary	30/06/2023		Further guidance was sought from PwC on this, and we

D22/59985

Last update: 31-May-23

	<p>(66 Old Foxton Road) and the Salvation Army (24 Durham Street) have "quiet enjoyment" for residential purposes. Based on our discussions we understand this is likely. If confirmed as exempt from GST, we recommend that Council contact the leasee to notify them that Council will no longer charge GST on the rent. We understand the current contracts state 'plus GST'. We recommend this is amended to exclude GST on these contracts and any similar contracts entered into in future that have the same GST treatment. Council should confirm if these properties were ultimately purchased for taxable supply purposes, and if so, the SOLGM agreement (as discussed below) could apply, meaning that notional GST should be returned on the rent received. However, GST should not be charged to the tenant. If treated as exempt, Council should ensure GST is not claimed on any expenses incurred by Council in relation to the residential properties. Council should ensure appropriate training and controls are put in place to ensure those coding the expenses do not claim the GST.</p>				are in the process of approaching the tenants to notify the need for change of GST treatment (GST exempt), and retrospective adjustments to be considered.
Consents and Contributions					
Resource Consent Deposits - Time of Supply	Moving forward, we recommend that Council recognise GST on the deposit when a payment is received. Only the GST portion of the deposit need be	Necessary	31/12/2023		The recommended monthly adjustment is put in place from the March 2023 GST return to recognise GST on

	accounted for in the GST return as the full cost of the resource consent is not yet known. We recommend that this is a monthly adjustment completed in the GST return workpaper similar to the rates in advance adjustment. Ideally, a report could be run monthly detailing resource consent debtors with a credit balance and the movement between months included within the GST return.				the Resource Consent deposit when a payment is received.
Grants					
Grants	We recommend that the finance team ensures it has oversight on all grants going both in and out of Council, to ensure the GST treatments are correct. We provide specific recommendations below in regard to individual grants and provide further information on the distinction between grants and donations at Appendix Four.	Beneficial	31/12/2023	Not started	
Other					
Staff Reimbursements/ Credit Cards	We recommend that Council ensures that managers who are responsible for approving invoices are given appropriate guidance on what to look out for from a GST perspective when undertaking this process, including a high-level understanding of GST claiming thresholds where no tax invoice provided. We also recommend that Council develop internal policy on any thresholds and limitations to staff reimbursements to minimise the number of personal claims	Beneficial	31/12/2023	Not started	

D22/59985

Last update: 31-May-23

	going through and clarify the requirements for invoices/receipts required for expense claims. We note that GST invoicing requirements will be changing for taxable periods starting 1 April 2023 onwards. We provide more information on this at Appendix Two.				
SOLGM Agreement	We recommend that Council apply this methodology where applicable in relation to future purchases. We note that Inland Revenue are now very reluctant to accept similar GST apportionment agreements to that secured with SOLGM. As it significantly simplifies compliance, Council should take advantage of this option when it does apply.	v	31/12/2023	Not started	
WHT/GST	We recommend that Council incorporate controls within the accounts payable process to ensure withholding tax (WHT) is considered when paying suppliers, particularly individuals and ad hoc suppliers.	Beneficial	31/12/2023		<p>Council does not often engage with contractors that will be subject to WHT. Currently, there is no WHT issue as the contractors that Council has engaged with are companies. Councillors are also subject to WHT, and this is processed through payroll with WHT being deducted appropriately.</p> <p>New Creditor Form used by Council has been reviewed and updated in March 2023 to capture WHT information.</p>

D22/59985

Last update: 31-May-23

					Work has started to ensure accounts payable module can handle WHT and this is currently being tested.
--	--	--	--	--	---

Key from PricewaterhouseCoopers

Priority	Explanation
Urgent	High risk/immediate action required
Necessary	Low – Medium risk – action recommended
Beneficial	Low risk/for your information only

PAYE Compliance evaluation by PwC Recommendations – 11 May 2023					
Area of focus	Recommendation	Priority	Due date	Status	Officer Comment
Overall					
Procedural Documentation	We recommend that Council continue with the review and completes the PAYE procedural documentation. Following this, Council should ensure the documentation is kept up to date with any changes in process.	Beneficial	31/12/2023	Not started	
Knowledge and awareness	We encourage the Council to ensure that the team members who are involved in the PAYE process have access to up-to-date training and materials to ensure that they stay up to date with current tax legislation and Inland Revenue practice. Furthermore, we recommend that Council run regular checks and tests on the payroll system to ensure automatic calculations are being done correctly.	Necessary	30/06/2023	Not started	
Key person risk	We recommend that Council ensure that there are other suitable team members in place who can ensure that the payroll	Necessary	30/06/2023		Payroll function is now included within the People and Capability team. Key

D22/59985

Last update: 31-May-23

	process could still be completed in the absence of the Payroll manager.				person risk is mitigated by cover put in place where both People and Capabilities Coordinators provide cover for each other in Payroll and Human resources functions).
Potential future benefits	Tax advice should be considered prior to implementing any new benefits to employees. We recommend ensuring any potential offers to staff are communicated between HR, payroll and finance teams to ensure that the correct tax treatment is understood before implementation and ultimately is applied, particularly if there are any non –taxable offerings.	Necessary	30/06/2023	Not started	
Payroll					
Fortnightly pay run	As the ad hoc payments are calculated separately from the regular fortnightly pay run, the payment is made at the same time as the regular fortnightly pay. If the situation arises where the ad hoc pay runs give rise to an actual separate payment, this will trigger a pay day filing requirement for that payment. Council should ensure this is monitored and the pay day filing requirements are met.	Beneficial	31/12/2023		Ad hoc payments are filed within the same pay period to Inland Revenue. A reconciliation file is prepared for each pay run and reviewed by the People and Capabilities Manager. This is embedded into day-to-day process and closely monitored.
Final Pay – Ordinary Pay tax rate	We recommend that Council correct this calculation going forward by processing it through the payroll system. We understand that Council performs a	Urgent	30/06/2023		Exploring options with system provider

	<p>manual calculation in attempt to avoid employees having a large refund or tax to pay when their individual tax return is assessed.</p> <p>In our view, the risk for Council is significantly lower if the calculation is performed using Inland Revenue's expected methodology as Council could be responsible for amending their PAYE returns upon investigation if the current methodology is used.</p>				
Final Pay – Lump sum payment	<p>We recommend that Council correct this calculation going forward by processing it through the payroll system if it has the capability. Alternatively, Council could amend the manual calculation methodology. We understand that Council performs a manual calculation in attempt to avoid employees having a large refund or tax to pay when their individual tax return is assessed.</p>	Urgent	30/06/2023		Exploring options with system provider.
Backpay	<p>Our sample testing of payslips indicated that the backpay component of a payslip was treated as ordinary pay rather than extra pay. Whilst we understand this was a unique instance, we recommend that in future, each instance of backpay is considered carefully to split out the actual backpay and the amount relating to the current period.</p>	Beneficial	31/12/2023		All backpay components are processed and recorded separately to ordinary pay.

D22/59985

Last update: 31-May-23

Contractors & Withholding tax (WHT)	We understand that Council does not often engage with contractors and will do so sparingly. Currently, there is no WHT issue as the contractors that Council has engaged with are companies. Councillors are also subject to WHT, and this is processed through payroll with WHT being deducted appropriately. No action required.	Beneficial	NA	For noting. No action required.	No action required.
Superannuation					
Superannuation	Council currently offers KiwiSaver and SuperEasy to employees. The interaction between superannuation schemes can be complex, however, as Council only contributes to KiwiSaver, this risk is mitigated. No action required.	Beneficial	NA	For noting. No action required.	No action required.
ESCT rates for new employees	<p>Council relies on the payroll system to automatically calculate an employee's ESCT rate. Through our sample testing of payslips, we discovered that Council's payroll system, has been calculating ESCT rates for new employees incorrectly. Based on our testing, it appears that ESCT rates are determined based on their prior year earnings, regardless of when the employee started. This has resulted in ESCT rates being automatically set at 10.5% for new starters, resulting in an underpayment of ESCT by Council.</p> <p>We recommend that Council carry out a specific engagement to calculate the</p>	Urgent	30/06/2023		On 25 October 2022, we made a voluntary disclosure to the Inland Revenue in relation to the underpayment of Employer Superannuation Contribution tax (ESCT). On 7 December 2022, Inland Revenue accepted the disclosure and amended the amount of ESCT payable for the periods (31/03/20, 31/03/21 and 31/3/22) and Council paid the amount of \$25,705.67 including use-of-money interest (UOMI). No shortfall penalty was imposed.

D22/59985

Last update: 31-May-23

	amount of ESCT underpaid over past four years and file a voluntary disclosure to Inland Revenue. Whilst this may result in a tax liability for Council, the alternative would be to amend employees Kiwisaver contributions which would be a very difficult process in addition to creating a high risk of disputes from employees. Calculating the shortfall will likely be difficult, as such Council should consider seeking external assistance and/or the use of data analytic tools.				Going forward, ESCT rates check had been included into the checklist for Payroll end of year process.
Change in superannuation rate + contributions holiday	Where Council employees want to change their contribution rate, they advise payroll and fill out a form. For a contributions holiday (Savings suspension) employees must notify Inland Revenue who will then notify payroll. No action required.	Beneficial	NA	For noting. No action required.	No action required.
Benefits and Allowances					
Benefits and Allowances	We understand that Council currently provides very few allowances to employees. Councillors are provided with a mobile/telephone internet and mileage, and this is governed under the remuneration authority. No action required.	Beneficial	NA	For noting. No action required.	No action required.
Flu vaccinations	Flu vaccinations provided on site and paid for by Council will fall under the health and safety exemption under the FBT regime.	Beneficial	31/12/2023		Most flu vaccinations are provided on-site. In the unlikely event of an employee seeking a

D22/59985

Last update: 31-May-23

	Where an employee is reimbursed for obtaining their own vaccination, this is technically subject to PAYE regime where there is no mirroring health and safety exemption. As such, these reimbursements should be processed through the payroll system and subject to PAYE and other deductions (Kiwisaver, ACC levy, Student loan etc.) We recommend that in future when reimbursements are made for flu vaccinations, that these are grossed up and paid through the payroll system.				reimbursement for obtaining their own vaccination, this will be submitted to our Health and Safety Lead for review and if approved, it will be flagged to Finance to be processed through the payroll system so the appropriate deductions are recorded.
Purchasing of goods on Council's account	The provision of loans to employees for low or nil interest will be subject to FBT. We recommend that Council review its procedures regarding this treatment of personal purchases going forward.	Necessary	31/12/2023	Not started	
Clothing	As this is a relatively rare reimbursement, we recommend that Council fix this going forward. As plain black pants and other similar items are not distinctive work clothing, the reimbursement for the pants will need to be subject to PAYE.	Necessary	31/12/2023	Not started	
Other					
S 123 payments (hurt & humiliation payments)	As this is always a target area in Inland Revenue audits. We recommend that Council adopt a conservative approach to remediation payments and ensure there are documented procedures in place.	Beneficial	31/12/2023	Not started	

Relocation payments	We recommend that Council continue to obtain receipts and ensure that any relocation payments made fall within Inland Revenue's determination 09/04, to ensure they can be paid tax-free.	Beneficial	31/12/2023	Not started	
----------------------------	---	------------	------------	-------------	--

6.4 Health, Safety and Wellbeing Quarterly Report - June

File No.: 23/360

1. Purpose

- 1.1 To provide the Committee with health, safety and wellbeing information and insight from 1 February to 30 April 2023 and to update the Committee on key health and safety critical risks and initiatives.

2. Recommendation

- 2.1 That Report 23/360 Health, Safety and Wellbeing Quarterly Report - June be received.
- 2.2 That this matter or decision be recognised as not significant in terms of s76 of the Local Government Act 2002.

Issues for Consideration

- 2.3 The Health, Safety and Wellbeing (HSW) Dashboard report gives a broad overview of Lead and Lag reporting across all of Council. It is designed to give Elected Members assurance that HSW is being managed for all staff through worker engagement, risk management and leadership. The variety of reporting captures multiple aspects of data available to Council and allows the story of HSW across the three month reporting period to be told.
- 2.4 Alongside the HSW Dashboard report this month is a deep dive on Threatening Behaviour, identified in the health and safety risk register as People Behaviour. This is a critical risk and closely managed across all areas of Council. The deep dive shows reporting, types of threatening behaviour reported per facility, training and learning opportunities for staff, the range of current controls in place and an example of a reported incident and the controls in place to mitigate the risks.

Attachments

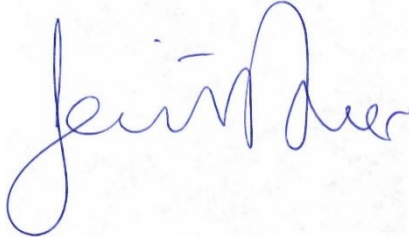
No.	Title	Page
A	HDC Risk and Assurance Committee HS&W Dashboard - RAC - June 2023 Final	123
B	Threatening Behaviour Deep Dive - RAC - June 2023	131

Confirmation of statutory compliance

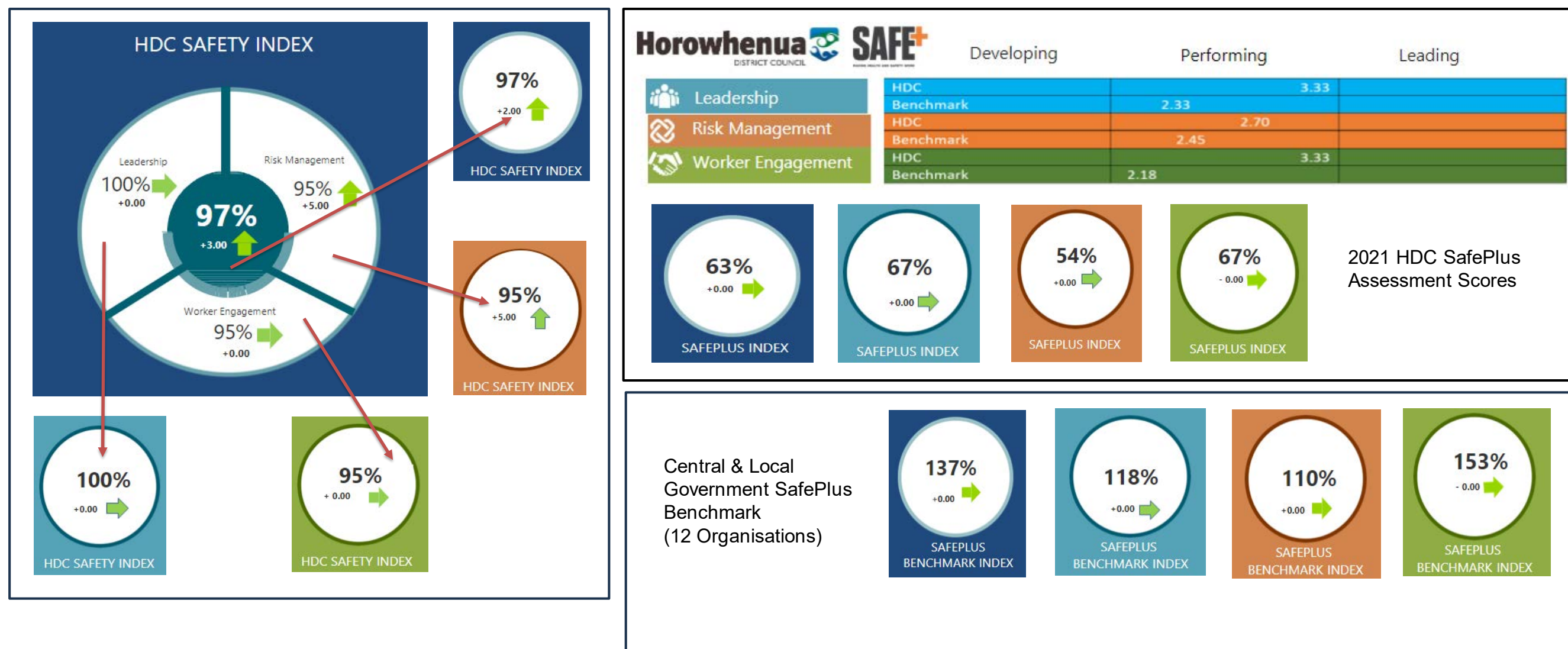
In accordance with section 76 of the Local Government Act 2002, this report is approved as:

- containing sufficient information about the options and their benefits and costs, bearing in mind the significance of the decisions; and,
- is based on adequate knowledge about, and adequate consideration of, the views and preferences of affected and interested parties bearing in mind the significance of the decision.

Signatories

Author(s)	Tanya Glavas Health & Safety Lead	
Approved by	Ashley Huria Business Performance Manager	
	Jacinta Straker Group Manager Organisation Performance	
	Monique Davidson Chief Executive Officer	

INTRODUCTION TO DASHBOARD REPORTING



Introduction to Dashboard Reporting

- Balance scorecard produced once metrics are confirmed in report
- Arrows show movement as data has monthly comparison available
- SafePlus Online Assessment Tool changes Index metric when assessment completed

Weighting

30% Leadership
30% Risk Management
40% Worker Engagement

Health, Safety & Wellbeing - Quarterly Report
Risk and Assurance Committee Meeting 7 June 2023



Developing

Performing

Leading

- Leadership
- Risk Management
- Worker Engagement

HDC	3.33	
Benchmark	2.33	
HDC	2.70	
Benchmark	2.45	
HDC	3.33	
Benchmark	2.18	

Horowhenua
District Council
February – April
2023

97%

+2.00



HDC SAFETY INDEX



Internal Lead & Lag reports: HDC SAFETY INDEX

63%

+0.00



External SafePlus Assessment:

SAFEPLUS INDEX

137%

+0.00



Central & Local Government: SAFEPLUS BENCHMARK INDEX



Leadership

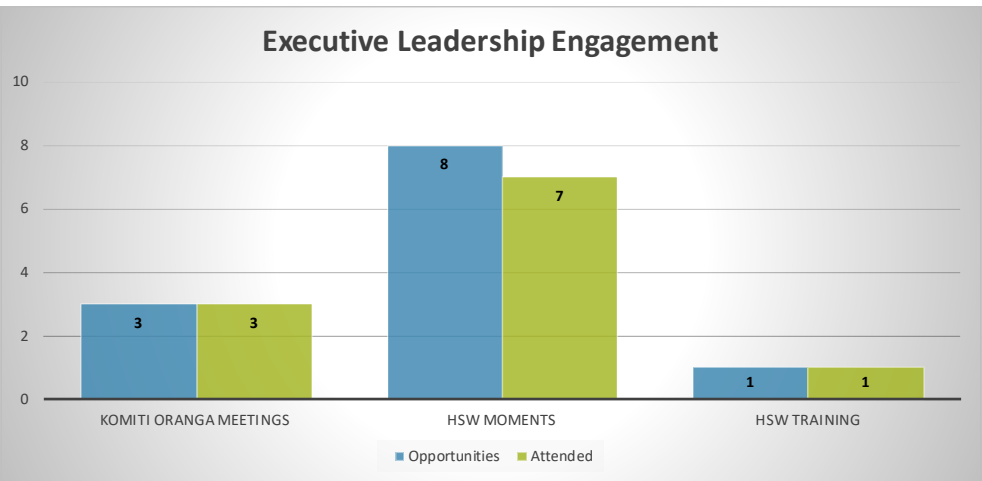
Developing

Performing

Leading

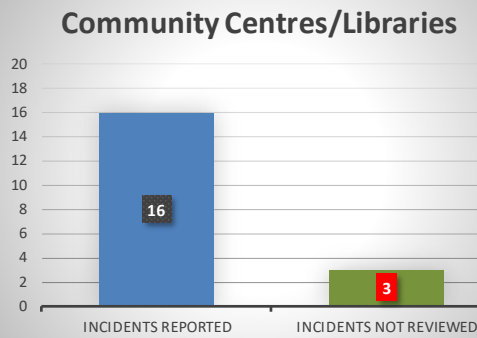
HDC	3.33
Benchmark	2.33

Executive Leadership Engages With Health, Safety and Wellbeing
(Due Diligence Obligations - Engagement)

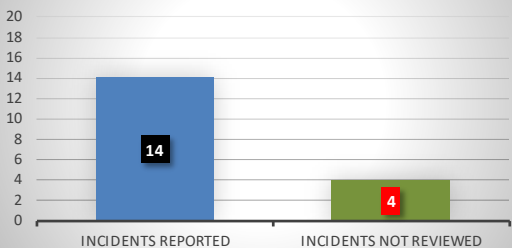


We Review All Incidents
(All Incident are Reviewed Within 2 Weeks)

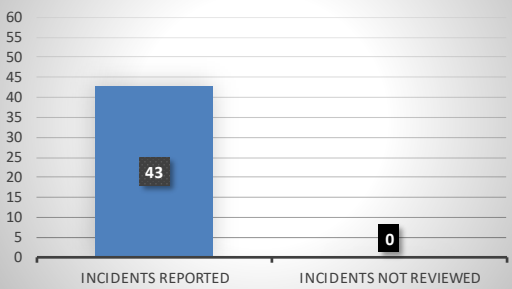
The stats showing incidents unreviewed were not reviewed within the 2 week timeframe. Since this report all have been reviewed.



Rest of Council

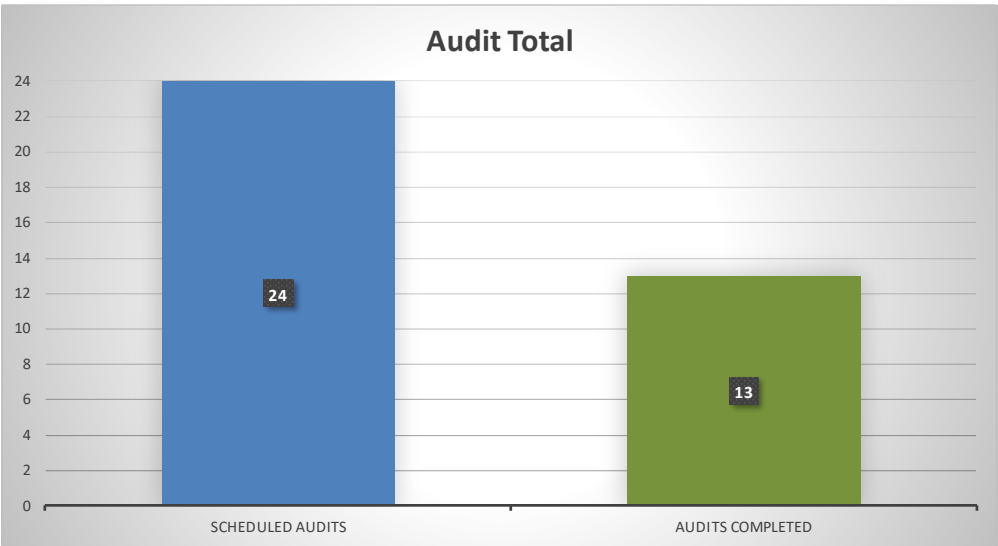


Aquatics



We Check that Our Sites Have Essential Health and Safety Controls in Place

(Scheduled Internal Site Audits – 8 each month)



Members of the HDC Executive Leadership and Health & Safety team, visited Manakau in April to complete a site audit with Higgins. The positive engagement with the Manakau community was a highlight of the visit. H&S of the site was reviewed, including sub-contractor management and temporary traffic management plans.

Leadership

February - April
2023

100%

+5.00

HDC SAFETY INDEX

67%

+0.00

SAFEPLUS INDEX

118%

+0.00

SAFEPLUS
BENCHMARK INDEX



 Risk Management

Developing

Performing

Leading

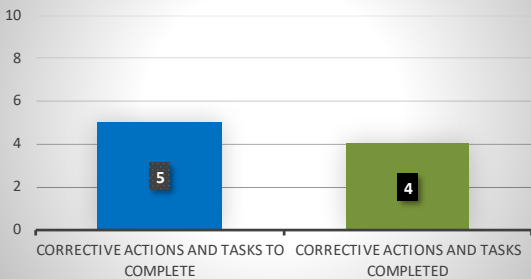
HDC	2.70	
Benchmark	2.45	



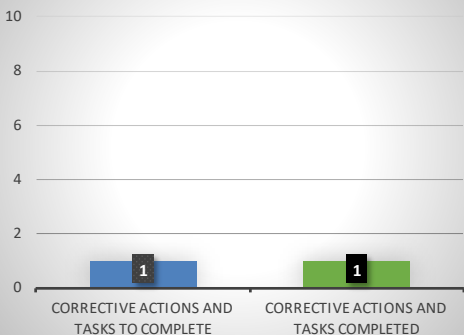
Old Dump leachate remediation was underway in April at the Levin Landfill. HDC Officers from the Solid Waste and H&S teams visited to complete a site audit ensuring hazards were being managed appropriately. Additional signage was identified and installed as requested.

We Ensure Corrective Actions and Tasks are Completed
(PeopleSafe Task Completion)

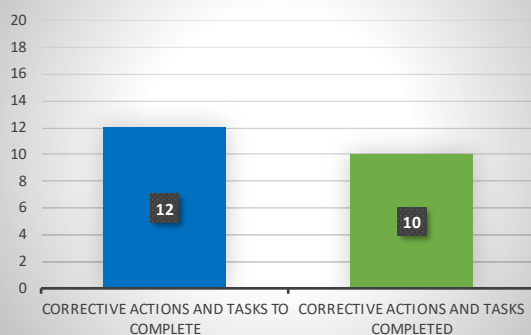
Rest of Council



Community Centres/ Libraries



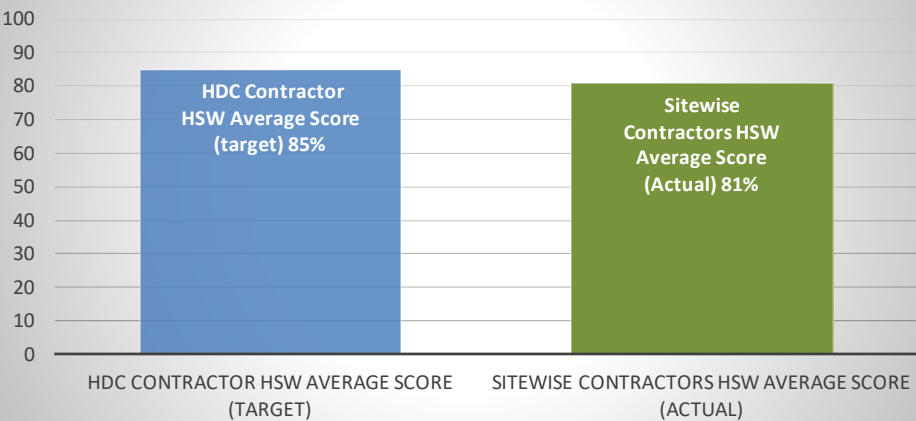
Aquatics



We Ensure All Contractors Maintain a High Standard of Health, Safety and Wellbeing

(Our Contractors HSW Assessment Scores are Above Average in Sitewise)

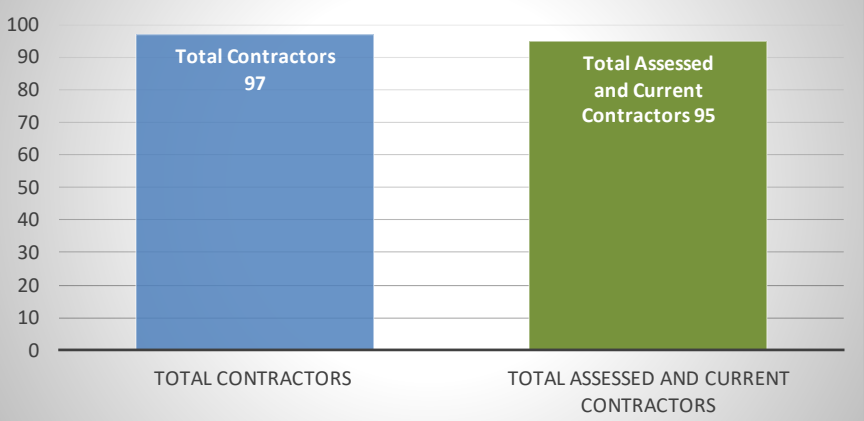
Contractor HSW Assessment Score



We Ensure All Contractor Accreditation Assessments are Up to Date

(Sitewise Assessments and Insurances are all up to date for all contractors)

Contractor Accreditation Assessments



Risk Management

February - April
2023

95%

+5.00



HDC SAFETY INDEX

54%

+0.00



SAFEPLUS INDEX

110%

+0.00



SAFEPLUS
BENCHMARK INDEX



Worker Engagement

Developing

Performing

Leading

HDC

3.33

Benchmark

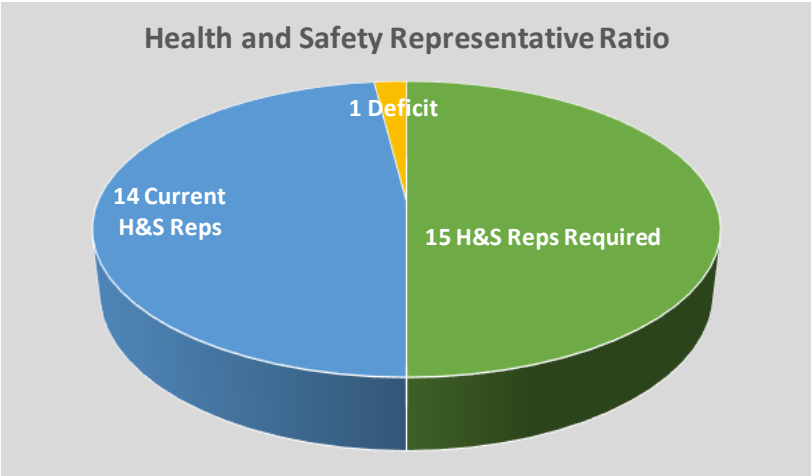
2.18

Worker Engagement

February - April
2023

We Ensure We Have Enough Health and Safety Representatives

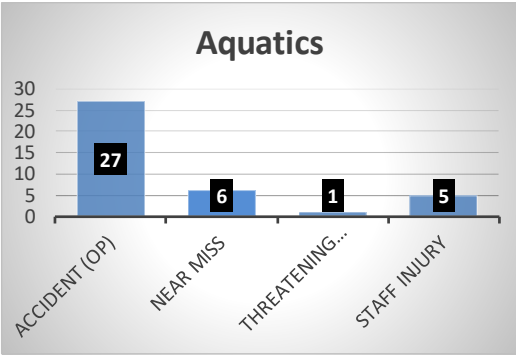
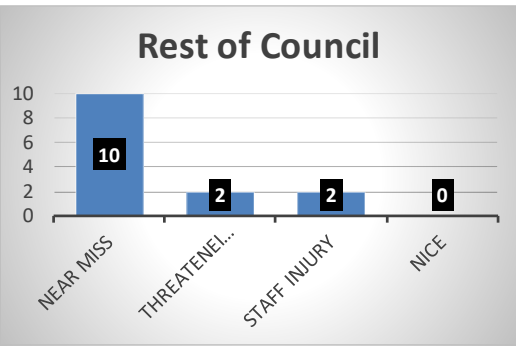
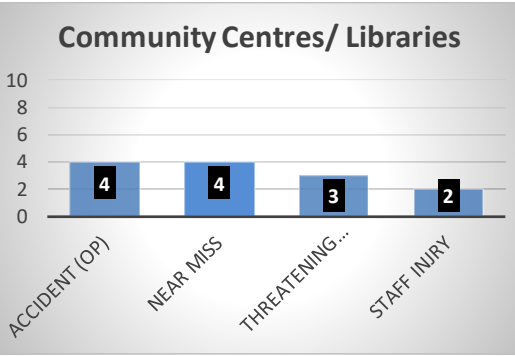
(1:19 Health and Safety Representative ratio maintained)



Lance Burdett from Warn International Ltd, an inspirational and highly experienced motivator, came to HDC in April for two presentations of Advanced Coping Skills. This resilience training was actively engaged with by 50 staff who came away with new strategies in their resilience kete.

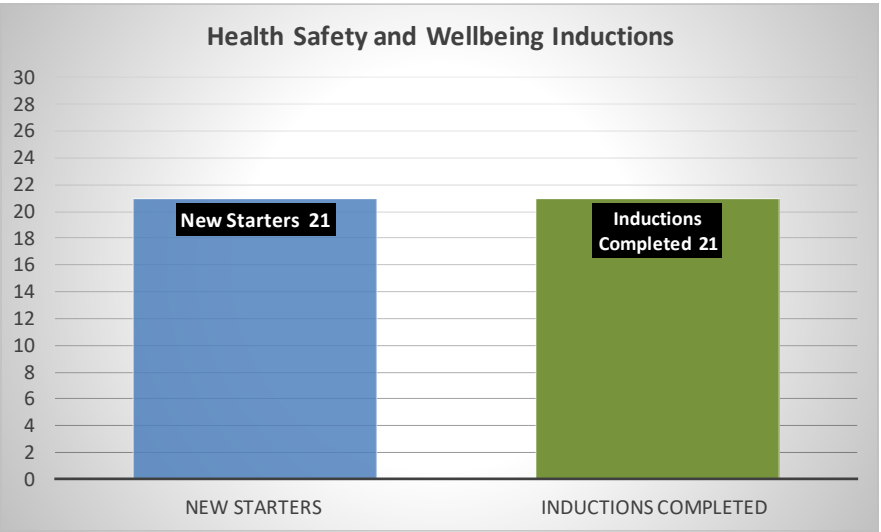
We Ensure All Incidents Are Reported

(All Incidents are Reported in PeopleSafe)



We Ensure All new Starters Receive Essential Health, Safety and Wellbeing Information

(Health, Safety and Wellbeing Inductions completed for each new starter)



95%

+ 0.00



HDC SAFETY INDEX

67%

- 0.00



SAFEPLUS INDEX

153%

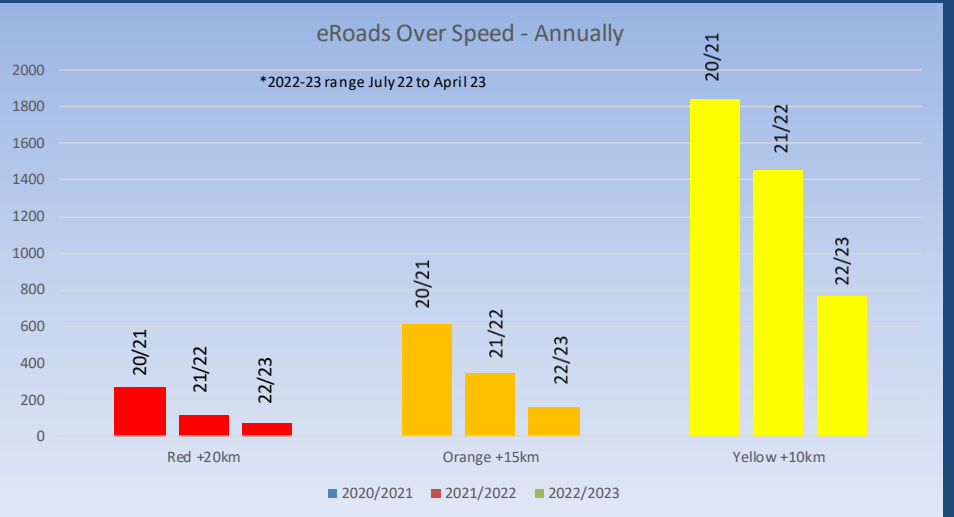
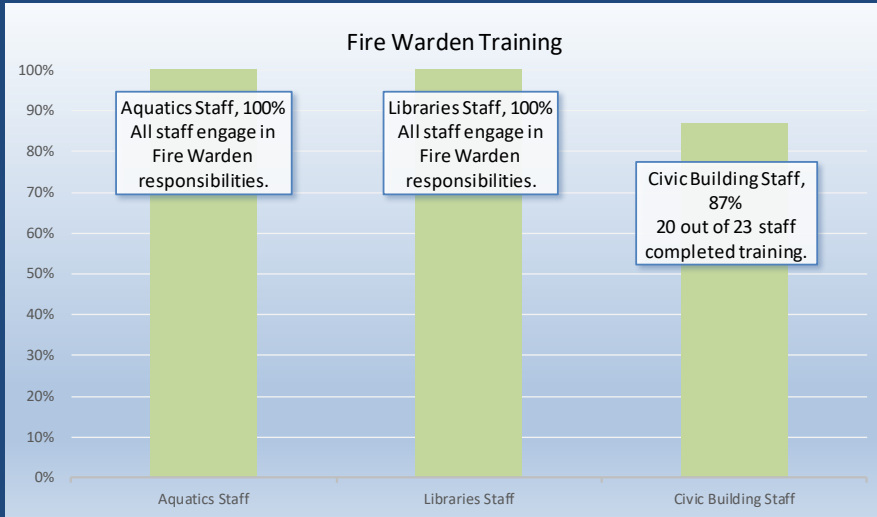
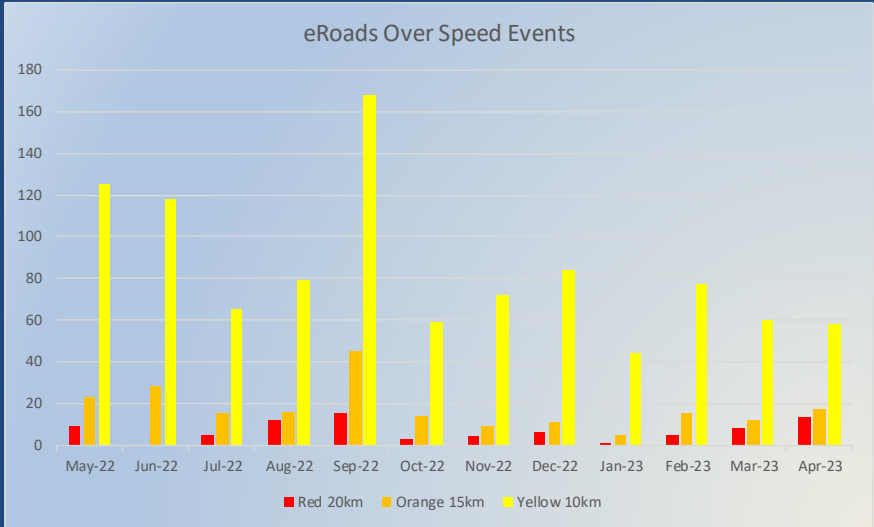
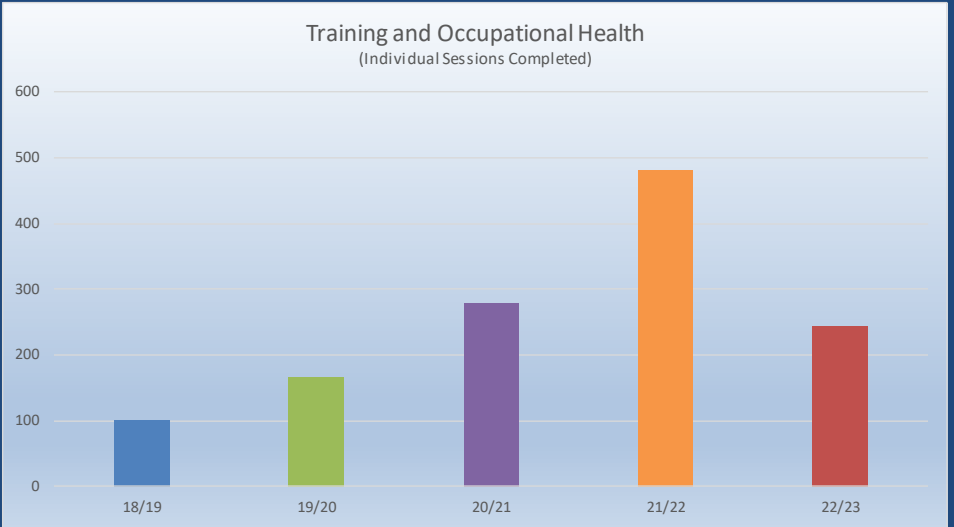
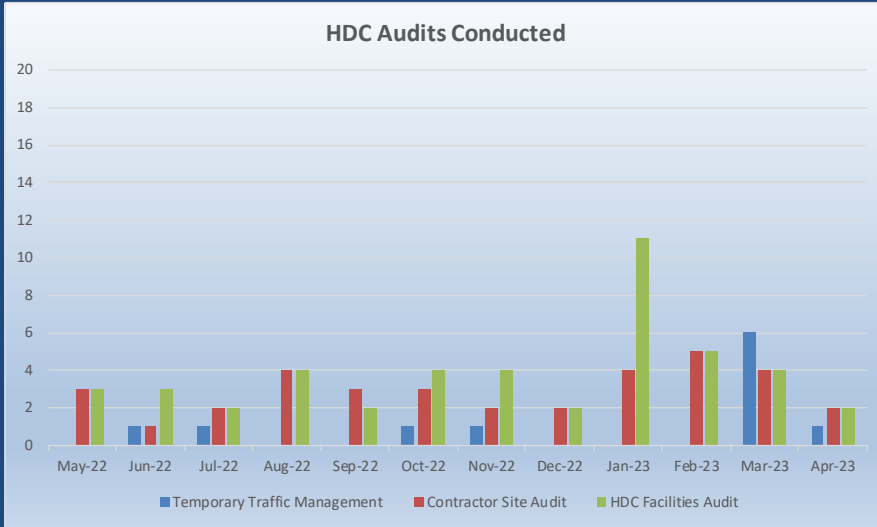
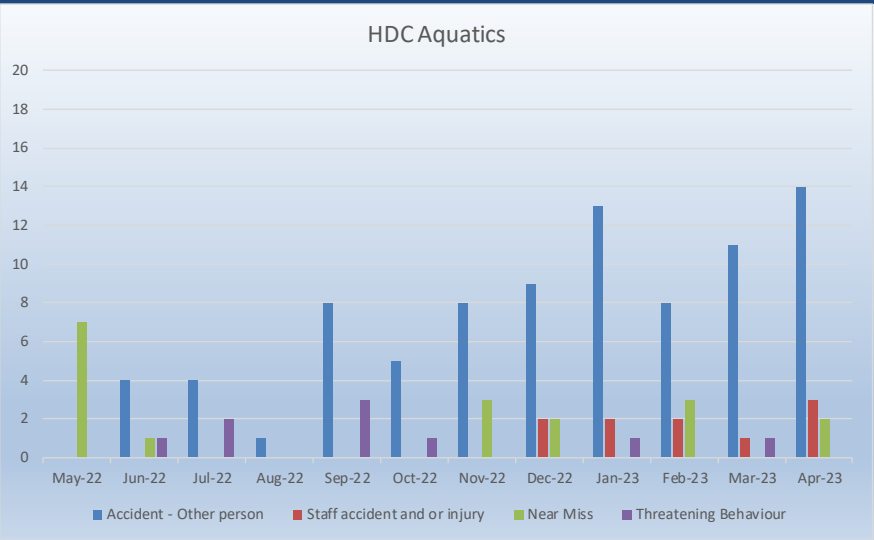
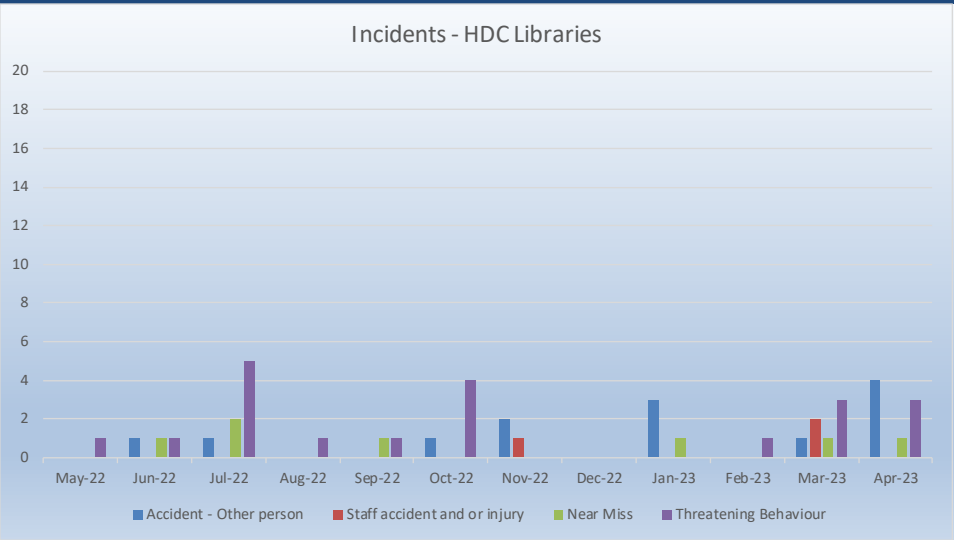
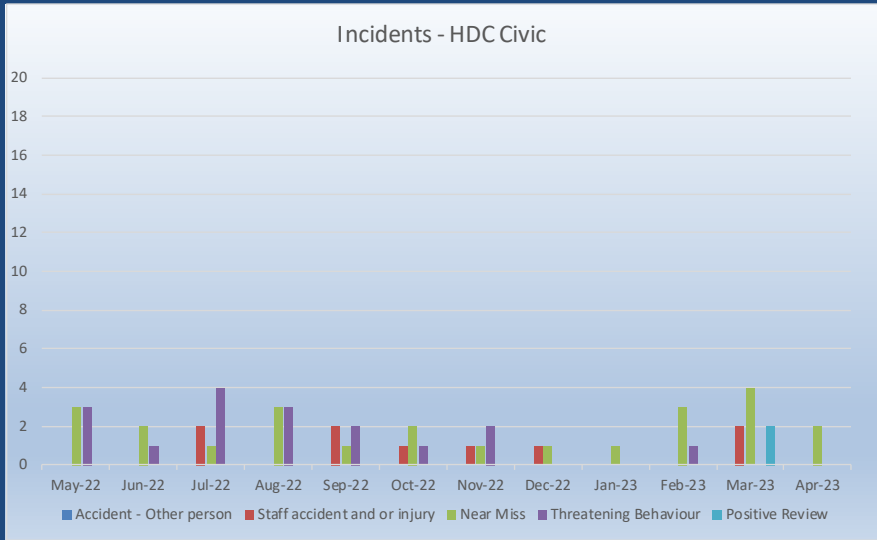
- 0.00



SAFEPLUS
BENCHMARK INDEX

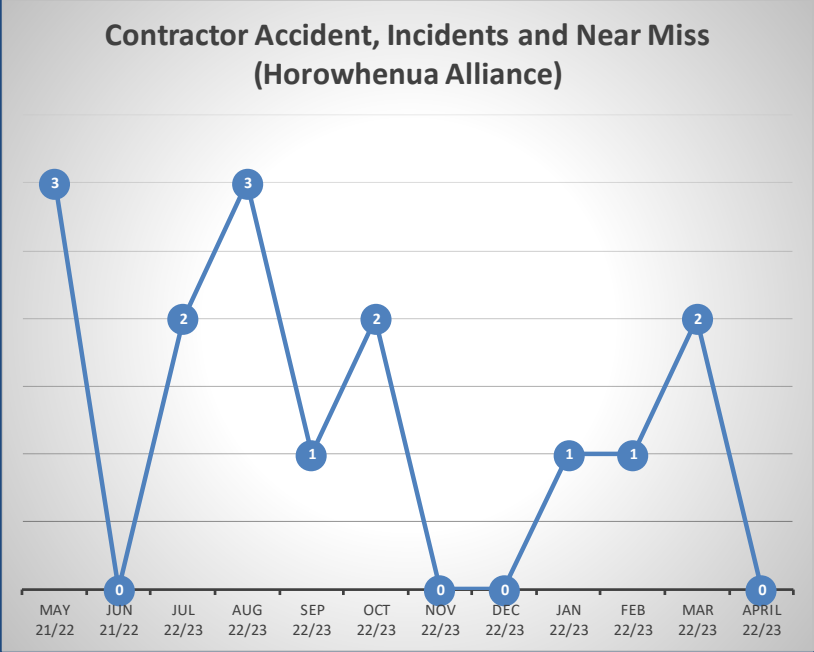
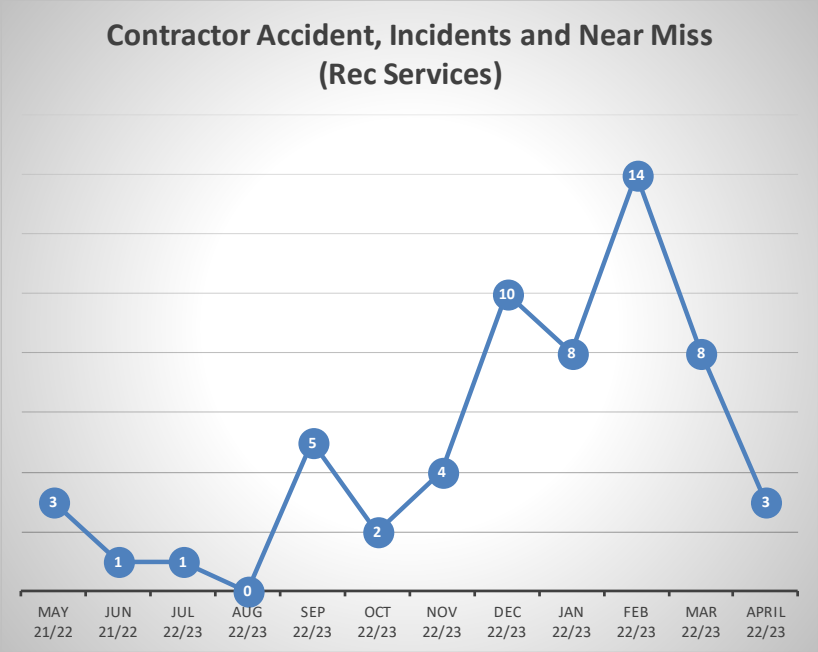
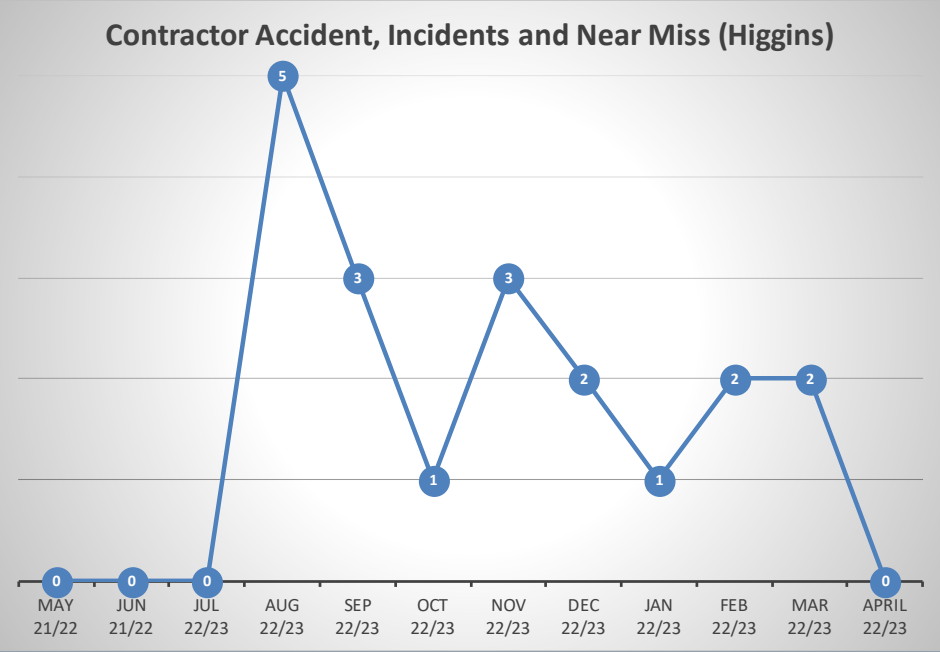
HEALTH, SAFETY AND WELLBEING – 12 MONTH TRENDS as at 30 April 2023

Horowhenua
District Council
2022/2023 Year



eRoads Driver Leaderboard

Star Rating	Feb 2023	March 2023	April 2023
★★★★★	52	70	55
★★★★	10	9	6
★★★	14	7	10
★★	2	1	3



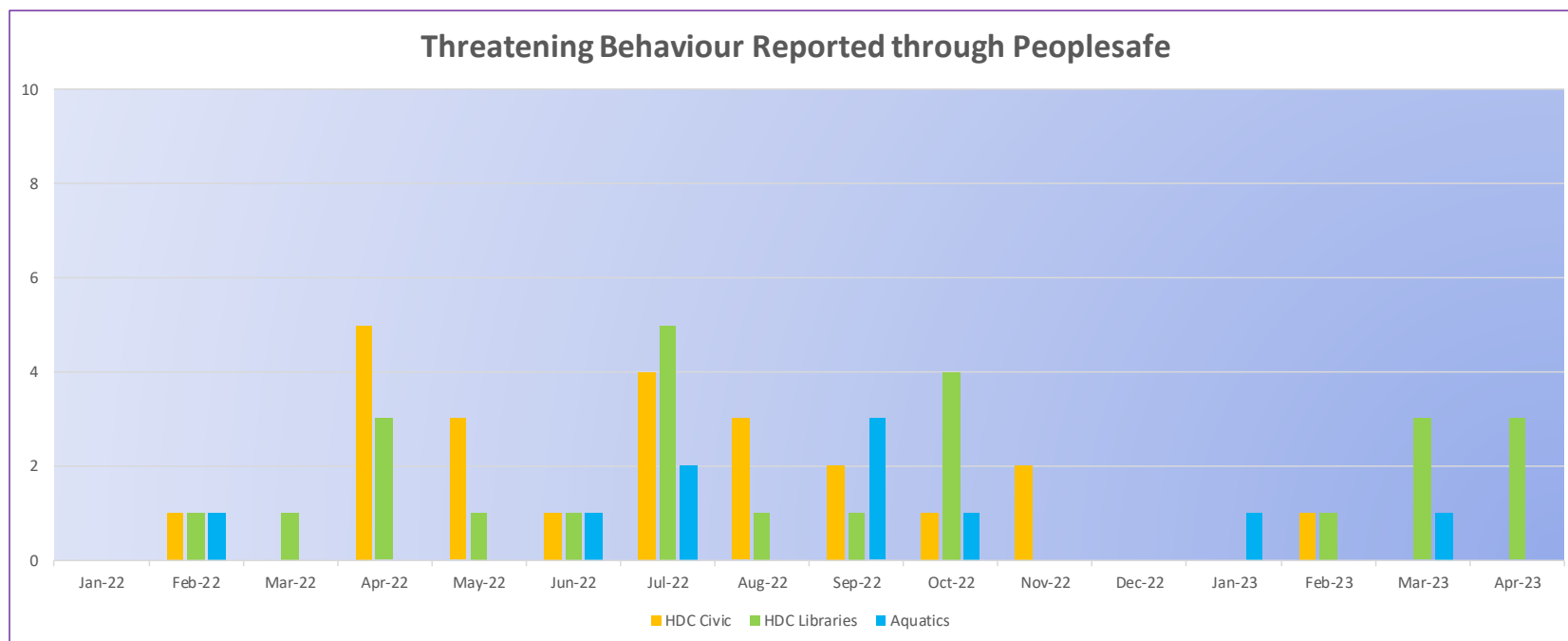
Contractor Health & Safety Engagement:

Horowhenua Alliance and HDC have representatives at both H&S Committee monthly meetings
Higgins H&S Officer and HDC H&S Lead meeting regularly and complete site visits
Recreational Services and HDC Lead engage regularly in health and safety matters

Downers New Zealand	Sitewise Rating	All New Zealand	Civil Construction	Last Assessment Valid to 16/01/2023	16/01/2024	Sitewise Score 100
Recreational Services Limited	Sitewise Rating	All New Zealand	Civil Construction	Last Assessment Valid to 09/01/2023	09/01/2024	Sitewise Score 100
Higgins Group Holdings Limited	Sitewise Rating	All New Zealand	Civil Construction	Last Assessment Valid to 01/07/2022	01/07/2023	Sitewise Score 100



Peoplesafe Reports from Civic Building, Libraries and Cultural Centre and Aquatics Staff



Training and Learning Opportunities



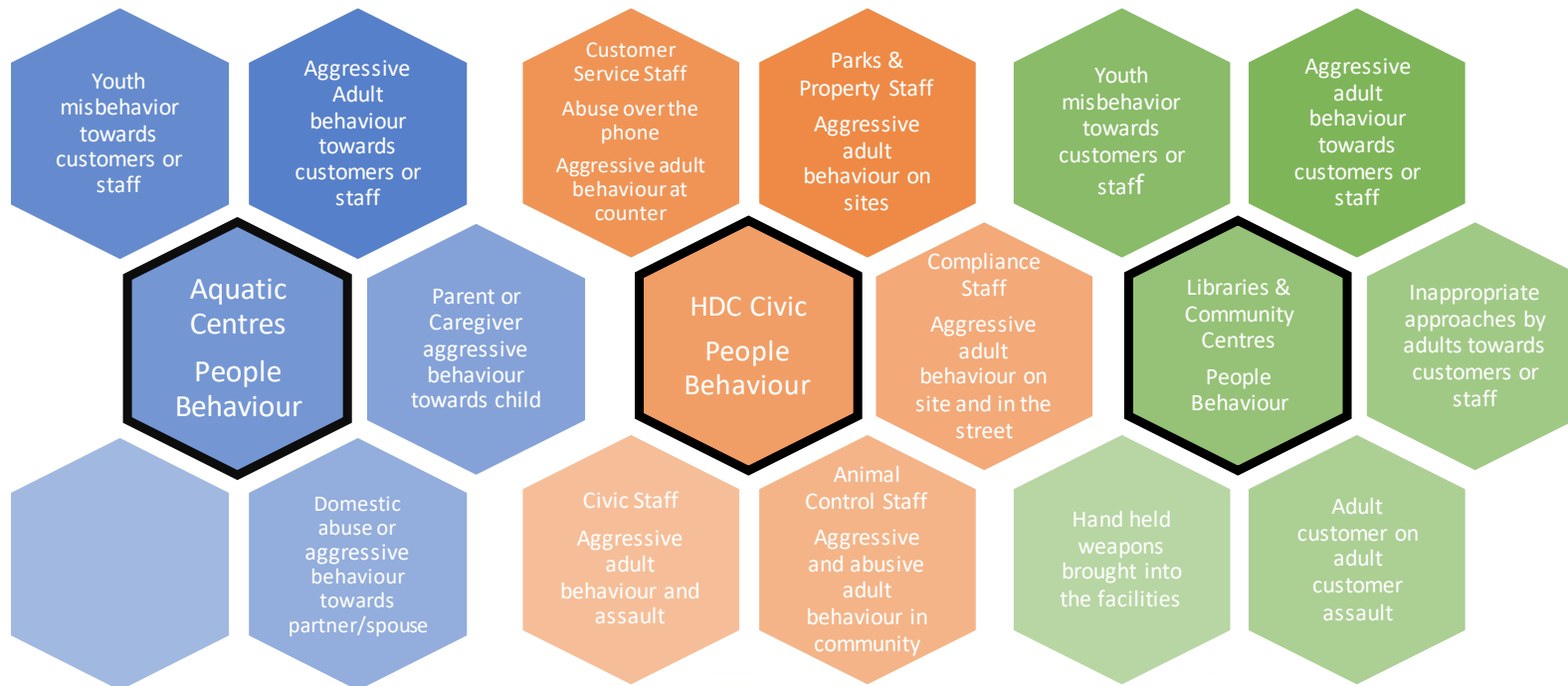
Safety & Risk Training includes:

- First aid certificate
- Peoplesafe incident review training
- De-escalation training
- Health and safety induction

Wellbeing Learning & Training includes:

- Mental Health 101
- Intro to Mental Health
- Mental Health Awareness Week
- Resilience training

Types of People Behaviour Reported January 22 – April 23



Number of Reports related to Types of People Behaviour Reported January 22 - April 23

Libraries & Community Centres	Aquatics	HDC Civic
10 - Youth incidents	3 - Youth incidents	8 - Customer Services
6 - Adult customer to staff	5 - Adult customer to staff	1- Parks & Property
2- Inappropriate behaviour	1 - Parent to Parent	3 - Compliance
5 - Adult customer to customer	1 - Domestic incident	4 - Animal Control
2 - Handheld weapons		7 - Civic
		<i>All adult aggressive behaviour except 1 physical assault</i>

People Behaviour Context

People behaviour reported as threatening behaviour occurs in many different context for Council staff:

- Phone calls
- Building consents
- Dog registration
- Rates payments
- Visiting premises (business and private)
- Dog/animal compliance
- Open spaces – inappropriate use of the space (parks & reserves)
- Customers becoming angry with customer experience staff (not getting the answer they want)
- Expectation that Council or Mayor can fix things
- Aquatics rules for keeping customers safe
- Libraries and Community Centres rules for keeping customers safe
- AA desk interactions
- Members of the public bringing situations into facilities to get help

Aquatics Report – March 2023 (Example)

- **Incident** – A group of youth were bombing in the main pool. Senior staff repeatedly spoke to the group and asked them to stop. They were given a final warning, which they ignored and after repeating the behaviour, they were asked to leave. The group were hesitant and left after a threat to call the police. The group left, then climbed the outside fence into the courtyard area and were asked to leave again. The group climbed back over the fence and were caught vaping in the conservatory area. Throughout this incident staff were subjected to aggressive behaviour, abusive language and threats.
- **Action** - The police were called and after discussion with staff, police issued each youth with a trespass notice outside the facility.
- The incident was recorded in Peoplesafe in detail, including the police event number.
- **Review** - A review of the Peoplesafe report identified the following;
 - Staff followed the procedures in place for dealing with this type of situation; staying calm and using de-escalation techniques including open gestures, calm voice, options to stop or change their behaviour to avoid being asked to leave.
 - Only after the group had left the facility, climbed back into a controlled area, entered the building and began vaping was the decision made to call the police.
 - The safety plan for Personal Confrontation was reviewed as part of the incident review with no major changes identified.
- **Follow Up** - The incident was discussed at team meetings to ensure all staff are aware of how to manage this type of behaviour. Check in on staff members involved following incident. Check that all relevant training had been rolled out to staff. Reiteration as to why People Behaviour is identified as a critical risk at Council and lesson learnt discussion.

Current Controls

- Staff receive training in de-escalation techniques, personal safety and situational safety
- Critical risks, including People Behaviour are discussed at health and safety induction for new employees
- People Behaviour is a topic of team talks
- Public communication via social media about projects that may affect parts of the community
- Staff education and knowledge of events and civil works in the district
- Staff completing site visits with two people
- Duress alarms and safety procedures in all facilities
- EAP services available to all staff
- Debrief with staff and manager after incidents
- Management making informed decisions regarding staff visits to sites/premises
- Staff report People Behaviour in the Peoplesafe reporting tool
- Trespassing a person from a Council facility is an option decided by a Manager or the Police

What more.....

- Safety improvement to customer experience area (Civic building)
- Improve multi agency communication (e.g. youth and supported living)
- Ongoing de-escalation, situational safety and personal safety training
- Facility specific training (Aquatics & Libraries)
- Ensuing staff feel supported in their work experiences via debriefing and EAP
- Appropriate PPE for staff (e.g. body cameras and lone worker devices)

6.5 Insurance Renewal Strategy Update

File No.: 23/344

1. Purpose

- 1.1 To provide an update on the 2023 -24 Insurance Renewal Workstream, this is established to maximize the accuracy and effectiveness of Horowhenua District Councils Insurance Renewal submission. Necessary to ensure the impacts of sharp increase of inflation, significant weather events causing damage and GEO Economic Confrontation is having on rising insurance premiums, doesn't impact on our community through increased rates.

2. Recommendation

- 2.1 That Report 23/344 Insurance Renewal Strategy Update be received.
- 2.2 That this matter or decision be recognised as not significant in terms of s76 of the Local Government Act 2002.
- 2.3 That the Risk and Assurance Committee endorse the proposed planned approach for the Insurance Renewal.

3. Discussion

Introduction

Due to timing and the urgency surrounding the 2023/24 Insurance Renewal Process (T1 & T2 below), there was a need to start work in March 2023 to identify our approach immediately. This would give us the best possible chance to provide a Renewal Submission that is well informed and accurate for key areas such as the Asset Register, Valuations, Asset location mapping with natural hazards against associated risks and disaster recovery priorities.

Subsequently an Insurance Renewal Working Group was established (table T3) to concentrate on updating the asset register(s), asset mapping overlaid with our existing hazard mapping, valuations, research on deductibles and comparisons with other Councils and LG Agencies.

T1. Property

March/April 23	May 23	7 July 23	August 23	October 23	1 November 23
Pre renewal review	Schedules provided to Council Meeting with AON re submission	Council submit renewals to AON (Broker)	Renewal Submissions to Insurer (London)	Confirm Renewal	Start new schedule and premium

T2. All other lines of coverage

March/April 23	7 July 23	September 23	October 23	1 November 23
----------------	-----------	--------------	------------	---------------

Pre renewal review	Council submit renewals declaration to AON (Broker)	Renewal Submissions to Insurer	Confirm Renewal	Start new schedule and premium
--------------------	---	--------------------------------	-----------------	--------------------------------

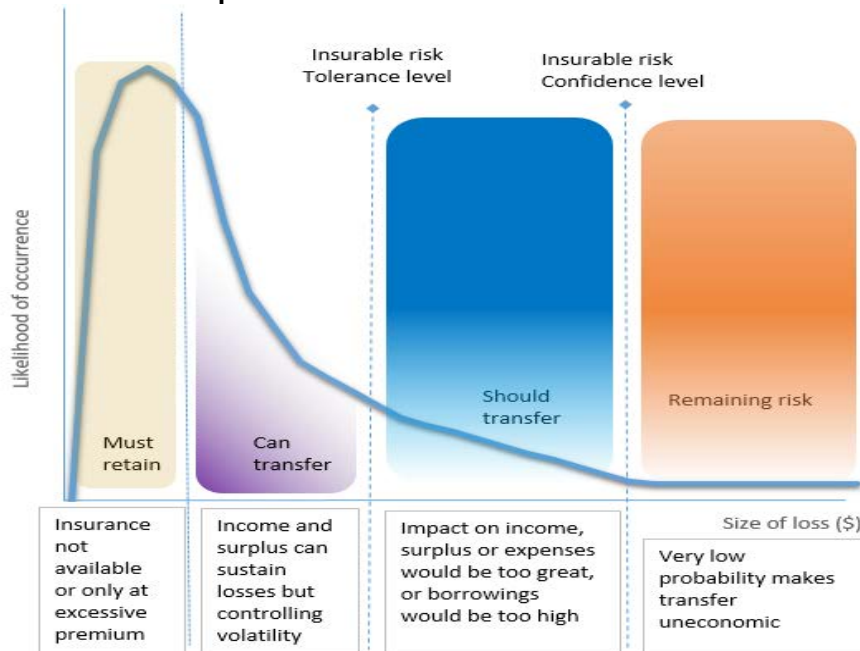
T3. Insurance Renewal Working Group

Team Member	Position
Rob Benefield	Risk Manager
Cathryn Pollock	3 Waters Transition Manager
Ann Clark	GIS Analyst
Stephen Emerson	3 Waters Technical Lead
Barrie Wallington	Information Services Manager
Steve McTaylor-Biggs	Business Financial Analyst & asset Management
Abraham Chamberlain	Manager Financial Planning

Risk Retention & Transfer

As indicated we are faced with an opportunity to reassess how we manage the risk associated with our Insurance Coverage of our key assets. The diagram illustrates the risk transfer options on axes of the two elements – likelihood and size of loss. There is a higher likelihood of small losses than of larger ones, and catastrophic losses have a very low probability. As an organisation that main revenue stream relies on rates from the community, we need to be accurate when assessing the level risk we retain and the level we want to transfer to insurance coverage. As an organisation in the past we have decided to transfer a high level of risk without undertaking the appropriate due diligence to ascertain what our levels of risk looked like i.e. over the last 3 years we have invested over \$5M in Insurance premiums to transfer risk whilst on making claims of \$45k in motor vehicle claims and \$42k for a weather event (tornado) claim.

T4. Risk Transfer Options



Current Insurance Climate

The rising costs of claims for extreme weather can have “far-reaching” implications for businesses, governments and individuals. Extreme weather insurance claims in New Zealand were at almost \$200 million for the year ended 30 June 2022 that was well on track to break the record amount of \$324 million set in 2021. In 2023 we have already witnessed two significant weather events with Cyclone Gabrielle the most significant weather event NZ has seen in a century, which highlights the continuing

increase in climate-related insurance costs. Early estimates from AON for the 4 councils, Hastings District Council, Napier City Council, Central Hawkes Bay and Hawkes Bay Regional Council is that claims for the damage to council owned infrastructure is approximately \$109 million.

Climate coupled with rising building and development costs, impacted by increasing interest rates and inflation continues to damage New Zealand's reputation in Global Property Markets and Re-insurance Markets. It is expected the rating increases **plus 10% – 15%** before rate adjustment on individual loss ratios. In the short to long term as Insurers look to balance their books and return to making profit we could possibly experience similar increases for the next 2-4 years.

In the past, insurers' role has been to provide clients with relief when disaster strikes. But in a world where disaster doesn't strike so much as steamroll, the role of insurance companies is changing. Rather than being reactionary, insurers are becoming more proactive in helping clients avoid and plan for disasters. Insurance companies are taking steps now to encourage better environmental planning & practices. They will be more selective where they deploy capital and applying risk tolerance to specific areas.

As a council we need to distinguish ourselves by providing accuracy to our renewal submissions, this will require a programme redesign driven by an Insurance Strategy. This will enable us to consistently provide our annual renewal submission with confidence that our coverage provides an acceptable level of risk that is accurately defined.

It should be noted that insurance companies are using recent events to maximise the opportunities to sell the need for insurance, often applying pressure to organisations to opt for extensions on existing policies.

Insurance Premiums & Forecast

Based on our brokers (AON) predictions Insurance premiums are set to rise 10-15% year on year for the next 3 years as Underwriters look to retrieve money paid out for natural disasters in recent years. Vehicle and Cyber Insurance by 30% this year on its own. As per Table T.5 below and based on those predictions averaging the increase at 12% per annum, HDC could see its premiums increase by approximately \$575k over this period.

Valuations completed in June 2022 saw our assets change in value from \$214m to \$313m an increase of \$99M or 46%. Such is the pressure on inflation and the impacts from Covid on supply this is the single biggest valuation increase over the last 30 years.

HDC Insurance for infrastructure below ground sits separately to our other policies above ground (MWLASS), this policy is managed through Local Authority Protection Programme (LAPP). This is a fund primarily established for disaster recovery. Our annual premium is currently set at \$453,005.83 on declared asset value of \$721,193,862. Our claim threshold is set at \$1m and a claim deductible of \$400k. The difference between threshold and claim deductible is the amount of damage that needs to be reached and the deductible is what we will pay. Beyond a threshold, central government will pay 60% of the restoration costs, leaving local authorities 40%. Of the 78 local authorities in New Zealand, 22 are currently Fund members.

T5. Premium Forecast Table

Coverage	Premium 22-23	23-24 12-30%	24-25 12 -30%	25-226 12-30%
Material Damage & Business Interruption (MD&BI)	\$922,990.08	\$1,033,748	\$1,157,798	\$1,296,734
MD&BI Excess Layer Liability	\$199,172.67	\$223,073	\$249,842	\$279,823
General Liability	\$25,423.05	\$28,473	\$31,890	\$35,717
Motor Vehicle	\$21,698.17	\$28,270	\$36,669	\$41,070
Cyber Liability	\$12,149.75	\$15,794	\$20,553	\$22,977
Employers Liability	\$1,938	\$2,171	\$2,431	\$2,723

Professional Indemnity	\$131,476.05	\$147,253	\$164,923	\$184,784
Public Liability & Professional Indemnity Excess Layer Policy (PL&PI)	\$14,111.46	\$15,804	\$17,701	\$19,825
PL&PI Excess Layer	\$1,426.63	\$1,597	\$1,789	\$2,004
Statutory Liability	\$4,967.16	\$5,563	\$6,230	\$6,978
Aviation Hull (Drones)	\$2,554.41	\$2,860	\$3,204	\$3,588
Crime Policy	\$6,390.00	\$7,156	\$8,015	\$8,977
Fine Arts Special Risk	\$2,523.21	\$2,826	\$3,165	\$3,544
Fine Arts Service levy	\$1,279.82	\$1,433	\$1,605	\$1,798
Group Personal Accident	\$714.53	\$800	\$896	\$1,003
Forestry	\$3,391.91	\$3,798	\$4,254	\$4,765
New Contract Works Policy – Foxton Pool	\$21,457.44	\$24,032	\$26,916	\$30,146
Totals	\$1,373,664	\$1,544,567	\$1,737,869	\$1,946,413
LAPP Insurance below ground assets only	\$453,005.83			
Note: Bridges & Roads not covered. IT Assets not Insured. Brokers Fees \$22,830.88				

Claims 2018 – 2022

Since 2018 HDC has made claims for \$45k for motor vehicles including windscreens. Subsequently in June 2022 HDC submitted a claim for \$52,659 for the Tornado event, as per our deductible agreement (\$10,000) in our MD&BI Policy \$42,659 was paid out.

No other claims were made against any other of our existing policies during that period. There are several examples where we have looked to settle disputes/claims early voiding our ability to enact our insurance policies.

Broker Engagement

Our relationship with our Insurance Broker has been strong in recent years, and they have been helpful in our renewal process when making insurance decisions. However, they have influenced HDCs decisions on policies and risk through exposure to global and national events that are not always related risks associated to the Horowhenua District. Equally our decisions are influenced by decisions and directions that the MWLASS take which encompasses risks other councils in the region are assessing, which doesn't always reflect the uniqueness of hazards and risks that are specific to our district. As part of our annual renewal and decision making process it is important that all the facts are available for ensuring decision relating to our insurance coverage is accurate and appropriate. Therefore, as part of the annual renewal process we will continue to review the accuracy of registers, upgrade the loss mapping and undertake complete risk assessments.

Renewal Review Approach – Modelling of Risk 2023/24

As indicated above in T.1 & T.2 we have until early July to review and submit our Renewals Declaration to our Insurance brokers AON, whilst we attempt to enhance existing information for the renewal process, this is insufficient time to design and agree an Insurance Strategy that directs HDCs intentions for assessing and managing risks associated with our assets, coverage and liabilities long term. For this reason the Insurance Renewal Working Group has targeted "low hanging fruit" by focusing our initial review on key renewal declaration components that will provide the Executive and

Council with a level of confidence that we are taking adequate steps towards accurate and cost effective coverage outcomes.

The eight areas we have committed to for 2023-24 renewal submission include.

- 1. Providing an accurate Asset Register** – The team including a short-term resource to assist' have been working hard to update the register to ensure the register is a true reflection of what assets we have, the year they were built, construction materials used and their location. Location is ultimately important when mapping the risks associated to the asset specific to the hazards in our region i.e. Liquefaction, Flooding, Fault Lines, and Tsunami. Equally important is the need to remove assets at the end of their life i.e. the old existing Waitarere Surf Club isn't worth insuring with the new development underway; or wouldn't be rebuilt if destroyed; or the state of depreciation within the organisation. It is important to understand if our Asset Register is 100% accurate on all important information required for renewal they will have significantly improved on past years provided a solid foundation to work from. Also note that as part of the Insurance Strategy business rules will need to be developed to ensure that asset registers remain current and accurate at all times.

Currently we provide a number of community groups including Marae's and Rural Community Halls etc support by allowing their insurance requirements to be a part of the HDC Policies, the main reason for this is to provide a better value (Cheaper) policy through our premiums and valuations. This does expose HDC and the community risks if they provide inaccurate declarations or valuations.

- 2. Asset Coverage** – Timeframes for the Asset Register to be at a reasonable standard for this year's renewal submission is to be completed by 31 May 2023. This will allow time for Group Managers and Managers aligned to assets to assess the need or option of each asset to be covered or not i.e. if an asset was destroyed or partially destroyed we wouldn't replace it. This assessment would include looking at updated loss mapping information and risk profiling to identify the type of risk the asset is exposed to, the likelihood and the impacts associated with the risk.

Motor vehicles Insurance is generally where we make the majority of our claims, additions and deletions on the asset register and renewal schedules is important, as is ensuring current market values are accurate.

- 3. Valuations** - Overstated values consequently cause an organisation to carry more insurance than necessary and pay excessive premiums. On the other hand, an even worse scenario is an organisation with understated values. Even though a company would likely be paying less for premiums, the financial impact could be devastating if that company suffers a loss.

Best practice is to have big tick assets revalued annually, due to the tight timeframes of the renewal process and reliance on an accurate asset register there is no practical time to engage a valuer to update our asset value for 2023. For that reason we will use the 2022 valuations (which realised the impacts of inflation and supply as our values increased by 44%. The necessity for applying relevant percentage uplifts if no recent insurance valuations have been completed, below (T.6) is an indication of percentages which can be applied to various assets for renewal purposes. Aon Valuations have compiled this, taking into consideration the current inflation rate, costs of building products and services as well as the length of time it is taking to obtain both of these; as well as utilising the Statistics New Zealand information.

T6. Valuation reset percentages for 2023

Asset Type	12 months
Dwelling Units	12.96%
Commercial Buildings	10.49%
Factories, industrial, and storage buildings	10.09%
Hotels, motels, boarding houses, and prisons	9.44%
Systems for Water and Sewerage	15.02%
Land Improvements - Irrigation and Land Drainage	20.33%
Land Improvements - Reclamation, Slope Stabilisation and River Control	5.92%

4. **Deductibles** – Currently HDC applies the lowest deductible in the Region set at \$10,000 per event or claim. Councils such as Whanganui have deductibles that range from \$25k to \$100k, Horizons Regional Council up to \$200k. A number of councils in other regions have set deductibles at \$3-400k depending on the risk profiling. We have asked AON to provide a schedule that provides indicative savings should we apply a different level of deductible.
5. **Loss Mapping & Risk Profiling** – Insurers look favourably on organisations when evaluating a submission who have under taken comprehensive **Loss Modelling Programme**. Such modelling would include an increased focus on improved underwriting information i.e. Construction, Occupancy, Protection and Exposure (COPE - risk characteristics an underwriter reviews when evaluating a submission for property insurance). Risk profiling our assets looking at their location against the hazards associated with that area is important. For that reason the Insurance renewal team are loading the location of our assets onto our Geographic Information System (GIS) and overlapping and integrating the information with our existing Hazard Mapping i.e. Liquefaction, Flood Areas, Fault Lines, Coastal movement etc. Whilst this information is limited it does give us a significantly improved overview of the risks associated with each asset.

As part of the Insurance Renewal Strategy we will be looking to enhance our mapping data and information as it is important for HDC when establishing other strategic decisions such as future growth and developments, locating and upgrading infrastructure, consenting and managing risk.

To support the mapping the risk profiling also needs to include research of the risks associated with natural hazard for the Horowhenua District against other councils in New Zealand and the region, this research includes:

- a. Historical local natural hazard events, the damage caused and the cost of recovery?
- b. The geographical layout of our terrain – most of our district is fortunate to be made of a natural flood plain that sees water recede quickly or flow naturally to the coast line.
- c. Where fault line sit and the activity experienced in the past and more recently.
- d. Coastal erosion, the rate it is eroding, the impacts on our assets and infrastructure over the year associated with the year of renewal and for outlying years. – A big part of the coast in the Horowhenua district is moving in the opposite direction and has an accreting shoreline.
- e. Understanding how good our resilience is in recovering from an event/disaster i.e. Emergency response and planning and or access to resources during and post an event or disaster?
- f. Understanding our risk appetite to extent the risk we take when transferring risk to insurers, this balanced with the impacts of inflation and the cost of living crisis much of the country is experiencing at the moment. Whilst we can provide the greatest risk assessment possible there will be an increase in the risk we take in reducing coverage in certain ways.

For the 2023 renewal we will be better informed from loss mapping when looking at the deductible level for this year, assessing the adequate level of coverage

6. **Cyber Insurance Risk Assessment** - Identifying and addressing data risks, including costs, litigation, mitigation and loss of reputation. Currently HDC Cyber security is spread across a number of different platforms making it difficult to understand our risk exposure with layered levels of visibility.

Currently the Information Services Manager and Risk Manager are reviewing our risk exposure, assessing our current security platforms assurance effectiveness and consolidation of costs associated with maintaining our Cyber security. This review includes looking at a best practice framework that provides a governance based approach; and in one platform for ease of reporting on progress and Cyber vitality; and external assurance/assessment that addresses People, Process and Tech controls; and produces an Improvement plan that gives your Cyber program structure and reporting to present to your Executives and RAC; and tracks progress on the plan and assist with assessments on our 3rd party suppliers; and importantly the platform is measured against a number of

International Security Standards i.e. ISO27001 & NIST, providing ongoing assessment of our organisations security against the standards highlighting and gaps or risks. Having this framework will provide leverage with our underwriters and reduce premiums associated with transferring our risk to Insurance Policies. This will come into effect for our 2024-25 renewals submission.

Our Information Services Manager is currently completing the Cyber Liability Assessment for our renewal submission for 2023-24. The Risk Manager will be undertaking a Cyber Security Audit with the Information Services Team in July 2023.

- 7. Policy Layer Extensions** – In recent years HDC through the MWLASS has elected to take extensions on its Material Damage & Business Interruption and Public Liability & Professional Indemnity Policies. The intent behind extending our policies have been basically the increase in asset values coupled with increased significant weather events. The drive to add additional layers has also been heightened by the Insurance Brokers pressure on existing influences. Policy Layer Extensions need to be assessed against risks each council are faced with which fits outside the LASS approach. A good example is the damage to the 3 Council's (Hastings, Napier & Hawkes Bay Regional) property as a result of Cyclone Gabrielle (Considered significant) has claims being assessed around the \$100M mark. This sits \$50m below the first MD&BI Policy layer with no extension layer needed. The risks associated with the 3 Councils and their location on the East Coast of New Zealand are far greater than the Horowhenua, both with flooding, Tsunami and earthquakes.

Three councils within the MWLASS have declined the additional layer of coverage. Removing the MD&BI Excess Layer for 2023/24 will save on premium increase projections.

Secondly the two extensions on Public Liability & Professional Indemnity were taken out with the reduction from Insurers in the level of coverage they were willing to underwrite to \$15M. Again this was a decision made by LASS looking to extend the coverage to a higher level in transferring the risk of large scale claims against councils. Again this decision was made with considering the exposure of risk each council was exposed to. Areas that need to be assessed include any large scale subdivisions, projects that are built in natural hazard areas or have the potential to consenting liabilities attached to them i.e. Okarito Ave Sub Division. We also need to consider that New Zealand has The Accident Compensation Commission (ACC) which does cover injury in a workplace and prevents organisations from being sued for workplace accidents. Public Liability is required to cover property, death or injury in circumstances not covered by ACC, however the \$15m liability coverage is adequate based on historical claim experience.

Equally with Professional Indemnity it is important as an organisation at times we will make mistakes in the course of our service delivery, most common in Local Government is with the Building Consent process. Coverage is necessary as we need to accept mistakes are inevitable and that we need to transfer a level of liability risk to insurers. There are two areas we need to consider moving forward, one is setting business rules that provide a direction on how we deal with complaints that could potentially end up in liability claims ensuring that we use our Indemnity Insurance Coverage wisely before determining resolution. Secondly we need to consider historical information relating to liability claims against Councils in New Zealand in determining examples of risk and the levels of risk we are exposed to i.e. Bella Vista Subdivision and the MBIE Investigation finding against Tauranga City Council for 21 unsafe homes. It is estimated this will cost insurers approximately \$14M. Also worth noting is that most Professional Indemnity policies exclude coverage for weathertightness (leaky Home) claims.

AON agreed that HDC was in a better position than other councils to remove any Excess layer Policies given our lower exposure to risks associated with PL&PI, however we should review this annually based on level of growth activity within the district. Removing the two PL&PI Extension Policies will save on premium projections.

T7. Policy Layer Extension Example

MDBI Change in Values					Extension layer on kicks in when primary layer is exhausted			
	2019 TDV	2022 TDV	Change	Example loss	share of \$150M	Share of Excess Layer \$150m	Total Received	Shortfall
Horizons	\$94.7M	\$127M	\$32.2M	\$23,963,718	\$11,981,859	\$11,981,859	\$ 23,963,718	\$ -
Horowhenua	\$214M	\$313.4M	\$99.4M	\$59,129,734	\$29,564,867	\$29,564,867	\$59,129,734	\$ -
Manawatu	\$173M	\$228M	\$55M	\$42,987,282	\$21,493,641	\$ -	\$21,493,641	\$21,493,641
Rangitikei	\$115M	\$184M	\$69M	\$34,771,288	\$17,385,644	\$ -	\$17,385,644	\$17,385,644
Ruapehu	\$91M	\$116M	\$25M	\$21,917,075	\$10,958,537	\$10,958,537	\$21,917,075	\$ -
Tararua	\$115M	\$146M	\$31M	\$27,487,475	\$13,743,737	\$13,743,737	\$27,487,475	\$ -
Whanganui	\$335M	\$476M	\$141M	\$89,743,428	\$44,871,714	\$44,871,714	\$89,743,428	\$ -
Total	\$1.1B	\$1,595B	\$452M	\$300,000,000	\$150,000,000	\$111,120,715	\$261,120,715	\$38,879,285

8. **Self-Insurance** - The portion of risk not transferred to the insurance market should not be ignored (this is non-insurance) but managed as a budgeted expense item. This means any damage or loss should be investigated, costed and set against the budget in much the same way that an insurance company would process claims. HDC already has a deductible level of \$10,000 on its policies, this sees a number of our assets repairs, replacements as part of our budgeted operating expenditure, and this is evident from the zero claims made against our assets in the last 3 years.

As a note HDCs administration of a self-insurance programme should include identification and separate accounting treatment of opportunistic upgrading – taking advantage of an accident to make improvements – so that a proper record of self-insured damage costs can be maintained. If such losses are allowed to disappear among other operating costs, various inefficiencies will creep into risk handling programmes and continuing review of whether to retain or transfer risks will be compromised. The cost of risks can be carried as a charge against operating budgets if they are small to medium losses that are an inevitable, regular expense. Provided such losses can be identified and quantified, then their costs can be budgeted; they may range from accidental damage to vehicles to pilfering or damage to office equipment.

9. Other opportunities

- Skimming vehicles, whilst our branding is important skinning a vehicle costs us approximately \$5k per vehicle and increases the value of the coverage or claim. This may be an opportunity to reduce our expenditure on our vehicles and overvaluing claims.
- Remove windscreen coverage as this immediately impacts renewals in the following year by the dollar value claimed and another 20%. This is managed holistically through MWLASS so we are subject to premium increases based on what other councils are claiming. Any change to this policy would need to be managed through the MWLASS.
- Investigate the opportunity to improve systems such as those used for our Asset Register and Cyber Assurance Modelling.
- Provide business rules that influence the way we as an organisation deal with Complaints that could potentially lead to claims. As an Organisation that is judged on its service delivery including prompt resolution, too often we are seeking to rectify or assess the context that sits behind the issue, risk assessment, liability, or the risk we have transferred by Insurance Policy coverage.

Insurance Strategy & Workplan 2023 - 25

As indicated earlier, organisationally we need to distinguish ourselves to insurers by providing accuracy and long term planning that determine the quality of our renewal submissions, this will require a programme redesign driven by an **Insurance Strategy**. The strategy will be the vehicle that outlines our direction for insurance coverage, enabling HDC to consistently provide our annual renewal submission with a high level of confidence that Insurance Certificates offer the best value for

the business and the community. Equally the strategy will assist in modelling risk that informs master planning and the Long Term Plan. As part of the Insurance Strategy and Workplan a set of business rules need to inform the way we manage our annual renewal submissions rules would include are not limited to:

- a) Ensuring valuations are updated annually where possible
- b) The Risk Register is maintained as part of an asset managers day to day duties
- c) Our Loss Mapping of Natural Hazards are continuously reviewed and updated with the latest information or technology, including information from other Government Agencies i.e. EQC
- d) Our Loss Mapping is updated annually in line with our Asset Register.
- e) An organisation risk assessment is undertaken annually to review risks associated with deductibles, coverage and climate or environmental trends.
- f) Group and Activity Managers review the Asset Register annually to inform asset coverage exclusions. Accurately define our coverage, what assets do we insure and identify assets we no longer need to insure.
- g) Investigate the opportunity to self-insure and recommend Loss Limit options (a property insurance limit that is less than the total property or asset values at risk but high enough to cover the total property values actually exposed to damage in a single loss occurrence). Much like deductibles we accept some value liability. More extensive loss modelling and Loss Modelling Policies will be required to determine appropriate limits, this will be captured in the strategy.
- h) Investment in reducing risks i.e. development of a strategy and Investment plan to reduce risks associated with natural catastrophes i.e. Fit for purpose flood banks linked to climate change forecasts and modelling; and using flood and liquefaction modelling to inform our future growth decisions.
- i) If the opportunity presents itself in reducing annual premiums through the renewal initiatives, there could possibly be an opportunity to explore the organisations ability to adopt a Health and Wellbeing Insurance for staff as an incentive to attract new staff and retain existing staff. Local Government Agencies find it difficult to compete with the private sector when attracting new staff or retaining the services of existing skills and expertise. With the Cost of Living Crisis impacting on our communities at present Health & Wellbeing Insurance will be seen as a lucrative and popular benefit.

Next Steps

T8. Initial Insurance Renewal Review 2023/24

Objective	Actions	Timeframes
Insurance Renewal Working Group	Form an Insurance Renewal Working Group that oversees annual submissions and informs key decisions for ELT and RAC relating to the management of our Insurance Policies	1 May 2023
2023 Insurance Renewal Process	As per tables presented in this document meet objectives in maximizing accuracy of 2023/24 renewals.	7 July 2023
Partnership with AON	Engage AON where necessary to work through opportunities to improve submission however not to assess risk.	Ongoing
Valuations	Establish accuracy of values property, vehicles and other coverage lines/assets	31 May 2023
Asset Register	Update current Asset Registers to ensure what is recorded captures accurately new assets, ownership, disposed assets, value and depreciation status	31 May 2023
Define Coverage	Assess coverage limits for assets, define level of coverage measured against level of risk; Are there identified assets that we can remove from coverage; including the need for Coverage Extensions.	16 June 2023
Deductibles	Assess opportunity to increase deductibles based on level of risk associated with each asset and value returns deductible options provided by AON	16 June 2023
Renewal Submission	Present our Renewal Schedule to AON for 2023-24	7 July 2023

T9. Initial Insurance Strategy & Workplan

Objective	Actions	Timeframes
Insurance Renewal Working Group	\Insurance Renewal Working Group that oversees Strategy and Workplan to ensure it remains current & valid.	Ongoing
Insurance Strategy	Develop an Insurance Strategy that outlines our long-term approach to modelling risk, annual approach to managing annual insurance renewals, long term planning, master planning	Draft to RAC August 2023
Workplan	Develop Workplan to support the Strategy document, highlighting deliverables linked to work-streams and outlining actions required to achieving key deliverables.	Draft RAC August 2023
Partnership with AON	Engage Engineer from AON to assist with enhancing Loss Modelling programme and work stream deliverables.	Ongoing

Attachments



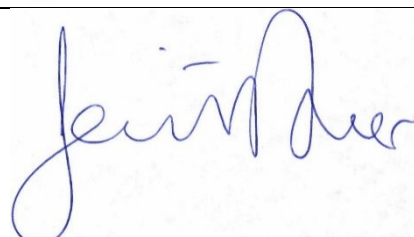
There are no attachments for this report.


Confirmation of statutory compliance

In accordance with section 76 of the Local Government Act 2002, this report is approved as:

- containing sufficient information about the options and their benefits and costs, bearing in mind the significance of the decisions; and,
- is based on adequate knowledge about, and adequate consideration of, the views and preferences of affected and interested parties bearing in mind the significance of the decision.

Signatories

Author(s)	Rob Benefield Risk Manager	
Approved by	Ashley Huria Business Performance Manager	
	Jacinta Straker Group Manager Organisation Performance	

	Monique Davidson Chief Executive Officer	
--	--	---

6.6 Risk Management Status Quarterly Report - June 2023

File No.: 23/350

1. Purpose

- 1.1 The purpose of this paper is to report to the Risk and Assurance Committee the risk landscape, risk management work in progress and to ignite discussion with the committee about risk.

2. Recommendation

- 2.1 That Report 23/350 Risk Management Status Quarterly Report - June 2023 be received.
- 2.2 That this matter or decision be recognised as not significant in terms of s76 of the Local Government Act 2002.
- 2.3 That the Risk and Assurance Committee endorse the Draft Risk Management Framework.
- 2.4 That the Risk and Assurance Committee endorse the Draft Risk Strategy and Workplan.

3. Discussion

- 3.1 Since the previous report a significant amount of work has been completed. There are a number of attachments to this report;

Draft Risk Management Framework – has been amended following feedback and attached for endorsement prior to being taken to a Council meeting for adoption.

Draft Risk Strategy and Workplan – has been amended following feedback attached for endorsement prior to being taken to a Council meeting for adoption.

Risk Report and Workplan Update – provides an update on progress since March

Organisation Risk Register – an up to date register of key risks

Operational Risk Register - an up to date register of key risks

Draft Risk Appetite Framework – this is in draft and has been amended following feedback from a Council workshop. It has been attached to show progress made and for feedback before going back to Council.

- 3.2 The above attachments are important pieces of work submitted to the RAC for your perusal. The first two documents, The Draft Risk Management Framework and the Risk Strategy and Workplan are resubmitted seeking endorsement from the RAC so they can be submitted to Council for adoption. The organisation and Operation Risk Registers are for your information in providing context and insight to the mitigation of the top risks identified in the Risk Report. The draft Risk Appetite framework is included in the report to give you an insight to the direction we are taking in forming the risk appetite, this is important as we signal the shift away from existing risk appetite framework. This is an opportunity for the RAC to understand key frameworks and discuss the content.

Attachments

No.	Title	Page
A↓	Risk Assurance Quarterly Report 2023 - March-May 2023	155

B	Horowhenua District Council - Risk Management Framework Rev 1.7 Draft	166
C	Horowhenua District Council - Risk Strategy & Workplan 2023 Rev 1.7 Draft	191
D	Operational Risk Register May 2023 Updated 10 (<i>Under Separate Cover</i>) - CONFIDENTIAL	
E	Organisation Risk Register May 2023 Updated 10 (<i>Under Separate Cover</i>) - CONFIDENTIAL	
F	DRAFT Risk Appetite Framework 2023-24 V3	203

Confirmation of statutory compliance

In accordance with section 76 of the Local Government Act 2002, this report is approved as:

- containing sufficient information about the options and their benefits and costs, bearing in mind the significance of the decisions; and,
- is based on adequate knowledge about, and adequate consideration of, the views and preferences of affected and interested parties bearing in mind the significance of the decision.

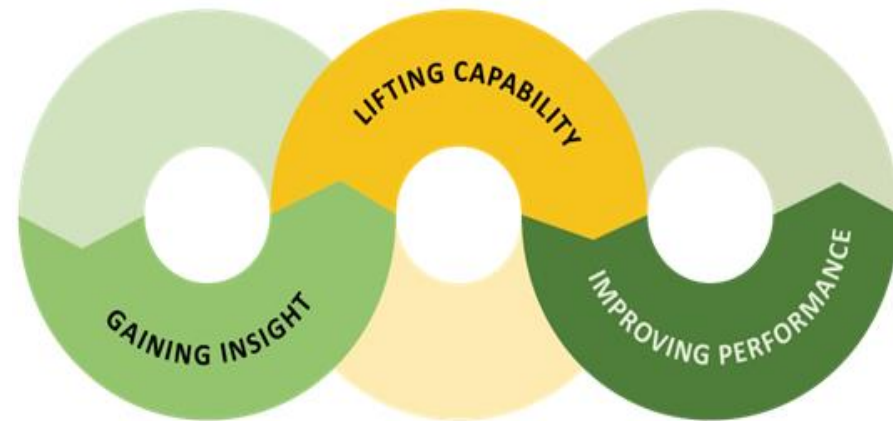
Signatories

Author(s)	Rob Benefield Risk Manager	
Approved by	Ashley Huria Business Performance Manager	
	Jacinta Straker Group Manager Organisation Performance	
	Monique Davidson Chief Executive Officer	



What this report covers

-  **Key Insights**
-  **Strategy Workplan Update**
-  **Risk Register Summary Heat Map**
-  **Updated Risk Maturity Assessment**
-  **Quarterly Submissions**
-  **Summary of Top Risks attached**



To support the Council in the delivery of the Council's Long- Term Plan (LTP), we are continuously assessing the impact of uncertainties and opportunity options on its objectives. The deliverables associated with the plan are diverse and complex, often prioritised on our ability to deliver with the limited resources we have. The Council's vision is to enhance its risk capability and maturity across its different business groups using a deliberate and integrated approach that will positively support the delivery of its community outcomes.

The report below is in addition to the regular risk management submission presented to the Risk and Assurance Committee where we deep dive into Risk Management.

Key Insights

- ✓ **The Risk Management Framework and Risk Strategy & Workplan** have been updated as per feedback provided by the RAC and Council and is resubmitted as part of this report.
- ✓ **2023 Insurance Renewal Document** has also been updated, this will influence the Assets we insure, the insurance policies we select and the level of our deductible.
- ✓ HDC Insurance Strategy has been started and submitted to RAC for the August meeting, this will inform the business rules for the Insurance Renewal process moving forward, including the ongoing improvement of the HDC Asset Register management, risk assessment and loss mapping.
- ✓ **The Internal Audit Fraud assessment** has been completed with key action points being scheduled and progress monitored.
- ✓ Risk has been included and scheduled into the ELT meeting agenda to discuss existing and new risks.
- ✓ **Elected Members & ELT** have completed the **Risk Management Induction** in April 2023.
- ✓ During April and May 2023, 18 new staff have completed the **Risk Management Induction**. The first induction for existing staff is scheduled for 27 June 2023
- ✓ **14 Managers** have completed the **Risk Statement Writing Workshop** with another workshop booked in August.
- ✓ The Risk Appetite Framework has been developed with one workshop completed, completely changing the approach to how we review and form our Risk Appetite Statements. This has been based on the **five Community Outcomes** highlighted in the **Long Term Plan** and the **Top 10 priorities/focus** areas as identified on Council Plan on a Page that supports the success of these deliverables. A survey of the Executive and the Elected Member has been submitted for completion and Risk Appetite Statements are currently being drafted.
- ✓ **A Risk Champion Group** has been established which is supported by a Risk Champion Charter and represented by a member from each department and our cultural team. This team will support their Group Managers in mentoring the risk management initiatives within their groups.
- ✓ We are currently assessing an improved approach to improving the assurance management of risks associated with Cyber Security. This includes software that has the capability to manage all our IT Assets, is real-time aligned to the top ISO and Cyber Security Standards identifying immediately organisational weaknesses, encompasses all or **Cyber Risk Management Platforms** under one umbrella. An Internal Audit is scheduled to be undertaken in July 2023.

Risk Strategy Workplan

Strategy Element	2023	2023-24	2025
The actions below are some of the identified priorities in the Workplan objectives we have set to achieve over the next 3 years (2023-25). The last twelve weeks have included the following progress			
Risk Maturity	Audit Risk Maturity.	Enhance Risk Maturity.	Audit Risk Maturity. Late 2024-2025. Independent assessment of Enterprise Risk Maturity
Risk Appetite	Assess Risk Appetite in defining new boundaries.	Continue to review Risk Appetite. Align Risk Appetite to Community Outcomes as defined in the LTP.	Review Risk Appetite Statement.
Risk Framework	Develop Draft Risk Management Framework.	(Incorporate policy in framework).	Review Risk Management Framework.
Risk Framework	Develop and adopt Risk Strategy & Work Plan 2023-2024.	Develop/refresh and adopt Risk Appetite.	Review Progress of Risk Strategy and Plan.
Risk Framework	Framework developed as governing document that includes HDC Risk Policy.		
Risk Governance	Executive Leadership Team (ELT).	Monthly Agenda item on ELT Meeting. Includes deep dive into top risks and identifying new risks	Monthly Agenda item on ELT Meeting.
Risk Governance	Risk and Assurance Committee.	Quarterly Risk and Assurance Committee.	Quarterly Risk and Assurance Committee.
Risk Governance	Organisation Performance Report (OPR).	Include high-level status overview of Risk management within HDC OPR. Includes risk review of each individual group reports.	On going
Risk Framework / Risk Communication	Review and adopt Risk Matrix and Assessment Framework.	Develop and implement Project Management Risk Framework.	Review Project Management Risk reporting.
Risk Framework / Risk Communication	Reignite PROMAPP Risk Register. Work closely with GMs in defining top risks and treatment.	Refine Top Risk Register. Review and update Operational/Departmental Risk Registers. Develop Risk Reporting template through Power BI	Ongoing
Risk Communication	Review and implement reporting templates for Council meetings.	Review and implement reporting templates. Report against Risk Appetite.	Ongoing
Risk Framework / Risk Communication	Establish Risk Assessment Template	Implement deep dives of top strategic risks. Develop Risk Assurance programme.	Implement Risk Assurance programme. Focus on controls and mitigations.

Risk Strategy Workplan part 2

Strategy Element	2023	2023-24	2025
The actions below are some of the identified priorities in the Workplan objectives we have set to achieve over the next 3 years (2023-25). The last twelve weeks have included the following progress			
Risk Awareness and Training	Develop training and induction programme for staff and elected members.	Roll out training to managers who produce OPR.	Ongoing
Risk Awareness and Training	Develop Risk Report & Statement Writing training and induction programme for staff.	Roll out elected member and staff training programme Phase 1.	Elected member & staff training programme Phase 2
Risk Awareness and Training	Develop internal resources including intranet pages and guidelines.	Roll out internal resources for staff.	Continue to update internal resources including use of digital and e-learning.
Risk Governance	Review Insurance Coverage. Develop Insurance Review document that looks at opportunities to improve accuracies of coverage.	Includes enhancing Asset Register to provide accurate coverage. Reassess AON review document and recommendations. Meet with AON in July 2023 to determine new coverage expectations.	Develop and Implement Insurance strategy that provides direction and business rules for annual Insurance renewals
Risk Governance	Review Emergency Management effectiveness within the organisation.	Improved understanding of key operational roles and responsibilities within newly formed leadership teams and elected members. Greater scenario and emergency response planning and training.	
Risk Governance	Ongoing review and focus on Procurement Framework ensuring continued improvement programme for accountabilities and processes.	Ongoing enhancement of procurement accountabilities and processes.	

HDC's Risk Maturity

- Our aim is to improve our organisations risk maturity through implementing robust functions and processes that enable risk-aware decisions at every level to support the realization of key objectives.
- As inducted we will measure our risk management journey by using the AoG Maturity Assessment Model which we will monitor every six months.
- In February 2023 the first assessment with a score of 13.5 had HDC sitting at M2 or Preliminary stage in the model. As a smaller Council operating in relatively stable environment we have less formalised and sophisticated risk management practices in place.
- Our overall target is a score greater than **36 or Level 5**. Risk management practices are fully integrated within the agency's structures, processes, systems and people capability, and independently verified as 'best in class'. The agency takes the lead in managing system level risks in support of inter-agency, sector and AoG outcomes. Senior business leaders view risk management as a core competency to drive value and sustainable public outcomes.
- In a few short months we have made excellent gains and I am confident that our architecture will be more defined when reported in August 2023.
- Each report our key achievements will be defined to update the organisation on exactly where we are at.



Quarterly Submission's for Consideration

Risk Management Framework (Version 2)

Following on from the RAC meeting on 1 March 2023 and the feedback from that meeting please find attached the new version of the **Risk Management Framework** document for your perusal and approval. The document has been updated to ensure the language used is consistent with other Local Government Agencies and within Horowhenua District Council. Changes also reflect our change in direction with the Risk Appetite Framework as we enhance our Appetite Statements to reflect the five Community Outcomes as identified in the Long Term Plan and the top 10 Priorities listed on the Council on a Page document.

The document continues to focus on components covering the scope and design of the system itself as well as the processes for control and development of the system. Intentionally the document has been kept simple and to the point to ensure risk management remains user friendly and workable at all levels. The overall approach is based on the Joint Australian New Zealand International Standard Risk Management- Principles and Guidelines (AS/NZS ISO 31000:2018) and is an integrated approach consisting of 3 interrelated components:

Leadership and Commitment – Roles & Responsibilities

Principles of Value Creation and Protection

Process for Risk Management

Risk Management Strategy & Workplan (Version 2)

Equally important and again following on from the RAC Meeting on 1 March 2023, and the feedback from this meeting please find attached an updated version of the **Risk Management Strategy and Workplan** document for your approval. This document has also been updated to ensure the language used is consistent with other Local Government Agencies and within Horowhenua District Council. The Workplan has been updated to reflect an extended list of priorities and current status on deliverables. To support the HBC in the delivery of the Long Term Plan (LTP), we need to consider the opportunities and impact of uncertainties on its objectives. The deliverables associated with the plan are diverse and complex, often prioritised on our ability to deliver with the limited resources we have. The Council's vision is to enhance its risk capability and maturity across its different business groups using a deliberate and integrated approach will positively support the delivery of its community outcomes. To support the delivery of this vision the Council has recently refreshed its risk management initiatives including conducting management and elected member workshops and risk reviews. The key elements of the Risk Management Strategy & Workplan include:

- Risk Maturity
- Risk Appetite
- Risk Management Framework
- Risk Governance
- Risk Communication
- Risk Awareness & Training

These elements are supported by the Workplan objectives we have set to achieve over the next 3 years (2023-25). As mentioned previously, understanding this is a journey, providing prescribed goals and achieving set outcomes will support our organisation into ensuring we succeed.

Continued Quarterly Submission's for Consideration

Insurance Renewal Workstream Update

To provide an update on the 2023 -24 Insurance Renewal Workstream, established to maximize the accuracy and effectiveness of Horowhenua District Councils Insurance Renewal submission. This is necessary to ensure the impacts of the increases in the cost of living and inflation, significant weather events causing damage and GEO Economic Confrontations are having on rising insurance premiums, doesn't impact on our community through increased rates.

Due to timing and the urgency surrounding the 2023/24 Insurance Renewal Process, there was a need to start work in March 2023 to identify our approach immediately. This would give us the best possible chance to provide a Renewal Submission that was informed and vastly improved on previous years. In the past our submissions have not been adequately assessed with an accurate Asset Register, Asset location mapping with natural hazards against associated risks and disaster recovery priorities.

Subsequently an Insurance Renewal Working Group was established (table T3) to concentrate on updating the asset register(s), asset mapping overlaid with our existing hazard mapping, valuations, research on deductibles and comparisons with other Councils and LG Agencies.

Risk Management Appetite Framework Update

As part of the first Risk Appetite Workshop in March 2023 it became clear that there was a willingness to understand more specifically the diversity of the risks associated with each of our five Risk Categories (Strategic, Reputational, Legal, Financial and Service Delivery). In the past we have relied on a broad Risk Appetite Statement however that was too general and didn't reflect the actual appetite; didn't cover the differences associated with a range of goals and activities across Council; and the language being used was negative and had little meaning to key stakeholders so was hard to interpret or apply.

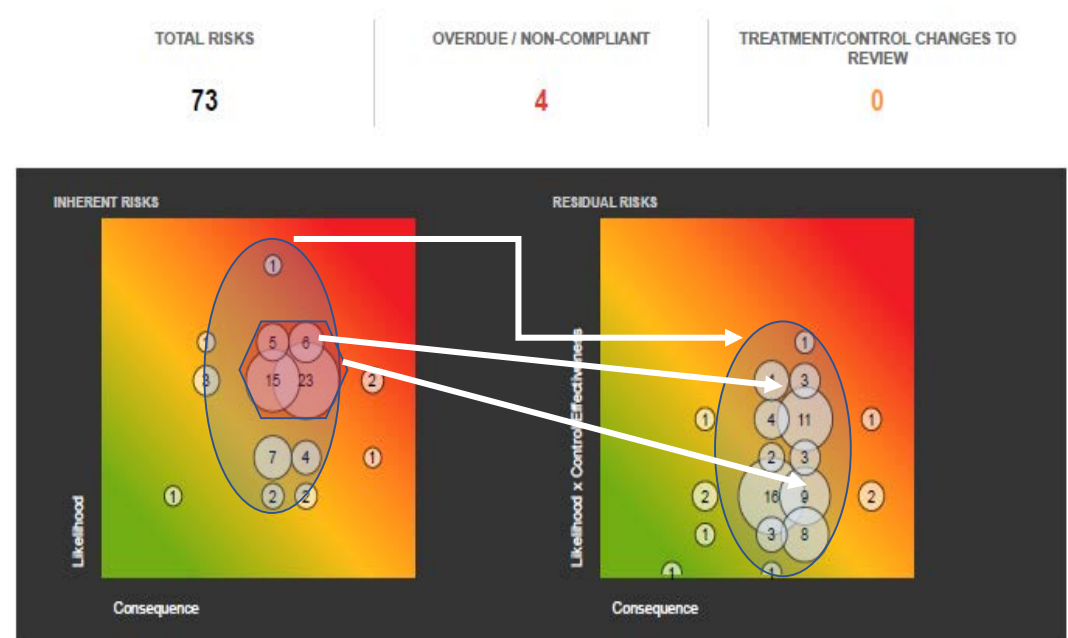
For this reason we have completely changed tact as we look to engage an Risk Appetite Framework that is aligned to our five Community Outcomes and indicates Councils risk appetite towards the key priorities and focus areas as specified on Councils Plan on a Page. The approach we are taking is more seamless and not so onerous allowing us to review the appetite on an annual basis and inline with any changes to the Long Term Plan and or to our operating environment.

For our 5 Community Outcomes we have released a 15 question survey to the Executive and the Elected members looking at individual thinking on preferences towards certain statements. This is supported by each of the top 10 priorities represented by 5 tolerance examples assessed to where we currently sit on performance and where the Council's appetite informs where they would like the organisation to achieve

HDC Inherent and Residual Risk Summary

1. The HDC Risk Register currently has 73 identified risks reports
 - 36 Reputational
 - 28 Legal
 - 44 Service Delivery
 - 22 Strategic
 - 28 Financial
2. The Risk heat map opposite shows both Inherent Risk and Residual Risk and you can see how overall controls/treatments reduce the likelihood of the risk happening.
3. Equally we have a large proportion of risk bordering on significant or high moderate inherently and shifts to moderate to low moderate residually.
4. Each risk in the risk register has been aligned to an operational risk or organisational risk. **Operational risk** is the risk of losses, damage caused by flawed or failed processes, policies, systems or events that disrupt business operations. **Organisation Risk** is the risk imposed on the organisation and threatens its reputation, existence i.e. climate change, legislative or regulation change.

Risk Summary

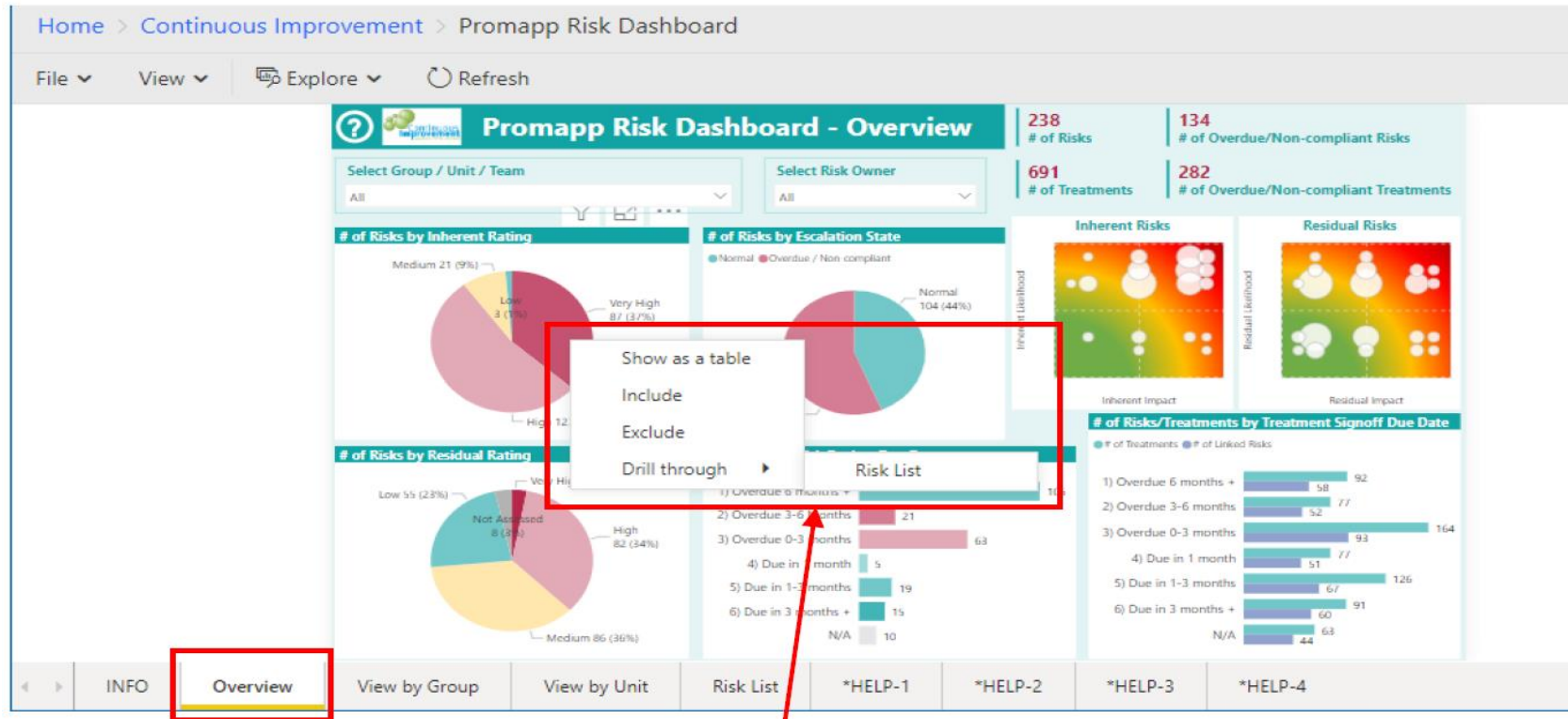


Risk Register - PROMAPP

- We are currently working with the **Digital Delivery team** to redesign the Risk Reporting Framework allowing us to present Risk Management data in PowerBI format. This will analyse and enhance the risk information provided to key audiences, allowing a greater insight & understanding of our risks by organisation, group and project etc. Displayed as a dashboard as per the example on the next slide it will be an excellent resource in measuring our journey and Risk Maturity.
- Moving forward we have separated our risk reporting into **Operational Risks** and **Organisational Risks** as per the definitions below. Attached to this report and until our reporting encompasses PowerBI, are the top Organisational and the Top operational Risks as per our register.
- **Organisational Risks** are the pure risks that can impact HDC strategically (i.e. exposures to risks that impact the whole organisation, natural hazards, and perils, pandemics, GEO Economics, Central Govt Reforms), of which collectively create uncertainty as to the financial or wellbeing outcomes.
- **Operational Risks** are the risk of losses caused by flawed or failed processes, policies, systems or events that disrupt business operations. They are heavily dependent on the human factor: mistakes or failures due to actions or decisions made by a company's employees.

<https://au.promapp.com/horowhenuadc/Risk/Register>

PowerBI Risk Reporting example





Risk Management Framework

Year 2023 - 2025



Document Review & Approval

Section	Organisation Performance
Author & Contact	Risk Manager
Approval	Executive Leadership Team
Date Approved	TBC
Review Date	1 April 2025
Version	1.7

Acknowledgement

The Horowhenua District Council (HDC) and Risk and Assurance Committee acknowledge those who created and implemented the existing Risk Management Framework, processes and tools at the HDC. These have created the foundation and context of this framework.

Further, the following resource documents have been relied on for development of this framework:

- 'Risk management – Principles and guidelines', ISO AS/NZS 31000:2009
- 'Risk Management Guidelines – Companion to AS/NZS ISO 31000: 2009'
- All of Government (AoG) Risk Maturity Resources
- Auditor Generals – Observations of Risk Management in Local Govt

HDC Risk Mission Statement

The value underpinning this Risk Management Framework document is one of working together (mahi kotahitanga). The objective is for HDC to adopt the same language when discussing risk for transparent communication when it comes to identifying, assessing, and managing risk across Council.

Risk Document Review Approach

The Framework will be reviewed biannual (every two years). Importantly the **Risk Appetite** for HDC will also be reviewed within the same timeframes. During the initiation phase, and assessment of the efficacy of the operation of the risk management process by Council, Risk and Assurance Committee and delegated to the Executive Leadership Team. Further iterations of, or supplements to, this document are likely to be issued as the risk function of HDC matures and the relationship with, and understanding of, the Framework deepens.

- The organisation acknowledges that there may be points of overlap between Health, Safety and Wellbeing, Project Risk and Group Risk where more than one risk register may have been implemented.
- Irrespective of having multiple risk registers in place, there is an expectation that all relevant risk, whether the risk be **Strategic, Legal, Service Delivery, Financial or Reputational**, are reported to the relevant register, where the residual risk remains significant or extreme it is reported immediately through to the Group Manager or Executive. This is imperative so the Risk and Assurance Committee and Council can operate on a **"no surprises basis"**.

Table of Contents

Risk Management Framework	0
Risk Management Framework	0
Document Review & Approval	1
Acknowledgement	1
HDC Risk Mission Statement	1
Risk Document Review Approach	1
1. Introduction	3
2. Purpose.....	4
3. Risk Appetite	5
4. Approach to Managing Risk.....	5
5. Leadership & Commitment	5
5.1. Risk Roles & Responsibilities.....	6
6. Principles.....	8
7. The Culture	9
8. Integration into Organisational Processes	10
9. Risk Profiling.....	10
10. Strategy & Objective Setting	11
10.1. Business Context.....	11
11. Risk Management Process.....	11
11.1. Communication & Consultation.....	12
11.2. Scope, Context – Defined by Risk Appetite	12
11.3. Risk Assessment	14
11.3.1. Risk Identification.....	14
11.3.2. Risk Analysis.....	14
11.3.3. Risk Evaluation	14
11.4. Assessing Risk	15
11.4.1. Risk Rating Matrix (T.1)	15
11.4.2. Risk Rating Matrix (T.2)	15
11.4.3. Risk Likelihood Criteria (T.3).....	16
11.4.4. Risk Controls or Treatments (T.4).....	17
Appendix A: Risk Consequence Table (Promapp).....	17
Appendix B: Risk Likelihood Table (Promapp)	19
Appendix C: Risk Matrix Profile (Promapp)	20
Appendix D: Control Effectiveness (Promapp)	21
Appendix E: Heat Map Example (Promapp).....	21
Appendix F: HDC Consequence & Impact Examples	22
Appendix G: Risk Appetite 2020 (Currently being reviewed)	24

1. Introduction

The successful management of risk is essential to enable Horowhenua District Council (HDC) to support the Horowhenua district by making informed decisions and fulfilling its objectives. The Terms of Reference for the Risk and Assurance Committee (RAC) states that, on behalf of Council, it will contribute to improving the governance, performance, and accountability of the Horowhenua District Council by:

- a) Ensuring that the Council has appropriate financial, health and safety, risk management and internal control systems in place.
- b) Seeking reasonable assurance as to the integrity and reliability of the Council's financial and non-financial reporting.
- c) Providing a communications link between management, the Council and the external and internal auditors and ensuring their independence and adequacy.
- d) Promoting a culture of openness and continuous improvement.

HDC is committed to the effective management of risk and recognises that risk is present in everything Council does. For risk management to be effective it must be integrated into Council's governance, business operations, projects, policies, processes and decision making as part of everyone's 'Business as Usual'. The following chart shows the flow of responsibility for HDC.

Figure 1 - Flow of Risk Management Governance Structure



2. Purpose

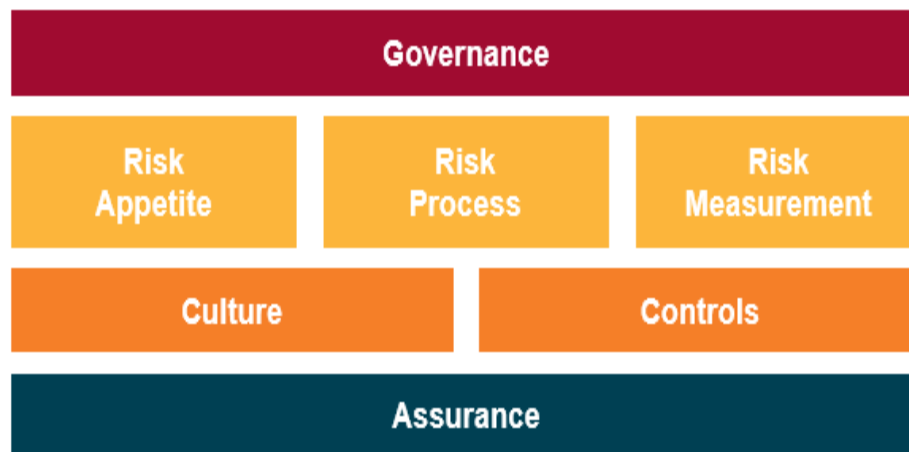
The value of the Risk Management Framework is to provide the basis for the development and maintenance of a coordinated set of activities to respond to risks that may affect the ability of the Council to achieve its mission and strategic objectives. This is an effective system to guide and support the integration of risk management processes and practices across the Council. This enables the management of risks in a planned and coordinated manner.

The Framework outlines the plans, relationships, accountabilities, resources, processes, and activities that need to be undertaken to manage risk.

The Framework is based on the Australia/New Zealand Risk Management Standard (AS/NZS ISO 31000:2009) and establishes:

- A methodology for the identification, assessment and management of risk.
- Responsibilities for risk management across Council.
- Accountabilities for good governance.
- Mechanisms for the formal reporting of information relating to risk. Key elements of the framework are summarised in the following diagram:

Risk Management Framework



The Framework will be reviewed and updated by the Risk Manager in conjunction with the Executive Leadership Team (ELT) with any significant changes to be approved by the Risk and Assurance Committee and adopted by Council.

3. Risk Appetite

Council's Risk Appetite was last reviewed in 2020 (Appendix G), in light of a newly elected Council the appointment of the new Risk and Assurance Committee (RAC) and Executive Leadership Team (ELT) needs to be reviewed to reflect current climate*.

3.1. New Direction

Risk appetite is defined in the context of creating, preserving, and realising value. Our Risk appetite is based on the established prior strategies, mission, vision and culture. Our risk appetite will focus on the Community Outcomes as defined in the LTP and our top 10 focus areas.

- Risk appetite is the acceptable type and amount of risk for Council in achieving our Community Outcomes and business objectives.
- Risk appetite determines the upper limit of the key risks. It also influences distribution of resources, arrangement of processes, and creation of the organisational infrastructure necessary for efficient monitoring and responding to risks.
- Risk appetite can be either quantitative or qualitative or combination of the both, the best approach is to align with risk assessment criteria.
- Our Risk appetite (risk appetite statements) is characterised as follows:
 - it reflects Council's strategy, including business objectives, financial restrictions, and expectations of the stakeholders while achieving our Community Outcomes;
 - it embraces every key aspect (direction) of activity;
 - it considers the desire and the ability to take risks;
 - it defines Council's attitude towards risk;
 - it is regularly revised with the consideration of business context;
 - it requires efficient monitoring of the risk.

Council shall, no less than once a year, determine the risk appetite, i.e. ability to take risks in order to pursue its strategy and business objectives.

4. Approach to Managing Risk

The approach Horowhenua District Council (HDC) takes to managing risk is the core of the Framework, and includes components covering the scope and design of the system itself as well as the processes for control and development of the system.

The overall approach is based on the Joint Australian New Zealand International Standard Risk Management- Principles and Guidelines (AS/NZS ISO 31000:2018) and is an integrated approach consisting of three interrelated components:

- Leadership and Commitment – Roles & Responsibilities
- Principles of Value Creation and Protection
- Process for Risk Management

5. Leadership and Commitment

The mandate for risk management comes from Council and the Executive Leadership Team (ELT). The continued engagement and support of these groups is important – without it, risk management fails. These groups understand this and are committed to ensuring sustainable and effective risk management. This commitment will provide an example for all employees at all levels to adopt.

HDC is committed to managing risk in a structured and practical way, and integrating risk management consistently across all levels within the Council by:

- Maintaining the risk management strategy and reviewing periodically to ensure that it is consistent with Council objectives.

- Promoting and encouraging all staff to take a proactive approach to risk management.



5.1. Risk Roles and Responsibilities

Everyone involved with Horowhenua District Council (HDC) plays a role in managing risk. Subconsciously we manage risk everyday both at work and in our private lives. Defined roles and responsibilities in the work environment provide visibility and clarity that structures the interactions of staff and various groups to achieve effective alignment, collaboration and accountability. Highlighted below are key roles within the wider HDC that oversee the successful delivery of both the risk management architecture as well as defining the tone and the culture within the organisation's environment.

Council – Elected Members

- Ensures that an appropriate risk governance structure is in place.
- Ensures that risks are adequately considered when setting the Council's objectives, and understand the risks facing the Council when pursuing those objectives.
- Is responsible for setting the risk appetite in conjunction with management.

Risk and Assurance Committee

- Ensures that management has appropriate risk management and internal controls in place.
- Approves and reviews risk management programmes and risk treatment options for high level risks.

Chief Executive

- Is the risk management sponsor.
- Tone at the top that leads the enhancement of risk awareness.
- Determination of how risk management activities will be coordinated in the organisation.
- Allocation of resources to achieve the objectives of the Risk Management Framework.

Executive Leadership Team (Collective)

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

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

Group Managers

- Promote a risk management culture within their groups.
- Communicate and raise awareness of risk management to Council staff and managers, including attendance at risk management training.
- Regularly identify, manage and monitor risks in their groups, and ensure that those risks are appropriate in the pursuit of the Council's objectives; including elevation of significant or extreme risks to the Executive Leadership Team.
- Supports Risk Manager in reporting significant and extreme risks and how they are being managed to the Executive Leadership Team and Risk and Assurance Committee.
- Provides support and oversight of the risk management process.

Risk Manager

- Manages and mentors the risk management process including facilitating staff risk management inductions and training.
- Supports the business in maintaining the Council's risk registers.
- Reports on strategic, high and extreme risks and how they are being managed to the Executive Leadership Team.
- Periodically reviews the risk registers and the effectiveness of the management of high and extreme risks.
- Reviews the effectiveness of the Risk Management Framework and reports to the Executive Leadership Team on findings and options for continual improvement.
- Receives information on emerging risks and considers the adequacy of how they are being managed.
- Facilitates the management of cross-organisational risks.
- Leads and supports the assessment both internally and/or externally, the organisation's risk maturity. Providing updated reports as it evolves.

Managers/Team Leaders/Coordinators

- Manage activity / project / asset risks, including individual project risk registers and monitor individual risk action plans.
- Continually identify and assess risks, and respond appropriately in light of the Council's risk appetite.
- Elevate Moderate, Significant & Extreme risks to Group Manager.

All Employees

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

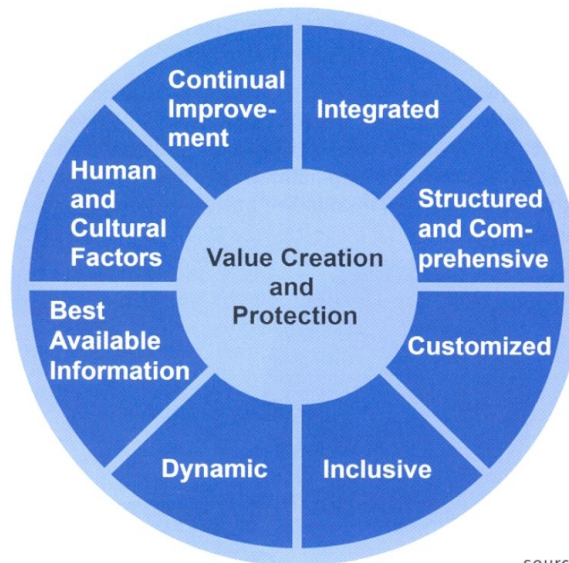
6. Principles

Horowhenua District Council (HDC) has a statutory obligation to meet the requirements as set out in section 10(1) (b) of the Local Government Act 2002, i.e. 'to promote the social, economic, environmental, and cultural well-being of communities in the present and for the future'. The Council's Long Term Plan 2021-2041 sets out the key outcomes and priorities to respond to the projected growth of the district.

Effective risk management directly contributes to meeting these objectives by reducing the threats to success and realising opportunities to obtain success. It also provides organisational resilience in responding to, managing and recovering from emergency situations.

It is important for HDC staff and stakeholders to have a shared understanding of what an effective risk management framework looks like. To achieve this, HDC has adopted a set of standard principles to communicate what it is aiming to achieve in regard to risk management. Risk management at HDC is based on the following principles:

- **Integrated:** integrating risk management into all strategic and operational activities.
- **Structured and comprehensive:** adopting a comprehensive approach to risk management to ensure consistent, comparable, and reliable results.
- **Customised:** aligning the risk management approach with the vision and strategic outcomes of HDC and its risk appetite and enabling the reporting of risk issues quickly to the appropriate level within HDC.
- **Inclusive:** the appropriate and timely involvement of HDC stakeholders to ensure that their views are considered, facilitating improved awareness and informed risk management decisions.
- **Dynamic:** ensuring that the HDC Risk Management Framework and Risk Management Plan is sufficiently agile to sense and respond to changes in the external and internal context of the Council, including changes in knowledge and external environment.
- **Best available information:** considering relevant data, experience, stakeholder feedback, observation, evidence, forecasts, expert judgement while considering any limitations of the data or modelling used, or possible divergence of expert opinion.
- **Human and cultural factors:** recognising that human behavioural and cultural factors influence risk management at every level.
- **Continual improvement:** ensure a continual focus on improvement of risk management through learning and experience.



source: ISO 31000:2018

7. The Culture

The culture, capabilities and practices are integrated into strategy and execution that Horowhenua District Council (HDC) rely on to manage risk and in creating, preserving and realising value to the Horowhenua community. Commitment to core values is fundamental to efficient functioning of the Risk Management Framework. HDC must embrace a risk-aware culture by:

- Maintaining strong leadership: The Council and the Management place importance on creating the right risk awareness and tone throughout the organisation. Culture and, therefore, risk awareness cannot be changed from second-line team or department functions alone;
- Employing a participative management style: The Management encourages employees to participate in decision making and discuss risks to the strategy and business objectives;
- Enforcing accountability for all actions: The Management documents policies of accountability and adheres to them, demonstrating to employees that lack of accountability is not tolerated and that practicing accountability is appropriately rewarded;
- Aligning risk-aware behaviours and decision making with performance: Incentive programmes are aligned to the core values of the organisation including expected behaviours, adherence to codes of conduct, and promoting accountability for risk-aware decision making and judgment;
- Embedding risk in decision making: The Management addresses risk consistently when making key business decisions, which includes discussing and reviewing risk scenarios that can help everyone understand the interrelationship and impacts of risks before finalising decisions;
- Having open and honest discussions about risks Council face: Risk is not viewed as being negative, and understands that managing risk is critical to achieving the strategy and business objectives;
- Encouraging risk awareness across the organisation: The Management continually sends messages to employees that managing risk is a part of their daily responsibilities, and that it is not only valued but also critical to the organisation's success and survival.

The culture affects how risk is identified, assessed and responded to from the moment of setting strategy through to execution and performance given the influence of internal and external factors. It is acknowledged that the level of the culture may affect:

- Scoping of strategy and business objectives. The culture of the organisation may affect the types of strategic alternatives being considered.
- The level of rigor applied to the risk identification and assessment processes. Depending where an organisation sits on the culture spectrum, the nature and types of risks and opportunities may differ. What are viewed as potential risks by a risk-averse organisation may be considered as opportunities worthy of pursuit by another.
- Selecting risk and allocating finite resources. A risk-averse organisation may allocate risk treatments or additional resources in order to gain higher confidence of the achievement of a specific business objectives. The cost and benefits associated with incremental risk treatments may be interpreted less favourably by more risk-aggressive organisation.
- The level of reviewing performance. Trends in the risk profile or business context may be addressed differently by organisations on different points of the culture spectrum. A risk-averse organisation may make changes more quickly to risk treatments as variations in performance identified. Organisations that are more risk aggressive may wait longer before making changes or may make smaller changes.

8. Integration into Organisational Processes

Risk management process is an iterative process, which consists of activities of communicating and consulting, establishing the context and assessing, treating, monitoring, reviewing, and reporting risk, and must be systematically applied and integrated to our established activities.

In particular risk management process must be embedded in the following key processes:

Planning and budgeting process: a step in integrating risk management process may simply be to include one page to articulate: first, what events are business units concerned with that may impair their ability to achieve budget/business plan objectives, and second describe what activities they will undertake to monitor and manage those possible events.

Project and programme management: As part of good project management practice, risks are actively identified, managed, escalated and reported throughout the lifetime of the project.

Development and review of our policies and procedures: our policies and procedures specify the approach and expected actions required to manage a variety of risks, including those associated with legislative compliance, people management, and finance and asset management.

Procurement and asset management: Risk management must be factored into decision making for significant procurement and asset management related processes.

Significance and Engagement Policy: Horowhenua District Council's (HDC) Significance and Engagement Policy, adopted on 30 June 2021, outlines Council's general approach to determining the significance of proposals and decisions. The policy exists to inform you about what you can expect from HDC regarding consultation and ways to influence and participate in the decision making of the Council. For this reason the Risk Management Framework needs to integrate its risk evaluation and assessment process when determining the significance of proposals and decisions.

9. Risk Profiling

Assessing risks to the strategy and business objectives requires our organisation to understand the relationship between risk and performance. Risk profile provides a composite view of the risk at particular level of organisation (overall organisation level, business unit level). Council should initially understand the potential risk profile when evaluating alternatives strategies. Once strategy is chosen, the focus shifts to understanding the current risk profile for that chosen strategy and related business objectives.

- Risk profile helps management to determine what amount of risk is acceptable and manageable in the pursuit of strategy and business objectives. Risk profiles may help management:

- Understand the level of performance in the context of the organisation's risk appetite;
- Find the optimal level of performance given the organisation's ability to manage risk;
- Determine the tolerance for variation in performance related to the target;
- Assess the potential impact of risk on predetermined targets.

10. Strategy and Objective Setting

10.1. Business Context

Council consider business context when developing strategy to support mission, vision and values.

Council have complex and diverse missions that set the stage for the overall strategy to provide services to the community. Developing and carrying a strategy can be complicated by changes in budget, political climate, highly visible community oversight, and overall mission.

Council may be influenced by any or all of the following external factors:

- Political landscapes that affect funding and priorities.
- Budget allocations by legislatures that impact the priorities and any mission changes.
- Demographic, including population growth rates and age distribution that impact the size of the population Council serve.
- Technological shifts that impact the type and amount of automation within operations and the challenge to keep pace.
- Changing leadership within government that create new priorities or modify existing ones.
- Climate change, which impacts scrutiny of related government policies.

Council may also be influenced by the following internal factors:

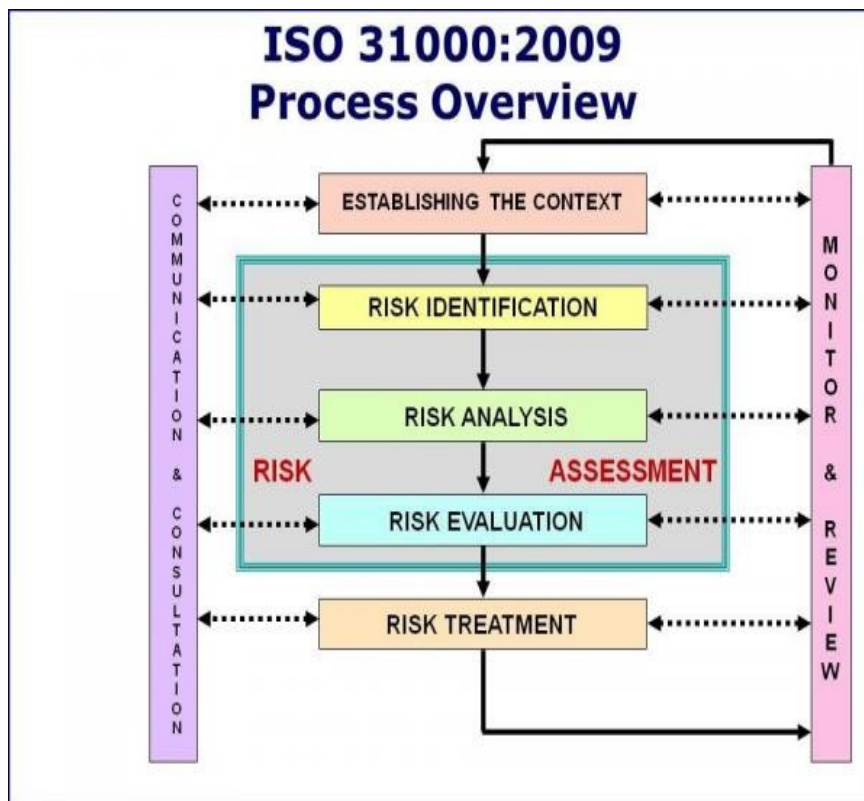
- Availability of capital, which depends on the current political atmosphere and may require the organisation to constrain activities or quickly relocate funds.
- Attrition and competition, which can impact the availability of highly skilled employees.
- Operational failures that challenge the ability to carry out mission.
- Availability of investment for technology infrastructure that impacts the ability to perform and interconnected activities.

11. Risk Management Process

There are many sources of uncertainty that could threaten Horowhenua District Council's (HDC) ability to meet its objectives. Council requires that there is a **systematic** application of management policies, procedures and practices to the task of establishing the context, identifying, analysing, evaluating, treating, monitoring and communicating risk. The Risk and Assurance Committee expects that staff:

- Consider material risks to the Council, e.g. **Strategic, Financial, Legislative, Reputational, and Service Delivery** risks as business as usual.
- Embed a risk culture throughout the organisation with staff routinely reporting upwards on risks.
- Tailor business planning and processes of the organisation, e.g. business cases and procurement plans to include a consideration of strategic, financial, legislative, reputational and service delivery risks.

HDC has adopted the best practice process outlined in ISO Risk Management Guidelines (ISO 31000: 2018) to identify, analyse, evaluate, and report current and emerging risks. This standard outlines the risk management process to ensure risks are dealt with uniformly and systematically. The risk management process is illustrated in the following diagram and summarised in the following sections:



11.1. Communication & Consultation

Communication and consultation with both internal and external stakeholders is an important element in the risk management process. All communication and consultation should be timely and in accordance with the approved approach established by HDC to ensure effective participation of stakeholders in the risk management process.

11.2. Scope, Context – Defined by Risk Appetite

The scope, context and **risk appetite** tailors the risk management process, ensuring that it is aligned to the objectives of Council, enabling effective risk management and risk treatment.

Establishing the context allows for a better understanding of Council's objectives and defining internal and external factors that may be a source of uncertainty and setting scope and risk appetite accordingly. ISO 31000: 2018 describes the internal and external context as:

External Context:

- Social, cultural, political, legal, regulatory, financial, technological, environmental and economic factors.
- Key drivers or trends affecting objectives.
- External stakeholder relationships, views and expectations.
- Contractual commitments.
- Complexity of networks and dependencies.

Internal Context:

- **Vision, mission and values.**
- Governance, organisation structure, roles and accountabilities.
- Strategy, objectives; policies; standards, guidelines and models adopted by HDC.
- The culture of the organisation.
- Capabilities in terms of resources and knowledge, data, information systems and information flows.
- Contractual commitments.
- Internal stakeholder relationships, views, expectations; interdependencies and interconnections.
- Risk Appetite Statement is a directive from the Council indicating their comfort levels for acceptance of risks. Action of all staff including mitigation actions should be based on the Risk Appetite Statements.
- Risk appetite is established at the beginning of the risk management process. However, as risk appetite is based on context, which changes over time, the risk appetite should be continuously reviewed and amended where necessary.

11.3. Risk Assessment

11.3.1. Risk Identification

The purpose is to identify areas of uncertainty and determine how these might impact the objectives of HDC. The risk identification process involves recognising and describing risks and is a process that all staff need to consider and contribute to.

With the tone set at the top, staff members are empowered, and required by the Chief Executive, to identify and communicate risks to five key areas of **Strategic, Financial, Legal, Service Delivery** and **Reputation** through line managers. Appropriate risks will be recorded in a Risk Management Register held on behalf of the Chief Executive to ensure that the impact on the vision or strategic outcomes is managed.

It is important to make use of a comprehensive and systematic approach during the identification process, as risks that are not identified will not be further analysed.

11.3.2. Risk Analysis

The identified risks should be analysed to develop an understanding of the level of “inherent” risk, the sources of the risk, the likelihood of the risk occurring, the full range of potential consequences as well as the controls and their effectiveness. Inherent risk can be described as ‘risk that exists prior to any mitigations or actions taken to manage the risk’.

The identification of likelihood and consequence is a qualitative or semi-quantitative exercise. It is therefore difficult to identify where the impact of an event may fall, and it is the usual practice to provide an indicative descriptor table to place the consequence or impact. The Risk Consequence Table (Appendix A) and the Risk Likelihood Table (Appendix B) measured with the Control Effectiveness (Appendix D) provide a four-point profile scale (Appendix C) to assist with the estimation of the consequence and likelihood of occurrence for a risk.

HDC’s Risk Matrix Profile (Appendix C) allows the prioritisation of identified risk. It identifies and captures the likelihood of identified risks and evaluates the potential damage or interruption caused by those risks.

11.3.3. Risk Evaluation

The purpose of risk evaluation is to support the decision making.

Risk evaluation involves comparing the results of the risk analysis and the risk appetite statement to determine whether any additional action is required. The table (Appendix C) below shows how the likelihood and consequence scores are combined to yield a rating for a described risk. The Heat Map (Appendix E) boundary zones reflect the risk appetite of HDC.

The strength of the current controls in place is considered and their effectiveness determined.

Controls should be designed to mitigate or limit the impact of a risk. The below indicators are used to assess the effectiveness of controls includes:

- **Deficient** – No controls in place, or identified as deficient.
- **Partial** – some controls in place, yet to be fully successful.
- **Moderate** – controls in place, operating effectively but need to be improved.
- **Strong** – Comprehensive controls in place, working effectively.

11.4. Assessing Risk

- All risks are to be assessed to determine their significance by using the below matrix, which sets out a probability evaluation based on the combination of **likelihood** of the occurrence and severity of **impact or consequence**. Assessing risk can be subjective to an individual's views of the likelihood and impact of the risk. When assessing both **inherent** and **residual** risk it is important to undertake a **quantitative** and **qualitative** assessment to ensure there is a level of accuracy to measure the potential risk against an organisation's risk appetite.
- **Step 1:** Determine the likelihood of the risk occurring from the **Likelihood Guide below in T.3**
- **Step 2:** Determine the potential consequence of the event or circumstance from the **Consequence/Impact Guide below in T.4**
- **Step 3:** Multiplying the Likelihood and Consequence provides you with the **Risk Rating/Risk Rating Score** as determined by **T.1 and T.2** below (HDC's Promapp risk register calculates this for you)
- **Step 4:** The Risk rating (score) is determined by the degree of significance to the assessed level of risk, this provides an opportunity for those responsible for managing the risk to provide qualitative actions in reducing the impacts.

11.4.1. Risk Rating Matrix (T.1)

Likelihood	Consequence/Impact				
	1 - Insignificant	2 - Minor	3 - Moderate	4 - Major	5 - Catastrophic
5 - Almost certain	Low	Moderate	Significant	Extreme	Extreme
4 - Highly Likely	Low	Moderate	Moderate	Significant	Extreme
3 - Possible	Low	Low	Moderate	Moderate	Significant
2 - Unlikely	Low	Low	Moderate	Moderate	Moderate
1 - Rare	Low	Low	Low	Low	Low

11.4.2. Risk Rating Matrix (T.2)

Likelihood	Consequence/Impact				
	1 - Insignificant	2 - Minor	3 - Moderate	4 - Major	5 - Catastrophic
5 - Almost certain	5	10	15	20	25
4 - Highly Likely	4	8	12	16	20
3 - Possible	3	6	9	12	15
2 - Unlikely	2	4	6	8	10
1 - Rare	1	2	3	4	5
Low		1 to 7			
Moderate		8 to 12			
Significant		13 to 19			
Extreme		20 to 25			

11.4.3. Risk Likelihood Criteria (T.3)

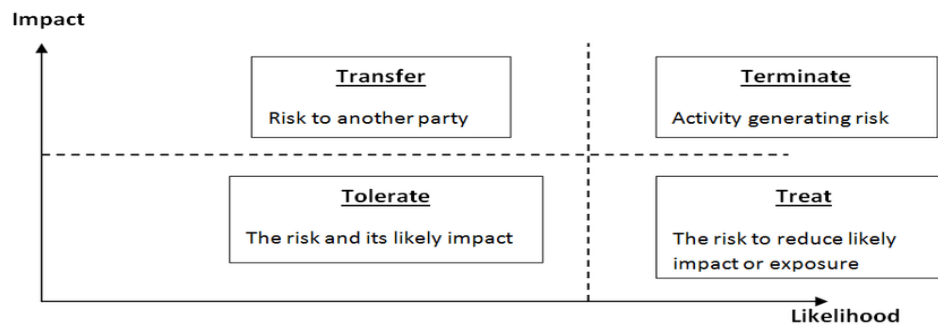
This table (T.3) is used to assess how likely a specific risk will occur. It can be useful to think about this in different ways. For example, is this event going to happen in the next 12 months? Is there a history of events or evidence this is occurring frequently?

Likelihood					
Rating	Definition examples				
1	Rare	Very Low	Rare, might only occur in exceptional circumstances	Once in five years or related top event i.e. 50 year flood	The event is expected to occur (<10%)
2	Unlikely	Low	Possible however uncommon	Once a year	The event could occur at some time (10%-49%)
3	Possible	Medium	Less Likely to happen than not, there is a real chance	2-3 times a year	The event may well occur (50%-74%)
4	Highly Likely	Probable	Will probably occur in some circumstances, would be surprising if it did not occur	Weekly or expected over the course of a month	The event will probably occur (75%-89%)
5	Almost Certain	Very High	Expected to occur in most circumstances	daily or within the week	The event is expected to occur (>90%)

11.4.4. Risk Controls or Treatments (T.4)

Risk Controls or Treatments involves developing a range of options for mitigating the risk, assessing those options, and then preparing and implementing action plans.








The means by which Council seek to modify risks. They can be thought of as 'enablers' for Council's objectives. Risk treatment normally involves activities that aim to change either the likelihood of the consequences or the type, magnitude or timing of those consequences.



Appendix A: Risk Consequence Table (Promapp)

Consequence		SUB-CONSEQUENCE ENABLED	ACTIVE	
Catastrophic	5.00	Death. Huge financial loss (>\$10m). National press coverage. Cessation of service for more than 1 week.		
Major	4.00	Extensive injuries. Loss of Channel. Loss of production capability. Major financial loss (\$1m - \$10m). Cessation of service of less than 1 week.		
Moderate	3.00	Medical treatment required. High financial loss (\$100k - \$1m). Cessation of service for up to 1 day.		
Minor	2.00	First aid treatment. Medium financial loss (less than \$100k).		
Insignificant	1.00	No injuries. Low financial loss (\$10k).		

Appendix B: Risk Likelihood Table (Promapp)

Default Rating Criteria			
Likelihood		ACTIVE 	
Almost Certain	5.00	The event is expected to occur with 80% chance in the next 12 months.	
Highley Likely	4.00	The event will probably occur with 25% chance within the next 12 months or once in 4 years	
Possible	3.00	The event might occur with 10% chance within the next 12months or once in 10 years	
Unlikely	2.00	The event will probably not occur with a 4% chance within the next 12 months or once in 25 years	
Rare	1.00	The event is not expected to occur with a 1-2% chance within the next 12 months or once in 50+ years	







Appendix C: Risk Matrix Profile (Promapp)

Scores & Escalations

0-7 LOW	Low Level Risk Score Rating Escalate to: Manager Review Frequency: No Review Required ✓ Sign off explanation required ✗ Escalated sign off explanation required	
7-12 MODERATE	Mid Level Risk Rating Escalate to: Risk Management Lead Review Frequency: 6 months ✓ Sign off explanation required ✗ Escalated sign off explanation required	
12-19 SIGNIFICANT	High Risk Score Rating Escalate to: Risk Management Lead Review Frequency: 3 months ✓ Sign off explanation required ✓ Escalated sign off explanation required	
19-∞ EXTREME	Very High risk Score Escalate to: Risk Management Lead Review Frequency: 1 month ✓ Sign off explanation required ✓ Escalated sign off explanation required	

Add Score Range

Appendix D: Control Effectiveness (Promapp)

Control Effectiveness			ACTIVE 	
Deficient	1.00	No controls in place, or identified as deficient.		
Partial	0.75	Some controls in place, yet to be fully succesful		
Moderate	0.50	Controls in place, operating effectively but need to be improved.		
Strong	0.20	Comprehensive controls in place, working effectively.		

Appendix E: Heat Map Example (Promapp)



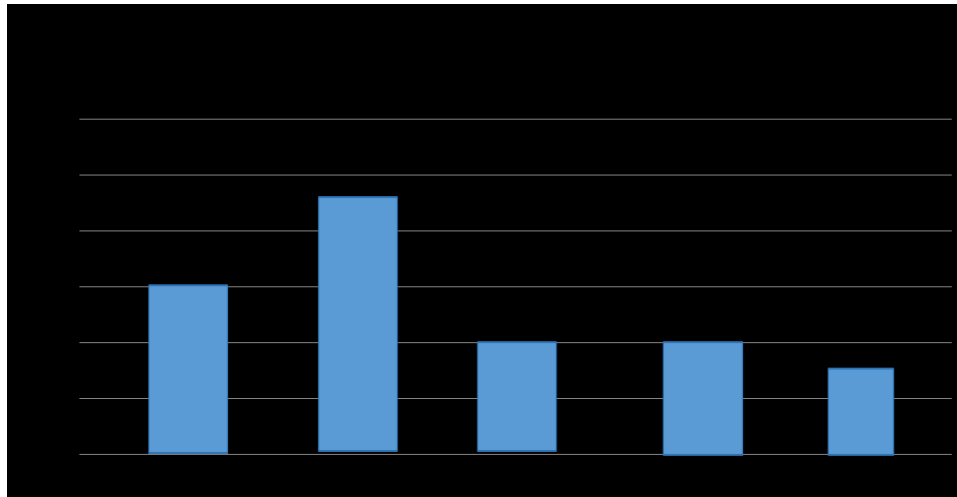
Appendix F: HDC Consequence & Impact Examples

Risk Type	Consequence or Impact				
	Insignificant - 1	Minor - 2	Moderate - 3	Major - 4	Catastrophic - 5
Financial	Single unplanned loss less than \$250k	Single unplanned loss between \$250k-\$500k. Ongoing Loss less than \$100k p.a.	Single unplanned loss between \$500k-\$5m. Ongoing Loss \$100k-\$1m+ p.a.	Single unplanned loss between \$5-\$20m. Ongoing Loss \$1m - \$3m+ p.a.	Single unplanned loss of \$20m or greater to Council. Ongoing Loss \$3m+ p.a.
Service Delivery	Loss of service to [0-10] households for period of no more than [8] hours. Loss of service to an industry for period of less than [8] hours. Public amenity partially closed or delivering reduced service.	Loss of service to [10-30] households for a period of [8-24] hours. Loss of service to an industry for period of [8] hours. Public amenity closed for up to a week or more. Isolated service standard failure.	Loss of service to [30-100] households for period of [24] hours. Loss of service to an industry for a period of [8-24] hours. Public amenity closed 1 week to 1 month. Customer complaints or complaints relating to more than one business area. Repeated service standard failure or one that affects multiple people.	Loss of service to [100-300] or more households for a period of [24-72] hours. Loss of service to an industry for a period of [24-72] hours. Public amenity closed for 1 month or more.	Loss of service to [300] + households for period of greater than [3] days. Loss of service to an industry for period of greater than [3] days. Permanent loss of public facility. Delay in major project of over a year.
Political / Governance/ Statutory Obligations	Letter of complaint to CEO, dealt with at Officer level. Request for information from Government Department.	Council delays decisions or public consultation on key documents. External Review	Decision making process breaks down. Government Department	Widespread public demand for political and management resignations. Government investigation into the running of Council.	Elected members replaced by Government Commissioner.
Reputation	Negative community view expressed via local media or social networks.	Negative local media or social network comments for up to a week.	Negative national media coverage or social network comment for two days.	Negative national multimedia coverage or social network comment for several days.	Negative national multimedia coverage or social network comment for 1 month plus.
Community Wellbeing	Minor injury on site not requiring medical attention.	Injury requiring medical attention on site.	Serious illnesses through network failure. Injury requiring hospitalisation.	Widespread illness requiring hospitalisation through network failure. Multiple injuries on site.	Widespread loss of life through network failure. Multiple loss of life on site.
Legal	Very minor administrative breach, no prosecution.	Minor audit qualification. Minor breach of legal obligation, threat of prosecution.	Major breach of breach of legislative obligations, legal action taken.	Ongoing breach of legislative obligations through embedded systematic failure, resulting in maximum fines or penalties.	Legal action resulting in maximum fines or penalties, legal actions taken by community. Penalties resulting in maximum fines or imprisonment.
Environmental	Environmental damage cleaned up within hours of event. Managed in house.	Environment restored after one week cleanup. Managed with committed external resources.	Environmental damage requiring up to 1 year to reverse. Managed by additional external resources.	Widespread environmental damage reversed after 1 year. Short-term assistance required from outside the region.	Permanent widespread environmental damage and loss of biodiversity. Ongoing assistance required outside of the region.
People & Culture	Work injury or illness with up to one week off. Staff turnover exceeds 10% p.a.	Staff turnover exceeds 15%.	Work injury or illness with 1 week to 6 months' time off. Staff turnover exceeds 20% p.a.	Work injury or illness leading to permanent disability. Staff turnover exceeds 25% p.a.	Loss of Life. Work injury with no return to work. Staff turnover exceeds 30% p.a. or is less

			Loss of staff confidence in Management Team members. Inability to recruit into key skilled positions.	Work injury or illness with more than 6 months' time-off. Loss of CEO confidence in Management Team members. Inability to recruit into key positions on an ongoing basis.	than 5% for a prolonged period.
Information Management	Key information systems disrupted for 2 hours. Minor breach of information security and information loss, fixed within hours.	Key information systems disrupted for 1 working day.	Key information systems disrupted for 2-3 working days. Loss of all information systems for 1 hour.	Key information systems disrupted for a week. Financial system not available at year-end. Loss of archived records / backup. Loss of all information systems > 1 day. Theft or misuse of private / restricted information.	Loss of all historical information (backups). Widespread unauthorised entry to information systems.
Health & Safety	No injury or potential injury.	Minor injury – First Aid only.	Hospitalisation.	Severe injuries or potential injuries.	Long term disability or death.
Strategic Outcomes Legal and regulatory	Internal query.	Special Audit by outside agency or enquiry by Ombudsman.	Litigation.	District or Environmental Court (excluding normal operations).	High Court or Criminal Action.
Relationships	Disagreement.	Dispute or major disagreement.	Temporary loss of contact.	Mediation or external party required to restore relationship.	Irreversible breakdown.

DRAFT

Appendix G: Risk Appetite 2020 (Currently being reviewed)



2020 Statement

It is recommended Council adopts an 'open' to 'hungry' appetite towards risks in the Strategic risk category. Council is therefore signalling it is willing to accept strongly justified risks and uncertainty in this category as it addresses the challenges and opportunities presented by the COVID-19 recovery and a return to a Growth response footing for the Horowhenua district. The 'cautious' appetite in the Reputational category indicates Council prefers to avoid risks in this area but is willing to accept them, and any issues that emerge out of other risk categories such as Strategic, if the benefits will outweigh the negatives.

Until the longer term impacts of COVID-19 are better understood, it is recommended Council adopts a 'minimal' appetite towards the Service Delivery risk category, meaning Council's preference is always for its safe delivery and with only a small margin for failure. However, Council also accepts with a 'minimal' appetite in the Finance risk category, some operational risks may subsequently be exposed with the levels of service delivery and trade-offs may be required.

Lastly, it is recommended Council sustains 'averse' and 'minimal' appetites towards legal risks meaning we will be extremely conservative, have a very low level of uncertainty, and will only reluctantly trade-off objectives.

The result means Council is willing, under the right conditions, to pursue and accept options in the Strategic risk category if the rewards are evident. Council is, however, to remain focused on excellence with our customer service delivery, to remain legally and legislatively compliant, and maintain a reputation of being a responsible and accountable Local Authority.



Risk Strategy & Work Plan

Year 2023 - 2025



Document Review & Approval

Section	Organisation Performance
Author & Contact	Risk Manager
Approval	Executive Leadership Team
Date Approved	TBC
Review Date	1 April 2024
Version	1.5

HDC Strategic Vision for Enterprise Risk

Horowhenua District Council (Council) is committed to the effective management of risk and recognises that risk is present in everything in all its business activities.

The Council is on a risk management maturity journey. It has a vision to lift risk capability and maturity by implementing and embedding the core elements of a Risk Management Framework to enable effective risk management.

Table of Contents

Risk Strategy & Work Plan	0
Document Review & Approval.....	1
HDC Strategic Vision for Enterprise Risk.....	1
1. Supporting Councils Strategy & Long Term Plan	3
2. Risk Management Strategy Overview	4
3. Context and Background	5
A Changing Risk Landscape.....	5
4. Office of the Auditor General Review	5
Scope and Purpose of the Risk Strategy.....	6
5. Focus Areas for 2023 – 2025	6
7. Enterprise Risk Management Work Plan	10
9. Definitions	11

1. Supporting Councils Strategy and Long Term Plan

Over the next 20 years, it is expected that the Horowhenua district will be experiencing significant population growth. The Council's Long Term Plan 2021-2041¹ sets out the Council's key outcomes and priorities in responding to the growth.



To support the Council in the delivery of its Long Term Plan (LTP), the Council will need to consider the impact of uncertainties on its objectives². The Council's vision is to enhance its risk capability and maturity across its different business groups using a deliberate and integrated approach will positively support the delivery of its community outcomes. To support the delivery of this vision the Council has recently refreshed its risk management initiatives including conducting management and elected member workshops and risk reviews.

The Council's risk function plays an important role in supporting the delivery of the Council's strategy and aligns with the delivery of its community outcomes (Ngā Putanga Hapori):

Figure 1 - Community Outcomes (Long Term Plan)

 Vibrant Economy	 Outstanding Environment	 Fit for purpose Infrastructure	 Partnership with Tangata Whenua	 Strong Communities
<ul style="list-style-type: none"> • We are business friendly. • We will work with others to enable our economy to grow. • We support diversity and resilience in our local economy. • We aspire for economic security for all of our people. • We seize growth opportunities for our district. 	<ul style="list-style-type: none"> • We contribute to improving our natural environment for current and future generations to enjoy. • We protect the important natural features in our district. • We ensure our built environment supports the wellbeing of our people. • We manage competing pressures on resources sustainably. 	<ul style="list-style-type: none"> • We develop and maintain facilities and infrastructure to meet the needs of current and future generations. • We provide efficient, reliable and affordable infrastructure. • We work with partners to develop infrastructure that enables growth. • Our community facilities and infrastructure are resilient, helping us to respond to climate change and natural hazards. 	<ul style="list-style-type: none"> • We will uphold Te Tiriti o Waitangi and its principles. • We build mutually respectful partnerships with tangata whenua. • We support Mana Whenua to maintain and enhance tikanga with their ancestral lands and waterways, wāhi tapu and other taonga. • We support whanau, marae, hapū and iwi in achieving their aspirations. • We recognise the role of Mana Whenua as kaitiaki of their rohe. 	<ul style="list-style-type: none"> • We value the diversity of our people. • We recognise the value of our district's heritage and its contribution to our communities sense of identity and pride. • We take an inclusive approach and encourage our people to participate in local decision making. • We provide infrastructure and services as a foundation for resilient and connected communities. • We build collaborative relationships with service providers to help enable all of our people to live positive and health lifestyles. • We help create facilities and places where people of all ages and backgrounds feel included, safe and connected.

¹Long Term Plan 2021-2041 (Te Mahere Tūroa) - Horowhenua District Council

² Definition of "Risk" ISO 31000:2018

How Risk Management Links to Council Strategies and Outcomes?

- A good Risk Management Framework supports and facilitates change and supports growth by enabling Council to take advantage of opportunities and innovation.
- Risk management enables and improves council use of data and information to make better decisions.
- By increasing awareness and understanding of risk and the management of risks, better outcomes can be achieved.
- The overarching Risk Management Framework incorporates policy documents that include any document(s) that provide process, procedures, and or guidelines.

2. Risk Management Strategy Overview

Council's key focus will on the following **three** aspects:

Figure 2 - Risk Strategy Focus Areas



3. Context and Background

A Changing Risk Landscape

Risk is ever present in our highly volatile world. Risks are increasingly more interconnected and interdependent than ever before, and organisations need to place a greater focus on identifying emerging risks and building resilience.

The COVID19 pandemic exposed several vulnerabilities in operating models and risk approaches. Councils have justifiably focused on managing impacts of the pandemic, but at the same time, they are increasingly aware of other challenges like regulatory changes, climate change, supply chain disruption, cyber and people risks.

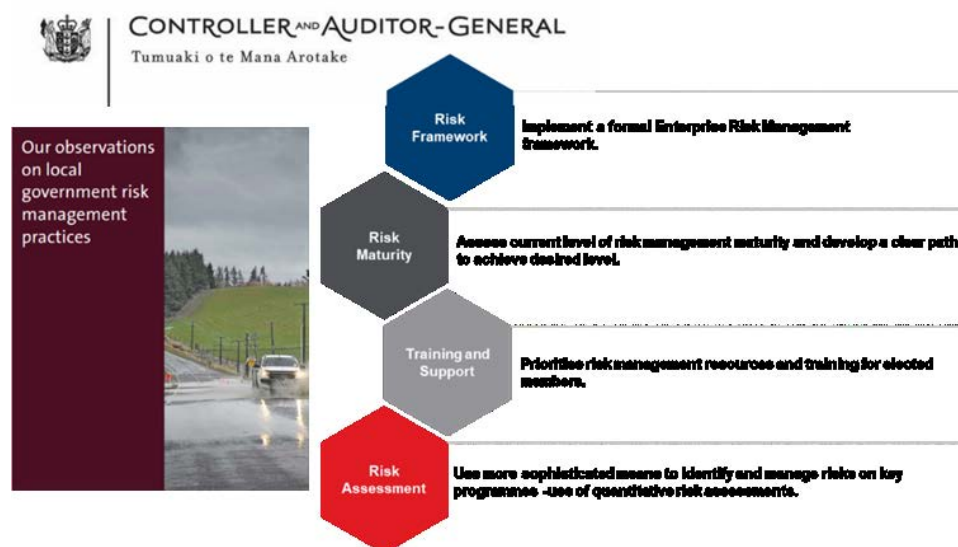
Councils are experiencing higher expectations from communities, stakeholders, and regulatory bodies around how risks are managed and governed. Existing and emerging risks will continue to challenge councils across the country as councils deliver on their Long Term Plans.

4. Office of the Auditor General Review

In October 2021, the Office of the Auditor General (OAG) produced a report³ outlining key observations and recommendation on the findings on risk management practices undertaken by local councils. This was a follow up report from a 2016 finding⁴ noting that risk management is one of the least mature elements of governance in the public sector. A survey of councils was undertaken and, additionally, four councils (Auckland, Waipa, Environment Canterbury and Queenstown-Lakes) were selected for in depth case studies.

The OAG made four significant recommendations which are outlined in the following figure.

Figure 3 - OAG Risk Management Recommendations for Councils



³ <https://oag.parliament.nz/2021/risk-management/docs>

In brief, the report found that not all councils surveyed had implemented a formal risk management framework, recommending that a centralised framework is used to ensure consistency in practices applied across the council. In the report, the OAG encourages Chief Executives and elected members to consider the maturity of their existing risk management practices and prepare a clear plan for improving maturity. This involves carrying out regular reviews of risk management activities to inform progress and areas of improvement.

The role of elected members was discussed, and it found that elected members need to maintain an overall view of their council's strategic objectives, being aware of obstacles to achieving those and receive assurance that the council is managing risks well. OAG observed that more could be done to support elected members as they consider the risks faced by the council, particularly how these are factored into their decision making. Using specialist tools such as quantitative risk assessments is encouraged to provide councils with a better understanding of risks to deliver complex programmes of work and how risks may be reduced.

Finally, the report acknowledges that while implementing risk management takes time and resourcing, the consequences of not adequately managing risks are significant; and often resulting in large and unexpected expenditure, service failure and a loss of public trust and confidence.

Council's Risk Management Journey

Improving risk maturity is a journey that takes time and commitment. Council has previously developed a risk framework including a draft policy and risk appetite, although the framework was not formally adopted. Notwithstanding this, risk conversations take place regularly and good risk management takes place in several areas.⁵

More recently Council has been reviewing its risk framework with the intention to improve and enhance risk practices. Council's Risk and Assurance Committee (RAC) supports the further improvement initiatives to raise risk maturity enabling it to have appropriate oversight of the Council's risk activities.

Scope and Purpose of the Risk Strategy

This Risk Strategy prioritises areas that help take Council forward in lifting its risk management capabilities and maturity. It reflects Council's current place on its risk journey and to better enable Council to prepare for future growth through the five key community outcomes of **Vibrant Economy, Outstanding Environment, Fit for Purpose Infrastructure, Partnership with Tangata Whenua, Strong Communities**.

5. Focus Areas for 2023 – 2025

To help deliver on the vision, the risk strategy is focussed on the following three areas:

1. Raising Risk Awareness and Understanding for all Staff and Elected Members.

At present there are varying levels of understanding of risks within the Council. Simple but relevant and practical discussions with staff on a regular basis will help raise the level of understanding and awareness thereby promoting better risk practices.

⁵ For example in Health Safety and Wellbeing and Infrastructure delivery.

This will be undertaken in a number of ways, for example through developing risk resources available in a central repository (e.g. Council intranet) easily accessible for all staff. Resources available would provide guidance and tools on risk management for all staff including risk management processes of identifying, assessment and management in line with ISO standards.

Relevant groups will be identified to participate in risk workshops. The workshops would include risk areas of particular focus (appetite) to the Council, for example in the following areas:

- **Strategic** – Key deliverables and direction
- **Financial** – Financial Opportunities & Controls
- **Service Delivery** – Project and Programme Management; Health, Safety & Wellbeing
- **Reputational** – Integrity / Conflicts of Interests
- **Legislative** – Legal/ Regulatory and Compliance

As appropriate, training and awareness in relevant topics will be extended to include elected members.

Through the Council's Governance development programme, elected members will be supported in their role as governors to identify and consider risks when making decisions. This is particularly important at the beginning of a new triennial with new members coming on board.

The intention is that these training programmes will eventually become "business as usual" and part of the learning culture of the organisation.

The Risk Manager, supported by the Executive Leadership Team (ELT), will continue to proactively support the business units with this. Regular reinforcements of key messages – rewarding good risk taking and consequences for poor risk behaviours – are encouraged. Undertaking reviews and lessons learnt from events/incidents is useful to focus staff on future actions to improve risk maturity. The Chief Executive, Chair of the Risk and Assurance Committee (RAC) and ELT in Council have important roles to play to support a strong risk culture.

It is important to develop and roll out a programme to support both staff and elected members of the key principles of managing risks, in line with best practice. It is important that the programmes take place with sufficient regularity and relevance so that these are not seen as a compliance exercise.

Over time council may wish to consider implementing digitised e-learning tools as part of the compulsory on-boarding of staff and elected members.

2. Adopting and Embedding a Formal Enterprise Risk Management Framework

Whilst there are regular risk conversations taking place at Council with pockets of excellent risk management practices occurring in some areas, most of these are taking place at an informal basis. Best practice requires that risk management practices are formalised and structured as part of a risk management framework. The OAG recommendations⁶ state the following:

Councils should have a clearly defined framework for managing risk. A risk management framework supports a consistent approach to managing risks throughout a council. It also provides a way for a council to compare the different types of risk that it must deal with, whether they are project-based risks, day-to-day operational risks, or longer-term strategic risks.

There is significant research that supports the adoption of a risk framework. In the new risk landscape where risks are increasingly interconnected and interdependent, an enterpriser risk framework that

⁶ Paragraph 2.1, page 11 of the OAG Report

integrates the management of risks across the business and relates this back to the Council's strategy will be critical in supporting the Council to deliver on its Long Term Plan (LTP) outcomes.

The Strategy seeks to introduce foundational risk management systems to be implemented and integrated across the Council business units. While an Enterprise Risk Management framework may typically include the following elements below, it is important that a framework is developed that is appropriate to meet the Council's needs cognisant of where the Council is in its risk maturity journey. A risk framework should not be overly simplistic where it may lack the ability to identify root causes of risks; at the same time it should not be overly complicated to the extent that it is not successfully implemented or embedded.

The risk framework, once adopted, should be reviewed regularly to measure its effectiveness and ensure it continues to be relevant to the Council.

Key elements of an enterprise risk management framework are shown below:

Figure 4 - Elements of an Enterprise Risk Management Framework



The adoption of a framework will be through several steps, undertaken in a logical sequence which when completed will form the Risk Framework for Council. The work plan (see section 7) sets out the actions and activities anticipated for the next two years to achieve this.

Improving Risk Communication and Reporting

As risks are interconnected, it is critical that risk information is provided in a transparent and timely manner with information flowing up and down and across the organisation to the right people within Council. These are decision makers who are able to take appropriate action to respond to the risks. It is also important that the flow of information within the organisation happens with potential bad news rapidly communicated without fear of blame.

There is acknowledgement that there is presently limited risk reporting taking place to the Council and RAC, with the exception of good reporting in the Health Safety & Wellbeing and Infrastructure areas.

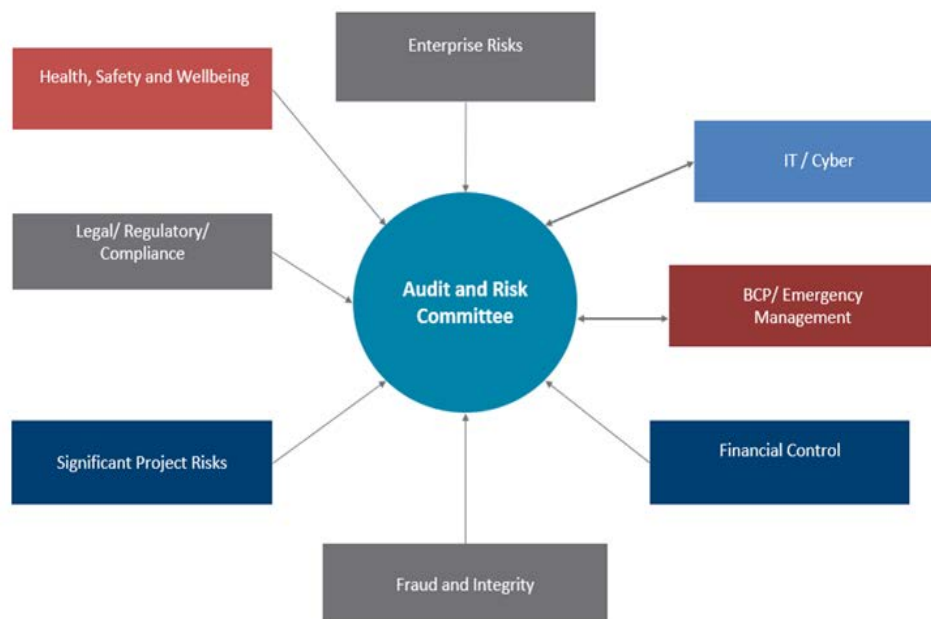
This Strategy also aims to improve risk communication and collaboration across Council and bring these aspects under one enterprise reporting framework. This enables the Executive Leadership Team (ELT), the Risk and Assessment Committee (RAC) and Council to have visibility across the organisation as a whole and understanding risk profiles in these key risk areas. For example the following other areas could be included as part of regular reporting: Cyber/ IT, Legal/ Regulatory, Assurance, Project and Programme Management.

Consideration should be given to the level of granularity of information to be provided depending on where (and to whom) the risks are to be communicated. Generally, as risks are reported up to full Council and committees, the focus should be on strategic (as opposed to operational type) risks which will enable discussions and decisions to be made at the appropriate level. Operational risks tend to be reported at management level where the controls and mitigations generally sit. There are occasions where operational risks may escalate into material risks requiring the attention of governors.

The format of reporting at full Council/committee level will support the inclusion of risk based decision making and provide sufficient information to enable risk-reward conversations to take place.

By applying the Risk Management Framework (referred to above), staff across the different business units in Council will operate within a consistent framework and that key risks are accurately reported through the Enterprise Risk Management system.

To achieve this, there will be a staged development of key reporting based on key risk areas – over time it is anticipated that the reports will be sufficiently broad to provide the Risk and Assurance Committee with appropriate level of oversight for key risks across the Council. An example could be along the following lines:



7. Enterprise Risk Management Work Plan

A plan is set out below to achieve the Risk Strategy.

Strategy Element	2023*	2023-24*	2025*
Risk Maturity	Audit Risk Maturity.	Enhance Risk Maturity.	Audit Risk Maturity.
Risk Appetite	Assess Risk Appetite in defining new boundaries.	Continue to review Risk Appetite. Align Risk Appetite to Community Outcomes as defined in the LTP.	Review Risk Appetite Statement.
Risk Framework	Develop Draft Risk Management Framework .	(Incorporate policy in framework).	Review Risk Management Framework.
Risk Framework	Develop and adopt Risk Strategy & Work Plan 2023-2024 .	Develop/refresh and adopt Risk Appetite.	Review Progress of Risk Strategy and Plan.
Risk Framework	Framework developed as governing document that includes HDC Risk Policy .		
Risk Governance	Executive Leadership Team (ELT) .	Monthly Agenda item on ELT Meeting. Includes deep dive into top risks and identifying new risks	Monthly Agenda item on ELT Meeting.
Risk Governance	Risk and Assurance Committee .	Quarterly Risk and Assurance Committee.	Quarterly Risk and Assurance Committee.
Risk Governance	Organisation Performance Report (OPR) .	Include high-level status overview of Risk management within HDC OPR. Includes risk review of each individual group reports.	On going
Risk Framework / Risk Communication	Review and adopt Risk Matrix and Assessment Framework .	Develop and implement Project Management Risk Framework.	Review Project Management Risk reporting.
Risk Framework / Risk Communication	Reignite PROMAPP Risk Register . Work closely with GMs in defining top risks and treatment.	Refine Top Risk Register. Review and update Operational/Departmental Risk Registers. Develop Risk Reporting template through Power BI	Ongoing
Risk Communication	Review and implement reporting templates for Council meetings.	Review and implement reporting templates. Report against Risk Appetite.	Ongoing
Risk Framework / Risk Communication		Implement deep dives of top strategic risks. Develop Risk Assurance programme.	Implement Risk Assurance programme. Focus on controls and mitigations.
Risk Awareness and Training	Develop training and induction programme for staff and elected members.	Roll out training to managers who produce OPR.	Ongoing
Risk Awareness and Training	Develop Risk Report & Statement Writing training and induction programme for staff.	Roll out elected member and staff training programme Phase 1.	Elected member & staff training programme Phase 2
Risk Awareness and Training	Develop internal resources including intranet pages and guidelines.	Roll out internal resources for staff.	Continue to update internal resources including-use of digital and e-learning.
Risk Governance	Review Insurance Coverage . Develop Insurance Review document that looks at opportunities to improve accuracies of coverage.	Includes enhancing Asset Register to provide accurate coverage. Reassess AON review document and recommendations. Meet with AON in July 2023 to determine new coverage expectations.	Develop and Implement Insurance strategy that provides direction and business rules for annual Insurance renewals

Risk Governance	Review Emergency Management effectiveness within the organisation.	Improved understanding of key operational roles and responsibilities within newly formed leadership teams and elected members. Greater scenario and emergency response planning and training.
Risk Governance	Ongoing review and focus on Procurement Framework ensuring continued improvement programme for accountabilities and processes.	Ongoing enhancement of procurement accountabilities and processes.
Risk Framework		Late 2024-2025 Independent assessment of Enterprise Risk Maturity.
Risk Framework		Review and plan for Risk Strategy 2025-2027.

Note: * References to years relate to Calendar year

8. Definitions

Control is a process, policy, device, practice or other action that reduces the likelihood of a risk event occurring or reduces the potential consequence of that risk event before the risk event occurs.

Council means the entity known as the Horowhenua District Council (HDC) and includes the governing body and the organisation.

Governing body means the mayor and councilors.

Mitigation is a process, policy, device, practice or other action that is intended to reduce the consequence of a risk event after the risk event has occurred.

Organisation means the operations, processes and staff of Horowhenua District Council led by the Chief Executive.

Residual risk is the risk remaining after risk treatment. (AS/NZS ISO 31000/2009)

Risk is the effect of uncertainty on objectives. (AS/NZS ISO 31000/2009)

Risk event is an occurrence or a change in a particular set of circumstances that gives rise to, or modifies, a risk.

Risk management is the coordinated activities to direct and control an organisation with regard to risk. (AS/NZS ISO 31000/2009)

Risk management framework is the combined suite of tools and processes, including this Strategy and supporting procedures, by which Council manages risk.

Risk management plan is a schedule that records risks and the controls, mitigations, risk treatments, and accountabilities associated with those risks.

Risk register is the same as a 'risk management plan'. For HDC this sits within Promapp software

Risk treatment is the process to modify risk. (AS/NZS ISO 31000/2009)

Risk Appetite Framework

Year 2023-2024

Introduction

As part of the first Risk Appetite Workshop in March 2023 it became clear that there was a willingness to understand more specifically the diversity of the risks associated with each of our five Risk Categories (Strategic, Reputational, Legal, Financial and Service Delivery). In the past we have relied on a broad Risk Appetite Statement however that was too general and didn't reflect the actual appetite; didn't cover the differences associated with a range of goals and activities across Council; and the language being used was negative and had little meaning to key stakeholders so was hard to interpret or apply.

Research through the Office of the Auditor General and Hastings District Council supported this feedback and evidenced greater success in applying a Risk Appetite approach that is **linked to the Long Term Plan and goal orientated i.e. Partnership with Tangata Whenua, Outstanding Environment, Fit for Purpose Infrastructure, Vibrant Economy and Strong Communities**. Supporting our new approach to creating Council's risk appetite each of our Top 10 Priorities from the LTP will be defined by a stated appetite that considers the current economic climate and risk assessment for the Horowhenua District and Horowhenua District Council.

Equally important is the language we are using, in the past when measuring our risk appetite our language has been from a negative impact perspective. As part of our focus of assessing the opportunities that derive from managing risk effectively it is essential that we use language that reflects our intent. Research of other organisations appetite definitions have lent towards providing language that is easy to articulate and comprehend.

Intelligent Decision making – Some level of failure is essential for innovation and experimentation. We need to determine acceptable versus unacceptable differences between actual and expected performance.

Rating	Philosophy	Tolerance for Uncertainty Willingness to accept uncertain outcomes or variations.	Description
Flexible	Will take justified Risks	Fully Anticipated	Will Choose option/s with highest returns accepting possibility of failure. Eager to be innovative and to choose options offering potentially higher business rewards, despite greater risk
Justified	Will lend towards risk if justified	Expect some	Will choose to put risk, but will manage impact. Willing to consider all potential options and choose the one that is most likely to result in successful delivery while also providing an acceptable level of reward
Measured	Preference for delivering expected outcome	Limited	Will accept if limited and heavily outweighed by benefits. Preference for safe options that have a low degree of risk and potential for reward
Conservative	Extremely Conservative	Low	Will accept only if essential, and limited possibility/extent of failure. Preference for ultra-safe options that have a low degree of risk
Averse	Avoidance of risk is a core objective	Extremely Low	Will always accept the lowest impact option. Avoidance of risk and uncertainty

Achieving Community Outcomes from LTP

Vibrant Economy



- We are business friendly.
- We will work with others to enable our economy to grow.
- We support diversity and resilience in our local economy.
- We aspire for economic security for all of our people.
- We seize growth opportunities for our district.

Outstanding Environment



- We contribute to improving our natural environment for current and future generations to enjoy.
- We protect the important natural features in our district.
- We ensure our built environment supports the wellbeing of our people.
- We manage competing pressures on resources sustainably.

Fit for purpose Infrastructure



- We develop and maintain facilities and infrastructure to meet the needs of current and future generations.
- We provide efficient, reliable and affordable infrastructure.
- We work with partners to develop infrastructure that enables growth.
- Our community facilities and infrastructure are resilient, helping us to respond to climate change and natural hazards.

Partnership with Tangata Whenua



- We will uphold Te Tiriti o Waitangi and its principles.
- We build mutually respectful partnerships with tangata whenua.
- We support Mana Whenua to maintain and enhance tikanga with their ancestral lands and waterways, wāhi tapu and other taonga.
- We support whanau, marae, hapū and iwi in achieving their aspirations.
- We recognise the role of Mana Whenua as kaitiaki of their rohe.

Strong Communities



- We value the diversity of our people.
- We recognise the value of our district's heritage and its contribution to our community's sense of identity and pride.
- We take an inclusive approach and encourage our people to participate in local decision making.
- We provide infrastructure and services as a foundation for resilient and connected communities.
- We build collaborative relationships with service providers to help enable all of our people to live positive and health lifestyles.
- We help create facilities and places where people of all ages and backgrounds

Horowhenua Current Risk Environment Assessment 2023-24

Enterprise risk management has taken centre stage in Local Government as we all grapple with the lingering effects of the COVID-19 pandemic, the threat of a recession, ongoing impacts of catastrophic weather events, aging infrastructure, increasing debt and the rapid pace of change. Our Council and the Executive recognise that stronger Enterprise Risk Management (ERM) processes are required to becoming successful in this new era. One aspect of the current risk landscape that we must contend with is the connectivity of risks.

HDC is increasingly more interconnected to community, partners, and contractors locally, and regionally. As we take this journey to continuously improve our Risk Maturity as a way to successfully manage the growing interconnectedness of vulnerabilities in the risk landscape, HDC is paying close attention to the accuracy of our Risk Appetite and sharing this within those partnerships.

During 2023-2024 and beyond HDC will continue to look at all services to seek better ways of achieving agreed outcomes with additional emphasis on the need for transformational change looking at how HDC delivers its services and involves its partners. HDC is proactive in relation to the impending district growth projections at a difficult and complex time. In order to meet challenges associated with these demands, HDC will plan, act, and resource itself adequately. Namely, HDC needs to look at reducing or removing barriers to growth; being more responsive to key partnerships and the community; have the right skills; be solutions focused; innovative; and, have a business mind-set.

The challenges and opportunities HDC faces in responding to growth has increased the level of total business risk required to be taken on by the organisation in order to deliver our vision. HDC believes that over 2023-2024 and beyond, it has the leadership in place to bear this higher level of risk and to manage and mitigate it downwards to appropriate and acceptable levels of risk exposure.

It is rare for any significant risk facing HDC to be purely composed of just one type of risk, or to relate solely in impact to just one area. Most significant and large scale risks will be commonly composed of several risks and often have a relationship and inter-dependency in impact and likelihood.

Mapping Councils Risk Appetite for top 10 Priorities

Risk Appetite, Tolerance Mapping

The table below indicates HDCs tolerance examples against our five common risk areas (categories) and sub categories that councils deal with in achieving organisational success. The Risk Appetite level aligned to each key deliverable and overall risk appetite statement for each of the five categories. The table is the outcome of thorough and robust discussions and consultation between the Elected Members and the Executive Leadership Team that will lead and support the organisation when making key decisions from informed risk assessments.

Fatal flaw: Failing to take
enough of the right risks.

Mapping Councils Risk Appetite for top 10 Priorities

Top 10	Averse	Conservative	Measured	Justified	Flexible
Enabling affordable housing that meets the needs of a growing population through the implementation of the Housing Action Plan	The Housing Action Plan is a strategy developed to investigate, explore and influence housing growth and availability opportunities across the Horowhenua District. The plan has many facets and not only focusses on housing development, but also on those contributing factors and resulting opportunities that may arise which can provide benefit to our community, as we seek to deliver on affordable housing solutions.				
Integrated & streamlined Consenting	Consenting process has been established for a number of years, it should be left as it is to ensure compliance standards are met and existing limited resources aren't stretched anymore.	Consenting team will look at areas they can possibly improve depending on available resources.	A planned workshop has been scheduled to look at ways we can streamline consenting and schedule improvements that provide no impact on existing resources	A full review of the consenting process with investment in researching best practice that will allow HDC to work towards a streamlined, effective and efficient consenting process that is attractive to developers and promotes growth in the district	Investment to provide a fully resourced consenting team that delivers market leading applications and innovation that provides an efficient and fully effective streamlined consenting system.
Incentivise Affordable Housing & Improving Resource Management Legislation	All processes should be created equal and priced fairly, regardless of the development or housing type. HDC will apply same approach to all developments.	Look at developments on a case by case basis and when the opportunity arises to provide incentives towards affordable housing, they will be assessed on their merits.	Reduce barriers to development for lower cost homes; investigate areas that can provide lower cost land options; incentivise multifamily homes or semi-detached dwellings i.e. Granny flats	Provide full access to streamlined development approvals and environment review processes; Reduced or waived development fees; Introducing rates rebate options based on household income.	Provide full access to streamlined development approvals and environment review processes; Reduced or waived development fees; Rates rebate options based on household income. Incentivised transport options removing parking and vehicle requirements.

Mapping Councils Risk Appetite for top 10 Priorities

Top 10

Opportunity for surplus council land for affordable housing

Supporting Iwi in their engagement with TPK planning for housing initiatives

Averse	Conservative	Measured	Justified	Flexible
Any land no longer needed for operational requirements is disposed of as identified in the LTP	Move forward in this space conservatively recognising the need to look at overall land use, planning a district wide approach and front footing the enhancement of partnerships with key stakeholders.	HDC will entertain the opportunities to partner with key stakeholders when the land is recognised or earmarked for disposal. This will be managed on a case by case basis	Planning underway to identify existing council owned land and opportunities to formally present this for development as affordable housing. A continuous pipeline of land that can be secured or used for affordable housing projects.	Council have proactively identified land that is available and its opportunity to be used productively and specifically for affordable housing. Engaging in partnerships with Iwi and Developers to ensure opportunities are maximised and channelled towards the appropriate audience.
Where possible and as and when required HDC will support Iwi when working with TPK on housing initiatives.	Move forward conservatively ensuring any support provided is within current resourcing capacity. This is a focus area that needs to be balanced with other housing initiatives.	Incorporate Iwi support with HDCs approach to affordable housing, by reducing the barriers for lower cost homes, lower cost land options. Whilst not specific to Maori or doesn't fully appreciate their needs it will fit within our focus on enabling affordable housing.	HDCs engagement with Iwi and subsequently TPK is proactive in its approach to offering resources to support housing initiatives through incentives that encourage housing projects for Iwi. Committed to maximising the outcomes for Iwi when making application to the Whai Kāinga Whai Oranga Maori Infrastructure fund (MIF) through TPK and Ministry of Housing Urban Development.	A partnership agreement is in place with HDC that delivers Maori Housing within the district. This includes tested Maori housing models, that gains full access to Whai Kāinga Whai Oranga (MIF and Te Tūāpapa Kura Kāinga - HUD). Resourced to make it a reality.

Mapping Councils Risk Appetite for top 10 Priorities

Top 10	Averse	Conservative	Measured	Justified	Flexible
Opportunities for young people and local residents to gain employment through trade training and apprenticeships	Where possible link agencies and HDC initiatives to understand if employment opportunities exist.	Proactively support MTFJ in an attempt to identify opportunities available for employment for youth and residents within the district.	Support, lead and resource the Mayor's Taskforce for Jobs (MTFJ) initiative. Ensure that all initiatives in the Housing Action Plan are linked to and lead to employment opportunities. Measure its success.	Lead, support and resource the Mayor's taskforce for Jobs initiative. Actively work with employers in identifying labour shortages, resource and support individuals into vacancies. Work with Agencies and the business community to maximise impact and outcomes for businesses and the community.	Fully lead and resource the Mayor's taskforce for Jobs initiative. Support initiatives through The Māori Trades and Training Fund supports community-led employment and training programmes through partnerships between Iwi and Council. Linking all employment opportunities through procurement opportunities
Achieve the best outcome for Horowhenua in the face of Three Waters Reform Transition	The Government's Three Waters Reform is about changing how New Zealand's stormwater, drinking water and wastewater services are delivered. The Water Services Entities Act 2022 (the Act) which was enacted in December 2022 mandated the 'Three Waters Reform.' The Act gave power to the ongoing programme to transition the management and delivery of three waters services to four new Water Services Entities from 1 July 2024. Horowhenua is in Entity C (Eastern-Central) with 21 other councils.				
NTU & HDC Transition Programme & Engagement	Follow Govt mandate and NTUs approach to transition, HDC objects to the transition and its approach and is obstructive during the transition period.	Follow Govt mandate and NTUs approach to transition, do the bare minimum to remain compliant.	Remain cautious during the transition period and there are a number of political risks that are associated with the unstable political environment. Do what we can to maximise opportunities that are offered.	HDC follows Central Govt approach however manages the transition to ensure the Horowhenua District maximises the opportunity to benefit from the transition. Resource the transition appropriately to ensure this can be achieved	HDC follows Central Govt approach however manages the transition to ensure the Horowhenua District maximises the opportunity to benefit from the transition. Continuously research opportunities to benefit the district. Resources to maximise outputs

Mapping Councils Risk Appetite for top 10 Priorities

Top 10	Averse	Conservative	Measured	Justified	Flexible
Managing staff through Transition	Rely on NTU to oversee staff engagement, update only when changes are confirmed	Allow NTU in lead transition and HDC assist with communication and engagement as and when required	Due to unstable 3 waters transition environment work with staff to support them in the best possible way through uncertain times. Staff have to tolerate uncertainty of political environment.	HDC leads all staff engagement based on information provided by NTU and engages as and when required.	HDC leads all staff engagement ensuring all information provided by the NTU is filtered and acceptable to employment relations act and in the best interests of staff
Deliver on the Levin Town Centre Transformation Strategy	Levin and the Horowhenua are in an exciting period of unprecedented growth. With roading improvements to the south improving accessibility to Wellington, more and more people are recognising that the Horowhenua is a great place to live, work, play and do business. The tap has been turned on and we are seeing development of a scale that we have not seen in a generation				
Preparing for impacts of O2NL including reducing retail spend	The impacts of the O2NL project on the Levin town centre is a foregone conclusion, work with business owners to minimise the impacts.	Town Centre Strategy in place that will initiate different projects and different times. Try and keep to the strategy directives understanding that some deliverables may not be met.	Engage the Town Centre Transformation Strategy when necessary work with different community groups to try and ensure key work streams gain momentum at key times.	Ensure the Town Centre Transformation Strategy is continuously assessed to ensure it looks at opportunities to maximise the opportunities provided by the completion of the O2NL project.	O2NL completion is some time away. HDC has started key strategic work streams from the Town Centre Strategy to ensure regardless of O2NL project outcomes the Town Centre is modernised and opportunities to attract business growth and people to the district eventuates.
Managing transition/remedial of Earthquake Prone Buildings	Council identify Earthquake prone areas including priority buildings, sets timeframes for assessing on identified buildings. Owners commission engineering assessments. Council issue EPB notices and registers. Remedial requirements and deadlines overseen by council.	HDC works with building owners as and when required to ensure EPB notices are displayed accordingly and assessments are completed with redial completion dates identified.	HDC reviews the EPB register regularly and works with building owners to ensure each identified building is meeting the intent of the Building Amendment Act 2016. Is responsive to any potential barriers or risks of noncompliance and proactive in providing acceptable solutions	HDC continuously reviews the EPB register and engages with building owners ensuring buildings comply with the Building Amendment Act 2016. Continuously updates building owners ensuring they understand the system and the focus is on protecting people.	HDC continuously reviews the EPB register and engages with building owners ensuring buildings comply with the Building Amendment Act 2016. Look at opportunities that incentivise new development that enhance the town identity and contribute to improved activity.

Mapping Councils Risk Appetite for top 10 Priorities

Top 10	Averse	Conservative	Measured	Justified	Flexible
Developing Town Centre Identity and Activity	Council recognises that the Levin Town Centre in supporting employment and district economy. A strategy is in place, attention to meeting key outcomes is based on available resource	There is a cost of living crisis and it is important that HDC is conservative in its approach to upgrading or transforming the town centre. Projects will be prioritised based on value and affordability.	Whilst the Transformation Strategy is out of date HDC is committed to ensuring it is reviewed in the near future and provides a measured approach to improving the Town Centres Identity and Activity	The Town Transformation Strategy is reviewed and updated to link strongly with the Growth Strategy and District Plan. The resources and intent are clearly and accurately identified in the LTP.	Partnerships with key stakeholders including Iwi have been formed in providing a comprehensive plan that leads the approach to building an outstanding environment, vibrant economy and strong community. Clear pathways for the town centre are well communicated and understood within the community.
Providing Community Connections through providing transport options	Now is not the time to look at improving transportation options into Levin Town centre, other priorities are more important at present.	Resources are limited, however Council are open to supporting any new initiatives or proposals submitted by the community. Resources are limited in making any investment on assessing transport options.	Council are measured in their approach in securing new initiatives and would like limited resources committed to researching low cost transport options that will support The Levin Town Centre Transformation Strategy (LTCTS).	Specific resource is provided to research transport options that will link into the LTCTS and other Council plans and strategies in establishing a clear pathway towards a comprehensive transport options.	A scheduled plan is in place that introduces a variety of transport options including cycle and walkways, limited traffic flow through the town centre, public environmentally friendly transport options, and comprehensive accessibility for Horowhenua community.
Complete a Rates Review as part of the Long Term Plan Amendment, to ensure a rating system that is fair and equitable	As part of this Long Term Plan Amendment we're asking whether you think we should change the way we share rates across the district. With the cost of living high and the inflation rate sitting at a 35 year high, affordability of household expenses, including rates is front of mind for everyone, including Council. With 25% of our population aged 65 and over, our households earning on average 35% less than the rest of NZ per year according to Stats.nz, and some of the highest proportions of mortgages and rent comparative to income in Aotearoa, our community are feeling the pinch more than most.				

Mapping Councils Risk Appetite for top 10 Priorities

Top 10

	Averse	Conservative	Measured	Justified	Flexible
Rate % Increase options	Ensure rates increases are minimised to the lowest level possible, through a Cost of Living Crisis regardless of the impacts on service delivery and council debt now and in the future. Enhances the current reputation of Council from a CoL perspective however will be counteracted by inability to capital projects and increasing debt.	Limit rates increases to ensure rate payers are satisfied, however other areas of service delivery require review and district growth remains stagnant. Will impact on future generations	Provide rates increases that are measured against Local Govt Cost Index, however no consideration for district growth or service delivery needs remains a problem.	It is important that we continue to grow our district and continue to enhance the services provided by council. An open approach that provides honest assessment of increases needed, rates equation applied as per normal. An unpopular move amongst certain groups within the community, however provides balanced approach and achieves debt within Financial Strategy limits.	A well planned approach to rating forecasts that is open and honest. This is supported by a strong communication plan and rating equation options that allow the community to engage and contribute to how rates are distributed within the community. Remains unpopular with certain groups in the community.
Rate % Increase against Household Income - Average income is 35% lower than nationwide	HDC has a Rates Remission Policy that is adopted pursuant to section 85 of the LG (Rating) Act 2002 and section 109 of the LG Act 2002. This doesn't specifically refer to remissions relating to affordability. Pressures on rates may make it difficult to include funding for affordability based remissions	The Department of Internal Affairs current threshold for some of the rebate is household \$50,000 per year. This coupled with our current Rates Remission Policy is an acceptable level of support.	Investigate opportunities to postpone payments for our older population and households during times of hardship.	Make the Rates Remission Policy more accessible to disadvantaged groups including renters, aged people, economically disadvantaged people and people facing significant temporary hardship.	Adopt the Rates Affordability Programme - A remission added to Rates Remission Policy and LTP that sees households with rates over 5% of over household income and income below minimum wage level eligible for a remission.

Mapping Councils Risk Appetite for top 10 Priorities

Top 10

Cost of Living Crisis

Averse	Conservative	Measured	Justified	Flexible
Completely rely on central Govt to manage and influence the cost of living crisis (CoLC) nationally and within the district.	Do what we can where we can to assist with CoLC as and when identified. No resources identified to support any new initiatives	Where possible consider CoL impacts when introducing new initiatives, research opportunities within the confines of existing resources to reduce costs associated with service delivery activities.	Research opportunities to assist members of the community in dealing with the CoLC. Initiate new initiatives that specifically target support towards lower social economic groups. Initiatives based on value return on investment. All new initiatives consider impacts on low income families	Provide resource to fully review operational outputs in identifying opportunities to both assist those in need of support during the CoLC and improve day to day operational costs and revenue alternatives that reducing fee and costs to deliver services.

Provide advocacy and leadership to Ōtaki to North Levin expressway project.

The Ōtaki to North of Levin (Ō2NL) Expressway is a Waka Kotahi NZ Transport Agency (WKNZTA) project. The existing State Highway network through Horowhenua has some of New Zealand's most dangerous roads - 49 deaths and serious injuries occurred in the five years to 2017. The aim of developing the expressway is to:

- improve road safety;
- accommodate population growth – by 2040, more than 130,548 people will live in Horowhenua and Kapiti
- accommodate expected future traffic volumes;
- improve the resilience of the transport network connecting Ōtaki and Levin; and
- improve regional connectivity by strengthening the strategic economic link from Wellington through to the central North Island.

•O2NL Project Prioritisation

The O2NL project is important strategically to support the growth and development of the district. Follow Waka Kotahi's lead on the projects progress, limited resources available, to influence its design or capacity	There are a number of influences that could delay the start date of 2025 of the O2NL project, continue to monitor this and react to any delays as and when they present themselves.	Provide a partial resource to represent HDC in working with Waka Kotahi to ensure HDC is in tune with project status and inputs when required.	Front foot the relationship with Waka Kotahi in taking a lead in representing the district on design options. Provide a communication plan that works with Waka Kotahi in ensuring consultation is to a high standard and that resources are made available to enhance project outcomes	HDC understands the importance of working closely with Waka Kotahi to ensure the project meets the needs, growth and design of the district. To ensure the project is prioritised in meeting the 2025 start date, we will continuously assess the resources required to maximise the projects outcomes for the district.
---	---	--	---	--

Mapping Councils Risk Appetite for top 10 Priorities

Top 10	Averse	Conservative	Measured	Justified	Flexible
Get the basics right and support the customer focused delivery of core service.					
Service Delivery Standards	Defensive approach to objectives, aiming to maintain or protect rather than to create or innovate. Priority for tight management controls and oversight with limited transfer of decision making authority. General avoidance of systems / technology advancements	Innovation always avoided unless essential. Decision making authority held by senior management Only essential systems/technology developed to protect current operations	Tendency to stick to the status quo, innovations generally avoided unless necessary. Decision making authority generally held by executive management. Systems / technology developments limited to improvements to protection of current operations	Innovation supported with demonstration of improvements. Systems/technology developments considered to enable operational delivery. Responsibility for non-critical decisions may be transferred between the executive management, management and staff.	Innovation pursued with a desire to break the mould and challenge current working practices to improve how we do business. New technologies viewed as key enabler of operational delivery. High levels of trust and authority transfer is exhibited and staff are empowered to make decisions.
Erosion of Social Cohesion and Societal Polarisation	Complete erosion of social cohesion within culture resulting in ineffective council and organisation, ongoing high turnover of elected members. Central Govt appoints Crown Commission to take over all of the council's governance responsibilities.	Mayor fails to lead the council in a positive direction and preconceived agenda, based on conspiracy theories or misinformation. Dysfunctional council that loses trust and confidence from organisation and community, impacting on negative performance anxiety, staff turnover. Little progress on 5 strategic outcomes over triennial election	Elected member continuously and wilfully works against tabled resolutions offering extreme or ill-informed debate to specific topics. Frustrating the cohesion or impacting on the ability to constructively benefit the district or community.	Individual member(s) of the community repeatedly frustrate and exhaust resources the HDC through ongoing threats and attacks on strategy and policy.	Community keenness to build a just society where a multitude of people is fused together to share policies that focus on the members' equity. Social cohesion community binding together and promoting trust among them, upholding the same goals and ambition of the community

Mapping Councils Risk Appetite for top 10 Priorities

Top 10	Averse	Conservative	Measured	Justified	Flexible
Deliver the capital infrastructure programme, and achieve an increase in the percentage of completed works.	Horowhenua District Council funds projects that add to the wide variety of quality activities and services available in the Horowhenua District. We provide infrastructure and services as a foundation for resilient and connected communities. We develop and maintain facilities and infrastructure to meet the needs of current and future generations. We provide efficient, reliable and affordable infrastructure. We work with partners to develop infrastructure that enables growth. Our community facilities and infrastructure are resilient, helping us to respond to climate change and natural hazards.				
Infrastructure Performance	Loss of service to [0-10] households for period of no more than [8] hours. Loss of service to an industry for period of less than [8] hours. Public amenity partially closed or delivering reduced service	Loss of service to [10-30] households for a period of [8-24] hours. Loss of service to an industry for period of [8] hour. Public amenity closed for up to a week or more. Isolated service standard failure	Loss of service to [30-100] households for period of [24] hours. Loss of service to an industry for a period of [8-24] hours. Public amenity closed 1 week to 1 month. Repeated service standard failure or one that affects multiple people.	Loss of service to [100-300] or more households for a period of [24-72] hours. Loss of service to an industry for a period of [24-72] hours. Public amenity closed for 1 month or more	Loss of service to [300] + households for period of greater than [3] days. Loss of service to an industry for period of greater than [3] day's Permanent loss of public facility. Delay in major project of over a year
Capital Infrastructure Programme Performance	Lack of resources is impacting on ability to start programmed projects within prescribed timeframes. Allow external influences to determine performance against expectations.	Use existing resources to drive the performance of projects, this is acceptable to us as funding is also underutilised.	Designing a plan to ensure all resources are in place to have the best chance of meeting the capital infrastructure spend. Funding is appropriately assigned to prioritised works associated to highest risk areas. Projects may not start due to high costs of competing projects.	A high-level plan is in place that drives towards ensuring that the organisation meets the Capital Infrastructure Programme in starting and partially completing forecasted projects however maybe overspent due to inflation pressures	A detailed plan is in place that drives towards ensuring that the organisation meets the Capital Infrastructure Programme in starting and completing forecasted projects to time and funding predictions. Excellent management sees any overspends met by project underspends.

Mapping Councils Risk Appetite for top 10 Priorities

Top 10

	Averse	Conservative	Measured	Justified	Flexible
CDEM Response	Manage Emergency Management Response in house, save on contractor costs and use existing resources to full crucial EM positions, and stay abreast of response improvements, training and business improvement.	Form an Emergency response team that works collectively to establish action plan for ensuring Emergency Response Planning is scheduled and training is undertaken alongside of individual's normal position requirements. This may lead to partial resources to provide internal leadership and enhancement	Engage a contractor that works with existing resources to do the best they can within in planning and preparing the Council and Community for an emergency response. Hold workshops when possible to ensure organisation research's improvement opportunities	Engage contractor that leads CDEM Response preparedness, provide partial dedicated resource that ensures HDC is well represented in response engagement and development, provides continuous response improvement.	Fully resource an Emergency Response Team that works alongside each department of the organisation to collectively plan, respond and improve organisational performance. This is the most expensive option however will ensure Organisation remains committed to providing a world class response model.
Disaster Recovery	Take full insurance that covers 100% of our assets for Material Damage. No need to consider any other mitigation options as all liabilities are fully covered in the event of a natural hazard. This is a costly option and whilst inaccurate from a coverage perspective, has full peace of mind. Look after the disaster recovery assets we have however no funding to improve or increase this pool.	Continue to take out full coverage for Material Damage, and Disaster recovery, look at what quick gains we can make without too much investment. Little appetite to resource for something that may never happen.	Update Insurance renewal and coverage annually and based on the best data we have. No new investment on securing enhanced data and information for Loss Mapping, risk analysis, resilience of infrastructure. Take more risks in balancing coverage based on estimates of value and recovery requirements. Provide limited funding to main existing recovery assets. Will look at special funding requests is reasonable. Business Continuity Plans are in place for or parts of our core service units, however they haven't been tested	Develop Insurance strategy that allows to plan and schedule in Insurance accuracy and improvements over time. Upgrade disaster recovery equipment over a 5 year schedule. Research full spectrum of disaster recover resources that allows the organisation to systematically improve its resilience.	Insurance Strategy in place that outlines an integrated approach to providing accuracy of Value of Assets, Loss Mapping, and Risk Assessment based on qualitative and quantifiable data. Allowing accurate insurance renewals that balance coverage, resilience and risk the HDC requires Investment in technology that performs after major events. Satellite Phones. Business Continuity Plans are in place for or parts of our core service units, they have been tested and are audited every 6 months

Mapping Councils Risk Appetite for top 10 Priorities

Top 10	Averse	Conservative	Measured	Justified	Flexible
Reset our engagement and partnership approach, and work more with and for the community.	We will uphold Te Tiriti o Waitangi and its principles. We build mutually respectful partnerships with tangata whenua. We support Mana Whenua to maintain and enhance tikanga with their ancestral lands and waterways, wāhi tapu and other taonga. We support whanau, marae, hapū and iwi in achieving their aspirations. We recognise the role of Mana Whenua as kaitiaki of their rohe.				
Iwi Relationships Expectations and Social Cohesion (Sits across a number of deliverables)	Relationships have broken down, parties are disengaged, trust between HDC and Iwi impacting on the ability to make progress on key strategic objectives.	Failure to uphold parts of Te Tiriti o Waitangi and its principles, impacts organisational cohesion and ability to build mutually respectful relationships. Either party failing to accept decision based on principles that has the potential to damage partnerships in the short to medium term.	Communication or engagement on a specific issue or initiative that requires additional resources to ensure partnership remains strong. A lack of review and evaluation by council and tangata whenua impacting on maturity or enhancement of relationship.	A fully integrated plan that commits to and supports the continued improvement of HDCs ongoing commitment to uphold Te Tiriti O Waitangi and its principles. This will take time to evolve through all parts of the organisation.	Committing to and providing a complete resource and a full voice to all key stakeholders and partnerships at the earliest possible time allowing full inclusion in all levels of the organisation.
Maori Engagement Framework	Council would prefer to engage with Maori (Iwi) as we engage with all groups within the district and community. It is important to be seen as providing no favours to different stakeholders.	Council understand the importance of engaging with Maori relating to certain projects and decisions, this will be assessed on a case by case basis.	Council would prefer a measured approach to engaging with Iwi Partners and introduce a Maori Engagement Strategy that outlines its plan and directs it approach to engagement	Council recognises its need to change its direction when partnering with Maori and undertakes a joint review of best practice, maximising opportunities to engage and partner at every level in the organisation.	Council and Iwi are fully committed to engaging and partnering collaboratively and have adopted a joint engagement plan and approach that introduces new responsibilities and opportunities for cooperation between Council and Maori

Mapping Councils Risk Appetite for top 10 Priorities

Top 10

Community Wellbeing Strategy

Averse	Conservative	Measured	Justified	Flexible
Fulfilling HDCs 10 obligations identified in the strategy is aspirational, we purposely prioritise areas that provide quick wins for the community. This will ensure limited resources are not exhausted.	HDC moves forward conservatively not fully committing to key obligations and deliverables in the strategy.	HDC approaches the commitments on an annual basis to assessing its ability to deliver its obligations based on its current resourcing and other constraints. Prioritising key deliverables measured by return on investment and best outcome for the community at the time.	HDC commits to turning our intentions into reality, bringing a number of the strategies key principles to life. Resource needs are assessed and secured as and when required. There is an intention to provide a plan that outlines the delivery of each of the 10 obligations outlined in the strategy	HDC is fully committed to all 10 obligations with clear plans in place that outline action points and timeframes for the lifespan of the LTP and the strategy. This includes identified resource requirements and provision for funding.
Meeting the objectives of the Significance and Engagement Policy	HDC will lend towards engaging with community on the majority of projects and decisions. This will slow down the pace of progress, however allow the community to have their say	HDC will be measured in its approach to managing the objectives of the S&EP. It will be applied to ensure its intent is upheld and that we meet the expectations of specific groups within the community		HDC will push the boundaries when determining significance (degree of importance) for each project and when it engages with the community.
Building partnerships that empower and involve the community in decision-making and co-creation of solutions.	Building partnerships is important, however we have a job to do and it is important that we meet deadlines and remain efficient. We often make mistakes however they are at an acceptable level.	Managing partnerships through each part of the organisation as and when required. Assess resourcing needs for important deliverables and pass onto other parts of the organisation if associated impacts are identified	Managing partnerships and inclusion through existing resourcing only, when necessary or deemed important to success of project or initiative. Provides partial insight to providing effective solutions on key projects, not fully integrated across depts.	Providing partial resourcing and engaging and managing relationships with key stakeholders and partnerships as and when relevant to identified and scheduled projects or initiatives. A greater holistic organisational overview and success rate when engaging on important projects and key strategic outcomes
			Ensuring we have the resources and time needed to engage effectively at all levels with key stakeholders continuously improving community buy in and maximising the outcome opportunities. This can slow down decision making	

Mapping Councils Risk Appetite for top 10 Priorities

Top 10	Averse	Conservative	Measured	Justified	Flexible
Enable the rebuilding of the Horowhenua District Council organisation, with a focus to empower a culture of excellence, service and continuous improvement					
Information Technology Data Management - Data Systems	Stick with the status quo, continue to massage our existing programmes, software and data management. Rely on transferring the Cyber Security risks through Insurance coverage.	Work with staff to better understand our existing system, look to reduce some risks associated with the current system through training. Cyber security risk exposure remains in place.	Plan and prioritise the replacement of Data Systems that provide the most workplace frustration and impact on efficiencies. A level of data security remains at risk through those systems not replaced.	Work towards a Morden Data Platform over a prolonged timeframe (reduce impact on funding requirements)	Secure and initiate a Modern Data Platform that provides scalable platform built for our needs on the cloud. Incorporates modern data catalogue, securing data, integrates data from all business areas and keeps pace with our ever changing business requirements.
Health & Safety	As an organisation it is important that we drive towards an environment with no injuries or potential injuries.	Whilst we continuously drive towards H&S excellence we accept we will at times experience minor injury – First aid only events	We accept that we will push the boundaries whilst trying to maximise the success of achieving our Community outcomes and that we possibly may end up with a Hospitalisation - Work injury or illness with 1 week to 6 months' time off.	Severe injuries or potential injuries. Work injury or illness leading to permanent disability or more than 6 months' time-off.	Long-term disability or death. Work injury with no return to work

Mapping Councils Risk Appetite for top 10 Priorities

Top 10

Staffing Ratios Workforce Planning i.e. Poor working environment, pandemic

People & Culture

Expenditure Controls

Revenue Streams

Linked to reputation

Averse	Conservative	Measured	Justified	Flexible
Pandemic impacts already low staffing ratios and staff operating ratios down 75%. Critical services as in 3 waters operations no longer sustainable.	Pandemic strikes District and with unemployment low and operating constraints impact our ability to compete in certain employment/skill markets. Staff operating ratios down 50%, service delivery for activities such as aquatics and Libraries close. Workforce planning allows critical Services operate with limited support from remaining staff.	Staff operating ratios down 25% SD such aquatics and Libraries close or operate on limited hours. HDC remains a difficult place to attract staff to certain positions. Workforce plans in place and enacted in certain groups to ensure service delivery is ongoing and sustainable	Staff operating ratios down 10-15%, impact on service delivery is minor and can operate with little OT or impact on operating expenditure. Workforce planning not yet required to operate at this level.	New initiatives to improve our organisations culture and resilience, including successful recruitment and retention strategies result in staff operating ratios down 5% - Service Delivery Uninterrupted and no workforce planning required
Staff turnover exceeds 35% over a 6 month period or longer for a prolonged period. Staff burning out, organisation has poor reputation as a place to work.	Staff turnover exceeds 30% over a 6 month period or longer. Loss of staff confidence in organisation direction, Unsettled culture that provides no evidence of improving	Staff turnover exceeds 25% p.a. Workload pressure creating performance anxiety at different levels. Inability to recruit into key skilled positions	Staff turnover exceeds 10% over a 6 month period or longer for a prolonged period. Healthy environment continuously improving turnover creating career opportunities for existing staff and introducing new ideas.	Staff turnover averages <10% over a 6 month period or longer. Low staff turnover staff, excellent working environment, thriving culture
Inflation, natural disaster, rising interest rates and rising development costs result in major blowout in project costs of \$250 - \$500k	Inflation, natural disaster, rising interest rates and rising development costs result in major blowout in project costs of \$500 - \$1m	Inflation, natural disaster, rising interest rates and rising development costs result in major blowout in project costs of \$1m - \$5m	Inflation, natural disaster, rising interest rates and rising development costs result in major blowout in project costs of \$5m - \$10m	Inflation, natural disaster, rising interest rates and rising development costs result in major blowout in project costs of \$10m
Single unplanned loss of revenue less than \$250k. Linked to Reputation Fraud.	Single unplanned loss of revenue \$250k–\$500k. Ongoing Loss less than \$100k pa	Single unplanned loss of revenue \$500k–\$5m. Ongoing Loss \$100k–\$1m+ pa	Single unplanned loss of revenue \$5–\$20M. Ongoing Loss \$1m - \$3m+ pa	Single unplanned revenue loss of \$20m or greater to Council. Ongoing Loss \$3m+ pa

Mapping Councils Risk Appetite for top 10 Priorities

Top 10	Averse	Conservative	Measured	Justified	Flexible
Fraudulent Actions	Loss of significant revenue through fraudulent or illegal activity, and/or misappropriation, linked to financial	Contract awarded with unspecified conflict of interest for EM or Officers. Election fraud or voting manipulation	Annual Leave manipulation. Leave taken however not recorded impacting trust in management and productivity.	Fraudulent use of Organisation Credit Card. Linked to financial	Fraud Risk Assessment completed annually that provides continuous business improvement
Make a decision on the Future of the Levin Landfill and follow through on the review of our WMMP	With the existing Landfill closed since Nov 2021 and current waste being redirected to Bonny Glen within neighbouring Rangitikei District Council, HDC is faced with a number of significant decisions in managing our districts waste. The potential negative impact on the community, environment rely on Council providing both effective, efficient and sustainable outcomes when considering the options available. This Waste Minimisation and Management Plan (WMMP) sets out how the Council will progress efficient and effective waste management and minimisation in the Horowhenua District.				
Environmental & Climate Change Failure to Mitigate	Permanent widespread environmental damage and loss of biodiversity Ongoing assistance required from outside of the region	Widespread environmental damage reversed after 1 year Short-term assistance required from outside the region	Environmental damage requiring up to 1 year to reverse Managed by additional external resources	Environment restored after one week clean-up Managed with committed external resources	Environmental damage cleaned up within hours of event. Managed in house.
Lowering the Carbon Footprint	HDC doesn't see measuring and lowering Carbon emissions as a priority. Current economic environment, cost of living crisis provides no additional funding to manage carbon footprint	Limited direction (Strategies or defined Actions), using existing resources to introduce low level initiatives that provide no measured impact to lowering carbon emissions. Benefits associated with fully integrated approach not well understood.	HDC recognise that there are a range of areas in which they can contribute to emissions reductions and understand the associated benefits. Currently investigating options that capsule the organisations need to improve.	HDC have been demonstrating leadership on emissions reduction commitments and actions for some time. Whilst performance against plan objectives is unmeasured, a role has been defined to oversee the ongoing maturity of the organisations commitment to improvement.	HDC fully committed to becoming carbon neutral, there is a comprehensive Emissions Reduction Plan that sets out change mitigation. Appropriate resources have been secured to ensure set targets are met. Achieving emissions reductions now ensures long-term benefits for communities

Mapping Councils Risk Appetite for top 10 Priorities

Top 10

Meeting the strategic outcomes of the Waste Minimisation & Management Plan (WMMP) - fulfilling Council's obligations under the Waste Minimisation Act (WMA) (2008)

Averse	Conservative	Measured	Justified	Flexible
HDC has a WMMP in place, limited resource due to funding constraints impacts on capacity to measure the success of the plan and its ability to meet targets specified in section 4 of the plan	HDC will look to meet objectives of the plan on a case by case basis and where the best value for return can be achieved when prioritising objectives identified in the plan	HDC will plan and schedule its approach to meeting objectives set out in the plan on an annual basis	The WMMP is due to be reviewed in 2024 setting key objectives and targets through until 2030. The updated plan will be included HDC resource commitment to scheduling and meeting plan objectives for the next 6 years	Council is committed to ensuring the WMMP review is fully resourced to ensure our objectives/outcomes are aligned to best practice, market leading and strongly communicated throughout the District Plan expectations and deliverables are measured against performance indicators.

Strategy Outcomes	Description	Averse <i>Will always accept the lowest impact option. Avoidance of risk and uncertainty</i>	Conservative <i>Will accept only if essential, and limited possibility/extent of failure. Preference for ultra-safe options that have a low degree of risk</i>	Measured <i>Will accept if limited and heavily outweighed by benefits. Preference for safe options that have a low degree of risk and potential for reward</i>	Justified <i>Will choose to put risk, but will manage impact. Willing to consider all potential options and choose the one that most is most likely to result in successful delivery while also providing an acceptable level of reward</i>	Flexible <i>Will Choose option/s with highest returns accepting possibility of failure. Eager to be innovative and to choose options offering potentially higher business rewards, despite greater risk</i>
Partnership – Tangata Whenua	We uphold Te Tiriti o Waitangi and its principles and recognise the role of Mana Whenua as kaitiaki of their rohe. We support them to maintain and enhance tikanga with their ancestral lands and waterways, wāhi tapu and other taonga, and build mutually respectful partnerships with tangata whenua, supporting whanau, marae, hapū and iwi in achieving their aspirations.					
Outstanding	We contribute to improving our natural environment for current and future generations to enjoy, and protect the					

Environment	important natural features in our district. We ensure our built environment supports the wellbeing of our people and manage competing pressures on resources sustainably					
Fit for Purpose Infrastructure	We provide efficient, reliable and affordable infrastructure, developing and maintaining facilities and infrastructure to meet the needs of current and future generations. Our community facilities and infrastructure are resilient, helping us to respond to climate change and natural hazards, working with partners to develop infrastructure that enables growth					
Vibrant Economy	We are business friendly, supporting diversity and resilience in our local economy and work with others to make our economy grow. We aspire for economic security for all of our people and seize growth opportunities for our district.					
Strong Communities	We value the diversity of our people, and how our district's heritage shapes our community's sense of identity and pride. We provide infrastructure, services, facilities and places to build resilient and connected communities where people of all ages and backgrounds feel included and safe. We are building collaborative relationships with service providers to enable all people to live positive and healthy lifestyles, encouraging our people to participate in local decision making.					

6.7 Internal Audit Work Programme

File No.: 23/339

1. Purpose

- 1.1 This report provides the Risk and Assurance Committee with a suggested approach to the internal audit work programme.

2. Recommendation

- 2.1 That Report 23/339 Internal Audit Work Programme be received.
- 2.2 That this matter or decision be recognised as not significant in terms of s76 of the Local Government Act 2002.
- 2.3 That Risk and Assurance Committee endorse utilising the \$51,000 budgeted for internal audit to assist with fixing known areas for improvements such as Fringe Benefit Tax, Business Continuity Programme, Cyber Security and Financial Policies during the 2023/24 financial year.

3. Issues for Considerations

- 3.1 The role of Internal Audit is to assist with the identification of measures to achieve greater effectiveness, efficiency and economy and to remedy practices that expose the organisation to risk and vulnerability. It brings a systematic and disciplined approach to evaluating and improving the effectiveness of risk management in the organisation.
- 3.2 Last financial year, the internal audit budget was allocated towards conducting audits on various areas. These audits were focused on procurement processes and internal policies. PricewaterhouseCoopers were also engaged to conduct a comprehensive review specifically pertaining to PAYE and GST.
- 3.3 There is currently \$51,000 budgeted for internal audit for the financial year 23/24.
- 3.4 Officers are proposing that these funds are utilised this financial year to assist fixing known areas for improvement such as;
- (a) Fringe Benefit Tax – Standard internal audit tax programme – an audit to ascertain that we are accurate in declaring and recording fringe benefits that require fringe benefit tax.
 - (b) Business Continuity Programme – complete a gap analysis to identify areas for improvement supported by a workplan.
 - (c) Cyber Security – complete an analysis to gain an improved organisation visibility to cyber security to understand whether our platform is still fit for purpose and meets national standards.
 - (d) Financial Policy Reviews – such as Corporate Debt Management, Credit Card Usage, Cash Handling Policy, Staff Private Purchasing Policy, Travel Policy – updating policies to ensure they align with current best practices and standards to incorporate the most up-to-date guidelines and recommendations.
- 3.5 Using available budget to improve business areas and implement solutions instead of solely focusing on identifying further areas offers several benefits:
- (a) Proactive Approach: By allocating the budget for issue resolution, we adopt a proactive approach to problem-solving. Instead of looking for further issues, we address the ones we are already aware of. This can help prevent problems from escalating or causing additional complications.

- (b) Continuous Improvement: Utilising budget for issue resolution encourages a culture of continuous improvement. It acknowledges that issues are a normal part of any system or process and uses resources available to resolve them.
- (c) Mitigating Risks: Issues can have a detrimental impact on various aspects of an organisation, including operations, customer satisfaction, and financial stability. By allocating the budget for issue resolution, we can mitigate these risks and minimise the potential negative consequences.

3.6 Overall, using the budget for issue resolution complements the process of identifying known issues by creating a proactive approach for problem-solving, fostering continuous improvement and mitigating risks.

4. Next Steps

4.1 That Risk and Assurance confirm where the \$51,000 for internal audit is to be spent and officers undertake the work programme.

Attachments


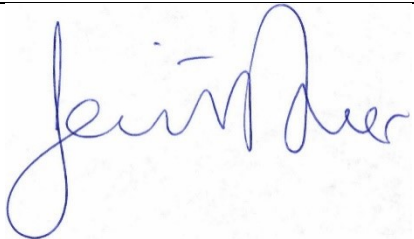
There are no attachments for this report.


Confirmation of statutory compliance

In accordance with section 76 of the Local Government Act 2002, this report is approved as:

- a. containing sufficient information about the options and their benefits and costs, bearing in mind the significance of the decisions; and,
- b. is based on adequate knowledge about, and adequate consideration of, the views and preferences of affected and interested parties bearing in mind the significance of the decision.

Signatories

Author(s)	Ashley Huria Business Performance Manager	
Approved by	Jacinta Straker Group Manager Organisation Performance	

	Monique Davidson Chief Executive Officer	
--	--	---

6.8 Conflict of Interest Report

File No.: 23/332

1. Purpose

- 1.1 To update the committee on the Council's planned approach to recording and managing conflicts of interest for Horowhenua District Council employees, this report does not relate to Elected Members conflict of interest.

2. Recommendation

- 2.1 That Report 23/332 Conflict of Interest Report be received.
- 2.2 That this matter or decision be recognised as not significant in terms of s76 of the Local Government Act 2002.
- 2.3 That the committee not the work that the Council is currently undertaking to better understand and manage conflicts of interest.

3. Background/Previous Council Decisions

- 3.1 A conflict of interest register is an important tool for promoting transparency and integrity in organisations, particularly those in the public sector. The register is designed to identify potential conflicts of interest that may arise between an individual's personal or financial interests and their responsibilities while being employed by council.

- 3.2 The importance of having a conflict of interest register can be summarised in the following points:

Avoiding actual or perceived conflicts of interest: By maintaining a conflict of interest register, an organisation can identify and manage potential conflicts before they have the ability to impact the organisation, thereby avoiding the risk of damage to its reputation or legal consequences.

Promoting fairness and objectivity: A conflict of interest register helps to ensure that decisions made by individuals are based on objective criteria rather than personal interests.

Ensuring compliance with legal and ethical standards: Many organisations are legally required to have a conflict of interest policy and register in place. Failure to comply with these requirements can result in legal sanctions and reputational damage.

Demonstrating accountability and transparency- By reporting on the conflict of interest register, an organisation can demonstrate its commitment to transparency and accountability.

- 3.3 Overall, a conflict of interest register is an essential tool for promoting transparency, accountability, and integrity in organisations, particularly those with a public interest or regulatory function. It helps to ensure that decisions are made objectively and fairly, and that individuals act in the best interests of the organisation rather than their own personal interests.
- 3.4 In September 2022, a thorough review was conducted of our Conflict of Interest Prevention Policy, encompassing the comprehensive management plan and the declaration form, which was then adopted by Council. This review process was essential to ensure the policy remained current, effective, and aligned with industry best practices. The next review is scheduled for September 2024. Subsequently, in March 2023 Council appointed a Registrar of Pecuniary Interests, and the Pecuniary Interests Register where Elected Members declare interests on an annual basis to be published on the Council website.

4. Discussion

- 4.1 Horowhenua District Council currently maintains a register for employees who have declared any conflicts of interests.
- 4.2 Within our processes, there are trigger points however these are inconsistently applied across the organisation hence we need to increase focus on it and improve our processes. These trigger points include:
- (a) Employment Process: We have recently strengthened the employment process by incorporating targeted questions to identify potential conflicts of interest which are then effectively evaluated and addressed. The intent of this assessment is to allow us to uncover any circumstances that may show conflicts. In cases where a potential conflict of interest is identified, we request additional information to gain a comprehensive understanding of the situation. This assessment allows us to gauge the potential impact of the conflict on the candidate's ability to carry out their duties objectively and impartially.
 - (b) Employee Disclosure: We rely on staff to proactively declare any conflicts of interest they become aware of, this is an area where we can improve practice. The importance of employees proactively disclosing any conflicts of interest they become aware of. This requirement encompasses conflicts arising from personal relationships, financial interests, or any other relevant circumstances.
- 4.3 These trigger points aim to establish a framework for managing conflicts of interest. This proactive approach enables us to address conflicts at various stages, from the initial employment process to ongoing employee engagement.
- 4.4 However, in our current practice, only staff members who identify a conflict of interest are required to complete a conflict of interest form. Moving forward, we propose a revised approach where all staff members will be required to complete the form, regardless of whether or not a conflict is present. This adjustment aims to establish best practices and ensure thorough compliance by acknowledging that individuals do not have a conflict of interest. The form will be completed on an annual basis. To implement this revised process, we will communicate the updated requirement to all staff members and provide clear instructions on the completion of the conflict of interest form. Regular reminders will be issued to ensure timely and accurate completion on an annual basis. By adopting this approach, we strengthen our commitment to upholding the highest standards of integrity, transparency, and ethical behaviour across the organisation.
- 4.5 A number of conflicts of interests have been disclosed, and there are corresponding management plans in place. These conflicts encompass various categories, including whanau/relationship, shareholder involvement in companies and community service in community organisations that receive Council funding or support. By identifying these conflicts and establishing management plans, we have ensured that there are clear plans and control measures in place. Noting that Council has conflicts with itself, these can be seen in areas such as consenting processes, where this occurs management plans are put in place which vary however can include outsourcing of the regulatory process.
- 4.6 As well as the HDC Employee conflict of interest form, all staff involved in projects or engaged in the tendering process are required to complete a conflict of interest and confidentiality agreement form specific to their assigned tasks. These forms are reviewed and recorded by their respective managers. While this process has been in place for a considerable period, there is an opportunity to enhance it by centralising the information into a comprehensive register. This register will serve as a repository for collecting and managing this critical information in a centralised and easily accessible manner.

5. Next Steps

- 5.1 Implementation of All Staff Completing a Conflict of Interest Form: Moving forward, it will be mandatory for all staff members to complete the conflict of interest form no matter if they

have a conflict to declare or not. This form will capture any potential conflicts or confirm the absence of conflicts.

- 5.2 Biannual Reporting to the Risk and Assurance Committee: A report will be established to provide biannual updates to the Risk and Assurance Committee regarding conflicts of interest. These reports will include an overview of the disclosed conflicts, actions taken to manage them, and any emerging trends or patterns.

Attachments


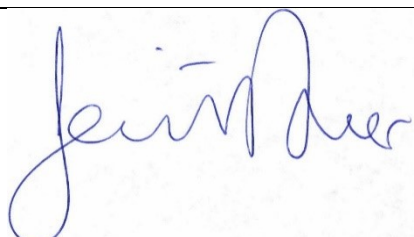

No.	Title	Page
A	Conflicts of Interest Prevention Policy - adopted September 2022	232

Confirmation of statutory compliance

In accordance with section 76 of the Local Government Act 2002, this report is approved as:

- containing sufficient information about the options and their benefits and costs, bearing in mind the significance of the decisions; and,
- is based on adequate knowledge about, and adequate consideration of, the views and preferences of affected and interested parties bearing in mind the significance of the decision.

Signatories

Author(s)	Ashley Huria Business Performance Manager	
Approved by	Jacinta Straker Group Manager Organisation Performance	
	Monique Davidson Chief Executive Officer	



Conflict of Interest Prevention Policy

Year: 2022



Category:	Finance
Owner:	Group Manager Organisation Performance
Approved by:	Council
Date Approved	September 2022
Review Date:	September 2024
Version No.:	
TRIM Doc. No.	D22/19152

Purpose

The purpose of this policy is to:

- Set out clearly the principles and decision guidelines for identifying and managing conflicts of interest.
- Guide Horowhenua District Council (“HDC”) staff in making work decisions so that decisions are seen to be transparent and unbiased and without any perception of conflict of interest.
- Assist staff in assessing the possible impact of their own behaviour and interests on their roles with HDC.

Scope

- This policy applies to all HDC staff, whether permanent or temporary, and all contractors to HDC who are undertaking a full-time equivalent role.
- The term “staff” will be deemed to cover all of the above categories where it is mentioned within this document.
- Any Procurement specific Conflict of Interest process will align with the Procurement Policy.
- Any Building Consenting specific Conflict of Interest process will align with the regulation 17 of the Building (Accreditation of Building Consent Authorities) Regulations 2006.
- Any Resource Consenting specific Conflict of Interest process will align with the Resource Management Planning policy and procedures.

Definitions

Conflict of Interest

- A conflict of interest is any situation where staff’s duties or responsibilities conflict, or could be seen to conflict, with some other interest they might

have outside of work¹. This should include any conflict that does not currently exist but where it is reasonably probable that it will in the future²

- It can be helpful to categorise³ Conflicts of interest as:
 - Financial: any situation where a decision will result in financial gain or loss for the decision maker.
 - Non-financial: any situation where although there is no financial gain or loss, some other matter may be a matter on which the decision maker has a bias or has the appearance of bias. For example, from a family relationship, friendship, or any other sort of personal relationship.
 - Conflict of roles - any situation where the staff member is a decision-maker for two different organisations about the same matter. While this is also a non-financial conflict the question to consider is not so much whether the individual's interests' conflict, but whether the interests of the two organisations conflict.
 - Predetermination - any situation where a decision is being made and there is a risk that people will think the decision was made before all the evidence had been considered. Suggestions of predetermination usually arise because of something that has been previously said or done and risks "tainting" the decision with an appearance of bias.

Personal Relationships

For the purposes of this policy a 'close personal relationship' includes:

- a staff member's family (for example: children, spouse/partner, parents, siblings, aunts, uncles, cousins etc., whether by blood or otherwise)
- members of the same whanau or iwi as the staff member with whom there is regular, close contact
- friends
- business partners or associates
- sports teams, cultural groups

Personal relationships do not include those with whom there is little regular contact or intimacy, such as casual acquaintances.

Principles

Principles applicable to conflicts of interest

- Where activities are paid for out of public funds, or decisions are made exercising public powers, members of the public rightly expect the people making those decisions to act impartially, without any possibility that they

¹ OAG Managing conflicts of interest: A guide for the public sector. June 2020. para 2.1

² Institute of Directors. Conflicts of Interests Practice Guide – recognising, declaring, and managing conflicts of interest. 19 November 2021. Page 6. www.iod.org.nz.

³ OAG Managing conflicts of interest: A guide for the public sector. June 2020. paras 3.2, 3.7, 3.12-13, 3.25-26, 3.32

could be influenced by favouritism or improper personal motives, or that public resources could be misused for private benefit.⁴

- HDC staff must carry out their duties in an efficient and competent manner and avoid any behaviour which might impair their effectiveness or damage the integrity or standing of HDC.
- At all times staff must avoid situations where their integrity might be questioned or where they may appear to favour one party, supplier, or customer over another.
- It is not sufficient that no conflict exists. Care must be taken to ensure a reasonable person would not form a suspicion that a conflict may exist, and bias, undue influence or preferential treatment has occurred, or a private benefit obtained.⁵
- At all times staff must act honestly and impartially and in no circumstances reveal or make private use of personal, confidential, or other non-public information obtained as a result of their employment.
- Identifying and disclosing of potential conflicts of interest must occur prior to making decisions.
- Conflicts of interest must be disclosed as soon as they arise.⁶
- In every instance, consideration must be given as to what action (if any) is necessary to manage the conflict of interest⁷. Useful questions to ask are⁸
 - What would a reasonable person think?
 - What is in the best interests of HDC?
- Open, honest, and full disclosure to one's manager is a staff member's best protection against allegations of conflict of interest. Advice on the management of conflicts can also be obtained from management.
- In making the decision on whether or not a conflict exists and how it is to be managed, HDC will act reasonably and have consideration for this policy and the guidelines contained therein. HDC has an obligation to ensure that its decision is timely and that the consideration process is not unreasonably delayed.
- If uncertainty exists as to whether something constitutes a conflict of interest, it is safer and more transparent to disclose.⁹
- Staff have a duty to themselves and HDC to raise with management any matter of business, conduct or ethics (whether pertaining to themselves or to a colleague) which causes them concern or which indicates a conflict of interest may exist. This must be done at the earliest opportunity. Enquiries will always be taken seriously and treated confidentially.
- All decisions regarding whether a conflict of interest exist or not should be recorded in writing¹⁰
- These principles should be applied together. None should be applied alone, and no principle should be treated as more important than any other.

⁴ OAG Managing conflicts of interest: A guide for the public sector. June 2020. para 2.11

⁵ Informed by OAG Managing conflicts of interest: A guide for the public sector. June 2020, Section 7

⁶ OAG Managing conflicts of interest: A guide for the public sector. June 2020. para 1.4

⁷ OAG Managing conflicts of interest: A guide for the public sector. June 2020. para 1.4

⁸ Institute of Directors. Conflicts of Interests Practice Guide – recognising, declaring and managing conflicts of interest. 19 November 2021. pages 6 and 12. www.iid.org.nz.

⁹ OAG Managing conflicts of interest: A guide for the public sector. June 2020. paras 4.9

¹⁰ OAG Managing conflicts of interest: A guide for the public sector. June 2020. paras 4.45

Protected Disclosures

Nothing in this Policy shall limit the rights and obligations of the staff member and the HDC under the Protected Disclosures Act, 2000.

Situations that can cause conflicts of

Examples include:

- Past or current employment with another organisation.
- Involvement in another business.
- Providing advice, opinions or services which lie outside the staff member's duties.
- Promoting a third party's products or services.
- Investments and property ownership, or beneficial interests in trusts.
- Membership of or holding an office in another organisation or being their spokesperson.
- Professional or legal obligations to someone else.
- Family or close personal relationships.
- Strong political or personal beliefs.
- Making political comments or submissions.
- Contact with elected members or the media.
- Accepting gifts, sponsorship, or hospitality.

The guidelines section provides further information on situations that can cause conflicts of interest.

Appendix A contains 10 scenarios in which a conflict of interest can arise in everyday lives and provides guidance about the matters that should be considered. These scenarios are:

- Scenario 1: Funding for a club.
- Scenario 2: Family connection to a tenderer for a contract.
- Scenario 3: Employment of a relative.
- Scenario 4: Public statements suggesting predetermination.
- Scenario 5: Decision affecting land.
- Scenario 6: Gifts and hospitality.
- Scenario 7: Making a public submission in a private capacity.
- Scenario 8: Mixing public and private roles.
- Scenario 9: Personal dealings with a tenderer for a contract.
- Scenario 10: Duties to two different organisations.
- Scenario 11: Professional connection to a tenderer.

Possible outcomes of failing to properly manage a conflict of interest

Examples include

- Influencing or raising doubts as to the impartiality of an officer.
- Damaging the reputation of the HDC for fair dealing.
- Being perceived by the public as acting in the interests of staff members themselves or of people with whom they have personal relationships.
- Being unable to properly fulfil the requirements of employment as a HDC officer.
- Appearing to favour unfairly one party over others.
- Providing a customer with an unfair advantage as to assistance or advice.
- Laying the HDC open to allegations of providing inappropriate or unqualified advice.
- Providing access to non-public information or preferential access to HDC information or services.
- Violating rules concerning external contracts and/or contractual processes.
- Guidance for specific areas in which conflicts may arise.

Guidelines

All staff members will complete and submit a declaration listing specified personal interests¹¹:

- On commencing employment with HDC;
- When changing roles within HDC;
- On returning to a seasonal or casual role with HDC after a period of absence of twelve months.

Other Employment or Interests

- Staff may not undertake other employment or participate in other business or voluntary activities which present a conflict of interest with HDC without consent.
- Where a conflict of interest is established written permission to continue the employment, business or voluntary activity must be obtained from the staff member's Manager and from the other organisation.

Employment or Business Interests

- Before accepting secondary employment or becoming involved in external business interests (including investments or new business proposals), staff

¹¹ OAG Managing conflicts of interest: A guide for the public sector. June 2020. para 5.8

must consider whether the nature of the role, the secondary employer or the business interest is such as:

- To prevent the staff member properly fulfilling their obligations as a staff member of HDC (for example a staff member who has other employment or business interests may be unable to properly perform their HDC duties by reason of fatigue or because of conflicting time commitments)
- By the nature of the employment or business, to throw into disrepute the staff member themselves or their role with HDC.
- To raise doubts about the impartiality of the staff member.
- To impinge on HDC's reputation for fair dealing
- To appear to favour one party above others or provide an unfair advantage to a customer or group of customers.
- To give the secondary employer, business interest or association preferential access to HDC information or services
- Where there is any uncertainty, advice must be sought from the staff member's manager without delay.

Possible Mitigation of Conflict in Business Interests

- Where a business interest has the potential for a conflict of interest with HDC (e.g., offering services, products or advice which competes with HDC services or for which HDC may be a customer), it may be possible to mitigate the conflict of interest by ensuring that:
 - The services or products provided by the business are not in the area of the staff member's influence, expertise or responsibility within the HDC, or that
 - Where the services or products are within the staff member's area of influence, expertise, or responsibility within the HDC, the business does not provide such services within the HDC's territorial area.
- The ultimate decision on whether or not the conflict of interest can be satisfactorily mitigated by these, or other actions will be determined by the Senior Management Team, not the staff member. However, HDC will only make such a decision following consultation with the staff member and, in doing so, will act reasonably and make a timely decision.

Voluntary Interests

- Situations involving actual or perceived conflict of interest may arise where staff undertake a significant involvement in organisations whose activities have a direct impact on their roles as HDC staff. As a result, such involvement must be subject to the same process of consideration of the potential impacts as is undertaken when secondary employment or business interests are being considered.
- In particular, prior approval must be sought and obtained where the staff member is considering taking on:
 - A role as spokesperson for a voluntary activity where that role may impact on public perception of the staff member's impartiality or may result in the staff member publicly representing a position in conflict with HDC's position.
 - A role which involves the staff member being on call or requiring time off to undertake the voluntary activity or associated training (e.g., volunteer fire officer, paramedic etc.).

- Nothing in this section of the policy shall restrict the rights of staff as representatives of employee organisations.

Benefiting Third Parties

- Staff must avoid situations where they are responsible for, or perceived as being responsible for, decisions which benefit third parties (individuals, businesses, or organisations) with which the staff member has a personal relationship.
- In each case, the decision-making must be escalated to another HDC staff member, at a more senior level within the organisation, who is unrelated to either party concerned.

Financial or Contractual Decision-Making

- All financial or contractual decision making will align with the Procurement Policy. Below are additional guidelines with regards to possible conflicts of interest.
- HDC staff must demonstrate appropriate use of public funds. In making decisions with financial impacts or related to the award of contracts for services, goods or works, staff must not be perceived to be benefiting those with whom they may have a personal or business relationship.
- Where a staff member is responsible for a financial or contractual decision which may benefit someone with whom they have a personal relationship, or a business in which the staff member has a beneficial interest, he/she must stand aside from the decision, which shall be escalated to another more senior HDC staff member who is unrelated to either party concerned.
- It should be noted that all parties tendering for contracts with the HDC, or submitting quotes, proposals or expressions of interest that may result in a contract, are required to disclose in a covering letter the interest, involvement, or association of any HDC employee or Councillor with the tenderer or submitter (whether a company, individual or other entity).
- Any tenderer or submitter who (if an individual) is also an employee of HDC or (if a company) has a shareholder, officer or employee who is an employee of HDC, may be considered by HDC to be in a conflicting relationship. HDC retains the right to disqualify such a tenderer or submitter from consideration.

Employment of Family or Those in Personal Relationships

- Staff members must not be involved in decisions to short list, select or employ persons with whom they have a personal relationship, irrespective of whether it is as an employee or contractor, on a permanent, fixed term, temporary or casual basis.
- Nor may a staff member be in a direct report relationship with such a person. In cases where the employment relationship pre-dates the personal relationship, the relevant Group Manager or Chief Executive may approve an exception to this reporting requirement, based on organisational need.
- If such approval is not given, the Senior Manager, People and Capability, will work with the parties to reach an agreed outcome, which may involve the transfer of one or other party to another section of the HDC.

Promotion of Third-Party Interests

- Staff must avoid acting as the representative of third parties in communications or negotiations with HDC, whether on behalf of family, friends, business associates or organisations to which the staff member belongs as promotion of third-party interests can be seen as impinging on the impartiality of the staff member concerned.
- An exception to the above exists for professional associations where the staff member is the recognised, approved nominee or spokesperson.

Professional or Legal Obligations to Others

Where a staff member has professional or legal obligations to other parties which present an actual, potential, or perceived conflict of interest with HDC, they must immediately advise their manager and stand aside from any decisions which are affected, or may be perceived as being affected, by the conflict.

Provision of Advice or Services Outside Of Duties

- HDC staff often can be asked for assistance by customers in completing HDC documentation or for advice on applications, problems, service requests etc.
- This can create conflicts in situations where, in an effort to deliver superior customer service, staff step beyond their defined duties and/or expertise. It can result in some customers being given an apparent unfair advantage by receiving advice or services which are not provided to all. It can also lay the HDC open to allegations of providing inappropriate or unqualified advice, or subsequent legal challenge, where a staff member steps outside of their area of technical expertise.

Limitation on Advice or Duties

- Except where this is explicitly part of their duties (i.e., written into the job description), staff may not:
 - Complete statutory applications on behalf of a customer.
 - Amend HDC records to the benefit of a customer.
 - Provide advice which could later be used against the HDC should a legal dispute or enforcement situation occur.
 - Provide any legal interpretation.
- Officers must not offer advice or an opinion on matters which are beyond their technical/professional competence.

Maintaining Confidentiality

- Staff have a duty not to reveal confidential or sensitive information which is obtained in the course of their employment.
- In this context, 'confidential or sensitive information' includes information which, while not explicitly labelled 'confidential' or 'sensitive' is not able to be accessed by LGMOIA; or although obtainable by LGMOIA is otherwise not generally available to the public. For example it does not include information on HDC's website.

Political Involvement & Private Comment

- HDC encourages its staff to be good citizens. It recognises that there are benefits for both HDC and the community from the involvement of staff in the community in which they live.
- HDC therefore acknowledges that staff as citizens have the usual democratic rights of all citizens. These rights include, but are not restricted to, the right to participate in community groups, both within and outside Horowhenua District, and to express opinions as private citizens within normal democratic processes.
- However, while HDC officers have the same rights of free speech as members of the public they also have a duty not to compromise their employer. Any comment designed to bring the HDC, its elected members or policies into disrepute will be viewed as a breach of that duty and may be treated as misconduct.

Public Comment or Submissions

- Officers have the ability to have input through internal processes into the development of HDC policies and practices they will be responsible for administering or implementing and any concerns about such matters must be expressed through internal processes only.
- When making submissions as a citizen to HDC committees or other bodies, staff must make explicit the role in which they are making these submissions.

Staff Standing for Political Office

- From time-to-time staff seek to pursue a direct political involvement at local, regional or national levels. A conflict of interest could develop, either during campaigning or afterwards if elected, therefore staff and contractors must register any such interest through their manager beforehand.
- The Chief Executive reserves the right to consider each situation on its merits.
- One of three determinations will be made:
 - No serious conflict of interest exists.
 - A conflict exists and ongoing employment with Horowhenua District HDC is incompatible with campaigning and/or holding political office. In such a situation, the staff member or contractor must decide which course they wish to pursue.
 - A conflict exists but can be satisfactorily mitigated by a change in work location or duties. The feasibility of such a change being made shall be dependent on organisational requirements and at the Chief Executive's discretion.
- In making such a determination, the Chief Executive will consult with the staff member concerned, act reasonably and the decision shall not be unreasonably delayed.

Contact with Elected Members

- HDC officers may have contact with elected members in an advisory or support role as part of their duties. However, these contacts must never be used to lobby elected members about issues which the staff member is involved in as a private citizen.

- In particular, staff may not lobby elected officials:
- On matters relating to HDC policies or practices where they have been involved as staff in developing these policies or will be responsible for administering them.
- About the award of contracts, whether for goods, services or works.
- On matters relating to their career development, including, the possible appointment of themselves or others to positions within the organisation. This includes the practice of seeking personal references from elected members.
- It is expected that staff members with private concerns will seek to have these addressed through internal HDC processes rather than via the political arena.
- Any staff member with concerns about potential serious wrongdoing within the HDC or by another HDC officer should follow the process set out in the Protected Disclosures Policy.

Contact with the Media

- Any comment to the media or other external agencies on behalf of the HDC may only be made by staff with the appropriate delegations from the Chief Executive and as per HDC Communications and Media Policy.
- Staff of the HDC have a duty not to compromise their employer or bring the HDC into disrepute. If making a statement to the media as a private citizen, staff members must make it explicit that the comment is made in their private capacity and must ensure that their duty as HDC staff is not breached.

Publications or Public Addresses

- From time-to-time HDC officers may be invited to present papers on HDC policies or processes or wish to cite the Horowhenua District as an example or case study in a professional publication or as part of academic studies.
- Where an officer is presenting the paper or writing the publication in his/her capacity as a Horowhenua District HDC staff member the content of the presentation or publication must receive prior approval from the officer's manager and the HDC 'owner' of the policy or process being described, even if the work on the presentation or publication is undertaken in the officer's own time.
- Where an officer is making the presentation or writing the publication as a private citizen this must be explicitly stated.
- In both cases, the officer must ensure that his/her duties do not bring the HDC into disrepute and that confidentiality of information is maintained.

Gifts

- **Gifts include¹²:**
 - A tangible object or objects. This may be in the form of a voucher.
 - The free use of something usually paid for, for example, free use of a corporate box at a sporting event.
 - Privileged access to goods or service.

¹² OAG Controlling sensitive expenditure: Guide for public organisations. October 2020. Extract from Para 9.6 and 9.10

- Prizes received from a free competition entry obtained while carrying out an organisation's business.
- Gifts do not include cash. Cash gifts are unacceptable in any circumstances¹³.
- For full details refer to the Gift Receipt and Recognition of Achievements policy

Documenting and Managing Conflicts of Interest

- Potential conflicts of interest should be formally recorded as well as discussed with the relevant Manager.
- Appendix B - Declaration of Conflict of Interest, is attached for the purpose of documenting a conflict of interest
- Appendix C – Conflict of Interest Management Plan, is also attached. Appendix C is completed by the staff member and their one-up and is used to record how the conflict of interest will be managed.
- A copy of the form should be filed in the Employee personnel file and recorded on the Conflict of Interest register.
- Copies of such declarations will also then be forwarded to the Human Resources department where a Master Register is maintained.

¹³ OAG Controlling sensitive expenditure: Guide for public organisations. October 2020. Extract from Para 9.11

6.9 Legislative Compliance Report

File No.: 23/340

1. Purpose

- 1.1 This report provides the Risk and Assurance Committee an update on legislative compliance for Horowhenua District Council.

2. Recommendation

- 2.1 That Report 23/340 Legislative Compliance Report be received.
- 2.2 That this matter or decision be recognised as not significant in terms of s76 of the Local Government Act 2002.
- 2.3 That the committee note the Council's planned approach for improving the monitoring of legislative compliance.

2.4 Background - Legislative and Statutory Compliance

- 2.5 It is good practice to report on legislative compliance as an organisation whether that be to a board or in this situation Risk and Assurance or Council being Elected Members to provide assurance to Governance.

- 2.6 Legislative compliance refers to the act of adhering to the laws, regulations, and statutory requirements imposed by government bodies or legislative authorities on the Council such as Section 17A reviews. It involves ensuring that an organisation, such as a council, operates within the legal framework established by applicable legislation.

- 2.7 Legislation can include a wide range of areas, including but not limited to:

Statutes and Acts: These are laws enacted by legislative bodies, such as parliaments at the national or Councils at a local level. They establish legal obligations, rights, and responsibilities for individuals and organisations.

Regulations: Regulations are specific rules or requirements that are derived from statutes and provide detailed guidelines on how to comply with the law. They are typically issued by government agencies or regulatory bodies and are legally binding.

Bylaws: Bylaws are local laws enacted by local governing bodies, such as city or district councils. They regulate specific activities within a defined geographic area and are applicable to residents and organisations operating within that jurisdiction.

- 2.8 Compliance with legislative requirements is crucial to ensure ethical conduct, protect the rights and safety of individuals, maintain public trust, and avoid legal consequences. It involves understanding the applicable laws, implementing appropriate policies and procedures, monitoring compliance, and taking corrective actions when necessary.
- 2.9 Compliance efforts often involve regular reporting, audits, and risk assessments to assess and demonstrate adherence to legislative requirements.

3. Discussion

- 3.1 Currently, the Horowhenua District Council (HDC) does not have reporting in place that comes to the committee to provide assurance on the matters mentioned above. However, moving forward, officers intend to enhance the reporting practices by implementing a quarterly report.
- 3.2 The introduction of quarterly reporting will provide assurance and accountability. It will allow for regular updates and enables the committee to gain assurance regarding the council's

activities, compliance with legislative requirements. The quarterly reports will serve as a valuable tool for members to monitor our compliance and performance and identify areas of concern.

- 3.3 We suggest the process going forward is for each quarter officers complete a legislative compliance declaration setting out the significant legislative requirements and declaring whether or not, to the best of their knowledge, they are aware of any compliance issues or breaches of legislation during the previous three month period in respect of the acts determined as 'key' by the council's external auditors.
- 3.4 The suggestion for reporting on 'key acts' are as below however are open to other acts being added to this list:

Local Government Act 2002

Local Authorities (Members' Interests) Act 1968

Local Government (Rating) Act 2002

Local Government (Financial Reporting and Prudence) Regulations 2014

Building Act 2004

Resource Management Act 1991

4. Current Status

- 4.1 The staff members have provided the information in the above list to the best of their knowledge but a comprehensive review has not been conducted to determine the status or compliance of each legislative requirement for this report. It is important to acknowledge that our confidence in this data is of moderate level until the review, which will commence soon.
- 4.2 There was one issue of statutory non-compliance declared to have occurred since 1 January 2023 being the Long Term Plan Amendment 2041 adopted by Council under received a lawful adverse audit opinion due to the inclusion of three waters information in the Long Term Plan Amendment beyond July 2024 which was not consistent with the legislation at the time.

Attachments


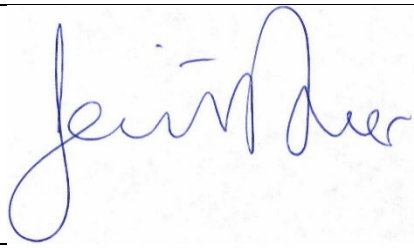

There are no attachments for this report.

Confirmation of statutory compliance

In accordance with section 76 of the Local Government Act 2002, this report is approved as:

- a. containing sufficient information about the options and their benefits and costs, bearing in mind the significance of the decisions; and,
- b. is based on adequate knowledge about, and adequate consideration of, the views and preferences of affected and interested parties bearing in mind the significance of the decision.

Signatories

Author(s)	Ashley Huria Business Performance Manager	
Approved by	Jacinta Straker Group Manager Organisation Performance	
	Monique Davidson Chief Executive Officer	

6.10 Risk and Assurance Committee Work Programme

File No.: 23/361

1. Purpose

The purpose of this report is to provide the Risk and Assurance Committee with an outline of a Draft Work Programme.

2. Recommendation

- 2.1 That Report 23/361 Risk and Assurance Committee Work Programme be received.
- 2.2 That this matter or decision be recognised as not significant in terms of s76 of the Local Government Act 2002.
- 2.3 That the Risk and Assurance Committee notes the Finance, Audit and Risk Committee Work Programme.

3. Issues for Consideration

The Risk and Assurance Committee work programme is attached for consideration.

Attachments


No.	Title	Page
A ↓	Risk and Assurance Committee Work Programme 2023/24	251

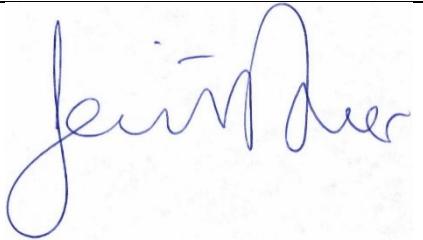

Confirmation of statutory compliance

In accordance with section 76 of the Local Government Act 2002, this report is approved as:

- a. containing sufficient information about the options and their benefits and costs, bearing in mind the significance of the decisions; and,
- b. is based on adequate knowledge about, and adequate consideration of, the views and preferences of affected and interested parties bearing in mind the significance of the decision.

Signatories

Author(s)	Ashley Huria Business Performance Manager	
-----------	---	---

Approved by	Jacinta Straker Group Manager Organisation Performance	
	Monique Davidson Chief Executive Officer	

Risk and Assurance Committee Work Programme

	Q3 - 16 August 2023	Q4 - 08 November 2023	Q1 - 2024	Q2 - 2024
Internal Audit / Treasury	<p>Independent Treasury Report (Bancorp)</p> <p>Monitoring Report</p> <ul style="list-style-type: none"> Audit NZ PwC Tax for internal audit Other internal audit <p><i>Sensitive expenditure report</i></p> <p><i>Legislative Compliance Report</i></p> <p>PwC Tax Governance Presentation</p> <p>Procurement Update</p> <p>Standard & Poors Report</p>	<p>Independent Treasury Report (Bancorp)</p> <p>Monitoring Report</p> <ul style="list-style-type: none"> Audit NZ PwC Tax for internal audit Other internal audit <p><i>Sensitive expenditure report</i></p> <p><i>Legislative Compliance Report</i></p> <p>2022/23 Annual Report</p> <ul style="list-style-type: none"> Draft Annual Report Audit Management Letter <p>Procurement Update</p>	<p>Independent Treasury Report (Bancorp)</p> <p>Monitoring Report</p> <ul style="list-style-type: none"> Audit NZ PwC Tax for internal audit Other internal audit <p><i>Sensitive expenditure report</i></p> <p><i>Legislative Compliance Report</i></p> <p>Insurance presentation</p> <p>Procurement Update</p>	<p>Independent Treasury Report (Bancorp)</p> <p>Monitoring Report</p> <ul style="list-style-type: none"> Audit NZ PwC Tax for internal audit Other internal audit <p><i>Sensitive expenditure report</i></p> <p><i>Legislative Compliance Report</i></p> <p>Procurement Update</p>
Risk Management	<p>Risk Register</p> <p>Risk Architecture and Culture</p> <p>Risk Appetite</p>	<p>Risk Register</p> <p>Review Emergency Management effectiveness within the organisation</p>	<p>Risk Register</p>	<p>Risk Register</p>
Health, Safety and Wellbeing	<p>Dashboard Report</p> <p>H,S&W Action Plan</p> <p>SafePlus</p> <p>Deep Dive – Risk - Trolley Bus System</p> <p>Wellbeing Report</p> <p>Dashboard comparison</p>	<p>Dashboard</p> <p>H,S&W Action Plan</p> <p>Deep Dive – Land Transport – Critical Risk Driving/Contractor Management</p>	<p>Dashboard</p> <p>H,S&W Action Plan</p> <p>Deep Dive – Animal Control</p>	<p>Dashboard</p> <p>H,S&W Action Plan</p> <p>Deep Dive</p>

Exclusion of the Public : Local Government Official Information and Meetings Act 1987

The following motion is submitted for consideration:

That the public be excluded from the following part(s) of the proceedings of this meeting.

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

6.6 Risk Management Status Quarterly Report - June 2023 - Attachment D - Operational Risk Register May 2023 Updated 10

Reason for passing this resolution in relation to each matter	Particular interest(s) protected (where applicable)	Ground(s) under section 48(1) for the passing of this resolution
The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.	s7(2)(a) - The withholding of the information is necessary to protect the privacy of natural persons, including that of a deceased person.	s48(1)(a) The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.

6.6 Risk Management Status Quarterly Report - June 2023 - Attachment E - Organisation Risk Register May 2023 Updated 10

Reason for passing this resolution in relation to each matter	Particular interest(s) protected (where applicable)	Ground(s) under section 48(1) for the passing of this resolution
The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.	s7(2)(a) - The withholding of the information is necessary to protect the privacy of natural persons, including that of a deceased person.	s48(1)(a) The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.