



NAPIER
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AUDIT AND RISK COMMITTEE

Open Agenda

Meeting Date: Friday 29 November 2024

Time: 9.30am

Venue: Breakout Room 1
War Memorial Centre
Marine Parade
Napier

Committee Members **Chair:** Bruce Robertson

Members: Mayor Kirsten Wise, David Pearson, Councillor Sally Crown (Deputy Chair), Councillor Greg Mawson and Councillor Hayley Browne

Ngā Mānukanuka o te Iwi representative - Vacant

Officer Responsible Deputy Chief Executive / Executive Director Corporate Services

Administration Governance Team

Next Audit and Risk Committee Meeting
Thursday 13 March 2025

2022 TERMS OF REFERENCE - AUDIT AND RISK

<i>Reports to:</i>	<i>Council</i>
<i>Chairperson</i>	<i>Bruce Robertson (External Independent)</i>
<i>Deputy Chairperson</i>	<i>Councillor Crown</i>
<i>Membership</i>	<i>The Mayor</i> <i>Deputy Chair of Sustainable Napier Committee</i> <i>Chair of Prosperous Napier Committee</i> <i>External independent appointee</i> <i>Ngā Mānukanuka o te Iwi (Māori Committee) (1)</i> <i>Note: The Chief Executive and External Auditor are required to attend all meetings but are not members and have no voting rights.</i>
<i>Quorum</i>	<i>3 - One of which is an external appointee</i>
<i>Meeting frequency</i>	<i>At least quarterly and further as required</i>
<i>Officer Responsible</i>	<i>Deputy Chief Executive / Executive Director Corporate Services</i>

Role

The role and scope, as well as any delegations of the Audit and Risk Committee are defined in the Audit Charter (Doc Id 325090).

Delegations

The role and scope, as well as any delegations of the Audit and Risk Committee are defined in the Audit Charter.

The Committee can make recommendations to Council or the Chief Executive as appropriate.

ORDER OF BUSINESS

Karakia

Apologies

Nil

Conflicts of interest

Public forum

Nil

Announcements by the Mayor

Announcements by the Chairperson including notification of minor matters not on the agenda

Note: re minor matters only - refer LGOIMA s46A(7A) and Standing Orders s9.13

A meeting may discuss an item that is not on the agenda only if it is a minor matter relating to the general business of the meeting and the Chairperson explains at the beginning of the public part of the meeting that the item will be discussed. However, the meeting may not make a resolution, decision or recommendation about the item, except to refer it to a subsequent meeting for further discussion.

Announcements by the management

Confirmation of minutes

That the Minutes of the Audit and Risk Committee meeting held on Thursday, 5 September 2024 be taken as a true and accurate record of the meeting.125

Agenda items

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AGENDA ITEMS

1. STRATEGIC RISK SR36

<i>Type of Report:</i>	Information
<i>Legal Reference:</i>	N/A
<i>Document ID:</i>	1810797
<i>Reporting Officer/s & Unit:</i>	Bruce Lake, Enterprise Project Management Office (EPMO) Manager

1.1 Purpose of Report

To update the Committee on progress of Strategic Risk 36 – Delivery of Programmes and Change. The risk category is Service Delivery, with a risk appetite level of Low. This has a Revised Risk Rating of Out of Appetite. This Strategic Risk is Line Item 11 in the Strategic Risk table, which shows the Risk Treatment Completed as Red.

Officer's Recommendation

The Audit and Risk Committee:

- a. **Receive** the report titled "Strategic Risk SR36" dated 29 November 2024.

1.2 Background Summary

This report is a 'Deep Dive' specifically on progress of Strategic Risk 36 – Delivery of Programmes and Change, including a historical timeline of this Strategic Risk, actions taken to date, and next steps.

1.3 Issues

No issues.

1.4 Significance and Engagement

N/A

1.5 Implications

Financial

N/A

Social & Policy

N/A

Risk

Strategic Risk 36 – Delivery of Programmes and Change

As highlighted in the Purpose and Background Summary, this report is to provide the Audit and Risk Committee an update on progress of Strategic Risk 36 – Delivery of Programmes of Change.

Historical Timeline

PWC Strategic Risk Workshop #1 with Council	May 2023
PWC Strategic Risk Workshop #2 with Council	July 2023
Business case for EPMO Establishment approved by ELT	April 2024
Deep Dive on Strategic Risks commenced	July 2024
Strategic Risk renamed <u>from</u> – Ineffective systems, tools processes (i.e., we are unable to deliver on our capital plan to scope time & budget) <u>to</u> SR36 – Delivery of Programmes and Change	Aug 2024
Draft Risk Controls for SR36 workshopped	Aug 2024
EPMO Manager (Bruce Lake) commenced at Napier City Council	Aug 2024
Responsible Officer for SR36 moved from Rachael Bailey to Bruce Lake (Rachael Bailey remains as the Risk owner)	Sept 2024
EPMO Manager and Risk Assurance Lead worked to match the Deliverables to the Controls, confirm that the Planned Actions were accurate and updated to reflect progress, and aggregated the Planned Treatment Actions into the Comments section	Oct 2024

In the EPMO business case approved by the ELT in April 2024, a comprehensive EPMO workplan table of Phases, Deliverables and Deliverable Descriptions were developed. It was agreed between the EPMO Manager and the Risk Assurance Lead that we would use this table to review and update the current risk controls and planned treatment actions. This was completed late October 2024.

It should be noted that whilst progress has been made on further documenting SR36, it is the joint opinion of the EPMO Manager and the Risk Assurance Lead that there is more work to be done on refining the deliverables and breaking out the treatment actions currently consolidated in the Comments section into more granular treatment actions.

In the following table, the proposed next steps are outlined:

Full EPMO team commenced (recruitment is completed)	Dec 2024
Review and update the EPMO workplan	Dec 2024
Review the updated EPMO workplan against SR36	Mar 2025
Regular review of SR36 as per Risk Management review process	ongoing

It should be noted that the Residual Risk rating of 'Out of Appetite' is reflective of the maturity of the EPMO, i.e., that it is a new business function that has just been established at Napier City Council, and only a limited number of treatment actions have been completed. It is expected that as the treatment actions are implemented that the Residual Risk will reduce over time.

1.6 Options

The options available to Council are as follows:

- a. Receive the Strategic Risk SR36 Report
- b. Not to receive the Strategic Risk 36 Report

1.7 Development of Preferred Option

Receive the Strategic Risk SR36 Report



1.8 Attachments

- 1 Strategic Risk Report SR36 - Escalation Report Final - 13 Nov 2024 (Doc Id 1811991) [↓](#)
- 2 Strategic Risk Report SR36 - Action Detail Final - 13 Nov 2024 (Doc Id 1811992) [↓](#)



Escalation - Strategic Risk Detailed Report

Print date: 12 Nov, 2024

SR36 : Delivery of Programmes and Change							
Owner	Causes	Impacts	Category	Inherent Risk Rating	Revised Risk Rating	Likelihood	Consequence
Rachael Bailey- Executive Director City Strategy	Ineffective portfolio management, Projects lack change management considerations, Inaccurate or incomplete reporting to elected members/public, Procurement opportunities are not realised resulting in high costs for delivery, Projects are not prioritised against LTP/Service agreements, Poor delivery of programme and project	Council reputation is affected, Change is not well embedded , Benefits of the project are not realised, Poor reporting/Budgeting for LTP, Support partners resources unable to be obtained, EMs lose confidence in delivery of programmes, Inefficient use of resources	Service Delivery	 Extreme Out of Appetite	 Extreme Out of Appetite	Possible	Severe
Risk Controls							
Control	Control Criticality		Owner	Control Effectiveness			
Clear roles and accountabilities within project delivery	4		Bruce Lake	Largely Ineffective			
Effective EPMO	4		Bruce Lake	Partially Effective			
Effective portfolio management	4		Bruce Lake	Totally Ineffective			
Methodology - Change	4		Bruce Lake	Largely Ineffective			
Methodology - Projects (Stage Gates)	4		Bruce Lake	Largely Ineffective			
Project initiation - prioritise against current projects	4		Bruce Lake	Partially Effective			
Reporting processes and systems	4		Bruce Lake	Partially Effective			
Risk Actions							

Action	Resource requirement	Owner	% Complete	Status	Control Title
Services Document, agree and implement EPMO management services for confirmed project types.		Bruce Lake - Enterprise Project Management Office (EPMO) Manager	50	In Progress	Reporting processes and systems
Audit/Health Checks for projects in progress (in-flight)		Bruce Lake - Enterprise Project Management Office (EPMO) Manager	100	Completed	Effective EPMO
Benefit Management		Bruce Lake - Enterprise Project Management Office (EPMO) Manager	10	In Progress	Reporting processes and systems
Business Improvement Initiatives		Bruce Lake - Enterprise Project Management Office (EPMO) Manager	90	In Progress	Effective EPMO
Change Management		Bruce Lake - Enterprise Project Management Office (EPMO) Manager	20	In Progress	Methodology - Change
Community of Practice		Bruce Lake - Enterprise Project Management Office (EPMO) Manager	10	In Progress	Methodology - Projects (Stage Gates)
Dependencies		Bruce Lake - Enterprise Project Management Office (EPMO) Manager	90	In Progress	Effective EPMO
Determine Current active Portfolio Inventory (Stocktake)		Bruce Lake - Enterprise Project Management Office (EPMO) Manager	100	Completed	Reporting processes and systems
EPMO Facilities		Bruce Lake - Enterprise Project Management Office (EPMO) Manager	100	Completed	Effective EPMO
EPMO Maturity Build		Bruce Lake - Enterprise Project Management Office (EPMO) Manager	10	In Progress	Effective EPMO
EPMO Position Descriptions		Bruce Lake - Enterprise Project Management Office (EPMO) Manager	100	Completed	Effective EPMO
Establish EPMO, Relationships and tools		Bruce Lake - Enterprise Project Management Office (EPMO) Manager	50	In Progress	Effective EPMO
Establish Project Technical Advisory Group		Bruce Lake - Enterprise Project Management Office (EPMO) Manager	100	Completed	Effective EPMO
Governance		Bruce Lake - Enterprise Project Management Office (EPMO) Manager	50	In Progress	Methodology - Projects (Stage Gates)
Initiation Support		Bruce Lake - Enterprise Project Management Office (EPMO) Manager	90	In Progress	Project initiation - prioritise against current projects
Methodologies: Portfolio (Investment) Stage Gates: Concept and Initiation		Bruce Lake - Enterprise Project Management Office (EPMO) Manager	10	In Progress	Effective portfolio management
Methodologies: Programme & Project Management, integrated with Change Management Stage Gates: Planning, Execution, Transition and Close		Bruce Lake - Enterprise Project Management Office (EPMO) Manager	10	In Progress	Methodology - Projects (Stage Gates)
Operationalise Portfolio Management		Bruce Lake - Enterprise Project Management Office (EPMO) Manager	10	In Progress	Effective portfolio management
Procurement		Bruce Lake - Enterprise Project Management Office (EPMO) Manager	50	In Progress	Methodology - Projects (Stage Gates)
Resourcing and Capability Build for Project Delivery resources		Bruce Lake - Enterprise Project Management Office (EPMO) Manager	10	In Progress	Effective portfolio management
Sponsor Training		Bruce Lake - Enterprise Project Management Office (EPMO) Manager	100	Completed	Clear roles and accountabilities within project delivery
Structure: Support Partners		Bruce Lake - Enterprise Project Management Office (EPMO) Manager	50	In Progress	Effective EPMO



Risk Management Report

Napier City Council

Camms.

Print Date: 12-Nov-2024

Risk Code	Risk Title	Risk Owner	Risk Secondary Owner	Primary Risk Category	Last Reviewed Date	Issue Type	Risk Treatment	Inherent Rating	Residual Rating	Forecast Rating	Effectiveness Of Controls
SR36	Delivery of Programmes and Change	Rachael Bailey		Service Delivery	05 Nov, 2024	Weakness	Treat	<div><div></div><div>Extreme</div><div>10 Nov, 2024</div></div>	<div><div></div><div>Extreme</div><div>10 Nov, 2024</div></div>	<div><div></div><div>Low</div><div>10 Nov, 2024</div></div>	Revised - Largely Ineffective

Inherent Assessment

Risk Rating Criteria	Rating	Category
Consequence	▲ Severe	Service Delivery
Likelihood	Almost Certain	
Risk Rating	Extreme	

Residual Assessment

Risk Rating Criteria	Rating	Category
Consequence	▲ Severe	Service Delivery
Likelihood	Possible	
Effectiveness of Controls	Largely Ineffective	
Risk Rating	Extreme	

Forecast Assessment

Risk Rating Criteria	Rating	Category
Consequence	Minor	Service Delivery
Likelihood	Unlikely	
Risk Rating	Low	

Risk Owner Comments:

Debrief on this risk, its controls and treatment actions provided EPMO Manager, agreement reached to input what is their work plan as treatment actions to exhibit the progress made so far in reducing the revised risk levels, with the probability of reducing it to a level where the escalation can be signed for by the Chief Executive. This should be achievable, within the next week.

Planned action	Responsible Officer	% Completed	Due Date	Start Date	End Date	Comments

Services Document, agree and implement EPMO management services for confirmed project types.	Bruce Lake	50	30 Dec, 2024	24 Oct, 2024	30 Dec, 2024	Services Document, agree and implement EPMO management services for confirmed project types. Agree and establish EPMO management services for Infrastructure projects with PMO Agree and establish EPMO management services for Capital projects with PMO Agree and establish EPMO management services for ICT projects with PMO Agree on EPMO impact/service for all other NCC programmes and projects

Audit/Health Checks for projects in progress (in-flight)	Bruce Lake	100	29 Oct, 2024	24 Oct, 2024	29 Oct, 2024	<p>Audit/Health Checks for projects in progress (in-flight) Executive to advise requirement for initial 'health checks' or support on 'in flight' portfolio. complete</p> <p>Design 'Health' checklist complete</p> <p>Complete 'Health checks' for agreed projects in progress complete</p> <p>Present results and recommended next steps to Executive complete</p> <p>Confirm resourcing and timeframes for completing next steps – Add to EPMO work plan. ?</p>
Benefit Management	Bruce Lake	10	09 Jan, 2025	24 Oct, 2024	09 Jan, 2025	<p>Benefit Management Design and integrate benefit management methodology with P3M methodology – identification, management, benefit roles, reporting, and realisation.</p> <p>Define and agree benefit roles – Benefit Owner</p> <p>Implement across agreed initiatives</p>

Business Improvement Initiatives	Bruce Lake	90	29 Oct, 2024	24 Oct, 2024	29 Oct, 2024	Complete stock take of 'in flight' and planned business improvement initiatives that may impact or be impacted by the establishment of EPMO. Analyse and agree direction to align efforts and mitigate change impacts (stop, revise, move forward) PBIG established
Change Management	Bruce Lake	20	09 Dec, 2024	24 Oct, 2024	09 Dec, 2024	Change Management Complete an initial NCC change assessment based on the portfolio inventory underway Establish NCC Change Capacities – identify the constraints and tolerances (e.g., risk, financial human resource capacities) Establish Change Heat Map methodology (tools & process) Design templates and process to identify change impacts of new initiatives and reporting for organisation change.
Community of Practice	Bruce Lake	10	09 Dec, 2024	24 Oct, 2024	09 Dec, 2024	Community Establish a NCC EPMO Community of Practice/Interest Support the ongoing Community of Practice to build capabilities

Dependencies	Bruce Lake	90	30 Nov, 2024	24 Oct, 2024	30 Nov, 2024	Dependencies Identify 'in-flight' and planned business improvement and other initiatives that may impact or be impacted by EPMO establishment. done Confirm dependency management approach for EPMO
Determine Current active Portfolio Inventory (Stocktake)	Bruce Lake	100	30 Jan, 2025	24 Oct, 2024	30 Jan, 2025	Confirm the portfolio inventory of current initiatives, basic information, their status and expected completion dates (currently underway as separate initiative) Confirm Sytle as NCC Portfolio tool complete Develop initial portfolio reports underway Finalise initial portfolio view for executive with recommendations. Obtain approval of the initial portfolio, identify any EPMO delivery support requirements through to completion
EPMO Facilities	Bruce Lake	100	29 Oct, 2024	24 Oct, 2024	29 Oct, 2024	Establish EPMO facilities and support (location, IT, phones etc.)

EPMO Maturity Build	Bruce Lake	10	09 Jun, 2025	24 Oct, 2024	09 Jun, 2025	Update EPMO Road Map to address NCC organisation priorities for project delivery. 'Projectise' NCC strategic approach – establish programmes of work for strategic objectives as a mechanism for delivering strategy effectively and efficiently.
EPMO Position Descriptions	Bruce Lake	100	29 Oct, 2024	24 Oct, 2024	29 Oct, 2024	Draft position descriptions for initial EPMO team as basis for recruitment.
Establish EPMO, Relationships and tools	Bruce Lake	50	30 Nov, 2024	24 Oct, 2024	30 Nov, 2024	Phase 2 EPMO Framework (Structure, Services, Methodologies and Resourcing) Establish EPMO, Relationships and tools Appoint initial EPMO team (EPMO/Portfolio Manager, Change Manager, Co-ordinator and Programme/Project Manager), develop team culture and ways of working. Team appointed, due to start pre Christmas. Review Cycle as P3M PMIS tool – confirm EPMO role re Cycle as operational PMIS tool. done Establish EPMO reporting lines and key stakeholder relationships internal/external to NCC underway

						<div>Identify project 'types' and confirm specific criteria and characteristics (Business Change, ICT, Infrastructure, Strategic programmes, Growth, Operational Cross Organisation etc.) Establish EPMO structure and working relationships with existing PMOs (IT and Infrastructure) – clarity on roles and expectations Develop EPMO Stakeholder/Communication Management Establish success criteria for EPMO performance Establish EPMO reporting mechanisms Establish regular PMO performance reviews to build maturity and maintain relevance Establish continual improvement processes</div>
Establish Project Technical Advisory Group	Bruce Lake	100	29 Oct, 2024	24 Oct, 2024	29 Oct, 2024	<div>Document Terms of Reference, nominate membership and activate group</div>

Governance	Bruce Lake	50	09 Dec, 2024	24 Oct, 2024	09 Dec, 2024	Governance Develop and confirm governance models – align with PMO governance for consistency. Governance support services and training developed and rolled out.
Initiation Support	Bruce Lake	90	30 Nov, 2024	24 Oct, 2024	30 Nov, 2024	Initiation Support Develop, agree and implement a basic initiation process for new initiatives. Needs conversion to a template format Induct project resources into initiation process use Requires implementation

Methodologies: Portfolio (Investment) Stage Gates: Concept and Initiation	Bruce Lake	10	09 Jan, 2025	24 Oct, 2024	09 Jan, 2025	Phase 3 EPMO Portfolio Definition & Delivery Benefit Management Methodologies: Portfolio (Investment) Stage Gates: Concept and Initiation Establish methodology for investment decision making (templates/tools and processes). Integrate methodology with existing practices. This would include the prioritisation and portfolio management processes. Establish investment decision (portfolio) governance (Strategic Change Board?) to formalise portfolio decision making.

Methodologies: Programme & Project Management, integrated with Change Management Stage Gates: Planning, Execution, Transition and Close	Bruce Lake	10	09 Dec, 2024	24 Oct, 2024	09 Dec, 2024	Methodologies: Programme & Project Management, integrated with Change Management Stage Gates: Planning, Execution, Transition and Close Establish methodology for programme and project delivery (templates/tools and processes). Integrate methodology with existing practices. (Planning, Execution, Transition and Close) Interlinks with camms “simplification” work Determine connections with existing planning processes and confirm linkages Confirm ‘business support’ swim lanes in methodology with support partners Align with IT/Infrastructure PMO project methodologies – agree on resulting changes. Establish quality assurance processes – e.g. stage gate review and exit gate processes Implement methodology with agreed new initiatives – trial and test.

Operationalise Portfolio Management	Bruce Lake	10	09 Jan, 2025	24 Oct, 2024	09 Jan, 2025	Operationalise Portfolio Management Implement portfolio methodology, change and comms management. Portfolio balancing process with known capacity, resource and other constraints known, including change capacity. Integrate with other NCC planning processes (LTP, AP and urgent) Extend portfolio reporting to include initiatives on the wait list – horizon planning enabling resource planning across NCC.
Procurement	Bruce Lake	50	30 Nov, 2024	24 Oct, 2024	30 Nov, 2024	Develop an organisation wide approach to procurement support for projects, aligned with a stage gated methodology approach. ???

Resourcing and Capability Build for Project Delivery resources	Bruce Lake	10	09 Dec, 2024	24 Oct, 2024	09 Dec, 2024	Resourcing and Capability Build for Project Delivery resources Establish EPMO resource planning Establish resource planning based on initial portfolio, identify capacities and limits for investment decision support. Identify training needs for all project delivery resources Training and development plan developed and implemented
Sponsor Training	Bruce Lake	100	29 Oct, 2024	24 Oct, 2024	29 Oct, 2024	Develop and deliver initial sponsor training to exec level

Structure: Support Partners	Bruce Lake	50	30 Nov, 2024	24 Oct, 2024	30 Nov, 2024	Structure: Support Partners Confirm the support partners within NCC to support and integrate with EP MO (e.g., IT, Procurement, Communications, Finance, Strategy Risk etc.) done Establish working partnerships with Support Partners to build clarity regarding role and responsibilities developing Establish EP MO IT requirements and IT practices and integrate with BAU Establish EP MO Risk management practices and integrate with BAU Establish EP MO Financial management practices and integrate with BAU practices
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2. PROCUREMENT AND CONTRACT MANAGEMENT IMPROVEMENT PLAN - UPDATE

<i>Type of Report:</i>	Information
<i>Legal Reference:</i>	N/A
<i>Document ID:</i>	1808992
<i>Reporting Officer/s & Unit:</i>	Sharon O'Toole, Procurement Manager

2.1 Purpose of Report

The purpose of this report is to provide an update on the improvements intended to address the findings and recommendations from the Internal Audit Report: Contract Management Report 2024, completed by Crowe. Specifically, the initiatives and progress related to the development of a Procurement and Contract Management Framework.

The Procurement and Contract Management Framework will allow procurement and contract management to be used as strategic tools to deliver Council's work programme and asset management.

These improvement initiatives form an important part of a Programme Business Improvement Project to improve project delivery, this is led by the Enterprise Programme Management Office (EPMO).

Officer's Recommendation

The Audit and Risk Committee:

- a. **Note** The Procurement and Contract Management Improvement Plan – Attachment 1.
- b. **Note** The progress related to implementation of the Procurement and Contract Management Improvement Plan.

2.2 Background Summary

Council's Internal Audit provider, Crowe, completed an internal audit on Contract Management. The report was finalised on 21 May 2024 and socialised with the Audit and Risk Committee 14 June 2024.

The audit identified a total of 11 risks - three high, seven medium and one low. The management responses to these risks included the recommendation to develop an improvement plan to support the development of a Procurement and Contract Management Framework (Framework).

The scope of the Framework acknowledges that for a 'good' contract to be managed well requires all of the preceding steps to be completed effectively i.e. good contract management starts with good planning, procurement and contracting.

The Framework considers developing or improving:

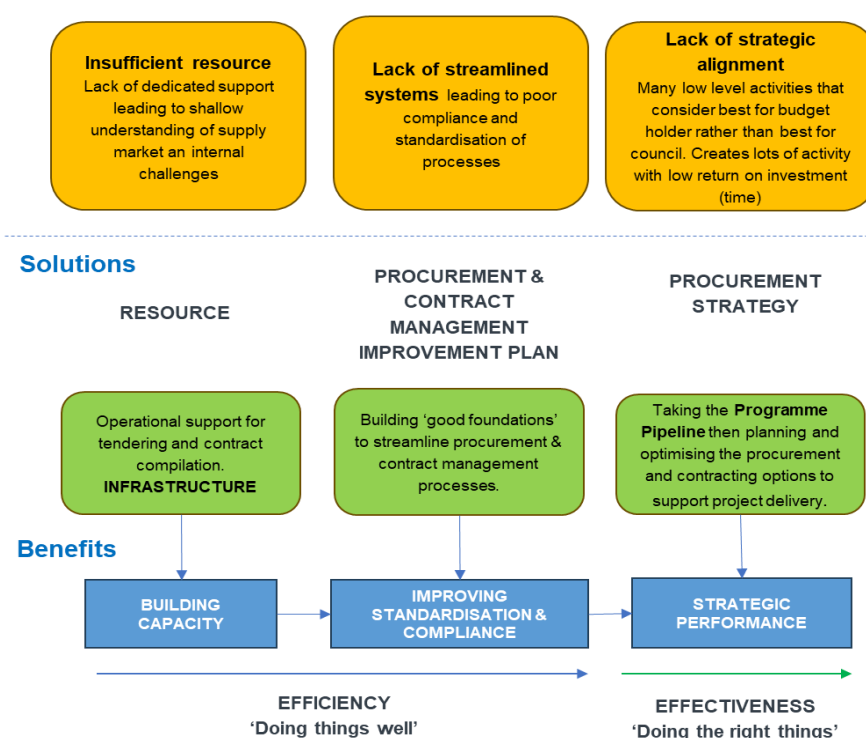
- Guidance (guides, manuals and/or toolkit)
- Templates and documents

- Processes and procedures
- Systems and training
- Training

Procurement and contracting are integral to programme and project delivery. The Procurement and Contract Management Framework is one of 3 improvement pillars intended to enhance and optimise the procurement activities that support Council's project pipeline and asset management plans.

The three pillars and the relationship between them plus intended benefits are shown below. The Procurement and Contract Management Improvement Plan which will address the internal audit recommendations is represented by pillar 2. **Attachment 1** provides details for all 3 pillars.

Problems



These three pillars form part of a larger project being led by the Enterprise Programme Management Office (EPMO).

This larger Programme Business Improvement (PBI) Project is supported by a working group and a governance group to ensure that various initiatives remain aligned and that conflicting demands on staff are prioritised where needed.

All 3 procurement pillars are led and (mainly) resourced through the existing procurement team of:

- 1 x Procurement manager
- 3 x Senior procurement advisor
- 0.38 x Contract administration support

2.3 Issues

The directive for the procurement has been to prioritise project 'delivery'. To support the initial focus has been to develop operational documents (templates) that support good

procurement planning, tendering and standard documentation (including NCC special conditions of contract).

The procurement team are also supporting the delivery of a significant programme of work. The balance is in prioritising 'delivery' while simultaneously building the foundations that support this. In effect the procurement resources are supporting progress against all 3 pillars. The PBI governance group is essential in helping ensure priorities are clear to manage workload peaks and troughs.

Much of the work being completed requires review and approval. Many of these reviewers are also involved in 'delivery' and face similar challenges regarding competing priorities.

Good change management support is needed to implement the changes successfully, this needs to be scoped further and ideally combined with PBI change management.

2.4 Significance and Engagement

N/A

2.5 Implications

Financial

ELT approved some funding to assist with improvement initiatives. This has expedited the initial work on templates and guides. It is unlikely to cover all of the planned work.

Social & Policy

The update of Council's procurement and contract management documents has been an opportunity to embed the consideration of progressive procurement and social, cultural, environmental, and economic outcomes. The specific outcomes are identified through project and procurement planning to establish and right size the outcomes sought rather than applying a 'cookie cutter approach'.

Risk

There is a risk of multiple change initiatives occurring simultaneously. The procurement improvements have been bundled with initial EMPO and the capital delivery programme initiative. All three initiatives focus on improving project delivery, a common project workplan and governance structure is being established to support alignment across the improvements.

This should help identify opportunities for aggregation or highlight where there is misalignment between different workstreams. It also helps to identify crunch points for internal staff across departments.

2.6 Status

ELT approved the high-level improvement plan 13th June 2024.

This high-level plan provided to the Audit and Risk Committee for information 5 September 2024.

Attachment 1 provides a detailed plan of the Procurement and Contract Management improvement initiative underway and planned, as well as the progress to date.

2.7 Attachments

- 1 Procurement and Contract Management Timeline Nov 2024 (Doc Id 1812023) [↓](#)

Procurement and contract management improvement plan

[illegible]

0.375

Procurement and contract management improvement plan

[illegible]

0.375

3. ASSET MANAGEMENT ROADMAP PROGRESS

Type of Report:	Information
Legal Reference:	N/A
Document ID:	1809668
Reporting Officer/s & Unit:	Kate Ivicheva, Manager Asset Strategy

3.1 Purpose of Report

This report provides an update on the progress of the Asset Management Roadmap, summarising current achievements, challenges, and recommendations for the path forward. It seeks approval for the roadmap’s timeline and confirms continuing the current strategic direction. Additionally, this report outlines core risks affecting roadmap delivery, providing the Audit and Risk Committee with insights to guide oversight and support effective implementation.

Officer’s Recommendation

The Audit and Risk Committee:

- a. **Approve** the proposed timeline for roadmap delivery (Table 2)
- b. **Confirm** the roadmap's existing strategic direction.
- a. **Receive** the update on the progress of the Asset Management Roadmap.

3.2 Background Summary

In alignment with the Audit and Risk Committee’s guidance from the previous meeting, this report includes the resolution and associated action items. The following note reflects the Audit and Risk Committee’s directives for advancing the roadmap and ensuring alignment with governance expectations:

Audit and Risk Committee - 05 September 2024 - Open Minutes

COMMITTEE RESOLUTION	Mayor Wise / Councillor Crown
	The Audit and Risk Committee:
	a) Receive the update on the progress of asset management initiatives and endorse the continued implementation of the Asset Management Roadmap.
	ACTION: <i>Direct officers to set out in next report if the roadmap is to be reset as unable to meet the initiatives and assumed direction and outline what is now going to happen. Also attach the core key risks and any uncertainty for the programme to enable the Committee to provide support to the initiatives.</i>
	Carried

The Asset Management Roadmap is organised into sequential phases, each designed to enhance our asset management capabilities systematically. Progress has included implementing essential elements across multiple phases, such as forming the Asset Management Steering Group (AMSG), which fosters cross-organisational collaboration and acts as a strategic enabler for roadmap delivery.

Initial timelines targeted a Q1 2024 start (ref Table 1), but delays due to limited capacity and shifting priorities have pushed progress back, as reported in September 2024. Teams allocated only 10% of their time to improvement efforts beyond core Long-Term Plan (LTP) activities, leading to a new timeline set for Q3 2024, as outlined in Table 2.

Table 1 – Endorsed timeline in December 2023

Phases	Q1 '24	Q2 '24	Q3 '24	Q4 '24	Q1 '25	Q2 '25	Q3 '25	Q4 '25	Q1 '26	Q2 '26
Phase 0: Consolidating the Asset Management System										
Phase 1: Asset Management Planning										
Phase 2: Asset Data and Information Management										
Phase 3: Asset Management Information Systems										
Phase 4: Asset Life Cycle Delivery										
Phase 5: Performance Evaluation and Continual Improvement										

Table 2 - Proposed Asset Management Roadmap timeline 2024-2026

	We are here									
	↓									
Phases	24 Q3	24 Q4	25 Q1	25 Q2	25 Q3	25 Q4	26 Q1	26 Q2	26 Q3	26 Q4
Phase 0: Consolidating the asset management system.										
Phase 1: Defining the asset management decision-making criteria and asset planning processes.										
Phase 2: Establishing an asset information framework to ensure that asset planning and other asset management processes are supported by data at the right level of quality.										
Phase 3: Ensuring the asset management strategy and processes are supported by fit-for-purpose asset management information systems.										
Phase 4: Standardising work management processes with delivery partners, and standardising routine tasking (e.g., maintenance and inspections) to ensure consistent quality.										
Phase 5: Establishing systematic processes for performance evaluation and improvement										

Strategic Direction

As we move into phase 1 - the most extensive stage of the roadmap - we will make logical improvements as they arise rather than delaying adjustments until later phases. This adaptive and non-linear approach allows us to act on key discoveries immediately, streamlining processes and enhancing efficiency as we go.

Benefits of an adaptive and integrated approach:

1. Immediate adjustments prevent duplicative efforts and streamline workflows, making each phase more productive.
2. Incremental improvements create stronger connections between phases, establishing a solid foundation for the entire roadmap.
3. Proactively addressing issues as they arise mitigates potential challenges in later phases, helping us stay resilient and aligned with long-term goals.

The AMSG has achieved key milestones of the Roadmap:

1. **Phase 0 (finished)** - Asset System Overview with Asset Management System Framework Diagram (Diagram 1)
 - Provides a clear visual framework of the asset system.
 - Enhances understanding across departments.
 - Aids in strategic planning and integration efforts.
2. **Phase 1** - Maturity Assessment for Each Portfolio Type:
 - Captures the current state (Figure 1)
 - Establishes a baseline to identify current gaps.
 - Enables targeted improvement actions.
- Supports resource planning.

Next steps for ASMG in Phase 1:

1. Confirm the final version of the Asset System Overview document
2. Prioritise high-impact improvements, focusing on areas directly supporting the respective portfolio, roadmap goals and operational efficiency.
3. Create an improvement plan to address identified gaps in maturity.
4. Provide the resource estimate to the ELT
5. The next report will be provided in Q2 2025











3.3 Issues

1 Constrained resourcing: Limited staff availability and competing priorities make allocating sufficient time for roadmap activities challenging, especially in Phase 1. Additional resources will be required to maintain schedule adherence.


2 System integration needs: Fragmented systems require stronger connectivity to ensure reliable data flow and management. Achieving seamless integration requires sustained collaboration between the Asset Management Intelligence Team (AMIT) and relevant teams, which may involve external expertise.


3 Stakeholder adaptation and cross-team collaboration: Shifting to a proactive asset management approach and adopting new tools require increased cross-team collaboration through the AMSG. Continuous training and support will be essential to encourage team engagement and ensure the effective adoption of changes.

3.4 Risks

Risk Type	Description	Severity	Likelihood	Potential mitigation actions
1 Capacity Constraints & Staff Availability	Staff availability is limited due to competing priorities, leading to delays in roadmap milestones and increased project costs.	High 	High 	Prioritise roadmap activities in schedules, secure resources, and establish a phased timeline to balance core responsibilities with roadmap delivery.
2 Complexity in Cross-Functional Coordination	The roadmap depends on synchronised efforts across teams. Misalignment or communication delays could fragment the roadmap and hinder decision-making.	Moderate 	High 	Establish cross-functional communication channels and set up regular coordination checkpoints to ensure alignment and accountability. Encourage shared ownership of goals and milestones.
3 System Integration & Data Centralisation	Integrating fragmented systems for a reliable data flow is critical. Failing to ensure connectivity can reduce data quality and delay decision-making.	High 	Moderate 	AMIT collaborate with relevant teams for phased integration, engage external expertise as needed, and monitor integration milestones regularly.
4 Stakeholder Engagement & Adaptation	Moving to a proactive, data-driven model requires strong engagement at all levels. Resistance or lack of buy-in may slow roadmap adoption.	Moderate 	Moderate 	Develop a change management plan with dedicated training, feedback mechanisms, and executive visibility.
5 Potential for Scope Creep & Project Drift	Medium-complexity and high-complexity projects risk scope expansion, especially with the flexibility needed in sequencing. Uncontrolled scope changes could dilute focus and delay outcomes.	Moderate 	Moderate 	Clearly define project boundaries and deliverables, establish a scope review process, and regularly validate objectives to stay focused on high-impact areas.

Severity levels:

High (): Requires immediate attention and mitigation to prevent significant impact on roadmap progress.

Moderate (): Important to address, with medium impact; requires monitoring and proactive measures.

Low (): Limited impact; monitor periodically to ensure the risk does not escalate.

3.5 Significance and Engagement

The roadmap initiatives are strategically important and foster a proactive, sustainable asset management approach:

Operational Efficiency: The asset system overview and maturity assessments have created a strong foundation for more coordinated asset management. These tools provide clarity, enable resource prioritisation, and help teams focus on high-impact improvements. This structure fosters proactive management and efficient use of organisational resources.

Data accessibility and reliability: By working toward centralised data access across asset categories, we align with robust practices that improve data reliability and support informed decision-making. This approach builds on the successful centralisation of asbestos data, demonstrating the benefits of streamlined data flow and improved regulatory compliance. Expanding this centralisation model enables better compliance and mitigates risks associated with data fragmentation.

Stakeholder Engagement: Enhanced data visibility and reporting tools have strengthened cross-team collaboration, enabling clearer communication and improved responsiveness. The roadmap deliverables, such as the asset system overview, stimulate better planning and coordination, creating a cohesive organisational approach to asset management.

3.6 Implications

Financial

An existing budget is allocated to support asset management improvements, which will be utilised as the roadmap progresses.

Upon finalising the improvement plan, AMMSG will assess both budgetary and staff allocation requirements for each portfolio. If current resources are insufficient to meet roadmap goals, a request for additional support may be presented to the ELT.

If integration challenges or other complex needs arise during Phase 1 and further, AMMSG may seek additional funds or specialist support to ensure seamless implementation.

Social & Policy

N/A

3.7 Options

The options available to Council are as follows:

- a. **Option 1** - Approve the proposed timeline and confirm the strategic direction
- b. **Option 2** - Approve the proposed timeline and strategic direction with modifications

3.8 Development of Preferred Option 1

The preferred option is for the Audit and Risk Committee to approve the proposed roadmap timeline (Q1 to Q3 2024) and confirm its existing strategic direction. This includes providing the Asset Management Steering Group (AMMSG) with the flexibility to adjust sequencing as necessary to optimise resources and ensure roadmap continuity without compromising the overall objectives. There's no need to reset the roadmap; AMMSG will stay adaptable to incorporate logical improvements and ensure alignment with strategic goals.

Diagram 1 - Asset Management System Framework

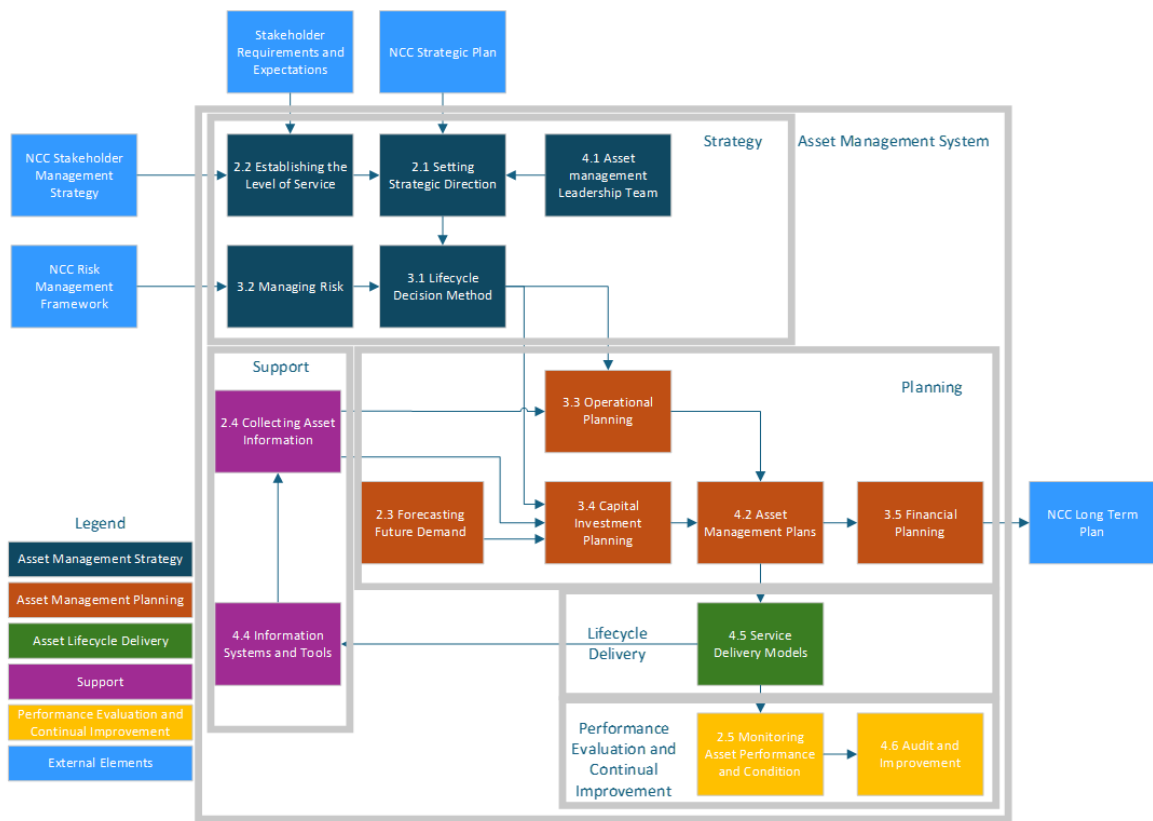
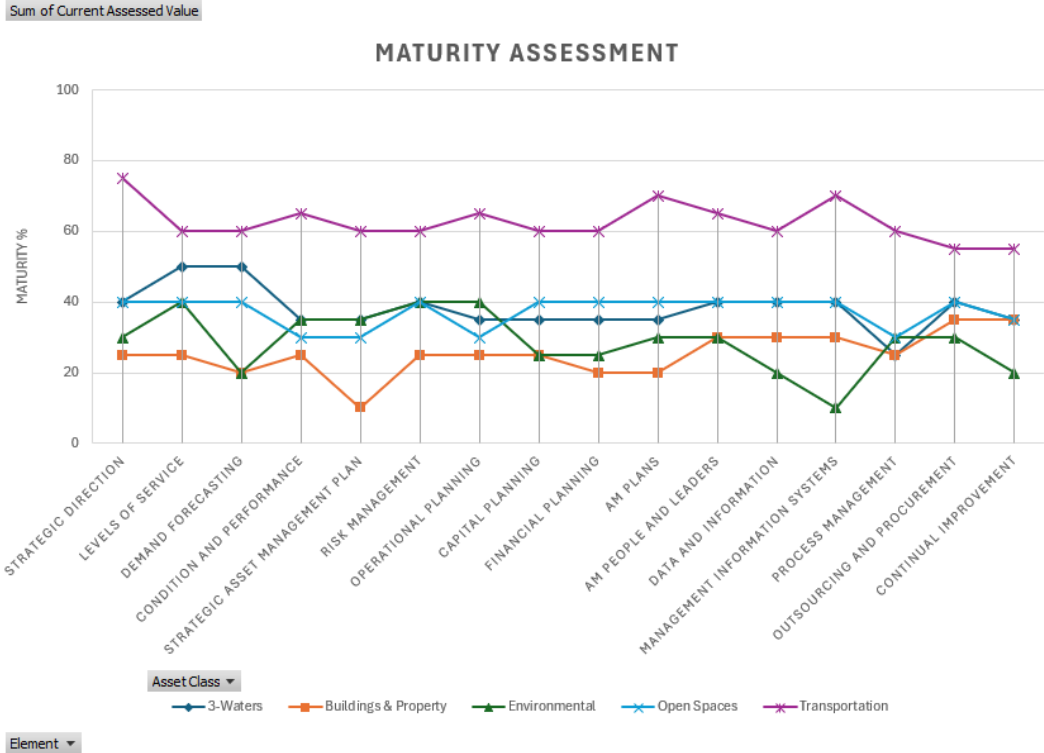


Figure 1 - Current Asset Management Maturity – October 2024



3.4 Attachments

Nil

4. INTERNAL AUDIT: RISK MANAGEMENT REPORT

<i>Type of Report:</i>	Operational
<i>Legal Reference:</i>	Local Government Act 2002
<i>Document ID:</i>	1811071
<i>Reporting Officer/s & Unit:</i>	Alister Edie, Business Improvement Manager Dave Jordison, Risk and Assurance Lead Caroline Thomson, Chief Financial Officer

4.1 Purpose of Report

To table to the Committee the internal audit on Risk Management undertaken by Council's internal auditors, Crowe.

Officer's Recommendation

The Audit and Risk Committee:

- a. **Receive** the report from Crowe titled 'Internal Audit – Risk Management'.

4.2 Background Summary

As part of the internal audit programme (as approved by the Audit & Risk committee December 2022), an internal audit was completed on the adequacy of processes and procedures surrounding Council's risk management – see the attached draft report containing Council's management responses. This internal audit was undertaken by our Internal Audit provider, Crowe. The fieldwork commenced March 2024 and was completed in July 2024. A draft report of the findings was provided to management at the completion of the audit to review and provide feedback on the findings and recommendations.

The objectives of this audit were to review the adequacy of Council's risk management framework and review the processes and procedures for identifying, assessing, and managing risk.

Relevant recommendations from this report have been included in the Risk Management Uplift Program we are developing and working on.

4.3 Issues

The audit identified a total of 7 risks - two high and five medium. The two high risk issues are as follows:

- 6.1 The operating framework in place to guide risk management needs to be updated for currency and validity, reviewed, and tabled for endorsement.
- 6.3 Deficiencies in strategic risk management and oversight.

#	Finding Title	Risk Rating			Root Cause Rating
		H	M	L	
5.1	Risk management framework	●			
5.2	Adequacy of processes for identifying, assessing, and managing risk		●		
5.3	Deficiencies in strategic risk management and oversight	●			
5.4	Policies and Procedures		●		
5.5	Adequacy of process for ensuring completeness and currency of risk registers		●		
5.6	Risk management trainings		●		
5.7	Change management		●		
Total		2	5	-	

Management's responses to these risks are included in the report (please refer **Attachment 1**) and includes those staff members who are responsible for the implementation of the agreed recommendations.

4.4 Significance and Engagement

N/A

4.5 Implications

Financial

N/A

Social & Policy

N/A

Risk

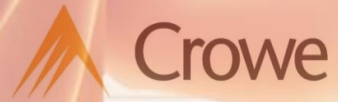
N/A

4.6 Attachments

- 1 Crowe Risk Management Framework Review Report (Doc Id 1811988) [↓](#)

Napier City Council

Risk Management



Risk Management

Napier City Council

Confidential

Prepared for: Napier City Council

Prepared by: Andrew Zavitsanos, Partner – Crowe

June 2024

Napier City Council_Risk Management Draft IA Report_v5.1_(issued)

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1 Executive Summary

1.1 Introduction

In accordance with Council’s annual audit plan, an internal audit was completed of the adequacy of processes and procedures surrounding risk management.

1.2 Internal Audit Objectives

The objectives of the audit were to:

Risk Framework

1. Identify and assess the adequacy of Council’s risk management framework (policy, procedures, guidelines).
2. Review the processes for assessing risk appetite and the degree to which risk is a consideration in major decision making.
3. Review the processes for refreshing the risk profile and its alignment to strategic priorities.

Risk process

4. Review the adequacy of processes for identifying, assessing, and managing risk.
5. Review the adequacy of processes for management of treatment strategies (development of a plan and execute to mitigate major risks).
6. Review adequacy of process for ensuring the completeness and currency of risk registers.
7. Review adequacy of process related to integration of Strategic and Operational risk registers.
8. Assess the Council’s current risk management maturity using the AoG Enterprise Risk Maturity Matrix.

1.3 Internal Audit Conclusion

Overall, we found that the current controls in place over risk management practices need to be strengthened.

The internal audit identified a range of controls that should be implemented and/or improved to reduce the identified weaknesses and exposures.

Our report identifies **two (2) high risk** issues. These include:

- 6.1 The operating framework in place to guide risk management needs to be updated for currency and validity, reviewed and tabled for endorsement.
- 6.3 Deficiencies in strategic risk management and oversight.

Maturity Assessment

The results of the maturity assessment against the AoG Enterprise Risk Maturity Matrix are provided at section 5 and Appendix 7.5

1.4 Internal audit Findings Summary Dashboards

The tables below provide a summary of the overall control rating, findings by title, risk rating and root cause finding.

Table 1.4.1 – Overall Control Rating

Overall Control Rating Descriptor			
Inadequate – high risk improvement opportunities, control risk environment is impaired.	Adequate control environment in most areas - moderate risk improvement opportunities identified, which requires corrective action.	Satisfactory risk with a small number of lower risk improvement opportunities identified.	Good practice - well-designed, effective, efficient, and functioning properly. No improvement opportunities identified.
X			

Table 1.4.2 - Summary of findings by Title, Risk Rating and Root Cause

#	Finding Title	Risk Rating			Root Cause Rating
		H	M	L	
5.1	Risk management framework				
5.2	Adequacy of processes for identifying, assessing, and managing risk				
5.3	Deficiencies in strategic risk management and oversight				
5.4	Policies and Procedures				
5.5	Adequacy of process for ensuring completeness and currency of risk registers				
5.6	Risk management trainings				
5.7	Change management				
Total		2	5	-	








The reader should note the following sections:

- Section 2: Summary of Findings
- Section 3: List of Effective Internal Controls
- Section 4: Background
- Section 5: Maturity Assessment Results
- Section 6: Observations and Recommendations
- Section 7: Appendices

Root Cause Findings Rating		
Governance	Process and Systems	People
3	1	3

2 Summary of Findings

A summary of the key findings is provided below. Details of findings are in Section 6. Descriptions of root cause of finding and risk rating are outlined in Appendix 7.4.

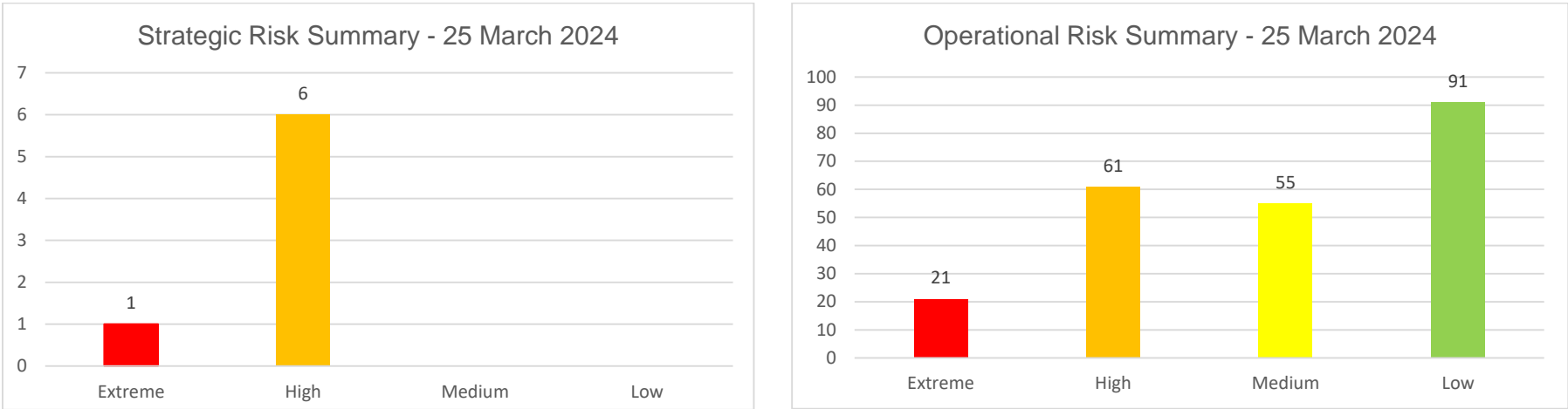
Ref #	Controls and processes that require strengthening include:	Root Cause of finding	Risk Rating
6.1	The Risk Management Policy and Risk Management Strategy documents need updating and have not been finalised and tabled for endorsement since first adoption in June 2022 and March 2017 respectively.		H
6.2	The processes for identifying, assessing, and managing risk needs to improve.		M
6.3	Effective strategic risk management and oversight are not in place		H
6.4	The policies and procedures should be enhanced		M
6.5	The process of monitoring and maintaining the risk registers should be strengthened		M
6.6	Risk management training has not been formally established and delivered to risk and control owners		M
6.7	Change management protocols have not been developed		M

3 List of Effective Internal Controls

Effective Internal Controls	
The following internal controls have been tested and confirmed to be operating effectively.	
<ul style="list-style-type: none"> Council uses a risk management system called Sycle. The Sycle features a dashboard for easy visualisation. It offers various report types, including Bow Tie Report, Risk Attention Report, Monthly Risk Report, Action Summary Report, Risk Register, Control Summary Report, Risk on a Page Report, and Risk Heatmap Report. Supporting review documents can be attached in Sycle. 	
<ul style="list-style-type: none"> The Sycle risk management system allows for linking two or more risks as parent and child risks. 	
<ul style="list-style-type: none"> Council has established various impact categories, including Environmental, Financial, Health and Safety, ICT Infrastructure and Assets, Legislative Compliance, Reputation/Image, and Service Delivery, each with corresponding risk appetite levels. Furthermore, the Council has defined authority levels for accepting risks that exceed the stated appetite for each impact category. 	
<ul style="list-style-type: none"> The guidance for performing risk and control reviews is developed and available in Promap. 	
<ul style="list-style-type: none"> The Sycle shows risks which are out of defined appetite levels at both inherent and residual risk levels. 	
<ul style="list-style-type: none"> Proactive risk management training is provided by the Risk Management Lead. General staff receive Hazard and Risk Management training from the Health and Safety team during induction. Managers receive training that covers both the theory of risk management and the practical use of the Sycle risk management tool. The Executive Leadership Team (ELT) receives the same training in a more condensed format. 	

4 Background

Napier City Council (NCC)’s risk management framework comprises a Risk Management Policy, adopted in 2022 and a Risk Management Strategy, adopted in 2017. The Council utilises Sycle as its risk management system. The following charts represent the Strategic and Operational risk summary of the Council as of 25 March 2024.



The primary risk categories include Environmental, Financial, Health and Safety, ICT Infrastructure and Assets, Legislative Compliance, Reputation / Image and Service Delivery. These categories are further segregated into various risk types such as Strategic, Operational and Project risks. Risk appetites are defined for each primary risk category.

The Council uses a 5 x 5 risk assessment matrix with:

- Consequence ratings: Insignificant, Minor, Moderate, Major, and Severe.
- Likelihood ratings: Rare, Unlikely, Possible, Likely, and Almost Certain.

Inherent risks are classified into Extreme, High, Medium, and Low categories. For control assessment, the Council also uses a 5x5 matrix with:

- Control effectiveness ratings: Fully effective, Substantially effective, Partially effective, Largely ineffective and Totally ineffective. The resulting residual risks are categorised again into Extreme, High, Medium, and Low.

Napier City Council

Risk Management

The table below summarises the risk reporting requirements at the Council

Report	Frequency	Audience
Risk Treatment Action Status Report ¹	Monthly	Executive Leadership Team, Managers
	Quarterly	Audit and Risk Committee
Incident Report ²	Monthly	Executive Leadership Team, Managers
	Quarterly	Audit and Risk Committee
Strategic Risk Report	Quarterly	Executive Leadership Team, Audit and Risk Committee
Operational Risk Report	Quarterly	Executive Leadership Team, Managers
Risk Management Audit Report	Annual	Executive Leadership Team, Audit and Risk Committee, Council

¹For all extreme organisational and high strategic risks.

²Relates to Health & Safety risks

5 Maturity Assessment Results – Summary

The AoG Enterprise Risk Maturity Assessment Framework enables agencies to objectively measure their risk management capability against a continuum of five possible maturity levels outlined below:

M1 – Score 1	M2 – Score 2	M3 – Score 3	M4- Score 4	M5 – Score 5
<p>Risk management practices are not documented and rely on the dedicated efforts of a few individuals.</p> <p>There is no or limited awareness of the value of enterprise risk management by senior business leaders with decision making being wholly subjective and opinion based.</p> <p>As a result, overall business performance is largely determined by 'chance' and may vary greatly from expected outcomes.</p>	<p>Basic risk management practices are documented but there is a lack of detailed guidance and risk management practices are not consistently applied across all business units.</p> <p>Senior business leaders have a high level appreciation of the value of enterprise risk management and promote its adoption.</p> <p>There is some use of evidence-based data to support risk informed decision making and provide assurance that risks are being managed effectively.</p> <p>As a result, overall business performance is somewhat determined by 'chance' and may vary from expected outcomes.</p>	<p>Risk management practices are well defined, documented and there is consistent application across all business units.</p> <p>Senior business leaders actively promote the value of enterprise risk management across the agency.</p> <p>There is good use of evidence-based data and more sophisticated risk management techniques to support risk informed decision making and provide risk-based assurance that risks are being managed effectively.</p> <p>As a result, overall business performance is predictable with limited variation from expected outcomes.</p>	<p>Risk management practices are partially integrated within the agency's structures, processes, systems and people capability.</p> <p>Risk management extends beyond organisational boundaries to include some inter-agency, sector and AoG outcomes.</p> <p>Senior business leaders proactively encourage a continuous improvement risk culture with input from the business.</p> <p>There is strong use of evidence-based data and advanced risk management techniques to support risk informed decision making and provide integrated assurance that risks are being managed effectively.</p> <p>As a result, overall business performance is consistently strong against expected outcomes.</p>	<p>Risk management practices are fully integrated within the agency's structures, processes, systems and people capability, and independently verified as 'best in class'.</p> <p>The agency takes the lead 'n Managing system level risks in support of inter-agency, sector and AoG outcomes.</p> <p>Senior business leaders view risk management as a core competency to drive value and sustainable public outcomes.</p> <p>There is excellent use of evidence-based data and innovative risk management techniques to support risk informed decision making and provide dynamic and iterative assurance that risks are being managed effectively.</p> <p>As a result, overall business performance is optimised and often exceeds expected outcomes.</p>

The detailed assessment is presented at Appendix 7.5

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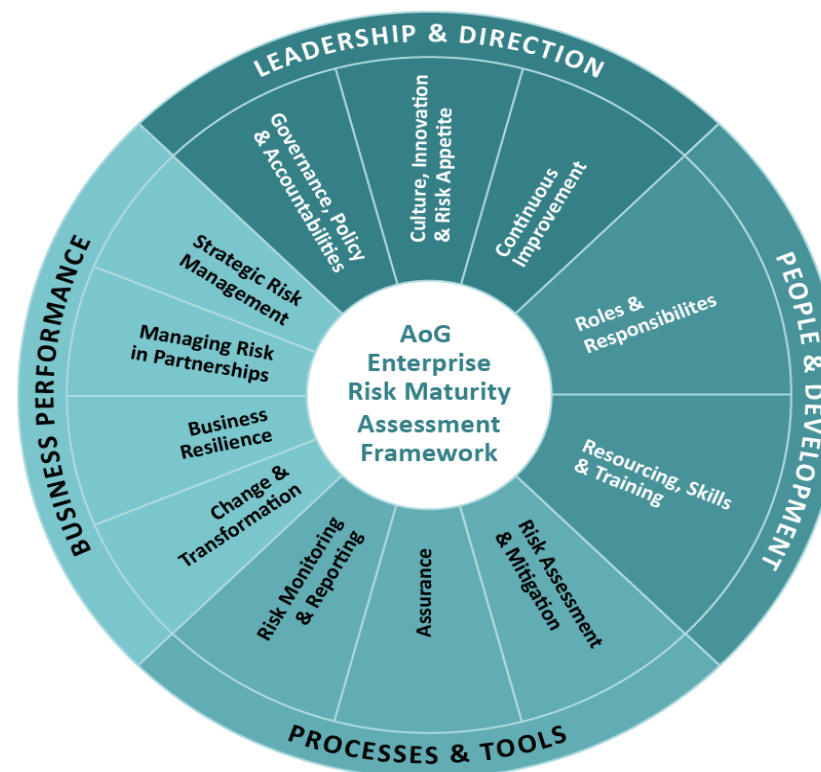
Napier City Council

Risk Management

Our evaluation of the Council's maturity across the in-scope elements of the 'All of Government Enterprise Risk Maturity Assessment Framework' (the Framework) is presented below. We used the Minimum Maturity Level Calculator tool which forms part of the Framework. The tool anticipates that the Council should be at a minimum maturity level of Level Three across these elements given the council's size and nature of operations.

In all four areas evaluated, the expected risk management practices, tools and processes are largely established (i.e., at Maturity Level Two), however these are not consistently applied across the Council (which would represent Maturity Level Three).


Element	Target Maturity Score	Current Maturity Score	Score
Leadership & Direction	M3	M2	2
<i>Governance, Policy & Accountabilities</i>	M3	M2	2
<i>Culture, Innovation & Risk Appetite</i>	M3	M1 & M3	2
<i>Continuous Improvement</i>	M3	M2	2
People and Development	M3	M3	3
<i>Roles & Responsibilities</i>	M3	M3	3
<i>Resourcing, Skills & Training</i>	M3	M2	2
Processes and Tools	M3	M2	2
<i>Risk Assessment & Mitigation</i>	M3	M2	2
<i>Assurance</i>	M3	M1	1
<i>Risk Monitoring & Reporting</i>	M3	M1 & M2	2
Business Performance	M3	M1	1
<i>Strategic Risk Management</i>	M3	M1	1
<i>Managing Risk in Partnerships</i>	M3	M1	1
<i>Business Resilience</i>	M3	M1	1
<i>Change & Transformation</i>	M3	M1	1
Grand Average	M3	M2	2



Napier City Council

Risk Management

6 Observations and Recommendations

Finding	Current Situation	Risk Rating			Recommendation	Management Response
		H	M	L		
6.1 Risk management framework						
1	<p>The operating framework in place for risk management comprises of Risk Management Policy (2022) and Risk Management Strategy (2017), which were formally adopted by Council in 2022 and 2017, respectively. The policy provides a conceptual framework for risk management, while the strategy outlines how the Council plans to work towards and measure progress against stated goals, and covers risk management procedures.</p> <p>The policy and strategy are to be reviewed annually in accordance with the Risk Management Policy. However, since adoption of the policy and strategy, the review of these documents are still in draft form and require further enhancement before finalisation, and adoption.</p> <p>Improvement opportunities exist to include further guidance over key areas and address inconsistencies, these include:</p> <ul style="list-style-type: none">There are seven (7) impact categories for which risk appetite levels are defined. The risk appetite ratings for five (5) impact categories are inconsistent across policy and strategy documents. <p>For example, under the impact category 'Environmental and Sustainability', risk appetite is 'low' in the policy and 'moderate' in the strategy.</p> <p>Differences exist for other impact categories such as Financial, ICT, Infrastructure and Assets, Reputation and Damage and Service Delivery.</p>				<p>1. Management need to review and further enhance the framework by:</p> <p>a. Ensuring that the Risk Management Policy and Strategy are reviewed annually, updated consistently and promptly tabled for endorsement.</p> <p>b. Clarifying the roles and responsibilities of risk sponsors and risk owners</p> <p>c. Bringing the Policy and Strategy in alignment with the latest standards, ISO 31073:2022 and ISO 31000:2018 respectively.</p> <p>The updated framework to form the basis of risk management training (refer to 6.6)</p>	<p>Agree</p> <p>Management Comments: The Risk Policy/Strategy/ Framework will be updated, with 3 yearly review processes for each - unless significant changes warrant immediate review. This next revision will clarify roles of the risk sponsor/risk owners, Incorporate ISO31073:2022 Vocabulary and IOS 3100:2018. Staff training will be targeted specifically for the updates to the Risk Management System.</p> <p>Responsible Person & Position: Alister Edie, Business Improvement Manager</p> <p>Jess Ellerm, Deputy CE/ED Corporate Services</p> <p>Target Date: March 1st 2025</p>


Napier City Council

Risk Management

Finding	Current Situation	Risk Rating			Recommendation	Management Response
		H	M	L		
	<ul style="list-style-type: none"> The authority for acceptance of residual risk above stated appetite for various impact categories is defined. <p>There are inconsistencies across the policy and strategy – for example, the Authority for accepting extreme risk outside of appetite in the policy is stated as Council, whereas in the Strategy it is the Chief Executive.</p> <ul style="list-style-type: none"> Reporting responsibilities to be clarified. “Risk owner” is defined as person or entity with the accountability and authority to manage a risk while “risk sponsor” has not been defined. <p>The Risk Management Policy states that “<i>Risks will be formally monitored, reviewed, and reported on by the Risk Owner.</i>”</p> <p>Further, it also states “<i>the Risk Sponsor is responsible for reporting to the Audit and Risk Committee.</i>”</p> <ul style="list-style-type: none"> References to ISO Guide 73:2009 Risk Management Vocabulary are found in both the policy and strategy documents. <p>However, this guide has been withdrawn and replaced by ISO 31073:2022 Risk Management Vocabulary.</p> <p>While the definition of risk appetite remains consistent with the latest version, some of the glossary of terms in the policy and strategy do not align with the updated guide.</p>					

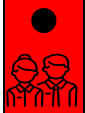
Napier City Council

Risk Management

Finding	Current Situation	Risk Rating			Recommendation	Management Response
		H	M	L		
	<ul style="list-style-type: none"> References to ISO 31000: 2009 Risk management principles and guidelines are found in both policy and strategy. <p>However, this has been withdrawn and replaced by ISO 31000: 2018 Risk management guidelines.</p> <p>The current risk management framework with outdated documentation, varying risk appetite levels, unclear roles, and references to outdated standards could potentially hinder effective risk management practices.</p>					
6.2 Adequacy of processes for identifying, assessing, and managing risk						
2	<p>The Strategy provides guidance on risk management process, starting with risk identification. It states that the aim of risk identification is to generate a list of risks based on the events that might create, enhance, prevent, degrade, accelerate, or delay the achievement of NCC's objectives.</p> <p>We were advised the Risk Management Lead explains risk identification methods during face-to-face training, however we noted that the guidance lacks detailed information on the methods for risk identification including stakeholder interviews, root cause analysis, and SWOT analysis.</p> <p>Also, the Council uses a risk management system called Sycle. We noted that there are no reminders sent from the system to risk or control owners as notifications to conduct risk and control reviews.</p> <p>Inadequate guidance on risk identification methods poses a risk of incomplete or inconsistent risk assessments, potentially leading to oversight of critical risks. The lack of reminders for risk and control owners in the Sycle risk management system may lead to reviews being delayed or overlooked entirely.</p>				<p>2. Management should further enhance the control framework by:</p> <p>a. Developing guidance on various methods for risk identification to ensure thorough and consistent risk assessments across operations.</p> <p>Based on Institute of Internal Auditors Certification in Risk Management Assurance (CRMA) guide, example of risk identification methods include: Checklists, Benchmarking, Scenario Planning, Vulnerability Assessments,</p>	<p>Agree</p> <p>Management Comments: a) Training will include methodology options for risk identification as detailed in AS/NZS IEC 31010:2020 Risk Management- Risk Assessment Techniques. Para 6.3.2 providing suggested options, and their application.</p> <p>b) Automated reminders activated in Sycle, to prompt Risk Owners/Control Owners and Treatment Owners of overdue items. The process also includes monitoring their dashboards, for due dates.</p>

Napier City Council

Risk Management

Finding	Current Situation	Risk Rating			Recommendation	Management Response
		H	M	L		
					<p>Brainstorming / Thought Shower, Control Self-Assessment (CSA) / Control Self Risk Assessment (CSRA), Questionnaires / Surveys and Risk Identification Workshops.</p> <p>b. Implementing automated reminders within the Cycle risk management system to prompt risk and control owners to conduct regular reviews.</p> <p>c. Generating exception reporting to identify overdue risk and control reviews.</p>	<p>c) Risk attention reports are being presented to ELT at monthly forum, to identify any overdue Risks, Control or Treatment action.</p> <p>Responsible Person & Position: Dave Jordison, Risk & Assurance Lead</p> <p>Target Date: March 1st 2024</p>
6.3 Deficiencies in strategic risk management and oversight						
3	<p>Part of senior leadership team's responsibilities, as stated in the risk management strategy, includes:</p> <ul style="list-style-type: none"> maintaining overall responsibility for effective and efficient management of risks, promotion of a risk management culture, communicating and raising awareness of risk management to Council managers and staff, and ensuring that risk management is in place and reviewed as required at least annually for all risks for timely updating and continuous improvement. 				<p>3. Management should:</p> <p>a. Demonstrate a strong commitment to effective risk management by actively participating in the review and update of controls associated with strategic risks.</p> <p>b. Actively participate in risk management training and development initiatives to set</p>	<p>Agree - with exception of Risk Champions.</p> <p>Management Comments: a) Monthly ELT reporting on Strategic and Operational risks is now a regular activity with a set format for these reports and contents.</p>

Napier City Council

Risk Management

Finding	Current Situation	Risk Rating			Recommendation	Management Response
		H	M	L		
	<p>At the time of the internal audit, there are seven (7) strategic risks captured in the strategic risk register.</p> <p>Upon review, we noted the following:</p> <ul style="list-style-type: none"> There are 46 controls allocated to the 7 strategic risks, with 30 controls currently overdue for review. All strategic risks are currently beyond acceptable appetite levels. Out of the 5 designated risk owners and 14 control owners (with 4 employees serving in both capacities), only 1 employee has completed risk management training. A second strategic risk workshop was facilitated by PwC in 2023, yet the recommendations stemming from the workshop, including proposed risk merges, have not been actioned to date. One (1) control remains assigned to an employee who departed the Council in January 2023. The replacement employee assumed the role more than a year later, in March 2024. It remains unclear who is accountable for this control and whether any reviews were conducted. Additionally, there is an employee currently on secondment, and the corresponding risks have not been reassigned during this period. <p>The challenges in adequately identifying, monitoring, and addressing strategic risks may contribute to a less-than-ideal leadership tone, potentially setting a suboptimal example for other managers.</p>				<p>a positive example for their teams.</p> <p>c. Address the recommendations from the strategic workshop and demonstrate a commitment to continuous improvement in risk management practices.</p> <p>d. Designate a risk champion to coordinate overall risk management activities for strategic risks (refer 6.7 for detailed recommendation).</p>	<p>b) Training completed for all ELT members for Risk essentials in CAMMS College. Tier 3 & 4 Managers planned completion 30 Nov 2024 includes more in-depth detailed training. Specifically for Operational Risk Identification, Causes & Consequences, Controls and Treatment Actions, and their responsibilities. All Risk Essentials training will be completed by 1 Dec 2024</p> <p>d) The Risk and Assurance lead will champion the risk process, deliver updated reporting to ELT and assist with the coordination process, including the automated notification process. Further definition of the risk sponsors role, to advocate for organisational level risk, will further enhance maturity.</p> <p>Responsible Person & Position: Alister Edie, Business Improvement Manager</p> <p>Jess Ellerm, Deputy CE/ED Corporate Services</p> <p>Target Date: 1st Dec 2024</p>

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Risk Management

Finding	Current Situation	Risk Rating			Recommendation	Management Response
		H	M	L		
6.4 Policies and Procedures						
4	<p>The current risk management strategy outlines several critical requirements to ensure effective risk mitigation and response. It mandates that contingency plans be developed for risks with a pre-mitigation risk score of high or extreme, regardless of the post-mitigation (residual risk) score.</p> <p>However, there is a lack of evidence supporting the development of such contingency plans, and the strategy does not provide guidance on their development, including necessary components, templates, or a clear definition of what constitutes a contingency plan.</p> <p>Additionally, the strategy assigns the responsibility of approving and reviewing risk management programs and risk treatment options for extreme risks to the Audit and Risk Committee (ARC), yet this responsibility is not documented in the ARC charter.</p> <p>Furthermore, the risk management policy requires that residual risks above the prescribed tolerance level be escalated and assigned to the appropriate level within Council. However, there is no evidence demonstrating the escalation of out-of-appetite residual risks to the relevant levels within the Council.</p> <p>These highlight potential vulnerabilities in risk oversight and mitigation efforts</p>		● ✂		<p>4. Management should further develop the policies and procedures by:</p> <ul style="list-style-type: none"> a. Re-assessing the intent for developing contingency plans and establishing guidelines and templates for their development (if applicable). b. Updating the risk management strategy and or ARC Charter to accurately reflect the responsibilities of the Audit and Risk Committee (ARC) as they relate to risk management. <p>(An ARC is typically an Advisory Committee, it will generally not have the 'authority to approve', but will have the ability to 'recommend to Council to approve'.</p> <ul style="list-style-type: none"> c. Implementing monitoring process to escalate residual 	<p>Agree</p> <p>Management Comments:</p> <ul style="list-style-type: none"> a) Council will complete a review of the contingency process and the triggers for this, to identify whether contingency plans are required. b) Council will review the responsibilities in the ARC Charter, checking they are recommendation based as opposed to approval based. c) Upskilling of Directors in the risk escalation process has begun. Relevant strategic risks have been escalated and presented to the ELT and ARC. <p>The next phase is upskilling Tier 3 & 4 Managers to ensure all out of appetite Operational Risks are assessed escalated as required.</p> <p>This process is anticipated to be completed by Jan 2024.</p>

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Risk Management

Finding	Current Situation	Risk Rating			Recommendation	Management Response
		H	M	L		
					risks exceeding the prescribed tolerance levels to appropriate levels within the organisation for further review and action.	Person & Position: Dave Jordison, Risk & Assurance Lead Jess Ellerm, Deputy CE/ED Corporate Services Target Date: 1 st March 2025
6.5 Adequacy of process for ensuring completeness and currency of risk registers						
5	<p>Council uses a risk management system called Sycle. In consultation with management, we selected Infrastructure Services, Community Services and Corporate Services as sample operational risk registers for review.</p> <p>Reporting activities include the Risk Treatment Action Status Report and the Incident Report, which are both presented monthly to the Executive Leadership Team and Managers, and quarterly to the Audit and Risk Committee. The Strategic Risk Report and Operational Risk Report are presented quarterly to their respective audiences. The Risk Management Audit Report is presented annually to the Executive Leadership Team, the Audit and Risk Committee, and the Council.</p> <p>Upon review, we noted:</p> <ul style="list-style-type: none"> • Certain risks lack associated controls. • A number of controls are overdue for review. • Certain risk treatments are missing. 		● ✂		<p>5. Management should revisit the currency and validity of the risk and controls identified in the risk register, including a review of similar themed risks, ensuring it is up to date with assigned owners for accountability.</p>	<p>Agree</p> <p>Management Comments: Rationalisation of our risk management system is a key outcome of an uplift program we are developing. Actions to reduce risk duplications, improve control effectiveness and imbed escalations processes include:</p> <ul style="list-style-type: none"> - Operational risk review process improvements - Tier 3&4 Management training - Monthly ELT risk reporting improvements

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Finding	Current Situation	Risk Rating			Recommendation	Management Response																																																								
		H	M	L																																																										
	<ul style="list-style-type: none"> Several residual risks exceed the acceptable threshold (out of appetite). There are instances where residual risk ratings are absent. <p>The results of our review are presented in the below table.</p> <table> <tr> <th>Particulars</th><th>Infra</th><th>%</th><th>Comm</th><th>%</th><th>Corp</th><th>%</th></tr> <tr> <td>Total operational risks</td><td>20</td><td></td><td>92</td><td></td><td>11</td><td></td></tr> <tr> <td>Risks with no controls</td><td>1</td><td>5%</td><td>36</td><td>39%</td><td>1</td><td>9%</td></tr> <tr> <td>Total controls</td><td>104</td><td></td><td>259</td><td></td><td>52</td><td></td></tr> <tr> <td>Overdue control reviews</td><td>54</td><td>52%</td><td>87</td><td>34%</td><td>22</td><td>42%</td></tr> <tr> <td>Absent risk treatments</td><td>5</td><td>25%</td><td>46</td><td>50%</td><td>0</td><td>0%</td></tr> <tr> <td>Out of appetite residual risks</td><td>19</td><td>95%</td><td>29</td><td>32%</td><td>7</td><td>64%</td></tr> <tr> <td>Absent residual risk rating</td><td>0</td><td>0%</td><td>31</td><td>34%</td><td>0</td><td>0%</td></tr> </table> <p>Incomplete risk registers in terms of missing control measures, risk treatments and residual risk ratings, delays in control reviews and existence of residual risks that exceed the risk appetite levels points to limited risk awareness culture within the Council.</p> <p>Failure to properly identify and treat risks, along with the presence of residual risks exceeding acceptable thresholds and missing risk ratings, exposes the organisation to potential financial, operational, and reputational losses.</p>	Particulars	Infra	%	Comm	%	Corp	%	Total operational risks	20		92		11		Risks with no controls	1	5%	36	39%	1	9%	Total controls	104		259		52		Overdue control reviews	54	52%	87	34%	22	42%	Absent risk treatments	5	25%	46	50%	0	0%	Out of appetite residual risks	19	95%	29	32%	7	64%	Absent residual risk rating	0	0%	31	34%	0	0%				<p>6. A process to verify the accuracy and completeness of the risk registers needs to be implemented.</p> <p>This should include a periodic attestation by risk and control owners presented to the ELT and ARC.</p>	<p>A documented annual risk attestation process will be added to the Risk Management strategy to ensure risk owners understand and complete this.</p> <p>Responsible Person & Position: Alister Edie, Business Improvement Manager</p> <p>Dave Jordison, Risk & Assurance Lead</p> <p>Target Date: 1 March 2025</p>
Particulars	Infra	%	Comm	%	Corp	%																																																								
Total operational risks	20		92		11																																																									
Risks with no controls	1	5%	36	39%	1	9%																																																								
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Finding	Current Situation	Risk Rating			Recommendation	Management Response																																																
		H	M	L																																																		
6.6 Risk management training																																																						
6	<p>Risk management training, including the use of Sycle, are on a self-registration basis by employees in the system. We noted that:</p> <ul style="list-style-type: none">The training is not mandatoryThere is no established process for monitoring attendance/ completion.Ongoing or refresher training sessions are not scheduled. <p>The table below displays the number of risk and control owners who have completed training for the sample directorates that were reviewed.</p> <table><tr><th>Directorate</th><th>Total</th><th>Completed</th><th>Registered</th><th>Not Registered</th></tr><tr><td>Infra.</td><td colspan="4">5 are both control and risk owners.</td></tr><tr><td>Risk owners</td><td>7</td><td>1</td><td>3</td><td>3</td></tr><tr><td>Control owners</td><td>20*</td><td>2</td><td>2</td><td>12</td></tr><tr><td>Comm.</td><td colspan="4">14 are both control and risk owners.</td></tr><tr><td>Risk owners</td><td>16</td><td>0</td><td>5</td><td>11</td></tr><tr><td>Control owners</td><td>35*</td><td>3</td><td>7</td><td>19</td></tr><tr><td>Corp.</td><td colspan="4">5 are both control and risk owners.</td></tr><tr><td>Risk owners</td><td>6</td><td>1</td><td>1</td><td>4</td></tr><tr><td>Control owners</td><td>17*</td><td>4</td><td>4</td><td>5</td></tr></table> <p>Note*: Employees who left the Council were not considered.</p> <p>Although there is proactive in-person training provided by the Risk management lead, lack of mandatory training, absence of attendance records and ongoing or refresher sessions may result in inconsistent understanding and application of risk management practices across the organisation.</p>	Directorate	Total	Completed	Registered	Not Registered	Infra.	5 are both control and risk owners.				Risk owners	7	1	3	3	Control owners	20*	2	2	12	Comm.	14 are both control and risk owners.				Risk owners	16	0	5	11	Control owners	35*	3	7	19	Corp.	5 are both control and risk owners.				Risk owners	6	1	1	4	Control owners	17*	4	4	5	<div></div>	<p>7. Management should further enhance the control framework by:</p> <p>a. Introducing the requirement for mandatory risk management training, to ensure all relevant employees, especially risk and control owners, participate regularly to maintain a consistent level of understanding and proficiency in risk management practices.</p> <p>Attendance at training to be recorded, monitored and reported on.</p> <p>b. Implementing ongoing or refresher training to reinforce key concepts and updates in risk management methodologies.</p>	<p>Agree</p> <p>Management Comments:</p> <p>a) All Directors, Tier 3 & 4 Managers and Project Managers will participate in relevant risk training. This is monitored and reported on at the Monthly ELT Meetings.</p> <p>b. Refresher training is being developed, on a three-yearly basis. An in-house forum to inform risk users of any changes to the Sycle module is being set up.</p> <p>This will all be documented in the Risk Management Strategy.</p> <p>Responsible Person & Position:</p> <p>a. Jill Coyle, Chief People Officer</p> <p>b. Dave Jordison, Risk & Assurance Lead</p> <p>Target Date:</p> <p>a.1 Dec 2024 Induction Risk Essentials Training completed.</p>
Directorate	Total	Completed	Registered	Not Registered																																																		
Infra.	5 are both control and risk owners.																																																					
Risk owners	7	1	3	3																																																		
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Finding	Current Situation	Risk Rating			Recommendation	Management Response																								
		H	M	L																										
	Failure to ensure comprehensive participation in risk management trainings, particularly among risk and control owners, could lead to gaps in their knowledge and skills, hindering their ability to effectively manage risks within their areas of responsibility and potentially exposing the organisation to increased vulnerabilities.					b.1 March 2025. Refresher training every 3 years to be identified in Risk Strategy.																								
6.7 Change management																														
7	<p>For employees tasked with the responsibilities of risk and control ownership, there is a lack of established and systematic change management procedures to facilitate the transfer of assigned risks or controls when they change role or leave the Council.</p> <p>We were advised the Risk Management Lead had requested the circulation of an offboarding form upon an employee's departure, this practice is not consistently followed.</p> <p>The table below presents the number of control owners who have left Council, along with controls assigned to them and the delay in updating. No discrepancies were noted for risk owners.</p> <table><tr><th>Directorate</th><th>Total no. of control owners</th><th>Total no. of 21rganiz assigned</th><th>Control owners no longer with NCC</th><th>No. of controls assigned</th><th>Delay in updating as on 1/5/24</th></tr><tr><td>Infra.</td><td>20</td><td>104</td><td>4</td><td>12</td><td>23 to 1769 days</td></tr><tr><td>Comm.</td><td>35</td><td>259</td><td>6</td><td>13</td><td>23 to 999 days</td></tr><tr><td>Corp.</td><td>17</td><td>52</td><td>4</td><td>8</td><td>316 to 502 days</td></tr></table> <ul style="list-style-type: none">There are delays ranging from 23 to 1769 days in updating control owners as the time of the internal audit.	Directorate	Total no. of control owners	Total no. of 21rganiz assigned	Control owners no longer with NCC	No. of controls assigned	Delay in updating as on 1/5/24	Infra.	20	104	4	12	23 to 1769 days	Comm.	35	259	6	13	23 to 999 days	Corp.	17	52	4	8	316 to 502 days				<p>8. Management should designate a risk champion(s) responsible for coordinating risk management activities within each directorate.</p> <p>Duties and responsibilities should be clearly defined which may include:</p> <ul style="list-style-type: none">driving the process of bringing together various risk and control owners as per working protocols establishedfacilitating risk and control reviews.be the key point of contact for providing updates of risk registers as a result of periodic reviews.identify training needs for risk and control owners and monitor	<p>Disagree RE Risk Champions. See Role and Responsibilities for Risk and Assurance Lead.</p> <p>See 6.3 d) above.</p> <p>Agree RE Change management with staff departures.</p> <p>Management Comments:</p> <p>Off boarding processes need refining, including communication between People & Capability and IT.</p> <p>The P&C department will lead the process and be the point of contact for the process. P&C will ensure risk responsibilities are transferred to the new individual replacing the exiting person or escalated in the interim. This process will be documented in the update of the Risk Strategy/Framework.</p> <p>Responsible Person & Position:</p>
Directorate	Total no. of control owners	Total no. of 21rganiz assigned	Control owners no longer with NCC	No. of controls assigned	Delay in updating as on 1/5/24																									
Infra.	20	104	4	12	23 to 1769 days																									
Comm.	35	259	6	13	23 to 999 days																									
Corp.	17	52	4	8	316 to 502 days																									

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Finding	Current Situation	Risk Rating			Recommendation	Management Response
		H	M	L		
	<ul style="list-style-type: none"> Some replacements were hired more than 2 years later and have not been recorded as control owners. A total of 33 controls have not been reassigned. <p>Inadequate change management procedures for transferring risk and control ownership increase the risk of critical responsibilities being missed or overlooked, potentially leading to gaps in risk management and control effectiveness.</p>				<p>completeness for any trainings assigned.</p> <p>With respect to any employees who might be leaving the directorate, the risk champion should:</p> <ul style="list-style-type: none"> Inform the Risk management lead of the departure. Aid in identifying temporary risk and control owners until new hires are onboarded. facilitate the transition of risk and control responsibilities to new hires. support the escalation of risk and control ownership for positions that will not be filled with new recruits. 	<p>Jill Coyle, Chief People Officer</p> <p>Or each directorate has a dedicated person...</p> <p>Target Date: 1 March 2025</p>

7 Appendices

7.1 Basis and use of report

This report is prepared on the basis of the limitations set out below:

We are engaged by Napier City Council (the client) to provide internal audit services and the scope of our activities is determined by management and reviewed by the Audit Committee.

- This report has been prepared in accordance with the objectives and approach agreed in the engagement document and subject to the following limitations:
- Our procedures were designed to provide limited assurance which recognises that absolute assurance is rarely attainable, due to such factors as the use of judgment in gathering and evaluating evidence and forming conclusions, and the use of selective testing, and because much of the evidence available for review is persuasive rather than conclusive in nature.
- Because of the inherent limitations of any internal control structure, it is possible that errors or irregularities may occur and not be detected. Our procedures were not designed to detect all weaknesses in control procedures as they were not performed continuously throughout a specified period and any tests performed were on a sample basis.
- Any projection of the evaluation of the control procedures to future periods is subject to the risk that the systems may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.
- The matters raised in this report are only those that came to our attention during performing our procedures and are not necessarily a comprehensive statement of all the weaknesses that exist or improvements that might be made. We cannot, in practice, examine every activity and procedure, nor can we be a substitute for management's responsibility to maintain adequate controls over all levels of operations and their responsibility to prevent and detect irregularities, including fraud. Accordingly, management should not rely on our report to identify all weaknesses that may exist in the systems and procedures under examination, or potential instances of non-compliance that may exist.
- Recommendations for improvement should be assessed by management for their full commercial impact before they are implemented.

This report is not to be used by any other party for any purpose nor should any other party seek to rely on the opinions, advice or any information contained within this report. In this regard, we recommend that parties seek their own independent advice. Crowe disclaims all liability to any party other than the client for which it was prepared in respect of or in consequence of anything done, or omitted to be done, by any party in reliance, whether whole or partial, upon any information contained in this report. Any party, other than the client for which it was prepared, who chooses to rely in any way on the contents of this report, does it so at their own risk.

The information in this report and in any related oral presentation made by Crowe is confidential between Crowe and the client for which it was prepared and should not be disclosed, used, or duplicated in whole or in part for any purpose except with the prior written consent of Crowe. An electronic copy or print of this document is an UNCONTROLLED COPY.

7.2 Personnel contacted during the Internal Audit

We would like to thank the following personnel for their assistance in the conduct of this internal audit.

Contact	Position	Email
Dave Jordison	Risk and Assurance Lead	dave.jordison@napier.govt.nz
Jamie Goodsir	Director – Programme Delivery	jamieg@napier.govt.nz
Jessica Ellerm	Depute Chief Executive / Executive Director Corporate Services	jessica.ellerm@napier.govt.nz
Steve Gregory	Manager – Business and Tourism	steveg@napier.govt.nz

7.3 Review approach

The internal audit was conducted primarily by applying discussion, observation and review techniques with limited detailed testing being undertaken.

The approach focused on:




- understanding through discussion and observation the management processes in place;
- documenting and evaluating the methods associated with control and management; and
- assessing the possibility of risk to Council.

In finalising the report management were requested to review the report for any factual errors they believed should be addressed.

In addition, management have provided responses for each recommendation in section 4. We requested that management clearly identify:

- if management agrees, disagrees, or partially agrees with the finding;
- what action is to be taken;
- who will be responsible for the proposed action; and
- when the issue is likely to be addressed.

7.4 Key to significance of risk ratings and root cause findings

Rating	Definition	Guidance	Action required	Root Cause Findings Themes and Descriptors		
High	Issue represents a control weakness, which could cause or is causing major disruption of the process or major adverse effect on the organization of the process to achieve its objectives.	<ul style="list-style-type: none"> Material errors and departures from the organization policies and procedures Financial management accountability probity concerns Non-compliance with governing legislation and regulations may result in fines or other penalties. Collective impact of many moderate or low issues. 	<ul style="list-style-type: none"> Requires senior management intervention and may require significant organization of resources, including external assistance. Ongoing resource diversionary potential. Requires high priority to immediate action (within 6 months) 	Governance  Findings where action plans will enhance the governance framework. For example, adequacy of policies and procedures, oversight processes, reporting lines	Systems and Processes  Findings where action plans will enhance systems and improve the process. For example, controls may be in place however these can be enhanced to strengthen the control framework and ensure they mitigate the related risk.	People  Findings where action plans will enhance the performance of people. For example, controls are designed effectively however they are not operating effectively. This could be due to insufficient training, absence of communication of policies and procedures or an absence of understanding of the importance of the control.
	Issue represents a control weakness, which could cause or is causing moderate adverse effect on the ability of the process to meet its objectives.	<ul style="list-style-type: none"> Events, operational, business, and financial risks that could expose the organization to losses that could be marginally material to the organization. Departures from best practice management procedures, processes. 	<ul style="list-style-type: none"> Requires management intervention and may require possible external assistance. Requires prompt action (within 12 months) 			
	Issue represents a minor control weakness, with minimal but reportable impact on the organization to achieve process objectives.	<ul style="list-style-type: none"> Events, operational and business risks that could expose the organization to losses which are not material due to the low probability of occurrence of the event and insignificant impact on the operating capacity, reputation, and regulatory compliance. Departures from management procedures, processes, however, appropriate monitoring and governance generally mitigates these risks. 	<ul style="list-style-type: none"> Requires management attention and possible use of external resources. Requires action commensurate with the process objective (within 18 months) 			

7.5 Maturity Assessment Results - Detailed

Our evaluation of the Council's maturity across the in-scope elements of the All of Government Enterprise Risk Maturity Assessment Framework (the Framework) is presented below.

We used the Minimum Maturity Level Calculator tool which forms part of the Framework and anticipate that the Council should be at a minimum maturity level of Level Three across these elements given the council's size and nature of operations.

In all four areas evaluated, the expected risk management practices, tools and processes are largely established (i.e., at Maturity Level Two), however these are not consistently applied across the Council (which would represent Maturity Level Three).

Note: The attribute highlighted in green represents the Council's assessed maturity level category

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Element	Attribute	M1	M2	M3	M4	M5	Current Maturity Score (1-5)	Target Maturity Score (1-5)
Leadership & Direction	Governance, Policy & Accountabilities	<ul style="list-style-type: none"> The governance framework for overseeing risk management is not formally documented. An independent governance body does not exist. There is no internal audit function, and the provision of assurance is primarily focused on meeting external audit requirements. There is limited guidance on how risks should be managed and escalated. There is limited evidence of risk focused discussions taking place at senior leadership team meetings. Limited action is taken based on the results of assurance activities. 	<ul style="list-style-type: none"> A formal governance framework exists that sets out high level accountabilities for overseeing risk management. An independent governance body (e.g., Audit and Risk Committee) exists but is largely passive e.g., reviews and approves risk management strategy / annual audit plan. An internal audit function has been set up with a focus on controls and compliance monitoring in specific areas. There is some guidance on how risks should be managed and escalated across the agency, but this tends to have an operational focus e.g., health and safety. Application of the risk management guidance is not consistent across all business units. There is some evidence of risk focused discussions taking place at senior leadership team meetings; however, there is limited evidence of challenge regarding risk and assurance information, or proactive action being taken as a result, or action is taken in isolation to other business units. 	<ul style="list-style-type: none"> There is a comprehensive governance framework in place that explicitly assigns individual accountabilities for managing top risks, including risks with core delivery partners. An independent governance body exists that regularly reviews and monitors top risks and progress against the risk management strategy / annual audit plan. The internal audit function has a broad remit with a focus on risk assurance and process improvements. There is a formal risk management policy together with clear guidance for escalating risks (e.g., to whom) that has been approved by the senior leadership team and the governance body. Application of the risk management policy and guidance is consistent across all business units. The senior leadership team provides specific direction around the management of top risks and there is some evidence of challenge regarding risk and assurance information; action taken considers the potential impact on other business units and core delivery partners. 	<ul style="list-style-type: none"> There is a comprehensive governance framework in place with explicit accountabilities for managing top risks, including some system level risks in support of inter-agency, sector and AoG outcomes. An independent governance body exists that challenges and directs the senior leadership team on managing top risks and the results of assurance activities. The internal audit function is well established and provides assurance across a range of risks, including system level risks. Senior business leaders clearly understand the need to escalate risks and there is good evidence of this happening. There are mechanisms in place for sharing risk and assurance insights and lessons learned with senior business leaders. Risk is a standing agenda item at senior leadership team meetings and there is good evidence of risk focused discussions and challenge regarding risk and assurance information e.g., deep dive into specific risks; action taken considers the potential impact on some inter-agency, sector and AoG outcomes. 	<ul style="list-style-type: none"> The risk management policy is formally reviewed by the independent governance body every one to two years or when significant changes occur. The effectiveness of the governance body and internal audit function are independently reviewed every three to five years and benchmarked against a recognised achievement standard as 'best in class'. Risks, including system level risks in support of inter-agency, sector and AoG outcomes, are escalated in near time. There are mechanisms in place for sharing risk and assurance insights and lessons learned with other agencies and partners. New and emerging risks are discussed at senior leadership team meetings with strong evidence of proactive action being taken in support of inter-agency, sector and AoG outcomes. 	M2	M3

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Risk Management

Element	Attribute	M1	M2	M3	M4	M5	Current Maturity Score (1-5)	Target Maturity Score (1-5)
	Culture, Innovation & Risk Appetite	<ul style="list-style-type: none"> • There is no clear link between organisational values and behaviours and risk informed decision making. • There is limited understanding of the concept of risk appetite by senior business leaders. • There is no formal definition of innovation and what it means for the agency's risk appetite. 	<ul style="list-style-type: none"> • Risk informed decision making is implied in organisational values and behaviours. • There is a basic understanding of the concept of risk appetite by senior business leaders, although tolerance levels for different types of risk have not been defined. • The agency has a common definition of innovation, but this is not linked to risk appetite in any way. • Risk appetite, including the desire for innovation, is considered informally as part of strategic planning and decision-making processes. 	<ul style="list-style-type: none"> • There is an explicit link between organisational values and behaviours and risk informed decision making. • There is a comprehensive risk appetite statement in place that has been approved by the senior leadership team. • Risk tolerance levels for individual risks have been defined using basic risk rating criteria (e.g., High, Medium, Low). • The agency has a common definition of innovation and there is some link to risk appetite e.g., tolerance levels for change and transformation risk have been agreed. • Risk appetite and the desire for innovation are formally considered as part of strategic planning and decision-making processes. 	<ul style="list-style-type: none"> • Risk informed decision making is encouraged and supported through internal communications with a clear link to organisational values and behaviours. • The risk appetite statement incorporates some system level risks in support of inter-agency, sector and AoG outcomes. • Risk information, beyond basic risk rating criteria, is used to challenge the senior leadership team on what tolerance levels should be, including the acceptable level of risk for different types of innovation. • Risk appetite and the desire for innovation are integrated into strategic planning and decision making processes through risk focused discussions and analysis. 	<ul style="list-style-type: none"> • Risk informed decision making is fully integrated into organisational values and behaviours and is visibly encouraged, supported and rewarded by senior business leaders. • Risk appetite discussions are supported by a range of qualitative and quantitative tolerances that include inter-agency, sector and AoG outcomes. • Risk appetite and the desire for innovation form an integral part of strategic planning and decision making processes and are regularly reviewed. • There is strong evidence of risk appetite being applied to strategic options analysis and contingency planning. 	M1 & M3	M3
	Continuous Improvement	<ul style="list-style-type: none"> • There is no formal review of the effectiveness of risk management practices. • There is no formal risk management strategy or assessment of resources required to deliver improvements. 	<ul style="list-style-type: none"> • The effectiveness of risk management practices is periodically reviewed on a formal basis e.g., internally by the risk management or internal audit function every two to three years. • Improvement opportunities are documented in a basic risk management strategy that has been approved by the independent governance body. • There is no formal endorsement of the resources required to deliver improvements from 	<ul style="list-style-type: none"> • The effectiveness of risk management practices is regularly reviewed on a formal basis e.g. internally by the risk management or internal audit function every one to two years. • There is a comprehensive risk management strategy that has been approved by the independent governance body. • There is formal endorsement of the resources required to deliver improvements from the senior leadership team and regular updates on progress 	<ul style="list-style-type: none"> • The effectiveness of risk management practices is informed by regular feedback from business units and core partners. • The risk management strategy includes some initiatives to improve the management of system level risks in support of inter-agency, sector and AoG outcomes. • Risk management outcomes are partially integrated into business performance reporting to the senior leadership team. 	<ul style="list-style-type: none"> • The effectiveness of risk management practices is independently reviewed every three to five years and benchmarked against a recognised achievement standard (such as this framework) as 'best in class'. • Inter-agency, sector and AoG risk management outcomes are fully integrated into business performance reporting to the senior leadership team. 	M2	M3

Napier City Council

Risk Management

Element	Attribute	M1	M2	M3	M4	M5	Current Maturity Score (1-5)	Target Maturity Score (1-5)
			the senior leadership team.	against the risk management strategy.				
People & Development	Roles & Responsibilities	<ul style="list-style-type: none"> Risk management roles and responsibilities are not formally documented. Risk management is being carried out by individuals on a self-initiated 'best endeavours' basis. Senior business leaders do not expect or require assurance over their area of responsibility. 	<ul style="list-style-type: none"> Risk management roles and responsibilities are documented and communicated in traditional areas, such as corporate risk management and compliance functions. Corporate risk management roles and responsibilities are focused on risk reporting and compliance. There may be some link to position descriptions, terms of reference, contracts and goals but this is not consistent across the agency. Some senior business leaders may require assurance over their area of responsibility, but this is ad hoc across the agency. 	<ul style="list-style-type: none"> Risk management roles and responsibilities are documented and communicated for all risk areas and across all business units. Corporate risk management roles and responsibilities are focused on driving elements of good practice across the agency. Risk management roles and responsibilities are consistently reflected in position descriptions, terms of reference, contracts, goals and the agency's policy framework. There is limited evidence that good risk management behaviours are rewarded. Senior business leaders routinely expect and request assurance over their area of responsibility. 	<ul style="list-style-type: none"> Risk management roles and responsibilities are well understood and are generally incorporated into individual performance objectives. Corporate risk management roles and responsibilities are focused on driving good practice across the agency and there is a senior risk management advisor to provide leadership and direction. There is some evidence that good risk management behaviors are rewarded. Senior business leaders routinely expect and request assurance over their area of responsibility and may ask for ad hoc reviews. 	<ul style="list-style-type: none"> Risk management is regarded as a core competency and risk management roles and responsibilities are explicitly incorporated into individual performance objectives with a high degree of consistency across the agency. Corporate risk management roles and responsibilities are focused on optimising good practice across the agency and there is a head of risk / chief risk officer who is seen in the agency as the senior risk management advisor. There is strong evidence that good risk management behaviors are rewarded. Senior business leaders plan for assurance advice and reviews without being prompted. 	M3	M3
	Resourcing, Skills & Training	<ul style="list-style-type: none"> Limited resourcing is allocated to risk management activities. The agency has limited access to the skills and experience required to provide effective risk management. 	<ul style="list-style-type: none"> There are some gaps in the effectiveness of risk management activities due to insufficient resourcing. Risk management skills and experience are assessed at a high level for some key roles. Some ad hoc risk management training exists for key roles. 	<ul style="list-style-type: none"> Risk management activities are generally well resourced across the agency although some areas would benefit from additional resourcing. Risk management skills and experience are formally assessed for all key roles, including the senior leadership team. Structured risk management training is provided for all key roles. Risk management forms part of induction training for all management and staff. 	<ul style="list-style-type: none"> Resourcing is sufficient for the agency and supports some inter-agency, sector and AoG risk management outcomes. Risk management skills and experience for all key roles are regularly reviewed to ensure alignment with risk management outcomes and strategy. Risk management training needs are included in individual performance plans. There are mechanisms in place for keeping staff up to date with developments in risk management e.g. newsletters and other regular internal communications. 	<ul style="list-style-type: none"> Resourcing fully supports inter-agency, sector and AoG risk management outcomes Risk management skills and experience are optimised and continually improved. There are opportunities for secondments between the business and risk and assurance functions. There are mechanisms in place to measure the effectiveness of risk management training. 	M2	M3

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Risk Management

Element	Attribute	M1	M2	M3	M4	M5	Current Maturity Score (1-5)	Target Maturity Score (1-5)
Processes & Tools	Risk Assessment & Mitigation	<ul style="list-style-type: none"> There is no common definition of risk across the agency. Risk assessment processes are informal and ad hoc with no clear linkage to business objectives. 	<ul style="list-style-type: none"> There is a common definition of risk that is focused on the 'downside' of risk; some definitions exist for different types of risk, but the boundaries are not always clear. Risk assessment processes and templates are defined and may be applied in some key business units, but there is a lack of management buy-in in other areas. Risk measurement is largely subjective based on high level qualitative likelihood and impact criteria. Inherent and residual risk evaluations are undertaken but the link to control effectiveness is not clearly understood. Risk mitigation plans are based on reactive responses. 	<ul style="list-style-type: none"> There is a common definition of risk that recognises the 'upside' of risk and there is a formal risk categorisation model for the agency. Risk assessment processes and templates are defined and applied consistently across all key business units. There is some evidence of a data driven approach to risk measurement (e.g., based on internal management information). Inherent and residual risk evaluations taking into account the effectiveness of controls is sometimes undertaken. There is some evidence of alignment between risk mitigation plans and agreed tolerance levels for different types of risk. 	<ul style="list-style-type: none"> There is a common definition of risk and a formal risk categorisation model that recognises the agency's role in supporting inter-agency, sector and AoG outcomes Risk assessment processes and templates extend beyond the agency's boundaries to include some system level risks linked to inter-agency, sector and AoG outcomes. There is some use of technology to improve the consistency and quality of risk assessment and mitigation processes. Quantitative approaches (where appropriate) are used for risk measurement. Inherent and residual risk evaluations taking into account the effectiveness of controls is consistently undertaken. There is good evidence of alignment between risk mitigation plans and agreed tolerance levels for different types of risk. 	<ul style="list-style-type: none"> There is a fully integrated risk management solution supporting an optimal risk and control framework that includes inter-agency, sector and AoG outcomes. Risk and control assessments are performed near time. Risk and control information is used to optimise insurance arrangements. There is strong evidence of alignment between risk mitigation plans and agreed tolerance levels for different types of risk. Cost-benefit analysis is performed to support prioritisation of risk mitigation plans. 	M2	M3

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Risk Management

Element	Attribute	M1	M2	M3	M4	M5	Current Maturity Score (1-5)	Target Maturity Score (1-5)
	Assurance	<ul style="list-style-type: none"> • Senior business leaders have limited understanding of the need for assurance over their areas of responsibility. • The assurance framework (e.g. three lines of defence) is not formally documented. • Assurance activities cover only a few operational risk areas of the agency, or are reactive to specific events. • Controls and assurance activities are not formally considered when designing new systems, process and policies. • Assurance needs are not formally aligned to the agency's risk profile and there is limited evidence of assurance results being used to inform risk assessments. 	<ul style="list-style-type: none"> • Senior business leaders have some understanding of the need for assurance over their areas of responsibility. • There is a formal assurance framework in place but limited evidence of coordination across the 'three lines of defence' internally to better integrate risk and assurance activities. • Assurance activities are targeted at business unit operations on a cyclical basis and focus on historic transactional or systematic compliance. • Compliance-focused control and assurance activities are considered when designing new systems, processes and policy. • Assurance needs are somewhat aligned to the agency's risk profile and there is some evidence of assurance results being used to inform risk assessments. 	<ul style="list-style-type: none"> • Senior business leaders are able to describe the areas across the agency that require assurance and how this is being obtained. • There is a formal assurance framework in place and some evidence of coordination between the 'three lines of defence' both internally and with core delivery partners. • Assurance activities are targeted at critical enterprise-wide functions and focus on controls assurance and systemic improvements. • Risk assessments are undertaken when designing new systems, processes and policy, including for some core delivery partner activities. • Assurance needs are generally responsive to changing agency risks and assurance results are consistently used to inform risk assessments, including across a range of core delivery partner activities. 	<ul style="list-style-type: none"> • Senior business leaders understand the quality and amount of assurance required across the agency and this extends to some system level risks in support of inter-agency, sector and AoG outcomes. • There is an effective assurance framework with good coordination between the 'three lines of defence' both internally and externally in support of some inter-agency, sector and AoG outcomes. • Assurance activities are multi-layered and targeted at agency outcomes, including in support of some inter-agency, sector and AoG outcomes. • Risk assessments determine the assurance activities implemented when designing new systems, processes and policy, including some automated assurance activities. • Assurance needs are regularly reviewed and reprioritised and assurance results are used to inform some system level risk assessments. 	<ul style="list-style-type: none"> • Senior business leaders obtain the right quality and amount of assurance and promote a strong assurance culture including in support of inter-agency, sector and AoG outcomes. • There is a fully integrated assurance framework in place with seamless coordination between the 'three lines of defence' internally and externally in support of inter-agency, sector and AoG outcomes. • Assurance activities fully support inter-agency, sector and AoG outcomes and focus on improving performance across the system. • Automated assurance activities are embedded into new systems, processes and policy. • Assurance is forward-looking and assurance providers anticipate risks and expect priorities to change. 	M1	M3

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Risk Management

Element	Attribute	M1	M2	M3	M4	M5	Current Maturity Score (1-5)	Target Maturity Score (1-5)
Business Performance	Risk Monitoring & Reporting	<ul style="list-style-type: none"> • There is limited coordinated collection of risk data from business units. • There is limited formalised monitoring or reporting of risk information to support decision making or management action. 	<ul style="list-style-type: none"> • Risk data collection is formalised and coordinated on an annual basis. This is largely viewed as a compliance requirement and the quality of risk data is variable. • Risk data is aggregated across the agency to create a bottom-up view of the top risks faced by the agency which is presented to the senior leadership team. • There is some review of risk information to assist with decision making and management action. 	<ul style="list-style-type: none"> • Risk data collection is formalised and coordinated on a regular basis e.g., every three to six months. There is some quality review of risk data to address duplications, inconsistencies and gaps. • Aggregated risk data is supplemented by a top down assessment of strategic risks to give an enterprise-wide view of the top risks faced by the agency. • Senior business leaders regularly review risk information to assist with decision making and management action. 	<ul style="list-style-type: none"> • There is some use of technology to improve the quality and consistency of risk data collection and automate risk monitoring and reporting. • There is increasing use of semi-quantitative approaches to risk aggregation. • There an enterprise-wide view of the top risks faced by the agency that includes strategic risks and some system level risks in support of inter-agency, sector and AoG outcomes. • Risk monitoring and reporting is aligned to the agency's risk appetite framework to assist with decision making and management action. 	<ul style="list-style-type: none"> • Risk data collection, aggregation, monitoring and reporting is frequent, automated and fully integrated with the agency's risk appetite framework. • Risk reporting is easily able to be tailored to meet the needs of inter-agency, sector and AoG stakeholders. • Risk reporting has a distinct forward looking view using leading risk indicators, to assist with proactive decision making and management action. 	M1 & M2	M3
	Strategic Risk Management	<ul style="list-style-type: none"> • There is limited integration of risk management into the strategic planning cycle. 	<ul style="list-style-type: none"> • The strategic planning cycle includes a review of the agency's top risks. There is some evidence of strategic risks and opportunities being documented in the agency's strategic plan but there is no refresh of the agency's top risks based on strategic planning outcomes. Strategic risk contingency planning to safeguard the strategic and hedge delivery of business outcomes is not undertaken. 	<ul style="list-style-type: none"> • The strategic planning cycle includes a review of the agency's top risks as well as some external trends and indicators to inform the level of risk in the external environment. There is good evidence of strategic risks and opportunities being documented in the agency's strategic plan together with planned response. A formal refresh of the agency's top risks is undertaken based on strategic planning outcomes. There are some risk contingency plans in place to safeguard the strategy and hedge delivery of business outcomes. 	<ul style="list-style-type: none"> • The strategic planning cycle includes forward-looking scenario analysis to identify new and emerging risks, including some system level risks in support of inter-agency, sector and AoG outcomes. There is strong evidence of strategic risks and opportunities being documented in the agency's strategic and long term investment plans with a formal process for capturing new and emerging risks. Some key external trends and indicators have been identified but are not actively monitored by the senior leadership team. Risk contingency plans are in place to safeguard the strategy and hedge delivery of business outcomes. 	<ul style="list-style-type: none"> • Strategic risk management practices are independently reviewed every three to five years and benchmarked against a recognised achievement standard as 'best in class'. Key external trends and indicators are actively monitored and their impact on the agency's business outcomes is regularly assessed by the senior leadership team. Strategic risk contingency plans are continuously reviewed and updated. 	M1	M3
	Managing Risk in Partnerships	<ul style="list-style-type: none"> • There is no clear definition of what a 	<ul style="list-style-type: none"> • 'Partner' is defined at a high level and a group of core partners has been 	<ul style="list-style-type: none"> • The agency has a common definition of 'partner' that recognises the different 	<ul style="list-style-type: none"> • The agency has a formal partner scoring model in place that covers all key aspects of 	<ul style="list-style-type: none"> • Partnering practices are independently reviewed every three to five years and 	M1	M3

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Risk Management

Element	Attribute	M1	M2	M3	M4	M5	Current Maturity Score (1-5)	Target Maturity Score (1-5)
		<p>'partner' is or what 'partnering' involves.</p> <ul style="list-style-type: none"> • There is no formal partnering policy providing guidance on how to manage partner related risks. 	<p>identified.</p> <ul style="list-style-type: none"> • There is a basic partnering policy in place that addresses how to identify, assess and manage risks. • Risk and reward trade-offs may be applied informally in individual contracts. • There is some evidence of risk and performance monitoring of partners. 	<p>types of partnership arrangements that exist.</p> <ul style="list-style-type: none"> • There is a comprehensive partnering policy that addresses how to identify, assess and manage risks, including arrangements for risk ownership and sharing of risk information. • Risk and reward trade-offs are formally articulated and are generally applied in contracts. • There is good evidence of risk and performance monitoring of partners, including testing of contingency arrangements. 	<p>risk and performance.</p> <ul style="list-style-type: none"> • The partner scoring model is used to differentiate levels of monitoring and partner authority / delegation. • Risk and reward trade-offs are articulated across a range of partners and are routinely applied in contracts. • There is strong evidence of risk and performance monitoring of partners, including some integrated testing of contingency arrangements between different partners. 	<p>benchmarked against a recognised achievement framework as 'best in class'.</p> <ul style="list-style-type: none"> • Risk and reward trade-offs are clearly articulated across a wide range of partners and systematically applied. • Contingency arrangements with partners are continuously reviewed and updated. 		
	Business Resilience	<ul style="list-style-type: none"> • There is no formal process for assessing the potential impacts of disruptive or extreme events (e.g., environmental, social, economic, technological changes). 	<ul style="list-style-type: none"> • Disruptive and extreme events are assessed but not on any regular basis. • Assessment of impacts is high level and predominantly routine in nature. • There is limited alignment between disruptive and extreme event assessment and BCP / DRP planning as well as longer term investment planning. • There is no systematic 'feedback' loop to actively learn from disruptive or extreme events. 	<ul style="list-style-type: none"> • Disruptive and extreme events are assessed on a regular basis using stress testing and scenario analysis. • Potential reputational, financial and business impacts are comprehensively assessed. • There is some alignment between disruptive and extreme event assessment and BCP / DRP planning as well as longer term investment planning. • There is some evidence of 'feedback' in the wake of extreme or disruptive events which is used to make improvements. 	<ul style="list-style-type: none"> • Disruptive and extreme events are assessed on a regular basis and cover a range of alternative, forward-looking scenarios. • Early warning indicators exist that allow management to anticipate disruptive and extreme events. • There is a clear link between disruptive and extreme event assessment and BCP / DRP planning that includes core partners as well as long term investment planning. • There is a good evidence of post-event analysis and assessment and learning for the future. 	<ul style="list-style-type: none"> • There is a fully integrated and ongoing programme of actions and interventions that support business resilience, including facilities and tools to support new knowledge and technologies, cross-agency and partner collaboration, and incentives for improving resilience. 	M1	M3

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Risk Management

Element	Attribute	M1	M2	M3	M4	M5	Current Maturity Score (1-5)	Target Maturity Score (1-5)
	Change & Transformation	<ul style="list-style-type: none"> • There is no clear definition of what constitutes a 'significant change' or formal process for assessing related risks. 	<ul style="list-style-type: none"> • There is a basic process to assess the risks associated with significant change initiatives, but this is applied informally, and no independent assurance is sought. • There is limited evidence of a portfolio view of risk related to significant change initiatives. 	<ul style="list-style-type: none"> • There is a formal definition of what constitutes a 'significant change', including new services, business models and other strategic investments. • There is a comprehensive risk assessment process for the approval of significant change initiatives that is consistently applied across the agency. • There is a formal monitoring and assurance regime in place for significant change initiatives that includes independent assurance. • There is some evidence of a portfolio view of risk related to significant change initiatives. 	<ul style="list-style-type: none"> • The agency has a formal approach in place that allows risk and reward trade-off decisions across the agency's entire portfolio of change initiatives to be made in line with the agency's risk appetite. • The monitoring and assurance regime is regularly reviewed and updated to reflect changes to the risk profile of significant change initiatives. • There is good evidence of a portfolio view of risk related to significant change initiatives that includes active monitoring against the agency's risk appetite. 	<ul style="list-style-type: none"> • P3M3 practices are independently reviewed every three to five years and benchmarked against a recognised achievement standard as 'best in class'. • There is very strong evidence that risk and reward trade-offs across the agency's entire portfolio of change initiatives are clearly articulated and systematically applied. • The monitoring and assurance regime is continuously reviewed and updated. 	M1	M3

Napier City Council

Risk Management



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5. RISK MANAGEMENT REPORT

<i>Type of Report:</i>	Information
<i>Legal Reference:</i>	N/A
<i>Document ID:</i>	1810504
<i>Reporting Officer/s & Unit:</i>	Dave Jordison, Risk and Assurance Lead Alister Edie, Business Improvement Manager

5.1 Purpose of Report

To provide the Committee a quarterly update on risk management workstreams and inform on the status of Council's Strategic and Operational risk profile.

Officer's Recommendation

The Audit and Risk Committee:

- a. **Receive** the report titled "Risk Management Report" dated 29 November 2024

5.2 Background Summary

We have settled on Council's strategic risk profile, with a monthly review process occurring at ELT. Focus is now on improving the management of controls within risks and completing the set-up of risks.

Delivery of Programmes and Change strategic risk is being reported separately at this committee meeting. A schedule for delivering the remainder of the strategic risks will soon be prepared.

Increased attention is being applied to operational risk management but further refinement of processes to reduce out of appetite risk measures is required – which is fundamental to the Risk and Assurance Uplift Program.

The Risk and Assurance Uplift Programme has continued to develop, e.g. with recommendations from the Crowe Risk Management review. Current items are being actioned from the timeline e.g. required staff training.

We have received a review of our risk management framework from Crowe, which is covered in a separate report to this Committee. Find the attachment to this report summarising the key actions.

1.2.1 Strategic Risks

Summary of Progress from Previous Report

Napier City Council

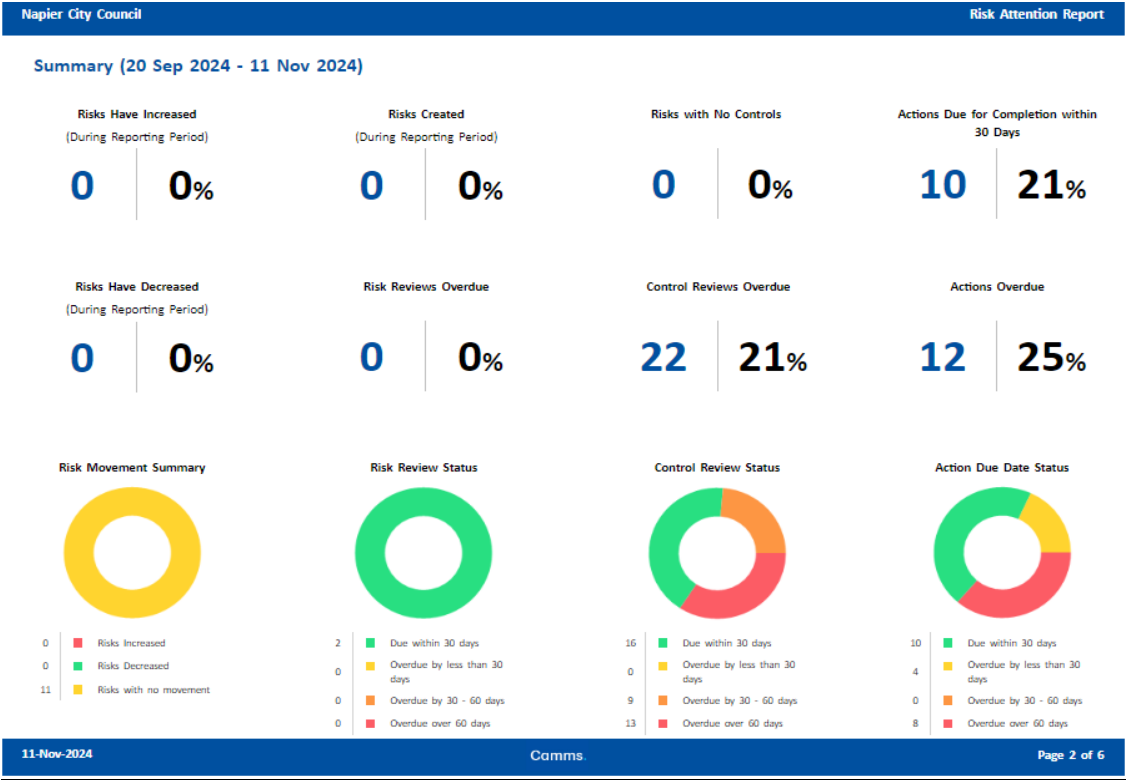
Heatmap Report

RISK SUMMARY

Strategic Risk

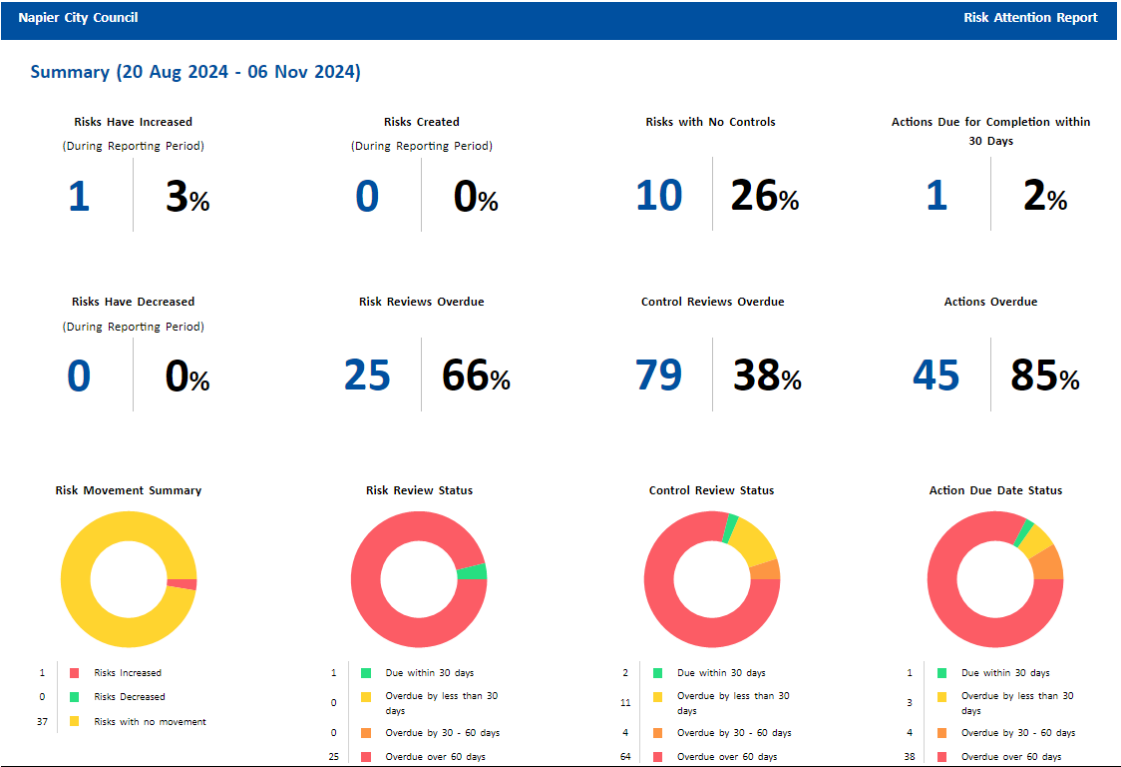
No.	Risk Description	Inherent	Residual	Forecast	Trend
1	SR15 - Infrastructure - Plan for, develop and maintain sound infrastructure Risk Owner Comments: Escalated to Director Infrastructure on 12 monthly review	Extreme	Medium	Low	↔
2	SR21 - Not enabling our communities to become resilient Risk Owner Comments: Within Appetite on 12 monthly review	Extreme	Low	Low	↔
3	SR22 - People & Capability Risk Owner Comments: Escalated to Chief Executive on Quarterly review Next Due 15 Feb 2025	Extreme	High	Low	↔
4	SR23 - Sustainable Financial Strategy Risk Owner Comments: Within Appetite on 12 monthly review	Extreme	Medium	Medium	↔
5	SR25 - Te Tiriti O Waitangi commitments and obligations Risk Owner Comments: Within Appetite on 12 monthly review	Extreme	Medium	Medium	↔
6	SR26 - Impact of external change and reform Risk Owner Comments: Within Appetite on 12 monthly review	Extreme	Medium	Medium	↔
7	SR32 - Work Health & Safety - Maintain a safe and healthy workplace and safe systems of work (ie we do not proactively navigate H&S threats) Risk Owner Comments: Controls and treatment actions reassigned and are being determined . Once the revised risk level is determine, it is likely escalation will be required, indicating time frame to conclude the improvements that will be made as a result of the completion of the treatment actions Currently this risk remains at a quarterly review frequency. and will more than likely require escalation to the C/E	Extreme	High	Low	↔
8	SR33 - Effectiveness of Emergency Management Risk Owner Comments: Escalated to Chief Executive requires Quarterly review (15 Nov 2024)	Extreme	High	Low	↔
9	SR35 - Climate Change Risk Owner Comments: Meeting with the Risk Owner, Executive Director City Strategy Nov 21st to conclude this Strategic Risk Assessment It is probable that this will require escalation once the Risk Assessment and analysis is complete. and it may require escalation to the C/E as it is a Reputation/Image category.	Extreme	High	Medium	↔
10	SR36 - Delivery of Programmes and Change Risk Owner Comments: Debrief on this risk, its controls and treatment actions provided EPMO Manager, agreement reached to input what is their work plan as treatment actions to exhibit the progress made so far in reducing the revised risk levels, with the probability of reducing it to a level where the escalation can be signed for by the Chief Executive. This should be achievable, within the next week.	Extreme	Extreme	Low	↓
11	SR41 - Security, Integrity and Privacy of Data and Information Risk Owner Comments: Within Appetite on 12 monthly review	High	Low	Low	↔

Strategic Risk Current Status



22 Control Reviews & Treatment actions are overdue. This is not considered to be significantly impacting these strategic risks, with the majority requiring the control review dates to be amended, or in the case of controls and treatment actions associated with SR35 , the risk analysis needs to be completed (a meeting with the Risk Owner to conclude this is planned for 21 Nov 2024).

1.2.2 Operational Risks



Current Measures

Reporting Period 11 weeks

- There are 10 risks with no controls, down from the previous reporting period of 18
- There are nil risks that have decreased this period, from the 103 in the previous reporting period.
- There are 25 Risk reviews overdue, down from the previous reporting period of 72.
- 79 Control reviews overdue, down from 339 from the previous reporting period
- 45 Treatment Actions overdue down from 136 in the previous reporting period.
- 79 Have a revised risk level of High or Extreme

Required Improvement

Whilst the number of overdue Risk reviews has reduced, evidence shows that overdue controls and treatment actions are not reducing accordingly.

It is likely that the review process for the control and updating the dates, along with ensuring the treatment action completion dates are adhered to is not having a sufficient impact in reducing the revised risk levels.

This is also relevant to the number of out of appetite operational risks that is not reducing or being escalated.

Actions:

- Ensure training for risk owners, control owners and treatment action owners, so they understand their responsibilities and ensure they follow the review process.
- The relevant automatic notifications are now operational. This should ensure the owners of the Risks, Controls and Treatment actions do not overlook their responsibilities.
- ELT will have visibility of these in the Operational risk attention reports.

1.2.3 Out-of-Appetite Risks by Directorate

There remains currently 79 down from 81 in the previous reporting period.

By Directorate:

- CE & Mayor - 4
- City Services – 4
- City Strategy – 1
- Community Services – 36
- Corporate Services – 8
- Infrastructure Services – 22
- People & Capability – 2

Summary:

It is understood that high number of Out of Appetite operational risks are due to risk owners requiring further training, in the treatment action relationship with relevant controls, and taking account of the improvements to the effectiveness of individual controls as a result.

In addition, areas such as Community Services are understandably focusing on aspects of the reimagining of their area, as opposed to managing risk.

This is where we intend to focus our reviews to ensure the risks are appropriate, or can be consolidated, or inactivated.

1.2.4 Escalations from the previous ARC Meeting:

OR334 Serious Harm or fatality of/staff or public from trade waste non-compliance had a revised risk level of extreme, and further actions have resulted in the revised risk, now being Medium.

As this is a Health and Safety risk category, the risk appetite is low, so additional work is planned to be completed in the next 6 months. to improve the effectiveness of

The Regulatory measures in the Bylaw, and to Document and implement a process to inform council of changes to enforcement approach and risks of non-compliance.

Although this risk is escalated to the Chief Executive for acceptance, as it has a revised risk level of medium, it will no longer be reported to the Audit and Risk Committee.

OR207 Requested to be escalated by the Manager Asset Strategy, and Executive Director Infrastructure Services.

These were escalated due to their revised risk level being Extreme.

The next phase of the escalations will be focused on those that are currently showing a revised level of High, and ensuring the deep dives for new ones are concluded and the review of existing risks either brings the revised risk within appetite, or it is escalated to the required level for acceptance. (as show earlier in this report that will be 79)

1.2.5 Emerging Risks

Nil

1.2.6 Uplift Program Progress

The program is still developing, and we will provide a more detailed update at the following A&RC meeting.

The ELT monthly meeting is working well and the template provides a snapshot of the risk cycle and development work.

The Crowe Internal review of the Risk Management Process, has identified the following opportunities for improvement, and are part of the risk uplift program.

- Review of the NCC Risk Management Strategy/ Framework, to ensure it aligns with the latest revision of ISO31000 2018
- The review will include:

- incorporating improvements into the Risk Management Strategy/Framework to detail how we Identify, assess and manage risks.
- How we monitor and maintain risk registers
- More in depth training details and how we ensure the relevant risk training has been completed, (Including a plan for recurrent training)
- How we ensure when staff with risk management responsibilities leave the council, that their risk responsibilities are transferred to their replacement or escalated to the next level up manager.

Key Achievements to date:

- Deep Dives (Risk Assessments) completed for all Strategic risks with the exception of SR35 Climate Change. (planned for 21 November 2024)
- Regular ELT report process and format agreed and commenced.
- Escalation Process for out of appetite Strategic Risks begun.
- Notification process for All Risk owners/Control Owners and Treatment action owners when due date for review or completion is 7 days away.
- Executive Directors have completed Risk Essentials Training.

Next Key Steps :

- Completion of Risk Training for Tier 3 & 4 Managers. (More detailed the ELT)
- Strategic risk owners to deliver to A & RC perspective on individual Strategic Risk Assessments. (Schedule will be presented at next Audit and Risk Committee meeting)
- Provide ELT with implementation plan for Risk assurance.
- Determine Risk Management Communication Plan (Including messaging in the workplace.
- Refinement of Operational risks to ensure they are relevant and not duplicated.
- Work with Directors and Tier 3 and 4 Managers to ensure Operational risks are appropriately identified, analysed, and evaluated. And if out of appetite escalated to the appropriate level.
- Where linkages between Strategic and Operational risks are relevant, link these in the system, to improve visibility.
- Where linkages between Operational and Project risks are relevant, link these to improve visibility.

5.3 Issues

No Issues

5.4 Significance and Engagement

No Issues

5.5 Implications

Financial

No Issues

Social & Policy

No Issues

5.6 Options

The options available to Council are as follows:

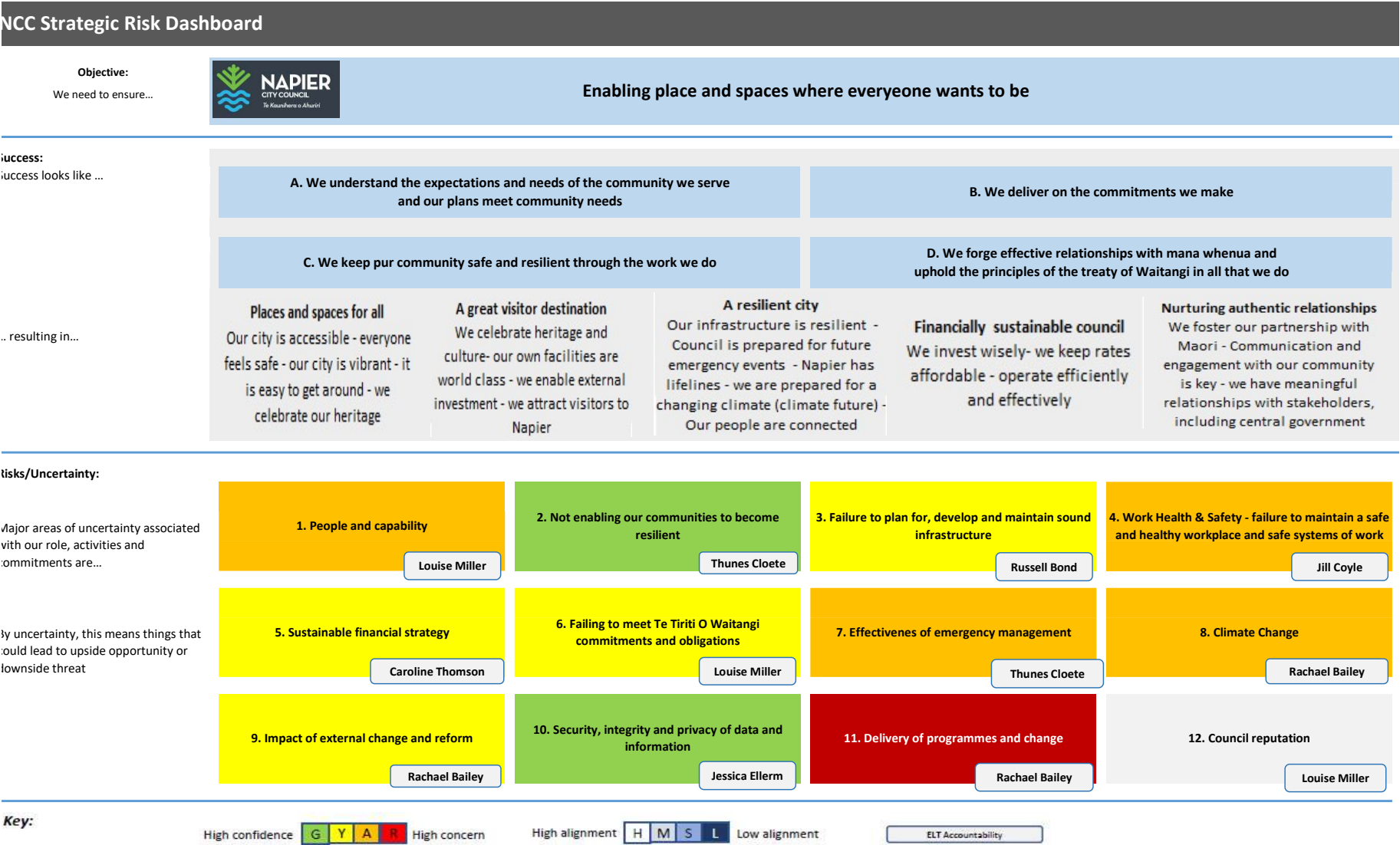
- a. Receive the Risk Management Report
- b. Not to receive the Risk Management Report dated 29 November 2024

5.7 Development of Preferred Option

Receive the Risk Management Report dated 29 Nov 2024

5.8 Attachments



- 1 Strategic Risk Dashboard 14 Nov 2024 (Doc Id 1811996) [↓](#)
- 2 NCC Escalations Report_14 Nov 2024 (Doc Id 1811995) [↓](#)
- 3 Risk Management Review Actions 14 Nov 2024 (Doc Id 1811997) [↓](#)





Escalation - Strategic Risk Detailed Report

Print date: 14 Nov, 2024

SR36 : Delivery of Programmes and Change							
Owner	Causes	Impacts	Category	Inherent Risk Rating	Revised Risk Rating	Likelihood	Consequence
Rachael Bailey- Executive Director City Strategy	Ineffective portfolio management, Projects lack change management considerations, Inaccurate or incomplete reporting to elected members/public, Procurement opportunities are not realised resulting in high costs for delivery, Projects are not prioritised against LTP/Service agreements, Poor delivery of programme and project	Council reputation is affected, Change is not well embedded , Benefits of the project are not realised, Poor reporting/Budgeting for LTP, Support partners resources unable to be obtained, EMs lose confidence in delivery of programmes, Inefficient use of resources	Service Delivery	 Extreme Out of Appetite	 Extreme Out of Appetite	Possible	Severe
Risk Controls							
Control	Control Criticality		Owner	Control Effectiveness			
Clear roles and accountabilities within project delivery	4		Bruce Lake	Largely Ineffective			
Effective EPMO	4		Bruce Lake	Partially Effective			
Effective portfolio management	4		Bruce Lake	Totally Ineffective			
Methodology - Change	4		Bruce Lake	Largely Ineffective			
Methodology - Projects (Stage Gates)	4		Bruce Lake	Largely Ineffective			
Project initiation - prioritise against current projects	4		Bruce Lake	Partially Effective			
Reporting processes and systems	4		Bruce Lake	Partially Effective			
Risk Actions							

Action	Resource requirement	Owner	% Complete	Status	Control Title
Services Document, agree and implement EPMO management services for confirmed project types.		Bruce Lake - Enterprise Project Management Office (EPMO) Manager	50	In Progress	Reporting processes and systems
Audit/Health Checks for projects in progress (in-flight)		Bruce Lake - Enterprise Project Management Office (EPMO) Manager	100	Completed	Effective EPMO
Benefit Management		Bruce Lake - Enterprise Project Management Office (EPMO) Manager	10	In Progress	Reporting processes and systems
Business Improvement Initiatives		Bruce Lake - Enterprise Project Management Office (EPMO) Manager	90	In Progress	Effective EPMO
Change Management		Bruce Lake - Enterprise Project Management Office (EPMO) Manager	20	In Progress	Methodology - Change
Community of Practice		Bruce Lake - Enterprise Project Management Office (EPMO) Manager	10	In Progress	Methodology - Projects (Stage Gates)
Dependencies		Bruce Lake - Enterprise Project Management Office (EPMO) Manager	90	In Progress	Effective EPMO
Determine Current active Portfolio Inventory (Stocktake)		Bruce Lake - Enterprise Project Management Office (EPMO) Manager	100	Completed	Reporting processes and systems
EPMO Facilities		Bruce Lake - Enterprise Project Management Office (EPMO) Manager	100	Completed	Effective EPMO
EPMO Maturity Build		Bruce Lake - Enterprise Project Management Office (EPMO) Manager	10	In Progress	Effective EPMO
EPMO Position Descriptions		Bruce Lake - Enterprise Project Management Office (EPMO) Manager	100	Completed	Effective EPMO
Establish EPMO, Relationships and tools		Bruce Lake - Enterprise Project Management Office (EPMO) Manager	50	In Progress	Effective EPMO
Establish Project Technical Advisory Group		Bruce Lake - Enterprise Project Management Office (EPMO) Manager	100	Completed	Effective EPMO
Governance		Bruce Lake - Enterprise Project Management Office (EPMO) Manager	50	In Progress	Methodology - Projects (Stage Gates)
Initiation Support		Bruce Lake - Enterprise Project Management Office (EPMO) Manager	90	In Progress	Project initiation - prioritise against current projects
Methodologies: Portfolio (Investment) Stage Gates: Concept and Initiation		Bruce Lake - Enterprise Project Management Office (EPMO) Manager	10	In Progress	Effective portfolio management
Methodologies: Programme & Project Management, integrated with Change Management Stage Gates: Planning, Execution, Transition and Close		Bruce Lake - Enterprise Project Management Office (EPMO) Manager	10	In Progress	Methodology - Projects (Stage Gates)
Operationalise Portfolio Management		Bruce Lake - Enterprise Project Management Office (EPMO) Manager	10	In Progress	Effective portfolio management
Procurement		Bruce Lake - Enterprise Project Management Office (EPMO) Manager	50	In Progress	Methodology - Projects (Stage Gates)
Resourcing and Capability Build for Project Delivery resources		Bruce Lake - Enterprise Project Management Office (EPMO) Manager	10	In Progress	Effective portfolio management
Sponsor Training		Bruce Lake - Enterprise Project Management Office (EPMO) Manager	100	Completed	Clear roles and accountabilities within project delivery
Structure: Support Partners		Bruce Lake - Enterprise Project Management Office (EPMO) Manager	50	In Progress	Effective EPMO



Audit Summary Report

Napier City Council

Camms.

Print Date: 14-Nov-2024



Audit Report: Risk Management Napier City Council

Audit Number	INT2402-00	Responsible Officer	Alister Edie
Planned Start Date	Mar 21 2024 12:00AM	Secondary Responsible Officers	Dave Jordison
End Date	May 17 2024 12:00AM	Audit Entity	Not Applicable
Audit Category	Service Delivery	Audit Firm	Crowe
Audit Risk Rating	Moderate		

Finding Title:	FN01 6.1 Risk management framework The Risk Management Policy and Risk Management Strategy documents need updating and have not been finalised and tabled for endorsement since first adoption in June 2022 and March 2017 respectively.						Risk Rating:High			
Action No	Actions	Responsible Officer	Organisational Link	Due Date	Due in Days	Completed Date	Action Sign Off	Traffic Light	Percentage Complete	Status
FN01-01	Ensure review of Risk Management Policy, Strategy and Framework, is performed.	Alister Edie	Finance	Implementation Date: 01-Mar-2025	107		No	In Progress	80	In Progress
Finding Title:	FN02 6.2 Adequacy of processes for identifying, assessing, and managing risk. The process for identifying, assessing and managing risk needs to improve.						Risk Rating:Moderate			
Action No	Actions	Responsible Officer	Organisational Link	Due Date	Due in Days	Completed Date	Action Sign Off	Traffic Light	Percentage Complete	Status
FN02-01	Update risk management training details to include Methodology and Techniques	Dave Jordison	Finance	Implementation Date: 01-Mar-2025	107		No	In Progress	1	In Progress
FN02-02	Enable automatic notifications for Risk owners Control owners and Treatment action owners.	Dave Jordison	Finance	Implementation Date: 01-Mar-2025	107		No	In Progress	1	In Progress
FN02-03	Present Risk attention report to ELT, at Monthly forum, with guidance on where their support can assist.	Dave Jordison	Finance	Implementation Date: 01-Mar-2025	107		No	In Progress	1	In Progress

Finding Title:		FN03 6.3 Deficiencies in strategic risk management and oversight. Effective risk management and oversight are not in place.					Risk Rating:High			
Action No	Actions	Responsible Officer	Organisational Link	Due Date	Due in Days	Completed Date	Action Sign Off	Traffic Light	Percentage Complete	Status
FN03-01	Present ELT Risk attention report and for Strategic and Operational risks requiring action.	Dave Jordison	Finance	Implementation Date: 01-Dec-2024	17		No	In Progress	1	In Progress
FN03-02	Provide risk management training for all Directors, Tier 3 & 4 Managers, and basic Hazard management to all staff	Dave Jordison	Finance	Implementation Date: 01-Dec-2024	17		No	In Progress	1	In Progress
FN03-03	Detail the Risk Sponsor, and Risk and Assurance lead risk responsibilities in Risk Strategy/Framework Further definition of the risk sponsors role, to advocate for organisational level risk, will further enhance maturity.	Dave Jordison	Finance	Implementation Date: 01-Dec-2024	17		No	In Progress	1	In Progress
Finding Title:		FN04 6.4 Policies and Procedures. The Policies and Procedures should be enhanced.					Risk Rating:Moderate			
Action No	Actions	Responsible Officer	Organisational Link	Due Date	Due in Days	Completed Date	Action Sign Off	Traffic Light	Percentage Complete	Status
FN04-01	a) Council will complete a review of the contingency process and the triggers for this, to identify whether contingency plans are required	Dave Jordison	Finance	Implementation Date: 01-Mar-2025	107		No	In Progress	1	In Progress
FN04-02	b) Council will review the responsibilities in the ARC Charter, checking they are recommendation based as opposed to approval based.	Dave Jordison	Finance	Implementation Date: 01-Mar-2025	107		No	In Progress	1	In Progress

FN04-03	c) Upskilling of Directors in the risk escalation process has begun. Relevant strategic risks have been escalated and presented to the ELT and ARC. The next phase is upskilling Tier 3 & 4 Managers to ensure all out of appetite Operational Risks are assessed escalated as required. This process is anticipated to be completed by Jan 2024.	Dave Jordison	Finance	Implementati on Date: 01-Mar-2025	107		No	In Progress	30	In Progress
Finding Title:	FN05 6.5 Adequacy of process for ensuring completeness and currency of risk registers						Risk Rating: Moderate			
Action No	Actions	Responsible Officer	Organisational Link	Due Date	Due in Days	Completed Date	Action Sign Off	Traffic Light	Percentage Complete	Status
FN05-01	Rationalisation of our risk management system is a key outcome of an uplift program we are developing. Actions to reduce risk duplications, improve control effectiveness and imbed escalations processes include: - Operational risk review process improvements - Tier 3&4 Management training - Monthly ELT risk reporting improvements A documented annual risk attestation process will be added to the Risk Management strategy to ensure risk owners understand and complete this.	Dave Jordison	Finance	Implementati on Date: 01-Mar-2025	107		No	In Progress	50	In Progress
Finding Title:	FN06 6.6 Risk management training has not been formally established and delivered to risk and control owners						Risk Rating: Moderate			
Action No	Actions	Responsible Officer	Organisational Link	Due Date	Due in Days	Completed Date	Action Sign Off	Traffic Light	Percentage Complete	Status
FN06-01	Reporting to ELT on risk management training completion.	Jill Coyle	People and Capability	Implementati on Date: 01-Dec-2024	17		No	In Progress	1	In Progress

FN06-02	Develop recurrent training program for all staff based on 3 yearly cycle.	Dave Jordison	Finance	Implementati on Date: 01-Mar-2025	107		No	In Progress	1	In Progress
Finding Title:	FN07 6.7 Change management protocols have not been developed						Risk Rating:Moderate			
Action No	Actions	Responsible Officer	Organisational Link	Due Date	Due in Days	Completed Date	Action Sign Off	Traffic Light	Percenta ge Complete	Status
FN07-01	Ensure all Risk, Control and Treatment action owners, have their responsibilities transferred to new owners upon off boarding of the owner.	Jill Coyle	People and Capability	Implementati on Date: 01-Mar-2025	107		No	In Progress	99	In Progress



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6. POLICY REVIEW PROCESS UPDATE

<i>Type of Report:</i>	Operational
<i>Legal Reference:</i>	N/A
<i>Document ID:</i>	1808851
<i>Reporting Officer/s & Unit:</i>	JayJay Kettle, EA to Deputy Chief Executive & Executive Director Corporate Services Talía Foster, Financial Controller

6.1 Purpose of Report

To update the committee on the progress made to date with the policy review project.

Officer's Recommendation

The Audit and Risk Committee:

- a. **Receive** the report titled "Policy Review Process Update" dated 29 November 2024.

6.2 Background Summary

At the meeting of the Audit and Risk Committee on 29 September 2023, the committee directed officers to provide an update of the policy review process which was undergoing changes.

It is important to Council to have up to date policies in place to reduce risk across many areas of Council. Regularly reviewing policies is good practice to ensure they are relevant and fit for purpose. Internal and External audits have highlighted issues with policies being past their review date and officers have been struggling to ensure their timely review due to issues with the internal policy review process and system.

In September 2023, the Executive Leadership Team (ELT) agreed to review policies outside of this system to enable the timely review and correct a backlog of policies where an initial review has been completed by officers, but not approved by the ELT.

6.3 Current Position

Since the last update in September 2024, Twenty policy reviews have been approved by ELT/Council. These are:

- Napier Readiness Framework Policy
- Indemnity and Liability Policy (to be published)
- Key Account Management policy
- Rates Remission Policy
- Conflict of Interest Policy
- Rates Postponement Policy
- Working from Home Policy
- Significance & Engagement policy (to be published)
- Procurement Policy (to be published)

- Gambling Venues Policy
- Rates Policy (to be published)
- Complaints Policy
- Investment Policy
- CE Remuneration Policy
- Dangerous, Affected and Insanitary Buildings Policy
- Libraries Content & Collection Policy (to be published)
- Workplace Bullying and Harassment Policy
- Risk Management Policy (to be published)
- Parks & Reserves Donations & Memorials Policy (to be published)
- Parks and Reserves naming Policy (to be published)

It has also been recognised that engagement at ELT meetings is beneficial for policy content collaboration, therefore any new system would need to cater to this.

We have 1 meeting left in the year to get policies through ELT for approval.

We aim to get 3-5 policies to each meeting. Our priorities are:

- Financial Delegations Policy (December/Jan)
- Body Worn Cameras Policy (to be checked over by ED City Strategy)
- Financial Contributions Policy
- Test n Tag Policy (maybe going to a procedure not policy yet)
- Service request Policy (on hold as maybe merged with Complaints policy)

6.4 Significance and Engagement

N/A

6.5 Implications

Financial

N/A

Social & Policy

N/A

Risk

One key purpose of a policy is to mitigate risks. Having policies which are not regularly reviewed leaves us open to risks which are not effectively managed by policies.

We are reducing this risk by prioritising the policies which are to be reviewed first with the subject matter expert then onto ELT meeting for discussion and review for approval. Any public policies go through the same process then onto Council for Adoption.

6.6 Options

The options available to the Committee are as follows:

- Receive this update on the policy review process
- Provide further direction to officers

6.7 Development of Preferred Option

Receive the update on the policy review process.

6.8 Attachments

Nil

7. SENSITIVE EXPENDITURE - MAYOR AND CHIEF EXECUTIVE

Type of Report:	Information
Legal Reference:	N/A
Document ID:	1808845
Reporting Officer/s & Unit:	Talia Foster, Financial Controller

7.1 Purpose of Report

To provide the information required for the Committee to review Sensitive Expenditure of the Mayor and Chief Executive for compliance with Council's Sensitive Expenditure Policy.

Officer's Recommendation

The Audit and Risk Committee:

- a) **Receive** the 30 September 2024 quarterly report of Sensitive Expenditure for the Mayor and Chief Executive and review for compliance with the Sensitive Expenditure Policy.

7.2 Background Summary

The Sensitive Expenditure Policy requires a report of all sensitive expenditure by the Chief Executive and by the Mayor to the Audit and Risk Committee meetings (clause 6.3 and 6.4). The policy also states that the expenditure items will be reviewed by the Chairperson or the Deputy Chairperson of the Audit and Risk Committee for compliance with this policy.

7.3 Issues

No issues.

7.4 Significance and Engagement

N/A

7.5 Implications

Financial

N/A

Social & Policy

All sensitive expenditure transactions for the quarter ended 30 September 2024 are compliant with Council's Sensitive Expenditure Policy.

Risk

N/A

7.6 Attachments

- 1 CE Sensitive Expenditure 2024_25 QTR1 (Doc Id 1812006) [↓](#)
- 2 Mayor Sensitive Expenditure 2024_25 QTR1 (Doc Id 1812005) [↓](#)
- 3 Sensitive Expenditure Policy (Doc Id 1812364) [↓](#)

Chief Executive Sensitive Expenditure

Report for Audit and Risk Committee Meeting

Transactions processed for periods 202407 to 202409

Transaction					Compliant with Policy
Transaction Date	Source	Supplier	Value	Details in Ledger	
Entertainment					
Jul-24	CC	Market Street	\$ 293.25	Three Year Plan Debrief for officers	✓
Sep-24	AP	Design Cuisine	\$ 249.00	CE & Mayoral forum lunch and morning tea	✓
Total Entertainment			<u>\$ 542.25</u>		
Travel & Accommodation					
Aug-24	CC	Various food related vendors	\$ 344.64	LGNZ Conference dinners (2) for CE and two officers	✓
Aug-24	CC	Copthorne Wellington	\$ 693.60	LGNZ Conf accommodation L Miller (3 nights plus breakfast)	✓
Aug-24	AP	Corp Cabs & Taxicharge NZ	\$ 389.01	LGNZ Conf and Wellington function transfers (6) for CE and officers	✓
Total Travel & Accommodation			<u>\$ 1,427.25</u>		
Conferences					
Aug-24	AP	The Goat Farm Limited	\$ 26,976.08	Media and Public Relations Training for CE and ELT	✓
Total Conferences			<u>\$ 26,976.08</u>		
Professional fees					
Jul-24	AP	Taituarā-Local Government Professionals Aotearoa	\$ 300.00	Taituarā individual membership renewal	✓
Total Professional fees			<u>\$ 300.00</u>		
Total For Quarter			<u>\$ 29,245.58</u>		

Transaction Source key:	
EC	Transaction approved through expense claim process
CC	Transaction processed through NCC's corporate card
AP	Transaction approved through normal purchasing & payables process

Mayor Sensitive Expenditure
Report for Audit and Risk Committee Meeting
Transactions processed for periods 202407 to 202409

Transaction Date	Transaction Source	Supplier	Value	Details in Ledger	Compliant with Policy
Entertainment					
Nil			\$ -		
Total Entertainment			\$ -		
Mayor's Travel & Accommodation					
Aug-24	AP	Orbit Travel Wellington	\$ 733.96	Accomadation, Transfers	✓
Aug-24	EC	Air New Zealand	\$ 399.30	Flights for Professional development course	✓
Total Mayor's Travel & Accommodation			\$ 1,133.26		
Conferences					
Jul-24	EC		\$ 1,304.35	Company Directors Course claim	✓
Total Conferences			\$ 1,304.35		
Gifts					
Sep-24	IN	Napier isite	\$ 647.83	Gifts for visitors from Mayor and/or Council. Recipient - Sister City delegates who are visiting 26-29 November to celebrate Napier's 150 anniversary	✓
Total Gifts			\$ 647.83		
Total For Quarter			\$ 3,085.44		

Transaction Source key:	
EC	Transaction approved through expense claim process
CC	Transaction processed through NCC's corporate card
AP	Transaction approved through normal purchasing & payables process
IN	Internal transfer

INTERNAL POLICY



Sensitive Expenditure Policy			
Approved By	Chief Executive		
Department	Corporate Services – Finance Department		
Original Approval Date	12 June 2011	Review Approval Date	17 March 2023
Next Review Deadline	17 March 2025	Document ID	349335
Relevant Legislation	Local Government Act 2002 Local Authority (Members' Interest) Act 1968 Public Audit Act 2001		
NCC Docs Referenced	Procurement Policy	1367676	
	Motor Vehicle Policy	218460	
	Disposal of Surplus Assets Policy	219066	
	Recognition Policy and Framework	382700	
	Gifts and Gratuities Policy	556126	
	Credit Card Policy	352631	
	Conflict of Interest Policy	350732	
	Travel Policy	837431	

Purpose

The purpose of this Policy is to provide Elected Members, the Chief Executive and Council employees with a clear framework for managing sensitive expenditure. The most fundamental fact applicable to all expenditure by Council is that money used is ratepayers' funds. Consequently, sensitive expenditure needs to be consistent with the standards of probity and prudence that are expected of a public entity and be able to withstand elected members and public scrutiny.

Definition of sensitive expenditure: Expenditure by a public entity that provides, has the potential to provide or has the perceived potential to provide a private benefit to an individual staff member of a public entity that is additional to the business benefit to the entity of the expenditure. It also includes expenditure by a public entity that could be considered unusual for the entity's purpose and/or functions.

Policy

1.0 Principles applicable to sensitive expenditure

In order to satisfy the requirements above, the Council expects all employees involved in arranging, making for approving expenditure to:

- do so only for Council purposes (i.e. expenditure is consistent with the Long Term Plan or Annual Plan);
- exercise integrity, prudence and professionalism
- not derive personal financial gain (unless a conflict of interest has been declared and the transaction is managed in according to the procedure agreed in the declaration of the conflict of interest);
- act impartially;
- ensure the expenditure is moderate and conservative in the extent of the given situation;
- ensure the transaction is made transparently
- have read and adhered to this and other relevant Council Policies (particularly the Conflicts of Interest Policy);
- are appropriate in all respects.

The above principles and Council Policies should be applied comprehensively (i.e. no single principle or Policy should be excluded)

2.0 Deciding when sensitive spending is appropriate

- 2.1 For all expenditure, consideration needs to be given to Fringe Benefit Tax (FBT) requirements.
- 2.2 In deciding what appropriate sensitive expenditure is, elected members and employees need to take account of both individual transactions and the total value of sensitive expenditure.
- 2.3 Even when sensitive expenditure decisions can be justified at the item level, the combined amount of spend on a category of expenditure may be such that, when viewed in total, the entity could be considered extravagant and wasteful.

3.0 Responsibilities of the Mayor, Councillors and Executive Leadership Team

- 3.1 To be truly effective, this Sensitive Expenditure Policy, procedures and other controls must be embedded in the Council's values, philosophy practices and business processes. When this occurs, everyone at Council becomes involved in the proper and prudent management of sensitive expenditure.
- 3.2 Overall responsibility for this Policy rests with the Mayor, Councillors and the Executive Leadership Team (ELT). This group is required to make it clear to employees what is and is not 'acceptable sensitive expenditure' and model these behaviours to the highest standard.

4.0 Good controls and judgement

- 4.1 While the good controls at Council will assist with good sensitive expenditure conditions, good judgement will also be required. This is because it is not possible or desirable to attempt to set rules for every possible situation that may arise. In the absence of a specific rule for a given situation, the Mayor, Councillors and ELT are expected to exercise good judgement by taking the principles in this policy into account in the context of the given situation.

- 4.2 The Mayor, Councillors and ELT are required to ensure transparency in both sensitive expenditure and remuneration systems, to avoid any trade-off between the two. Items of expenditure that may not be justified under the principles of this policy should not be included as part of the employee's remuneration for the purposes of avoiding scrutiny against sensitive expenditure principles.

5.0 General controls for reimbursement

- 5.1 All claims must be submitted promptly after the expenditure is incurred. Except in exceptional circumstances, this means within one month.
- 5.2 Sensitive expenditure will only be reimbursed if it is deemed reasonable, actual and has been incurred directly in relation to Council business.
- 5.3 Valid GST compliant invoices/receipts and other supporting documentation must be maintained/submitted for all sensitive expenditure. Credit card statements and Eftpos receipts do not constitute adequate documentation for reimbursement.
- 5.4 All claims must clearly state the business purpose of the expenditure where it is not clear from the supplier documentation supporting the claim.
- 5.5 All claims must document the date, amount and description.
- 5.6 Wherever possible, Councils preferred suppliers are to be used (refer to NCC's Procurement Policy.)

6.0 Approval for sensitive expenditure

- 6.1 Approval for sensitive expenditure must be:
- Given only when the person approving the expenditure is satisfied that a justified business purpose and other principles have been adequately met.
 - Given before the expenditure is incurred, whenever practical.
 - Made only when budgetary provisions and delegated authority exist.
 - Given by the person senior to the person who will benefit or might be perceived to benefit from the sensitive expenditure.
- 6.2 Expenditure which is incurred (but not explicitly approved by Council) by Elected Members will be reviewed by the Mayor for compliance with this Policy.
- 6.3 Expenditure by the Mayor which is incurred (but not explicitly approved by Council) will be reviewed by the Chairperson or the Deputy Chairperson of the Audit and Risk Committee for compliance with this policy. A report of all sensitive expenditure by the Mayor will be provided to Audit and Risk Committee meetings.
- 6.4 In the case of the Chief Executive, the Mayor shall approve the expenditure. A report of all sensitive expenditure by the Chief Executive will be provided to Audit and Risk Committee meetings.

Specific Areas of Expenditure

7.0 Credit cards

Using credit cards is not a type of sensitive expenditure. However, they are a common method of payment for such expenditure. Employees issued with Credit Cards need to refer to NCC's Credit Card Policy (Doc ID 224194)

8.0 Travel

- 8.1 For information specific to Travel refer to the Travel Policy (Doc ID 753431). The Travel Policy covers the use of private vehicles for Council business, rental cars, taxis/shuttles and public transport, accommodation, air travel, and other travel-related expenditure.

9.0 Entertainment and Hospitality

Entertainment and hospitality can cover a range of items from tea, coffee and biscuits to catering, such as meals. It also includes non-catering related items such as Council funded entry to sporting or cultural events.

- 9.1 The principles of a justified business purpose, moderate and conservative expenditure, should be applied.
- 9.2 Council expenditure on entertainment and hospitality should be limited to the following business justifications:
- Building relationships
 - Representing the organisations
 - Reciprocity of hospitality where this has a clear business purpose and is within normal bounds – acceptance of hospitality is expected to be consistent with the principles and guidance for the provision of hospitality.
 - Recognising significant business achievement
 - Building revenue
- 9.4 Supporting the Council's internal organisational development may, in occasional circumstances, also be a legitimate business purpose for moderate expenditure.
- 9.5 All entertainment and hospitality expenditure must be pre-authorised by an ELT member, the Mayor or Chief Executive where practical and always supported by clear documentation. This documentation must identify the date, venue, costs, recipients and benefits derived and/or reasons for the event.
- 9.6 The most senior person present (with delegated authority) should approve and confirm the expenditure as being appropriate. Refer also to Council's Receiving Gifts and Hospitality Policy (Doc ID 223396).

10.0 Alcohol

- 10.1 Alcohol may be purchased with NCC funds where there is a clear business purpose and expenditure and consumption is not excessive for the circumstances. A business purpose may include celebrating successes, team building, and building internal and external relationships.
- 10.2 Expenditure on alcohol is to be approved under the general provisions in clause 6.1.
- 10.3 Alcohol consumed when travelling on Council business is covered by the Travel Policy.
- 10.4 Refer to the Alcohol and Drug Policy, and the Motor Vehicle Policy and ensure that the consumption of alcohol does not result in undesirable conduct by employees.

Goods and Services Expenditure

11.0 Disposal of Surplus Assets

As part of normal business, Council will from time to time dispose of surplus assets. Typically, this is when assets have become obsolete, worn out or surplus to requirements. Council's disposals are intended to be transparent and fair. Also refer to the Disposal of Surplus Assets Policy.

- 11.1 To ensure transparency, fairness and the best value for Council, the disposal of assets which have become obsolete, worn out or surplus to requirements, shall normally be conducted on the open market or by way of trade-in on a replacement asset.
- 11.2 Without the express prior approval the Chief Executive, no surplus assets with a market value of more than \$500 per item will be sold directly to Elected Members, Council employees or their family. In the case of the Chief Executive, prior approval must be obtained by the Mayor.
- 11.3 For assets with a value under \$500, the following principles shall apply:
 - Employees involved in selling the asset shall not benefit from the disposal
 - Sales must maximise the return to the Council; and
 - Be sold at no less than the market value determined by an appropriate valuation e.g. Trade Me.
- 11.4 On occasion, Council may decide to dispose of surplus assets for reasons other than financial return i.e. gifting for community good. Such instances will be by exception and will require the prior approval of the Chief Executive.

12.0 Loyalty reward scheme benefits

Loyalty reward schemes provide a benefit to the customer for continuing to use a particular supplier of goods and services. Generally, the rewards tend to be given in the name of the individual who obtains the goods and services, regardless of who has paid for them.

- 12.1 Except in the case of Airline loyalty rewards (covered in the NCC Travel Policy) and loyalty schemes such as Fly buys etc. Council treats loyalty rewards accruing to employees carrying out their official duties as property of the Council.
- 12.2 Where a reward/prize is obtained by chance and without inducement, the Chief Executive has the discretion to decide if the reward/prize is retained by the individual or is the property of Council.
- 12.3 When rewards/prizes are received from competitions at training or conference events or through membership of professional bodies they remain the property of the individual. When the value exceeds \$100 they are to be disclosed to a Manager and in the Gifts' register in accordance with the NCC's Receiving Gifts and Hospitality Policy.

13.0 Private use of Councils assets

- 13.1 Any physical item owned, leased or borrowed by Council is considered an asset for the purpose of this policy. This includes plant items, tools, photocopiers, mobiles, means of accessing the internet, and stationery.
- 13.2 The principles of transparency, moderate and conservative expenditure, are particularly relevant. Private use for personal purposes will only be permitted in limited circumstances and with approval from a member of ELT.

- 13.3 The costs to Council of private use will be recovered unless it is impractical or uneconomic to separately identify those costs.
- 13.4 Private use of Council assets can incur FBT so the impact of this must be considered before approval is granted.

14.0 Private use of Council suppliers

- 14.1 Council will not enable employees or Elected Members to obtain goods or services from a supplier on the same or similar basis to Council except in the limited way provided for below. This is to ensure that they may not receive preferential access to goods and services, and potentially a preferential price, which is not available to the public.
- 14.2 Staff may, however, make moderate use of any access to goods or services through Council's suppliers only under the approved Staff Discount scheme. All transactions are direct with suppliers and on a cash sale basis only. Staff may not use Council purchasing privileges on behalf of any third party. This includes family members or friends.
- 14.4 In rare circumstances, a Council order may cover expenditure with a personal component e.g a travel or accommodation booking. In this case payment to Council for the personal component must be made on the earlier of the confirmation of costs or receipt of the invoice from the supplier.

15.0 Council Use of Private Assets

- 15.1 Council may decide that reimbursing for use of Private Assets is appropriate for reasons such as cost, convenience or availability. Council may also decide to do this in circumstances where it would not fully use an asset of the same type if it acquired it directly. Examples include private motor vehicles, private mobiles and private computers or BYOD (buy your own device).
- 15.2 Insurance for the private asset being utilised is the responsibility of the employee.
- 15.3 To reduce the risk of the Council paying reimbursement costs that benefit the employee or elected member, pre-approval by an ELT member is required. In assessing the request particular attention is to be paid to the principles of a justified business purpose and preserving impartiality and integrity.
- 15.4 Reimbursement will be set at actual and reasonable costs. All claims require supporting documentation.
- 15.5 Employees must not approve or administer payments to themselves for the Council's use of their private assets.

Employee Support and Welfare Expenditure

16.0 Clothing

- 16.1 Other than official uniforms and health and safety-related clothing, staff will not be clothed at the Council's expense when they are engaged in normal business activity.

17.0 Care of dependants

- 17.1 The Chief Executive may authorise in exceptional circumstances the reimbursement of actual and reasonable costs in relation to the care of dependents. Some possible examples are when the employee is unexpectedly required to perform additional duties at very short notice, or a dependant unexpectedly requires additional care that the employee cannot provide because of the essential nature of their duties at the time. In all other instances care of dependants is to be treated as a personal and private expense of the employee.

18.0 Financing Social Club Activities

- 18.1 Council may make a prudent and reasonable monetary contribution to the Council Social Club. The contribution may be a grant or subsidy for a specific event or item and must be approved by the Chief Executive.

19.0 Farewells and retirements

- 19.1 Expenditure on welcomes, farewells, long service and retirements includes spending on functions, gifts and other items and should not be extravagant or inappropriate to the occasion. Refer to the NCC Recognition Policy.

20.0 Sponsorship of staff and others

- 20.1 Staff taking part in an activity that is not part of their job, such as a sporting event, maybe sponsored by Council through the provision of, or payment for goods and services (for example a t-shirt or entry fee).
- 20.2 Sponsorship should have a justified business purpose, which could include both publicity for the entity and its objectives and organisational development. The cost to Council must be moderate and conservative.
- 20.3 In normal circumstances, sponsorship will be provided through a social club rather than directly to the staff member.
- 20.4 Sponsorship of people who are not staff must be undertaken in a manner that is transparent. It is also preferable that, if non-staff are sponsored, the sponsorship is of an organisation they belong to, rather than directly to the individual.

21.0 Professional Memberships

Membership to a professional body is a sensitive expenditure due to its personal nature.

- 21.1 Payment of professional fees by Council on behalf of an employee must be:
- Approved by an ELT member or the Chief Executive in the case of employees. In the case of the Chief Executive or Elected Members, the Mayor is required to give approval;
 - clearly relevant to the performance of the employee's duties and responsibilities;
 - for the employee alone and is not to cover members of their family or other persons;
 - for no longer than one-year in duration unless significant discounts are available and it is reasonable to expect a two-year membership to be an advantage to the Council;
 - for the benefit of the Council and are not intended to be a personal benefit to employees, and accordingly are not liable for FBT;
 - refunded directly to the Council if the membership is cancelled and a refund is made available.

Other types of expenditure

22.0 Donations and Koha

A donation or a koha is a payment (in money or by way of goods or services) made voluntarily and without the expectation of receiving goods or services in return.

22.1 Council requires donations to be:

- Lawful in all respects
- Disclosed in aggregate in the Council's annual report
- Made to a recognised organisation by normal commercial means (not to an individual)
- Not in cash (except as a koha).
- Non-political (i.e. politically neutral).

22.2 The amount given on behalf of Council should reflect the occasion and the prestige of Council in its relations with Tangata Whenua.

22.3 Amounts under \$250 are to be approved by a member of ELT. Amounts of \$250 and over are to be approved by the Chief Executive.

23.0 Communications technology

23.1 Communications technology – such as mobiles, telephones, email and internet access, are widely used in the Council workplace. While some personal use of this technology is unavoidable, excessive use incurs costs, including lost productivity to Council.

23.2 Council's policies on the use of communications equipment are contained within Council's IT Acceptable Use Policy (Doc ID 216222).

24.0 Gifts given

24.1 A gift is usually given as a token of recognition of something provided by the recipient. Gifts given to employees are covered in the Recognition Policy (Doc ID 220599).

25.0 Gifts received

25.1 The receiving of a gift is not strictly sensitive expenditure, however; it is nevertheless a sensitive issue. Refer to the Gifts and Benefits Policy (Doc ID 223396).

Policy Review

The review timeframe of this policy will be no longer than every two years.

Document History

Version	Reviewer	Change Detail	Date
3	Operations Accountant	Review in line with Travel Policy	Sept 2019
4	Accounting Manager	Full Review, including new clauses 10 – 25 and removal of the provision of alcohol.	Dec 2021

5	Accounting Manager	General review including changes in ELT naming convention, changes in alcohol agreed by ELT	March 2023
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8. EXTERNAL AUDIT ACTIONS STATUS UPDATE

<i>Type of Report:</i>	Information
<i>Legal Reference:</i>	N/A
<i>Document ID:</i>	1808850
<i>Reporting Officer/s & Unit:</i>	Talia Foster, Financial Controller

8.1 Purpose of Report

The purpose of this paper is to summarise the actions taken by management from recommendations made via our external audit process to provide assurance to the Audit and Risk Committee that these have been addressed.

Officer's Recommendation

The Audit and Risk Committee:

- a) **Receive** this report titled "External Audit Actions Status Update".

8.2 Background Summary

Napier City Council are audited by Audit New Zealand annually for our Annual Report process, as legislated by the Local Government Act 2002. For each audit, we receive a report detailing issues found and recommendations made.

The agreed management actions are now being followed up with the relevant Council staff management and progress on actions to date is being tracked and reported.

8.3 Issues

From the 2022/23 Annual Report audit, we are reporting on 12 recommendations from Audit NZ. We believe four of these items should be closed when we receive our 2023/24 Annual Report audit management letter later this year.

For the remaining eight items, we are making good progress. Another three items are expected to be completed by the end of this calendar year. There are some items, such as high annual leave balances, and stocktake of fixed assets, which are ongoing and do not have quick fixes.

We anticipate that we will have our 2023/24 audit management letter for the next Audit and Risk Committee meeting, and will then be able to report on an updated list of recommendations.

8.4 Significance and Engagement

N/A

8.5 Implications

Financial

N/A

Social & Policy

N/A

Risk

Along with the internal audit programme, our external audit monitors and significantly reduces risk across the organisation. By monitoring the recommendations to ensure they are implemented we are further reducing risk. Any outstanding actions do pose a risk to the organisation.

8.6 Development of Preferred Option

Receive the External Audit Actions Status Update report.

8.6 Attachments

- 1 2024-11 External Audit Recommendations tracking (Doc Id 1812004) [↓](#)

Audit Year	Reference	Recommendation	Priority	Management Comment	Progress August 2024	Commentary - August 2024	Progress November 2024	Commentary - November 2024
2022	4.1	Attendance and resolution times performance measures - We continue to recommend that the City Council address the evidential issues associated with the Attendance and resolution times performance measures, and any possible impacts on the City Council’s 2022/23 annual report.	Necessary	No comment	In progress	Audit NZ have begun reviewing and testing our results for 2023/24. Although the already highlighted issues have been resolved, Audit NZ have identified some new issues and we are just working through whether this can be resolved for the 2023/24 year or not.	In progress	Further training and process changes are required to ensure times are accurately recorded. This came to light in the 2023/24 audit and is planned to be completed by Christmas.
2020		Payment for Hurt and Humiliation - City Council review its policy on out of court settlements for hurt and humiliation, and consider making a voluntary disclosure to the IRD.	Necessary	We are not aware that a such a review has occurred.	Complete	Audit NZ will be reviewing the actions undertaken before this matter can be closed.	Complete	Audit NZ have not yet reviewed as part of the 2023/24 audit, but we will request this is reviewed and signed off as part of finalising the audit engagement.
Prior to 2016		High annual leave balances - Encourage those with high annual leave balances to take leave.	Necessary	As at the 9 June 2022, there are 20 employees with leave balances above 50 days. This is a reduction on the prior year. We did note that one employee has over 100 days outstanding.	In progress	This is an ongoing issue for Council, and while we can encourage employees to take leave, the balances are always accruing. We have guidance provided to managers, regular reports going to managers monthly to advise their staff leave balances, and will continue to remind managers to encourage their staff to use their leave	In progress	This is coming under even more scrutiny as we attempt to reduce employee benefit expenses at Council's direction. Managers have been directed to reduce leave and further advice is coming from P&C on the management of leave balances.
2015		Conflict of interest risk management – interest register - The register could be improved by documenting the assessment of interests disclosed for any potential conflicts and how any identified conflicts will be managed or mitigated. Apply the interest register, to lower management level staff, consultants and contractors involved in procurement and projects. Declarations should be updated at regular intervals (eg six monthly). Training should also be provided on the conflict of interest policy and should apply to Councillors, senior management, management and staff involved in the procuring of goods and services.	Beneficial	The interest register is being developed by People and Capability business unit –declarations for procurement, staff and contractors will be recorded in the central register. It is expected to be completed by the end of the 2023 calendar year.	In progress	The working group, consisting of People & Capability + Finance + Information Services, continue to work together to improve the COI process. An automated workflow tool has been developed and the team are working on refining this. Next steps will be to look at finalising the policy and developing training. The review is on track to be completed by the end of 2024 calendar year.	In progress	The working group are continuing to make progress, and the review is on track to be completed by the end of the 2024 calendar year.
2022	5.3.1	Information systems policies and cybersecurity practices We recommend that: · The Information Services Acceptable Use policy be reviewed, updated and communicated to all users (internal and external). · Ensure that active training for all users in Cybersecurity prevention practices is undertaken.	Necessary	A review of the policy is in progress and we plan to have this approved and communicated to all users within the 2023 calendar year. We have a cybersecurity training programme which ensures all users of information systems undertake regular training. This is reviewed and reported against on a regular basis. We will ensure these practices continue, and will review that all users are completing the training.	Complete	The policy has now been published and made available to staff.	Complete	Audit NZ have completed a review of IT systems and processes and we anticipate this matter will be closed when we receive our management letter.
2022	5.3.2	Password management controls – Review and improve users network password controls to meet current good practice.	Necessary	We will review our settings and the NZ Information Security Manual to ensure our processes meet the recommendations where possible. We will review the users who are not required to change their password and the reasons why these settings were in place. We expect that most of these will be able to be corrected in line with recommended good practice and will keep adequate records of alternative controls if there are any cases where this is not possible.	Complete	Audit NZ will review before this matter can be closed.	Complete	Audit NZ have completed a review of IT systems and processes and we anticipate this matter will be closed when we receive our management letter.
		Procurement and contract management - Provide additional guidance to staff involved with procurement about the documentation that needs to be retained to support the procurement (including contract management) activity.	Necessary	The City Council is in the process of updating its suite of materials and have a contract management internal audit planned in September/October 2023.	In progress	<p>The NCC Internal Audit of Contract Management 2024 completed by Crowe was presented to the Audit and Risk Committee meeting 14th June. This proposed addressing the majority of the recommendations through the development of a Procurement and Contract Management Framework (Framework).</p> <p>The Framework includes guidance material, new templates, documented processes, and training. The establishment of this Framework is through a Procurement Improvement Plan (Plan). The proposed Plan was approved by ELT 18th June.</p> <p>For further updates, please refer to the reports to A&R on the Internal Audit recommendations which go into more detail.</p>	In progress	A separate report titled "Procurement and Contract Management Improvement Plan" has been included in this meeting. Please refer to this report for a complete update.

2022	5.2	Depot's systems and processes – Council undertake a review in general of the modus operandi and systems and processes at the Depot.	Necessary	We have taken this recommendation on board and will begin an internal review as soon as resources allow.	In progress	After a change of plan, recruitment is underway for a fixed term management accountant for the Depot and a Programme Manager which will enable the implementation of recommendations from Utilities NZ Limited.	In progress	The Group Accountant City Services and Programme Manager Transformation are making good progress in determining the appropriate course of action to implement recommendations from the Utilities NZ report.
2019		Kennedy Park: Weakness in Till Takings sign off - A more appropriate sign-off process be put in place, where the employee signing off the Cashier Balance Sheet report can be easily verified.	Beneficial	The recommendation has been partially completed – The Cashier Balance Sheet report is signed off as checked, however, there is no sign off as to who prepared it. The Business Analyst will be working alongside Kennedy Park to improve the process including both preparer and reviewer to sign off.	In progress	Resourcing issues mean the review in May was cancelled. It is now booked for August.	In progress	This is still awaiting resourcing to be applied to the issue from the Kennedy Park team. It was not able to be completed for sign off by Audit NZ in this years audit.
2021		Delegations - A procedure be put in place for approving operating expenditure in excess of \$1,000,000.	Necessary	Outstanding. A review is underway to address this issue.	In progress	A change of approach has determined that this is best placed in the Delegations Policy which is now expected to be completed by Christmas.	In progress	The delegations policy is still in progress, and planned for ELT approval before Christmas.
2019		Stocktake of fixed assets - A periodic stocktake of fixed assets be completed to ensure that all assets included in the financial records are still held by the City Council.	Beneficial	The City Council have now started completing a stocktake of all fixed assets, however it will take some to complete.	In progress	As noted, this has started but will take some time to complete. We are reviewing our resourcing with a view to putting a regular process in place.	In progress	This has started but will take some time to complete. There has been a focus on depot assets in the past quarter.
2023		Revaluation of three water assets and operational land and buildings - The independent valuer raised issues in relation to three waters above ground assets, the issues identified including the receipt of incomplete asset registers, the ongoing stocktake of the assets, the need to reconcile the assets to its assets register and to improve the record keeping and complete the condition assessment for these assets. It is acknowledged the Cyclone Gabrielle had a significant impact on the work that was underway in this area. We recommend the City Council implement these recommendations and others identified through internal review.		We have continued to engage the valuer through 2023/24 for assistance to correct these issues. The valuer will be reassessing the value of all above ground assets, which we will use to complete a fair value assessment for 30 June 2024.	In progress	The draft report from PDP has been received with the final due mid-August. This is still subject to Audit NZ's review but we are confident that the report will be sufficient to consider this recommendation complete for the 2023/24 Annual Report.	Complete	We received a full revaluation of above ground assets for 30 June 2024. Based on our audit opinion which has not been qualified on this matter for 2023/24, we believe this issue to be closed.

9. HEALTH & SAFETY UPDATE REPORT

Type of Report:	Enter Significance of Report
Legal Reference:	Enter Legal Reference
Document ID:	1810294
Reporting Officer/s & Unit:	Jill Coyle, People Operations Manager

9.1 Purpose of Report

To inform the Audit & Risk Committee (ARC) of Health Safety & Wellbeing (HSW) strategic progress, performance and activities covering the period June 2024 to 20 August 2024. The report enables the ARC to provide assurance to Council for the capability and functioning of Council's health, safety and wellbeing hazard and risk management system and associated programme.

Officer's Recommendation

The Audit and Risk Committee:

Receive The Audit and Risk Committee:

- a) **Receive** the Health and Safety Report for the quarter ended 30 October 2024.

9.2 Background Summary

Napier City Council (NCC) has duties under the Health and Safety at Work Act 2015 and subsequent regulations to ensure the safety of employees, and all other persons, at, or impacted by the work of Council. Duties of Council are upheld through the implementation of NCC's health and safety management system, that is guided by legislation, codes of practice, and is designed to address operational health and safety risks.

Executive Summary

- Revised risk assessments for SR32, as outlined in the Risk Management Report, indicate that this Strategic Risk, along with OR183, remains high and beyond acceptable risk appetite, while OR328 is assessed as medium. Current procedures and processes are actively supporting treatment actions to address the SR32 controls ensuring ongoing improvement. Specific improvements to these controls will be integrated into the designated treatment actions and escalated as needed to effectively manage and mitigate associated risks.
- Critical hazards have been identified across Council with many requiring a risk assessment. This would include the review of internal controls and determination of their effectiveness.
- The People & Capability team have drafted their strategic priorities to align with the ELT strategic actions. A final strategic plan will be shared at the next Audit & Finance committee meeting.

Discussion

Strategic and operational risks

Risk no	Risk Issue	Inherent RA	Revised RA	Target RA*	Risk Movement
SR14	Failure to maintain a safe and healthy workplace and safe systems of work (ie we do not proactively navigate H&S threats)	Extreme	High	Medium	Nil
OR183	Failure to manage health, safety, and wellbeing in the workplace	Extreme	High	Medium	Nil
OR328	Failure to comply with the Health and Safety at Work Act 2015 and subsequent regulations.	Extreme	Medium	Low	Nil

Critical and emerging risks

- While the table below is not an exhaustive list, it provides a starting point for the identification and assessment of critical risks. Further work is required for the identification and assessment of hazards, risks, and internal controls to determine effectiveness, with an update due to ARC in Q3.
- Table 2. Hazards and critical health & safety risks*

Hazard	Description of hazard	Risk in register (Cycle) Yes/No	Revised risk assessments
Contractors	Napier City Council engage contractors to complete work on our behalf. The Council are required to work in partnership with contractors to ensure duties as PCBUs are met, including conformance with Councils safety management system.	No	N/A
Wellbeing and psychosocial factors	Within workplace settings, there are environmental, relational, and operational hazards that may affect people's psychological and physical health.	No	N/A
Human behaviour	There is an increased presence of anti-social and intimidating behaviour from members of public towards Council staff.	No	N/A

Hazard	Description of hazard	Risk in register (Cycle) Yes/No	Revised risk assessments
Dangerous work activity	Workers, contractors, and volunteers often complete high-risk work activity including the handling of hazardous substances, confined spaces, excavations, lockout / tag out, working from heights, roof access, hazardous waste disposal, excavations, and operating heavy machinery.	No	N/A
Building materials	Assets may contain hazardous building material including asbestos and silica,	Yes	OR207 - High
Pool facilities and water features.	Council own and/or operate a range of pool facilities including ocean Spa, Napier Aquatic Centre, Kennedy Park, and several water features.	Yes	OR49 – High OR89 - Medium OR316* – Medium OR325 - Low OR332* - Medium

Strategic progress

The following workstreams will be presented to this Committee and are meant to outline progress in alignment with our Health & Safety improvement plan that represents significant programmes of work due for completion by June 2025. The work programmes are designed to improve our health and safety management system, the management of health and safety risks, and promote a positive health and safety culture.

Workstream	Status	Milestones completed	Next milestone	Comment
System improvement	75%	<ul style="list-style-type: none"> Health and Safety Policy ELT Leadership charter Centralisation of H&S data and documentation 	Establish performance indicators and annual health and safety targets. Review of H&S roles and responsibilities framework.	Commence late November 2024
		<ul style="list-style-type: none"> Upgrade of incident reporting system (MySafety) 	1.	1. Mysafety system upgrade completed

Workstream	Status	Milestones completed	Next milestone	Comment
Health and safety Critical Hazard management	20%	<ul style="list-style-type: none"> Nil 	Identification and assessment of critical health and safety hazards.	Work has started on identifying the main critical hazards for NCC
Leadership and commitment	30%	<ul style="list-style-type: none"> Training and professional development opportunities delivered for directors and managers. 	Develop health and safety induction and training programme for managers and team leads to ensure they are equipped to manage health and safety risks.	The review of our induction is currently underway
Health and safety learning and development	70%	<ul style="list-style-type: none"> Review of induction process, material, and scheduling. 	Complete training needs assessment for managers and team leaders	<p>The current onboarding including inductions for our new starters is under review weekly inductions for H&S continue.</p> <p>Compliance based training is currently delivered using external training and education providers.</p>
Communication	50%	<ul style="list-style-type: none"> Nil 	Health and safety communications plan and deliver communication on health and safety matters through existing channels and networks.	
Engagement	100%	<ul style="list-style-type: none"> Review and update health and safety committee terms of reference, and health and safety representative responsibilities, & accountabilities 	Establish communication channels for workers to remain engaged and informed for workplace health and safety.	<p>Regular H&S committees every 6-8 weeks with good employee participation with documented actions</p> <p>MySafety portal and logging has increased since new updates to the system</p>

Workstream	Status	Milestones completed	Next milestone	Comment
Audit and assurance	25%	• Nil	Develop and implement a schedule of health and safety reporting to enable effective monitoring and reviewing of health and safety performance based on strategic objectives and KPIs.	An audit is currently being undertaken for elected contractors with regard to critical risk management

Health and safety reporting

Health and safety reporting profiled over this reporting period are summarised below (as of 20/08/2024).

Lag Reporting	Sep-Oct 2023	Sep-Oct 2024
Incidents	52	64
Pain + Discomfort	12	19
Near Miss	38	53
Lost time Injuries	2	3
Lead Reporting	Sep-Oct 2023	Sep-Oct 2024
Safety Observations	66	72
Meetings	52	25
Training Delivered	45	66

Investigations

- We have had 2 internal investigations of a significant near miss.

Water bottle used for chemical storage

- Operator decanted some pulse weed killer spray out of the original packaging into a water drink bottle.

Near Miss –Potential Exposure to high levels of H2S

- Repeated H2S (hydrogen sulphide) alarms that went undiagnosed with the potential to cause a buildup on H2S inside the milliscreen hall.
- There were **zero** contractor events that required an investigation during the reporting period.

WorkSafe notifiable events

- There was **zero** contractor WorkSafe notifiable event during the reporting period.

Workplace Wellbeing Initiatives

- During the recent quarter, the Health & Safety team at Napier City Council promoted Mental Health Awareness Week, offering a range of wellbeing activities for employees and their whānau to engage in, including workshops on stress management, team-

building exercises, and resource sharing on mental health strategies. These efforts were designed to promote a supportive, open culture around mental health. NCC continues to provide access to Umbrella Wellbeing, OCP and Mates4Life ensuring ongoing mental health support for employees. Umbrella delivers tailored wellbeing programs, OCP offers confidential counselling for personal and professional challenges, and Mates4Life encourages a supportive environment with a focus on mental health awareness and suicide prevention. By inviting employee's whānau to participate, NCC reinforced the importance of holistic wellbeing, extending mental health support beyond the workplace.

9.3 Issues

No issues

9.4 Significance and Engagement

n/a

9.5 Implications

Financial

N/A

Social & Policy

N/A

Risk

N/A

9.6 Options

The options available to Council are as follows:

- a. N/A
- b. N/A

9.7 Development of Preferred Option

Recommend that the Audit and Risk Committee receive the Health and Safety Report.

9.8 Attachments

Nil

RECOMMENDATION TO EXCLUDE THE PUBLIC

That the public be excluded from the following parts of the proceedings of this meeting, namely:

AGENDA ITEMS

1. Civic Precinct Main Contractor Procurement update
2. Audit New Zealand - Verbal Update
3. Chief Executive - Verbal Update

The general subject of each matter to be considered while the public was excluded, the reasons 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 were as follows:

General subject of each matter to be considered.	Reason for passing this resolution in relation to each matter.	Ground(s) under section 48(1) to the passing of this resolution.	Plain English reason for passing this resolution in relation to each matter
1. Civic Precinct Main Contractor Procurement update	7(2)(h) Enable the local authority to carry out, without prejudice or disadvantage, commercial activities	48(1)(a) That the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist: (i) Where the local authority is named or specified in Schedule 1 of this Act, under section 6 or 7 (except 7(2)(f)(i)) of the Local Government Official Information and Meetings Act 1987.	In the middle of a live tender process but wish to provide Audit and Risk an update
2. Audit New Zealand - Verbal Update	7(2)(h) Enable the local authority to carry out, without prejudice or disadvantage, commercial activities	48(1)(a) That the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the	Commercial activity

		disclosure of information for which good reason for withholding would exist: (i) Where the local authority is named or specified in Schedule 1 of this Act, under section 6 or 7 (except 7(2)(f)(i)) of the Local Government Official Information and Meetings Act 1987.	
3. Chief Executive - Verbal Update	7(2)(h) Enable the local authority to carry out, without prejudice or disadvantage, commercial activities	48(1)(a) That the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist: (i) Where the local authority is named or specified in Schedule 1 of this Act, under section 6 or 7 (except 7(2)(f)(i)) of the Local Government Official Information and Meetings Act 1987.	Commercial activity
Public Excluded Text			
Council has considered the public interest in the information above and balanced those interests with the reason(s) for withholding this information. This ensures Council has met the requirements for withholding information under section 7(2) of the Local Government and Official Information and Meetings Act 1987.			

AUDIT AND RISK COMMITTEE

Open Minutes

Meeting Date: Thursday 5 September 2024

Time: 9.30am – 11.32am (*Open*)
11.50am – 12.10pm (*Public Excluded*)

Venue Council Chambers
Hawke's Bay Regional Council
169 Dalton Street
Napier

Present **Chair:** Bruce Robertson
Members: Mayor Kirsten Wise, David Pearson, Councillors Sally Crown (Deputy Chair), Greg Mawson and Hayley Browne

In Attendance Chief Executive (Louise Miller)
Acting Executive Director City Services (Jessica Ellerm)
Executive Director Infrastructure Services (Russell Bond)
Executive Director City Strategy (Rachel Bailey) [via Teams]
Acting Executive Director Corporate Services (Caroline Thomson)
Financial Controller (Talia Foster)
Internal Audit Lead (Raewyn Fowler)
Team Leader Governance (Anna Eady)
Strategic Programmes Manager (Darran Gillies)
Manager Asset Strategy (Kate Ivicheva)
Procurement Manager (Sharon O'Toole)
Business Improvement Manager (Alister Edie)
Risk and Assurance Lead (Dave Jordison)
Audit New Zealand (Karen Young) [via Teams]

Also in Attendance Councillor Simpson

Administration Governance Advisor (Carolyn Hunt)

AUDIT AND RISK COMMITTEE – Open Minutes

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ORDER OF BUSINESS

Karakia

The meeting opened with the Council karakia.

Apologies

Nil

Conflicts of interest

Nil

Public forum

Nil

Announcements by the Mayor

Nil

Announcements by the Chairperson

Nil

Announcements by the management

Nil

Confirmation of minutes

Bruce Robertson / Councillor Crown

That the Minutes of the Audit and Risk Committee meeting held on Friday, 14 June 2024 were taken as a true and accurate record of the meeting.

Carried

AGENDA ITEMS

1. CIVIC PRECINCT MAIN CONTRACTOR PROCUREMENT

Type of Report:	Operational
Legal Reference:	N/A
Document ID:	1783487
Reporting Officer/s & Unit:	Darran Gillies, Strategic Programmes Manager

1.1 Purpose of Report

To seek endorsement of the approach to the Civic Precinct main contractor procurement approach, and to share the accompanying Probity Plan. To enable the release of the Registration of Interest to the market.

At the meeting

The Strategic Programmes Manager, Mr Gillies provided a brief summary of the report outlining the procurement plan that supported the release of the main contractor tender to the market. Mr Gillies also outlined the basis of the probity management which was to ensure the integrity process of conducting a procurement.

In response to questions the following was clarified:

- Mr Gillies advised of an amendment to page 25, paragraph 6.6 of the Procurement Plan (Mandatory requirements) changing the figure of \$35m to \$25m for a contractor having undertaken a project of that value in a regional centre in the last five years. Reducing the amount to \$25m would provide a better opportunity to allow the local regional market to bid for the work to enter the Registration of Interest process.
- General evaluation criteria includes multiple workshops, usually within the design team and using the expertise they have of doing previous tenders. There are multiple disciplines of structural engineers, architects, quantity surveyors and procurement experts who have all had input into this process.
- Consentable detailed design will be completed prior to going to tender and any changes by the contractor would not be fundamental design changes.
- A detailed value engineering exercise has been undertaken during the last ten weeks to increase the contingency. Once a tender is secured it is an opportunity for the awarded contractor to suggest design changes which would usually be around material choices, using their building expertise around the buildability of the buildings and landscape which allows Council to build in greater contingency.
- There are only two cross laminated timber (CLT) suppliers within the Australasian market, and to ensure production space an earlier procurement around that specific product was undertaken 5-6 months ago. This has been evaluated and a preferred CLT contractor has been secured to ensure there is factory space for this product. This contractor will be nominated and novated into the main contractor.

-
- Mr Gillies explained the difference between the Project Control Group, Steering Group and Advisory Board:
 - The Project Control Group is the design team, with expertise and project management the core delivery of the group for the project. They meet monthly to address issues, risks or changes to the project that require a decision at Mr Gillies' delegation.
 - The Steering Group comprises council officers and key decision makers within the organisation. They have a high level of awareness of how the project is progressing. They manage risk protection.
 - The Advisory Board is an endorsement board and are an extra layer around risk protection in relation to the main contract. Any contingencies or variations from the main contractor would have to go to the Board for endorsement or decision making.
 - The Project Control Group reports to the Senior Responsible Officer (Jessica Ellerm).
 - There will be more disappointed people than happy people with the tender.
 - The Chair confirmed he was happy with the procurement plan and probity plan and emphasised the extent of control.
 - During the market sounding there were 11 contractors that were asked if they saw any buildability issues or concerns with the project, to have the information included in the design process early; one of these was around cost issues. As part of the procurement process there will be an independent expert from the construction industry to review the documentation and ensure there is technical buildability. The value engineering was undertaken early to have all components together to build in any extra contingency.
 - By the end of the year the project will be 90% detailed designed, with the final detailed design available on 25 January 2025.
 - Mr Gillies advised that he would circulate the Board's monthly report on strategic programme risk, which is also circulated to the elected members as part of the monthly programme dashboard produced for this project.
-

**COMMITTEE
RESOLUTION**

Bruce Robertson / Councillor Browne

The Audit and Risk Committee:

- a. **Endorse** Civic Precinct Main Contractor Procurement Approach (Doc Id 1783631).
- b. **Note** The Civic Precinct Main Contractor Probity Plan (Doc Id 1783634).

Carried

2. DRAFT INDEMNITY AND LIABILITY POLICY FOR COUNCIL WORKSHOPS AND MEETINGS

<i>Type of Report:</i>	Operational
<i>Legal Reference:</i>	Local Government Act 2002, Local Government Information and Meetings Act 1987, Privacy Act 2020
<i>Document ID:</i>	1785685
<i>Reporting Officer/s & Unit:</i>	Anna Eady, Team Leader Governance

2.1 Purpose of Report

To provide the Committee an opportunity for review and input into the draft Indemnity and Liability Policy for Council Workshops and Meetings.

At the meeting

The Team Leader Governance, Ms Eady took the report as read.

In response to questions the following was clarified:

- In regard to “current best practise” Ms Eady advised thorough investigation had been undertaken as to what other councils had in place and utilised some of those policies content in relation to meetings and livestreaming.
- At the suggestion of the Chair, contact had also been attempted with the Ombudsman's office to provide input to the Policy, prior to the Council meeting on 26 September 2024. No response had yet been received and Ms Eady would follow up to seek support from the Ombudsman for the policy.
- Standing Orders during meeting situations will cover a lot of what is in the Policy. The reason for developing the Policy was that the workshop space was less formalised.
- The Policy covers being able to remove parts of the workshop recording if inappropriate and livestreaming would be dealt with differently through Standing Orders.

COMMITTEE RESOLUTION

Councillors Crown / Mawson

The Audit and Risk Committee:

- Receive** the report “Draft Indemnity and Liability Policy for Council Workshops and Meetings” (Doc Id 1752204).
- Recommend** Council adopt the draft Indemnity and Liability Policy for Council Workshops and Meetings with a review date in 12 months.
- Direct** officers to send copy of the “Liability Policy for Council Workshops and Meetings” to the Ombudsman office to seek support for the proposed Policy.

Carried

3. POLICY REVIEW PROCESS UPDATE

<i>Type of Report:</i>	Operational
<i>Legal Reference:</i>	N/A
<i>Document ID:</i>	1781644
<i>Reporting Officer/s & Unit:</i>	JayJay Kettle, EA to Deputy Chief Executive & Executive Director Corporate Services Talía Foster, Financial Controller

3.1 Purpose of Report

To update the committee on the progress made to date with the policy review project.

At the meeting

The Financial Controller, Ms Foster presented the report on behalf of Ms Kettle noting that since May six policy reviews have been approved by the Executive Leadership Team (ELT) and not 19 as stated in the report.

The Executive Director Infrastructure Services, Mr Bond advised that the Key Account Management Policy assisted major developers to interact with key parts of Council in identifying roles in departments to ensure the process is handled in a timely way.

The timeline for the programme of the policy review would be included in the next report to the Committee.

COMMITTEE RESOLUTION

David Pearson / Mayor Wise

The Audit and Risk Committee:

- a) **Receive** the report titled "Policy Review Process Update" dated 5 September 2024.

ACTION: *Officers to provide clarity on the workflow and priority process, in relation to the Policy Review System at the next Audit and Risk Committee meeting.*

Carried

4. PROCUREMENT AND CONTRACT MANAGEMENT IMPROVEMENT PLAN

Type of Report:	Information
Legal Reference:	N/A
Document ID:	1777284
Reporting Officer/s & Unit:	Sharon O'Toole, Procurement Manager

4.1 Purpose of Report

The purpose of this report is to outline the improvements intended to address the findings and recommendations from the Internal Audit Report: Contract Management Report 2024, completed by Crowe.

This work will also support the use of procurement and contract management as strategic tools to deliver Council's work programme and asset management.

The initiative has been developed in consultation with the project to establish a Council Enterprise Programme Management Office (EPMO).

At the meeting

The Procurement Manager, Ms O'Toole provided a brief summary of the report in relation to the recommendations by consultants Crowe following an internal audit report. The focus of the Procurement and Contract Management Improvement Plan was to promote operational efficiency, achieve compliance and standardisation.

In response to questions the following was clarified:

- The workstream diagram on page 21 of the agenda was the total programme that would be implemented into the procurement plan within 6-9 months.
- The risk profile for this project will be challenging to deliver in 6-9 months, however the priorities will be delivered.
- A governance group was recommended under the guise of the Business Improvement Group, with three areas of delivery and the risk profile as a priority of the group.
- Work is being undertaken to look at change across the organisation and this is not currently established, however the two will connect.
- The Chief Executive advised that they were trying to balance resources in establishing the Enterprise Programme Management Office (EMPO) which will have some change resource within it. To this end a fixed term consultant may be sought to assist in the process.

COMMITTEE RESOLUTION

Bruce Robertson / David Pearson

The Audit and Risk Committee:

- a) **Approve** the Procurement and Contract Management Improvement Plan.

ACTION: *Officers requested to report back to the next Audit and Risk Committee meeting on the progress of the improvement plan and include any risks that may impact the programme of work being completed.*

Carried

5. ASSET MANAGEMENT ROADMAP PROGRESS

Type of Report:	Information
Legal Reference:	N/A
Document ID:	1785900
Reporting Officer/s & Unit:	Kate Ivicheva, Manager Asset Strategy

5.1 Purpose of Report

This report provides an overview of the key activities and progress towards implementing the Asset Management Roadmap. These initiatives have been progressed by the Asset Strategy team, with the recent establishment of the Asset Management Steering Group set to ensure that the continued delivery of the Roadmap is conducted in a more coordinated and strategic manner.

The report demonstrates the ongoing commitment to enhancing asset management practices, improving data integrity, optimising processes, and ensuring compliance with regulatory requirements.

At the meeting

The Manager of Asset Strategy, Ms Ivicheva, provided a summary of key initiatives aligned to the Asset Management Roadmap during the last eight months, as well as business-as-usual improvements.

In response to questions the following was clarified:

Roadmap Progress

- The roadmap's implementation timeline is slowed by 6 to 9 months due to the limited capacity within the asset teams - partly due to changed priorities and the volume of work associated with the Long Term Plan process. It had previously been identified that the teams could only allocate 10% of their time to implementing improvements on top of the core work budgeted for in the Long Term Plan.
- The Asset Management Steering Group continues to work on the draft of the asset management overview map. Since the teams' asset information needs are different, an organisational map will be produced, providing a consistent approach for assets and data. This will enable a more strategic approach to managing the Council's assets. A commitment has been made to use the Sycle system.

Business as Usual – Continuous Improvement

- The Asset Management Intelligence Team, with the wider Asset Strategy group, have been probing process and workflow impediments across the Depot and Infrastructure Directorates. Service Request System usability was slow, cumbersome and difficult to use. To make navigation easier, a combination of providing enhanced tools, dashboards and training has resulted in direct savings of ~ 134 hours per week /6200 per annum across six teams to be achieved. This, directly and indirectly, results in the attention and delivery of services to enhance.
- The Asset Strategy team (BAM and AMIT) has made significant progress in developing the asbestos system. A small team has been working on collating and integrating asbestos data from 196 buildings into the new system and revising existing practices.

**COMMITTEE
RESOLUTION**

Mayor Wise / Councillor Crown

The Audit and Risk Committee:

- a) **Receive** the update on the progress of asset management initiatives **and endorse** the continued implementation of the Asset Management Roadmap.

ACTION: *Direct officers to set out in next report if the roadmap is to be reset as unable to meet the initiatives and assumed direction and outline what is now going to happen. Also attach the core key risks and any uncertainty for the programme to enable the Committee to provide support to the initiatives.*

Carried

6. SENSITIVE EXPENDITURE - MAYOR AND CHIEF EXECUTIVE

Type of Report:	Information
Legal Reference:	N/A
Document ID:	1782552
Reporting Officer/s & Unit:	Raewyn Fowler, Internal Audit Lead Talía Foster, Financial Controller

6.1 Purpose of Report

To provide the information required for the Committee to review Sensitive Expenditure of the Mayor and Chief Executive for compliance with Council's Sensitive Expenditure Policy.

At the meeting

The Internal Audit Lead, Ms Fowler took the report as read, confirming that all items identified in the report for this quarter complied with Council's Policy.

**COMMITTEE
RESOLUTION**

Councillor Crown / David Pearson

The Audit and Risk Committee:

- a) **Receive** the 30 June 2024 quarterly report of Sensitive Expenditure for the Mayor and Chief Executive and review for compliance with the Sensitive Expenditure Policy.

Carried

Councillor Mawson left the meeting at 10.45am

7. INTERNAL AUDIT RECOMMENDATIONS PROGRESS REPORT

Type of Report:	Information
Legal Reference:	N/A
Document ID:	1784295
Reporting Officer/s & Unit:	Raewyn Fowler, Internal Audit Lead

7.1 Purpose of Report

The purpose of this report is to provide the Audit and Risk Committee an update on the internal assurance activities each quarter. The report includes information on the current internal audit programme, and progress to date of the recommendations.

At the meeting

The Internal Audit Lead, Ms Fowler took the report as read which included the key achievements for the last quarter, what is planned for the next quarter and any issues that may be faced during the completion of the Annual Report.

Councillor Mawson rejoined the meeting at 10.49am

In response to questions the following was clarified:

- The Learning Management System (LMS) will be received in the near future and the development of the content will be undertaken by the People and Capabilities team with delivery within the next quarter.
- Delay in the delivery of the system has been due to changes in the People and Capabilities team.
- Initially the LMS was to have been delivered in October, however the delay may be 3-6 months before it is ready to be launched and used for onboarding, inductions and records management.

COMMITTEE RESOLUTION	Bruce Robertson / Councillor Browne
	The Audit and Risk Committee:
	a. Receive the Internal Audit Recommendations Progress Report dated 5 September 2024
	Carried

Mayor Wise left the meeting at 10.54am

8. EXTERNAL AUDIT ACTIONS STATUS UPDATE

<i>Type of Report:</i>	Information
<i>Legal Reference:</i>	N/A
<i>Document ID:</i>	1786614
<i>Reporting Officer/s & Unit:</i>	Talia Foster, Financial Controller

8.1 Purpose of Report

The purpose of this paper is to summarise the actions taken by management from recommendations made via our external audit process to provide assurance to the Audit and Risk Committee that these have been addressed.

At the meeting

The Financial Controller, Ms Foster took the report as read.

Mayor Wise rejoined the meeting at 10.58am

Ms Foster highlighted the recommendation on attendance and resolution times performance measure where there were potentially further issues and officers were working with Audit New Zealand on further testing and the issues being overcome.

Ms Young confirmed that Council is making progress in the areas where recommendations were made. She had seen the report from the valuer on the inventory water stocktakes and the above ground assets which had been very positive.

In regard to the attendance issues Ms Young advised that they had identified a classification and accuracy issue and it appeared there were further errors in the data.

COMMITTEE	Bruce Robertson / David Pearson
RESOLUTION	<p>The Audit and Risk Committee:</p> <p>a) Receive this report titled "External Audit Actions Status Update".</p>
	Carried

9. RISK MANAGEMENT REPORT

<i>Type of Report:</i>	Information
<i>Legal Reference:</i>	N/A
<i>Document ID:</i>	1786241
<i>Reporting Officer/s & Unit:</i>	Dave Jordison, Risk and Assurance Lead Alister Edie, Business Improvement Manager

9.1 Purpose of Report

To update the Committee on risk management workstreams and inform on the status of Council's strategic and operational risk profile and any emerging risks.

At the meeting

The Risk and Assurance Lead, Mr Jordison spoke to the report providing a brief summary of the current risk management framework, developments and workstreams which are underway, which was based on the uplift programme.

In response to questions the following was clarified:

- The ELT acknowledged through the process that there are too many risks and they are not focussed on strategic risk.
- The Committee could assist ELT in discussing the risk profile and working with uncertainties for the next 15 months.
- Mr Edie advised that the key understanding of the strategic risk dashboard is what the objectives are for each of those strategic risks. There are some new risks and at this stage it is not known what the objectives are to align with the risks.
- The strategic risks were compiled with elected members in a workshop by PWC and the intent of them is not always known by officers. A further workshop will be held with elected members and ELT on strategic risks to identify the intent and objectives.
- The risk appetite was also identified at the previous PWC workshop.
- There is a global emerging risk of Monkey Pox and understanding the method of transmission of the disease.
- Ms Bailey advised that Council were currently an interested party in the coroner's enquiry into the deaths during Cyclone Gabrielle. The process is currently in the scoping phase and Council will be making submissions on the scope to the Coroner jointly with Central Hawke's Bay District Council and Hastings District Council.

COMMITTEE RESOLUTION

Mayor Wise / Councillor Crown

The Audit and Risk Committee:

- Receive** the report titled "Risk Management Report" dated 5 September 2024.

Carried

10. HEALTH AND SAFETY REPORT

<i>Type of Report:</i>	Information
<i>Legal Reference:</i>	N/A
<i>Document ID:</i>	1786472
<i>Reporting Officer/s & Unit:</i>	Jill Coyle, Chief People Operations Officer

10.1 Purpose of Report

To inform the Audit & Risk Committee (ARC) of Health Safety & Wellbeing (HSW) strategic progress, performance and activities covering the period June 2024 to 20 August 2024. The report enables the ARC to provide assurance to Council for the capability and functioning of Council's health, safety and wellbeing hazard and risk management system and associated programme.

At the meeting

The Acting City Services Director, Ms Ellerm on behalf of Ms Coyle presented the report providing a brief summary and overview of Health and Safety activity risks, and the progress of initiatives underway to improve health, safety, and wellbeing. There has been an improvement in the maturity of reporting within the organisation and presentation of the Health and Safety Committees contribution has also improved.

It was noted that a number of risks that are not currently included in the Sycle Register would be inputted as soon as time permitted as a priority.

COMMITTEE RESOLUTION

Councillors Mawson / Crown

The Audit and Risk Committee:

- a) **Receive** the Health and Safety Report for the quarter ended 20 August 2024.

Carried

Minor matters

There were no matter to discuss.

RESOLUTION TO EXCLUDE THE PUBLIC

Bruce Robertson / Councillor Mawson

That the public be excluded from the following parts of the proceedings of this meeting, namely:

1. Chief Executive - Verbal Update
2. Audit New Zealand - Verbal Update

Carried

The general subject of each matter to be considered while the public was excluded, the reasons 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 were as follows:

General subject of each matter to be considered.	Reason for passing this resolution in relation to each matter.	Ground(s) under section 48(1) to the passing of this resolution.
1. Chief Executive - Verbal Update	7(2)(h) Enable the local authority to carry out, without prejudice or disadvantage, commercial activities	48(1)(a) That the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist: (i) Where the local authority is named or specified in Schedule 1 of this Act, under section 6 or 7 (except 7(2)(f)(i)) of the Local Government Official Information and Meetings Act 1987.
2. Audit New Zealand - Verbal Update	7(2)(h) Enable the local authority to carry out, without prejudice or disadvantage, commercial activities	48(1)(a) That the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist: (i) Where the local authority

		is named or specified in Schedule 1 of this Act, under section 6 or 7 (except 7(2)(f)(i)) of the Local Government Official Information and Meetings Act 1987.
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The meeting adjourned at 11.32am and reconvened in Public Excluded at 11.50am

The meeting closed with a karakia at 12.10pm

Approved and adopted as a true and accurate record of the meeting.

Chairperson

Date of approval