Chairperson and Committee Members
AUDIT AND RISK COMMITTEE

28 FEBRUARY 2019

Meeting Status: **Public**

Purpose of Report: For Information

RISK MANAGEMENT - BUSINESS ASSURANCE UPDATE

PURPOSE OF REPORT

1   This report primarily updates the Audit and Risk Committee on the on-going implementation of the Enterprise Risk Management (ERM) framework.

DELEGATION

2   The Audit and Risk Committee has delegated authority to consider this report under the following delegation in the Governance Structure, Section B.3.
> *Ensuring that Council has in place a current and comprehensive risk management framework and making recommendations to the Council on risk mitigation.*

BACKGROUND

3   The key elements of the Enterprise Risk Management Framework include:
- Risk Management;
- Business Continuity Management;
- Business Assurance; and
- Procurement Improvement Programme.

4   Independent consultants have been engaged to complete the work streams with Council officers to:
- review and agree with management the areas of the business where risk management implementation will provide the greatest value and work with the Council's business groups to embed the day-to-day management of risks in the more routine activities;
- develop a risk communication/reporting process at and between, the following levels:
    - Council/Committees;
    - Senior Leadership Team (SLT);
    - Business Units/Groups; and
    - Projects, Asset Management.
- develop a Business Continuity Management System for effective response to a range of potential business disruptions;
- provide Fraud Awareness training. PwC provided this training to the Leadership Forum in August 2017;
- provide Business Assurance oversight and complete business assurance work; and
- improve the understanding and tools to support good procurement practices.

5   As previously reported, the intended outcomes from achieving this implementation will include:

- stakeholders, external auditors, Council and management achieve high levels of assurance that the real risks are being identified and managed effectively;
- better decision making throughout the business through greater awareness of the real risks (threats and opportunities); and
- clarification and socialisation of the notion of Council's risk appetite and tolerance.

ENTERPRISE RISK MANAGEMENT PROGRESS UPDATE

6   Guidance for the risk management, procurement and assurance work has been established through a collaborative process with Council staff.

7   Since July 2017, the work has focussed primarily on tangible outputs, as discussed separately below.

Corporate Risk Profile

Current Status

8   As part of the implementation of the Enterprise Risk Management (ERM) a risk profile, comprising a risk register and risk treatment plan, was established, which is subject to an approximate quarterly update by management that is then reported to Audit and Risk. The focus is on identifying, managing and communicating the very highest strategic and operational risks that the organisation faces.

9   The profile has continued to be reviewed and updated individually by Group Managers and relevant activity managers and then a consolidated conversation was held with SLT.

10   The profile including an Executive Summary and risk ranking tables is attached as Appendix 1.

11   Similar to previous Audit and Risk Committee meetings, a risk "deep dive" conversation agenda item has been included in this report. The "deep dive" provides an opportunity for committee members to engage and gain a deeper insight on a specific risk with the relevant Group Manager risk owner and any particular subject matter expert.

Two "deep dive" topics have been chosen; "Insurance" and "Iwi Relationships"

- **Insurance**

    A presentation will be given by AON, council's insurance broker and advisor on insurance risks.

- **Iwi relationships**

    A presentation will be given and discussion facilitated by Paul Beverley from Buddle Findlay.

    Paul specialises in resource management planning and consenting processes, Māori Law and Treaty Settlement negotiations.

12   Committee members are invited to nominate risks for "deep dive" at subsequent meetings.

Areas for Improvement

13   Engagement on the risk profile has progressively included activity managers as well as Group Managers.   The overall risk management culture and practice is improving and risk conversations are widening.

14   Risk management culture and practice has also been focused on in the project and portfolio management area and educational risk management work at activity manager level has occurred.

15   The concept of risk acceptance is being further explored and embedded, i.e. certain moderate level risks may be overtly tolerated by the business in the context of the costs or impracticalities to further mitigate the risk.

16   All critical decision-making functions within the business will be further supported, if not already done so, with appropriate risk management incentive and practice.

Corporate Business Continuity Management System (BCMS)

17   'Business Disruptions' is a high level risk on the corporate risk profile.

18   To address this risk, Council has commenced with a BCMS development programme. The objective of the programme is to ensure that, following a disruptive incident, Council has the systems and capability to continue the delivery of its critical activities and services within acceptable, predefined levels.

19   This programme builds on some work carried out in early 2017 to develop Business Continuity Plans (BCPs) for critical corporate activities:
- Payroll (HR and Finance);
- loss of office buildings;
- supplier payments; and
- customer call centre.

20   The development programme is being staged over 2018/19 and 2019/20 years.

21   The programme development is interactive and includes:
- establishment of BCMS policy and guidance material (draft complete);
- Business Impact Analysis to identify all critical activities (complete);
- development of BCPs for identified critical activities;
- review of existing BCPs;
- identification of critical dependencies and resource needs including ICT;
- leadership requirements during an event; and
- test and exercise programme development and implementation.

22   Work to date has included drafting of policy and guidance, review of existing BCPs and drafting of business continuity plans for both Water Supply and Wastewater services.

Procurement Function Review

23   The procurement specialist has been contracted until the end of May 2019, to build up the level of capability across the organisation.

24   A refresh has been completed of key council template contracts since the last meeting and they are in the final stages of review.

25   System improvements continue to be focussed on: intranet and external website content; spend and supplier data; capture, management and utilisation of contract information and procurement controls.

26   The procurement improvement programme is beginning to deliver a range of benefits to the Council, with evidence showing an increased focus on good procurement practice. Staff are better supported with the procurement aspects of their jobs and are developing improved procurement capability.

27   Focused training on procurement was provided to new senior staff in February to ensure good practice continues through the effective use of the procurement policy and manuals. Staff across the organisation have also been actively seeking clarification and advice from the specialist.

28   More strategic and collaborative procurement approaches are being explored. These changes will help to lower the risks associated with poor procurement practice and will help to improve the value for money being achieved.

Internal Audit Programme

29   The Council does not currently have dedicated internal audit resources. At present, this is resourced externally through PricewaterhouseCoopers (PwC). The programme has been limited due to funding. The following is an update on the key work in the area:

Review and assess the Council's Fraud Control Framework

30   No further work has been completed in this area since the last meeting. The intention is to engage PwC to expand on the initial fraud training, that will include workshops with each operational group to review initial fraud risks identified and expand upon these to clarify controls in place or that should be in place.

Business Assurance Charter and Strategy

31   In February 2018, Officers reported to the Audit and Risk Committee the key findings, improvement recommendations and targeted work programme from the PwC Cash handling Business Assurance review.

32   Appendix 2 to this report provides a detailed update on the progress made on each recommendation from the PWC Cash Handling Business Assurance review.

33   As seen from appendix 2, only three of the PWC recommendations were not closed out by 31 December 2018. Two of these recommendations (No. 5 & No. 11) are due to system related factors and on resolution of the issues they will be addressed and closed out. The remaining recommendation relates to the cash handling policy (No. 1) that is complete but yet to be formally approved by SLT at the time of writing the report.

34   The Cash Handling Review was the first business assurance review that was provided by PWC under Council's Business Assurance Programme. The outcome of the cash handling work programme is that Council has now set its expectations in relation to the quality of service delivery required for cash handling by implementing and deploying a best practice, fit for purpose policy and standard operating procedures across all cash handling sites.

35   The success of this improvement project will rely on how well it is embedded and continues to be embedded in operations.

Tax Compliance and Governance

36   There has been no specific work completed in this area since the last meeting.

CONSIDERATIONS

Policy Implications

37   There are no further policy implications arising from this report.

Legal Considerations

38   There are no further legal considerations arising from this report.

Financial Considerations

39   The cost of the independent consultants will be funded from within the 2018-38 LTP budget.

Tāngata Whenua Considerations

40   There are no tāngata whenua considerations.

Publicity Considerations

41   There are no publicity considerations at this stage.

SIGNIFICANCE AND ENGAGEMENT

42   This matter has a low level of significance under the Council Policy.

RECOMMENDATIONS

43   That the Audit and Risk Committee notes the progress on the Council's Enterprise Risk Management Framework.

Report prepared by:	Approved for submission by:	Approved for submission by:
Jacinta Straker	**Mark de Haast**	**Janice McDougall**
Chief Financial Officer	**Group Manager**	**Group Manager**
	Corporate Services	**People and Partnerships**

Appendix 1: Corporate Risk Register

Appendix 2: Cash Handling Programme Progress update

RISK PROFILE EXECUTIVE SUMMARY – FEB 19

General

The risk profile was previously reviewed and updated in October/November 2018.

During this review the 'Iwi Relationship' risk has been highlighted as impacting a range of activity areas including influencing risk treatment plans in relation to;

- Global Warming: Sea Level Rise / Climate Change
- Central Government Policy Uncertainty
- Paraparaumu Wastewater Treatment Plant

New Risks or Increases in Risk Levels

There are no new risks documented in the profile since last report.   No risks have increased in relative level

Risk Treatment Target Date Changes

There have been no target date changes noting that due to a range of uncertainties treatment target dates are yet to be determined for the following;

- Global Warming – Sea Level Rise / Climate Change
- Iwi Relationships
- Central Government Policy Uncertainty

Risk Treatment Progress Issues

Treatment progress is highlighted against

- Global Warming: Sea Level Rise / Climate Change (highlighted this review)
- Iwi Relationships
- Central Government Policy Uncertainty (highlighted this review, target risk level also raised acknowledging inevitable uncertainty awaiting government announcements)
- Paraparaumu Wastewater Treatment Plant Consent (highlighted this review)
- New Asset Operational Deficiencies (highlighted this review)

Reductions in Risk Levels

The following risk levels have reduced due change in perception or treatment progress

- Financial Management (progress achieved)
- Community Engagement (was 'Engagement Fatigue', current risk level reconsidered, risk now accepted)
- Emergency Response (both current and target risk levels reconsidered)

Risks with Severe Consequence

There are a number of risks possessing extremely high levels of potential <u>consequence</u> that, although being managed, inherently warrant on-going cognisance;

- Global Warming / Climate Change / Sea Level Rise
- Infrastructure Service Disruption
- Wastewater Consent Paraparaumu
- Emergency Response
- Health and Safety
- Drinking Water Safety

Risks Accepted

A number of risks have been accepted. This means that Council considers the current level of risk to be tolerable in consideration of the significant costs or impracticalities to aggressively mitigate further. All these risks are nevertheless subject to continuous improvement processes.

- Significant Contractual Disputes (target level of risk increased to Moderate, risk accepted at this review)
- Asset Investment Decisions
- Community Engagement (revised from 'Engagement Fatigue', risk accepted at this review)
- Economic Development and District Growth
- Procurement Process Compliance
- Environmental Compliance

RISK RANKING TABLES

Risks have been ranked using the mechanism below. This assessment tool is subjective and should only be used to a risk comparison and ranking mechanism. It should not be regarded or used as an absolute measure of risk. Risk must be considered as the effect of uncertainties on the achievement of objectives.

Risk Consequence

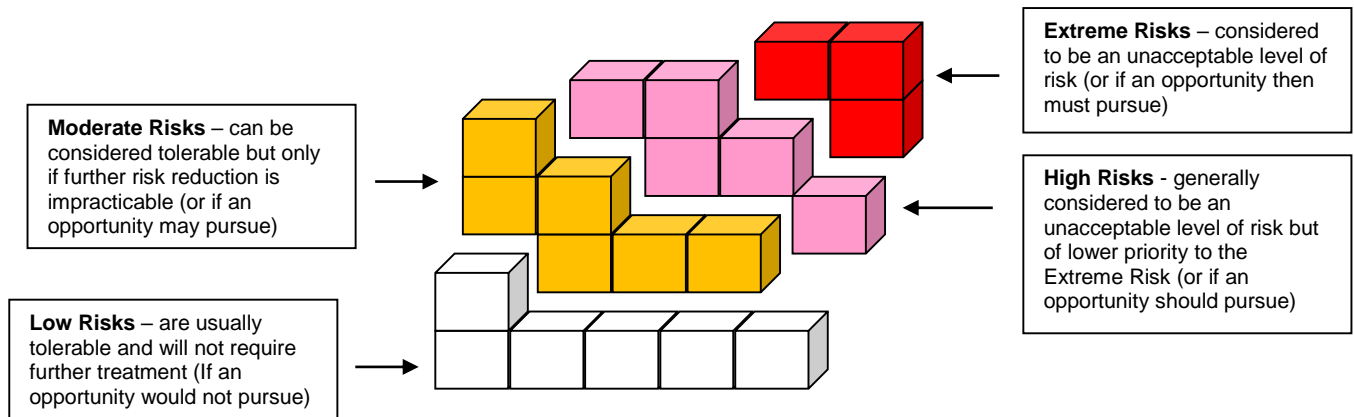|	Rating	H&S	Financial	Fraud	Operational	Reputational
Severe	100	Loss of life	Direct loss or increased cost of over $1M	$20k+	Serious loss of critical operational capability for over 4 weeks and serious disruptions to service levels.	Major loss in community confidence. Negative multi-media nation-wide coverage for 2+ weeks. Negative international coverage Significant national political criticism
Major	70	Injury with 3+ months' time off	Direct loss or increased cost of $100k - $1M	$5k - $20k	Serious loss of critical operational capability for over 2 weeks and major disruption to service levels.	Some loss in community confidence that will take significant time to remedy. Negative multi-media nation-wide coverage for up to 2 weeks Some national political criticism
Moderate	40	Injury with 2 weeks to 3 months' time off	Direct loss or increased cost of $10k - $100k	$1k - $5k	Serious loss of critical operational capability for up to 2 weeks and disruption to service levels.	Manageable loss in community confidence. Negative multi-media nation-wide coverage for several days. Local adverse media coverage for a week
Minor	10	Injury with less than 2 weeks' time off	Direct loss or increased cost of $2k - $10k	$1k - $5k	Loss of critical operational capability in some areas and limited disruption to service levels.	Loss of confidence amongst sections of the community. Negative multi-media nation-wide coverage for up to 1 day. Local adverse media coverage for several days

Risk Likelihood

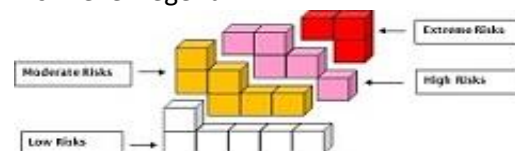|	Rating	Frequency	Probability
Rare	1	The event is only expected to occur in exceptional circumstances, perhaps once every 10 years	< 1%
Unlikely	2	Could occur only very occasionally, perhaps 2-3 times every 10 years	1% - 9%
Possible	3	Might occur from time to time, perhaps, 5 out of every 10 years	10% - 19%
Likely	4	Will probably occur often, perhaps 7 times in every 10 years	20% - 50%
Almost Certain	5	Expected to occur almost every year, perhaps 9 out of 10 years	>50%

Risk Assessment Matrix

Likelihood

		Rare	Unlikely	Possible	Likely	Almost Certain
		1	2	3	4	5
Severe	100	Moderate 100	High 200	High 300	Extreme 400	Extreme 500
Major	70	Moderate 70	Moderate 140	High 210	High 280	Extreme 350
Moderate	40	Low 40	Moderate 80	Moderate 120	Moderate 160	High 200
Minor	10	Low 10	Low 20	Low 30	Low 40	Low 50

Consequences (vertical axis label)

Moderate Risks – can be considered tolerable but only if further risk reduction is impracticable (or if an opportunity may pursue)

Low Risks – are usually tolerable and will not require further treatment (If an opportunity would not pursue)

Extreme Risks – considered to be an unacceptable level of risk (or if an opportunity then must pursue)

High Risks - generally considered to be an unacceptable level of risk but of lower priority to the Extreme Risk (or if an opportunity should pursue)

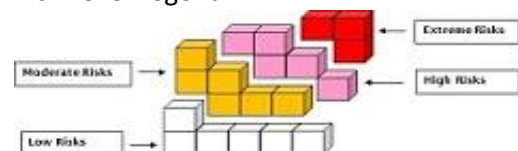| #	Risk Statement	Short Description	Cause	Impacts	(C)onsequence	(L)ikelihood	Current C*L	Current Risk Level	Target Risk Level	Controls	Treatments	Owner	Target Date Original	Target Date Revised	Previous Treatment Status	Latest Treatment Status	Risk Treatment Update
1	**Global Warming: Sea Level Rise / Climate Change** Erosion, property floods, property abandonment, early asset replacements, higher costs for more resilient assets are likely to result due to global warming effects	Global warming effects	- Global warming - Inability to budget for effects - Community divergence of views on risk and response	- Building consent liabilities - Erosion, property abandonment - Property floods - Greater costs - Early stormwater asset replacements - Higher capital costs for more resilient assets - Environmental non-compliances due discharges during more frequent extreme weather events - Wastewater overflow incidents increase	100	4	400	Extreme	High	- Asset management plans - Risk and event targeted asset upgrades - Seawall and other protective measures - Proactive coastal hazards and climate change planning - Continually revise and enhance forecasts - LGNZ liaison - Council Climate Change Working Group - Self insurance strategy -Stormwater Plan	**Establish sufficent resource to lead strategy development** - Prioritise interventions to preclude house flooding - Mean high water surveys - GWRC - Self Insurance contingency strategy - Updating sea level rise model. - Establishment of a community led coastal adaptation programme LTP -Emissions reduction (CEMARS targets)	Senior Leadership Team	Dec-18	TBD	On Track	Attention	**Critical success factors include establishing (a) robust centralised data sources (b) sufficient resources for strategy development (c) effective partnerships with Iwi Current focus and emphasis is on probable sea level rise impacts. Strategic response to address coastal hazards is planned to start early 2019. Improved wider project plan and target dates to address key risks to be developed.**
2	**Infrastructure Service Disruption** Loss of critical infrastructure and services for extended periods are likely to occur in an extreme natural event due to lack of resilience and inadequate insurance arrangements	Infrastructure service disruption	- Extreme natural event e.g earthquake, tsunami, flood - Lack of resilience - Uncertainty with Central Govt assurance of 60% loss funding	- Loss of core infrastructure and services - Injuries, fatalities	100	4	400	Extreme	Moderate	- Self insurance $250k p.a. - Asset replacement programme & condition assessments - Resilience programme - Insurance programme $130M underground assets - Redundant network - Embedded water storage	- AON / Tonkin Taylor / GNSR vulnerability / resilience modelling - Waikanae WTP clarifier project	GM Infrastructure Services	Dec-18	Jul-20	On Track	On Track	**Resilience study gap analysis complete. Remaining phases underway.** Significant uncertainty of Central Govt 60% loss contribution in the context of a major event.
3	**Iwi Relationships** Delays and/or extra costs on key initiatives likely to occur due inability to achieve mutual understanding and agreement on needs and a way forward	Iwi Relationships	-Lack of access to Te Whakaminenga o Kāpiti - Lack of experience/capacity - External factors e.g. 3 Waters - Treaty claim progression	Reputationbal damage Delays, misalignment on key initiatives	70	4	280	High	Low	- Proactively monitor and communicate with ART -Consultation and participation policies/contract - Maori Economic Development work programme - Iwi Relationship Manager	**Ongoing conversation with iwi partners about partnership needs and aspirations** **Enhanced induction on Iwi matters** Identify further initiatives that can influence positively e.g. GM level interaction with community leaders Collaborate with iwi through to Te Whakaminenga o Kāpiti to ensure the iwi perspective of risk is incorporated	GM People and Partnerships	Dec-18	TBD	On Track	Attention	**Presentation to be given to A&R by Paul Beverley Buddle Findlay** Treaty claims being progressed. Identifying more effective ways to collaboratively engage in the partnership.

Risk Level Legend

- Extreme Risks
- High Risks
- Moderate Risks
- Low Risks

Treatment Update Legend

| URGENT ACTION NEEDED | WARNING | ON TRACK | COMPLETED |

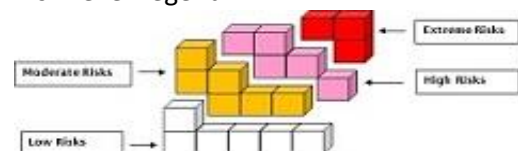|	Risk Statement	Short Description	Cause	Impacts	(C)onsequence	(L)ikelihood	Current C*L	Current Risk Level	Target Risk Level	Controls	Treatments	Owner	Target Date Original	Target Date Revised	Previous Treatment Status	Latest Treatment Status	Risk Treatment Update
4	**Central Government Policy Uncertainty** Unforeseen district impacts/opportunities bought about by the change in Government eg the potential allocation of GST generated from tourism into local govt	Central Government Policy Uncertainty	Development and introduction of new policies potentially affecting infrastructure development, housing, transport priorities, environmental and community initiatives	Financial impacts Government intervention Delays in projects programmes Redesign Priority change Community dissatisfaction	70	4	280	High	Moderate	- Monitor policy announcements - Assess threats and opportunities. - Develop mitigations and business cases / advocacy / submissions on a case by case basis as issues arise.	- Clear communications within the organisation - Increase capacity and capability to enable better policy response to a changing external environment	GM Corporate Services	Jun-18	TBD	On Track	Attention	**Target risk level raised from Low to Moderate acknowledging dependance on government announcements.** Government directions now better understood however precise details and impacts on priorities and resourcing uncertain eg -post disaster recovery transition - New Water Regulatory entity and future water management -local govt act -developer contributions
5	**Staff recruitment and retention** Additional costs, high staff stress, poor morale, loss of staff, loss of IANZ accreditation, poor decision making may result from difficulties in recruiting and retaining staff due more attractive work/salaries elsewhere and industry staffing fluctuations	Staff recruitment & retention	- Competing, more interesting work elsewhere - Fluctuations in some industries (consenting, building inspection) - Less desirable working location for some people - Better salaries elsewhere - FTE cap policy	- Additional costs eg consultants - Delays in critical work programmes, eg economic development strategy - Loss of IANZ accreditation- Shortage of building control staff - Poor staff morale - Less than optimal decision making - Corporate loss of institutional knowledge - Few staff=High workload=High stress	70	4	280	High	Moderate	- Employ contractors/consultants - Succession planning - Workforce planning - Talent management - Short term workload management - Job grade and pay structure reviews - Adjust forward work programmes to align with capability	**- Professional Development - Leadership training** -A Council-wide staff satisfaction survey has been completed. -Turnover higher than previous but no significant concerns -Monitoring staff work loads	Organisational Development Manager	Jun-19		On Track	On Track	**Organisation restructure has resulted in some vacancies and recruitment challenges**
6	**Fraudulent Activity** Fraudulent activity could occur undetected due to inadequate monitoring, lack of strong physical and process controls resulting in financial loss, business interruption and reputational damage	Fraudulent activity	- Inadequate monitoring of processes and transactions - Lack of strong physical and process controls - Unauthorised misappropriation of council assets	- Financial loss - Business interruption - Reputational damage	70	3	210	High	Low	-Work to improve cash handling processes is on track for implementation by Dec 18. - Maintain awareness - Protected disclosures - Employee screening - Statutory year end audits - Internal controls	- Fraud awareness training - Enterprise risk management - Internal audit programme as resources allow	GM Corporate Services	Feb-21		On Track	On Track	**The cash handling review is complete and work has continued with the procurement improvement programme. The next review to be completed is unusual transactions.**
7	**Business Disruptions** Following a disruptive incident extended non delivery of core services, financial losses, reputational damage could result due to lack of BCPs in some areas, loss of key systems, lack of resilience to ICT cyber-attack, insufficient staff, resources and lack of staff awareness	Business disruptions	- Lack of BCP's in some areas - Insufficient resources - Lack of staff awareness - Lack of staff - Loss of key system - ICT Cyber attack - Reliance on key staff	- Financial losses - Reputational damage - Non-delivery of core services - H&S compromised	70	3	210	High	Low	- Current business continuity processes (Corporate BCPs)	- Business Continuity Management System project resourced and underway	Senior Leadership Team	Dec-18	Jun-20	On Track	On Track	Project underway for further prioritised business continuity management system development, including BCPs in non-corporate areas. Early work has included drafting of policy and guidance, review of existing BCPs and the preliminary development of continuity approaches for both Water Supply and Wastewater services.

Risk Level Legend

Extreme Risks
High Risks
Moderate Risks
Low Risks

Treatment Update Legend

URGENT ACTION NEEDED	WARNING	ON TRACK	COMPLETED

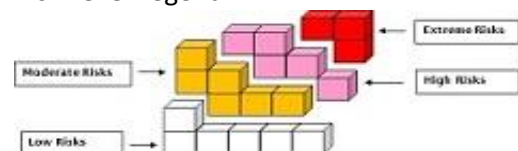|	Risk Statement	Short Description	Cause	Impacts	(C)onsequence	(L)ikelihood	Current C*L	Current Risk Level	Target Risk Level	Controls	Treatments	Owner	Target Date Original	Target Date Revised	Previous Treatment Status	Latest Treatment Status	Risk Treatment Update
8	**Paraparaumu Wastewater Treatment Plant Consent** - Legislative change could result in reduced number of viable options and higher discharge standards at substantial cost to further treat/dispose. - Poor investigations, assessments and/or iwi engagement result in unsuccessful application.	Paraparaumu Wastewater Treatment Plant Consent	- Restrictive provisions introduced in the proposed natural resources plan or subsequent Whaitua process. - Submissions to application upheld and new consent not issued	- Costly additional works required to consent WWTP - More onerous discharge conditions require substantial upgrade to WWTP - Failure to secure consent limits growth and development	100	2	200	High	Moderate	- Comprehensive consenting strategy include risk assessment and mitigations - Professional services contract aligned to risk mitigation actions including engagement and consultation strategies	- Track PNRP and Whaitua Processes - Close working relations with GWRC through the development of the AEE and options assessments - Maintain and strengthen iwi/community relationships - New consenting strategy	GM Infrastructure Services	Jun-18	Jun-22	On Track	Attention	**Paper to be prepared for SLT. Uncertainty increased due challenges with Iwi engagement.** Phase 2 underway - Governance and project management structure Phase 1 complete - Awarded work to STANTEC and work commenced. Consent expires 2022
9	**Programme Budgets** Programme budgets could be exceeded due to external influences resulting in the slow down or postponing of projects/programmes	Programme budgets exceeded	- Global economic situation deteriorates GFC2 - Poor project management, procurement etc - Govt withdraw subsidies eg 60/40 insurance programme -Unexpected costs eg renewal and upgrade works on buildings	- Projects slowed or halted - Rates not paid - Debt can't be serviced	40	5	200	High	Moderate	-PMO function - Economic situation monitoring - Risk management - Project management systems	- More extensive asset inventory - More conservative/resilient forward programme - Roll-out of project management techniques and educate new/existing staff -Council has limited the Capital programme budget for the first 6 years of 18-38 LTP	Senior Leadership Team	Jun-19		On Track	On Track	**A PMO function (for some projects) established and to be resourced. Property programme budget currently under pressure** Target date may need review
10	**Health & Safety** Harm occurs due to inadequate safeguards against extreme events and/or hazardous environments	Health and safety (Permanent item on register)	- Extreme events (eg natural hazard) - Hazardous environments - Poor hazard identification - High consequence areas include Hazardous substances, Contractor Management, Asbestos, Driving	- Injuries to people - Loss of reputation - Penalties, fines - Welfare staff exposure	100	2	200	High	Low	**- H&S Wellbeing role** - Health and safety management systems - Asbestos management plan - Care register - Working alone policy - Resilience training, safety in the workplace	-All Council property to be encompassed by asbestos plan - Adopt a risk rather than compliance based approach - H&S Plan - Management Systems - Leadership - Contractor management - Contractor training workshops - Procedures & forms update - HSNO consolidation	Senior Leadership Team	Feb-22		On Track	On Track	**New H&S Wellbeing role Waikanae Library response Asbestos register encompassing all council buildings established, supporting management plan to be developed** HSWA 2 year integrated action plan (incl Hazardous Substances) developed, phase 1 complete.
11	**Financial Management** Unnecessary and/or poorly planned expenditure may occur, value not achieved and legal challenges could result due to poor project management, procurement, contract management, a 'use it or lose it' attitude of some project managers and operational inconsistencies across groups	Financial Management	- Lack of controls in project management, procurement, contract management - "Use it or lose it" attitude of some budget managers - Operational inconsistencies across groups - Spending culture	- Actual costs exceed budget - Unnecessary and/or poorly planned expenditure (hockey stick expenditure profile) - Lack of VfM expenditure - Legal challenges and costs	40	4	160	Moderate	Low	- Monthly management reports provided to budget managers - SLT provided with monthly management report identifying financial risks - Quarterly financial and non-financial performance reporting to council	- Extensive review of Council's procurement function and budget management system - implement change where needed - Simplified council-wide contract registers (part of procurement review) - Further work on project reporting and education of managers	GM Corporate Services	Dec-18	Jun-19	On Track	On Track	**Progress has resulted in risk level reduction from High to Moderate** Decentralised procurement model developed. New procurement policy and guidance rolled out on HubKap. One year of further improvement work procured. Further work required in project management and reporting

Risk Level Legend

Extreme Risks
High Risks
Moderate Risks
Low Risks

Treatment Update Legend

URGENT ACTION NEEDED	WARNING	ON TRACK	COMPLETED

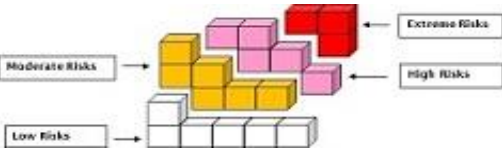| #	Risk Statement	Short Description	Cause	Impacts	(C)onsequence	(L)ikelihood	Current C*L	Current Risk Level	Target Risk Level	Controls	Treatments	Owner	Target Date Original	Target Date Revised	Previous Treatment Status	Latest Treatment Status	Risk Treatment Update
12	**New Asset Operational Deficiencies** Assets transferred to KCDC are not fit for purpose due to lack of quality in design/construction	New Asset Operational Deficiencies	District Plan and consenting processes do not guarantee good design and/or sustainable assets Lack of proper design consideration up front Planning processes do not always meet engineering requirements	High costs to maintain or replace	40	4	160	Moderate	Low	District Plan Consent processes Hand over processes SDPR process	Business Improvement Team working on subdivision processes including approval of s224 certificate in consultation with internal stakeholders	GM Infrastructure Services GM Regulatory Services	Dec-18	Jun-19	On Track	Attention	**June 19 target date to be reviewed** - Business Improvement Team process improvement work underway - Regulatory Group SDPR subdivision development documentation underway
13	**Significant Contractual Disputes** Contractual obligations not met or breached by the principal and/or contractor leading to disputes	Significant Contractual Disputes	Required contract management processes not followed, lack of consistency	Costs, fines Dispute Arbitration Judicial review	70	2	140	Moderate	Moderate	Contract Management Processes	Review current practices to ensure process consistency Continuous improvement	GM Infrastructure Services	Dec-18	Accept	On Track	On Track	**Target level of risk increased to moderate and accepted.** Procurement process improvements have provided for better understanding of risks. Work yet to be undertaken to review contract documents
14	**Asset Investment Decisions** Sub-optimal asset investment decisions, due various constraints, could potentially result in poor district outcomes, possible financial losses and/or failure to achieve KPIs	Asset investment decisions	- Weak strategic vision/plan - Funding limitations, poor prioritization - Expert advice not accepted - Poor or no business case justification	- Financial losses - Strategy not achieved - Reputational damage - Higher priority issues unresolved - Deliverables / KPIs not met	70	2	140	Moderate	Moderate	-Council has limited the Capital programme budget for the first 6 years of 18-38 LTP - Underpinned by Infrastructure and Financial Strategy- Activity management plans - Asset renewal programme - SLT and Council reviews and approvals - Business cases required	- Refreshed Business Cases and methodology - Activity Management Plans (refreshed for 2018 - 38) - Monthly / quarterly reporting - Continuous improvement	GM Infrastructure Services and GM Community Services		Accept	On Track	On Track	Moderate level of risk accepted but subject to continuous improvement. PMO function established.
15	**Community Engagement (Revised)** Challenges in understanding and achieving optimal engagement with the community could lead to delays to critical works and reputational damage	Community Engagement	- Need to extensively consult - Legislative requirements - Community desire transparency and participation - Business planning deficiencies - Community perception of council - Silo'd activities	- Reputational damage - Delays to critical works - Raising community expectations but disconnect with current resources - Reputational damage through lack of progress - Lack of progress - People opt out	40	3	120	Moderate	Moderate	- Consultation processes: "Objective" tool - Significance and engagement policies - Communication & engagement strategy - LG Act requirements	**Slow down and be more deliberate** - Review the programme to ease the burden - More effective communication strategies - Continue connecting the dots blend / extend consultation topics - Adhere communication & engagement policies - Work programming - Improve business planning practices -IAP2 training on consultation and engagement	Senior Leadership Team	Dec-18	Accept	On Track	On Track	**Perceived risk level decreased to Moderate and accepted.**

Risk Level Legend

Extreme Risks
High Risks
Moderate Risks
Low Risks

Treatment Update Legend

| URGENT ACTION NEEDED | WARNING | ON TRACK | COMPLETED |

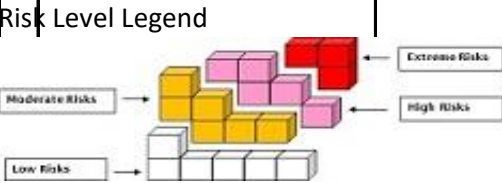|	Risk Statement	Short Description	Cause	Impacts	(C)onsequence	(L)ikelihood	Current C*L	Current Risk Level	Target Risk Level	Controls	Treatments	Owner	Target Date Original	Target Date Revised	Previous Treatment Status	Latest Treatment Status	Risk Treatment Update
16	**Open for Business** Poor customer perceptions of council, financial losses, legal challenges, developer dissuasion and reputational damage could likely result if the Open for Business initiative is not implemented or successful Also refer "Engagement Fatigue" and "Staff Recruitment and Retention" risks	Not "Open for Business"	- Systems and processes not fully fit for purpose - Expert advice ignored - Poor customer service culture - Staff capacity / capability	- Reputational damage – council perceived as not helpful - Dissuades new developers - Sued - Loss claims - H&S compromised - Legal challenges - Financial losses	40	3	120	Moderate	Low	- "Open for Business" initiative - Case/project management - Pre-application meetings -Business startup meetings -Meeting with developers -Structural and cultural changes	Continue to build on "Open for Business" initiative - Enhance systems and processes - Improve customer service culture - Ensure timely delivery - Integrated services -Working with the Chamber of Commerce	Senior Leadership Team	Dec-18	Dec-19	On Track	On Track	**Major meeting planned with developers, reps and activity managers to examine processes.** Recent ratepayer and Chamber of Commerce surveys indicates decrease in satisfaction.
17	**Borrowing Levels** Poor customer perceptions, financial losses, legal challenges, developer dissuasion, and reputational damage could result if the Open for Business initiative is not successfully implemented	Rising borrowing levels	-Trying to meet community expectations but lack of willingness to pay - Historical asset decisions	- Reputational damage - Inability to increase debt - Debt cap breached faster - High debt levels and interest rate risk	40	3	120	Moderate	Low	- Manage community expectations via elected members - Review rates - Long term planning - Financial strategy (closing depreciation / funding gap)	- Treasury management controls - Developer contributions and other funds - Central government funding, provisional growth fund	Chief Executive	Feb-21		On Track	On Track	Standard and Poors rating now A+ with a positive outlook. The LTP has successfully locked in strategy for managing debt. 2017/18 actions plus higher development growth mean we are ahead of debt reduction targets
18	**Emergency Response** Financial loss and reputational damage may result during a significant natural event due to a lack of preparedness, lack of unified response approach and loss of key staff	Emergency response	- Community expectations WREMO expectations evolving - Lack of preparedness and unified response approach - Loss of limited key staff	- Reputational damage - Financial loss - Injuries, fatalities	100	1	100	Moderate	Low	- WREMO response plan - CD and emergency management systems - CD training and exercises	- Community resilience - Work with WREMO - Review emergency management plans and staff capability/resources - Enterprise risk management - New infrastructure resilience	GM Place and Space	Dec-18	Jun-19	On Track	On Track	**Perceived current risk level reduced from High to Moderate. Target risk level reduced from Moderate to Low. Emergency response now a responsibility of new GM Place and Space. New WREMO response plan. Some capability issues remain. Target date may need review**

Risk Level Legend

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High Risks
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Treatment Update Legend

| URGENT ACTION NEEDED | WARNING | ON TRACK | COMPLETED |

	Risk Statement	Short Description	Cause	Impacts	(C)onsequence	(L)ikelihood	Current C*L	Current Risk Level	Target Risk Level	Controls	Treatments	Owner	Target Date Original	Target Date Revised	Previous Treatment Status	Latest Treatment Status	Risk Treatment Update
19	**Drinking Water Safety** Threat to sufficient water supply and delivery of safe drinking water Also refer "Central Government Policy Uncertainty" risk	Drinking Water Safety	Insufficient source capacity due climate change, drought Contamination Natural disaster Lifeline Infrastructure failures (part of criticality framework for our assets)	Noncompliance with critical NZDWS element (Note we don't fully comply with all non-critical NZDWS on all schemes currently) Water shortages Community dissatisfaction	100	1	100	Moderate	Low	All water supplies treated with multi-barrier approach Water conservation and use management procedures Network water quality sampling programme in place to meet NZDWS Water safety plans 3 of 4 being updated currently and incorporate critical control points as per Havelock N Joint working group with Councils in the Wellington region working collaboratively on water safety Routine infrastructure inspections and condition inspections SOPs and hygiene protocols Water Supply Bylaw	Water safety and resilience works programme $15m 2018-22 Bulk mains condition assessment $90k 2018-20 Backflow risk management $40k 2018/19 Water safety plan updates $15k 2018/19 Drinking water emergency response plan 2018/19 Otaki water supply reservoir 2024-26	GM Infrastructure Services	Dec-19	Jun-22	On Track	On Track	**Awarded Water Professional Service Panel, procured water safety resilience consultancy** Regional workshops carried out
20	**Economic Development & District Growth** Less actual economic development and growth than planned may occur and result in higher rates increases being required	Uncertainty in economic development and district growth	- Lack of capability to accurately predict / forecast -Inherent uncertainty in growth forecasts - Divergent views on how Kapiti should develop - Expressway reshaping Kapiti	-Suboptimal district outcomes - Ad-hoc development and business growth - Higher rates due lower than predicted growth -PGF funding	40	2	80	Moderate	Moderate	- Current forecasts - Constant review - Monitoring and quarterly reporting on resources and business land demand and supply underway (NPS-UDC) - Economic Development Leadership Group established - Economic Development Strategy implemented - Monthly / quarterly reporting	- Review Economic Development Strategy. - More targeted business and visitor attraction policies - PGF / WIP development and applications	Senior Leadership team		Accept	On Track	On Track	Level of risk accepted however subject to continuous improvement. **District Growth - NPS-UDC 3 yearly report by April** Strategy to be revisited and refreshed
21	**Procurement Process Compliance** Successful tenderer objection to procurement process Failure to follow procurement processes	Procurement Process Failure	Tender process not followed	Costs, fines, reputation damage	40	2	80	Moderate	Moderate	Procurement processes Audits	Continuous improvement	GM Infrastructure Services		Accept	On Track	On Track	Level of risk accepted however subject to continuous improvement.
22	**Environmental Compliance** Harm to the environment, costs, fines due not following processes are failure to identify risks	Environmental Non-compliance	Process not followed or risks not anticipated	Costs, fine Environmental harm Reputation damage	40	2	80	Moderate	Moderate	Consent processes Operational procedures Risk management CSVue compliance management system introduced as a pilot	**Extend Csvue scope.** Continuous improvement	GM Infrastructure Services		Accept	On Track	On Track	**CSVue scope to be extended.** Level of risk accepted however subject to continuous improvement.

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Treatment Update Legend

	URGENT ACTION NEEDED		WARNING		ON TRACK		COMPLETED

PWC recommendation	Current status
1. Development of a comprehensive cash handling policy	1. A comprehensive cash handling policy that includes customer refunds and petty cash has been developed. 2. The policy is based on best practise, tailored to be fit for purposes and pragmatic for an organisation of our size. 3. The cash handling policy is scheduled for SLT review and approval, and once authorised it will be communicated to all employees via Council's intranet. **Completion - imminent**
2. Development and deployment of best practise standard operating procedures.	1. It was identified early in the project that the development of standard operating cash handling procedural documentation was a key to addressing the majority of recommendations from PWC business assurance review. 2. Clear end to end cash handling process that sets out Council's expectations of service delivery that will ensure complete, accurate and timely recording of cash transactions has been developed. 3. The process documentation describes activities in sufficient detail to understand the specific task to be performed, the staff role performing them, the when and the how, and include screenshots to make it easy to follow. 4. The process documentation is supported by a process map, that visually depicts, on a single page, the end to end process for each operational site (i.e. Customer services, swimming pools and libraries) 5. Since October 2018, Finance has rolled out the new standard operating procedures to the team leaders in Customer Services, Libraries and Swimming pools and has worked closely with them in testing and refining the step by step guidance to obtain fit for purpose operating procedures. 6. Training and deployment of the new operating procedures were managed by the team leaders and finance has been closely supporting them to embed it into practice. 7. The expectation is for operational management to continue training staff (new and existing) on the updated cash handling procedures and to ensure that procedures and controls are consistently followed. **Completed**
Swimming Pools - Receiving of cash and reconciliation	
3. Issue receipts/ tickets to all customers for pool entry.	A paper receipt will be issued for all swimming pool charges (e.g. merchandise sales, learn to swim, facility hire, multi entry tickets). The only exception is single entry admissions where a receipt will be issued only on request by the customer. **Completed**
Swimming Pools - Receiving of cash and reconciliation	
4. Stock management function for Swimming pool shop and café.	1. Council is in the process of replacing the point of sale software currently used by the pools and has successfully procured a fit for purpose Recreational Management System, with implementation now scheduled from March to June 2019. 2. With this delay in the software implementation, pool management has embraced the activation of the stock module in the current software application and thereby started embedding good stock practice and processes in operations. **Completed – standard operating procedures will be**

		updated as part of software implementation project.
5.	**Introduction of turnstiles within pool to prevent unauthorised access.**	Once the new Recreational Management System is deployed, Council will be better positioned to perform a cost vs. benefit analysis to determine the value of additional entry procedures and access controls. **Future consideration**
6.	**Revise structure of the swimming pool reconciliation.**	The structure of the swimming reconciliation was amended to function as a proper reconciliation between expected takings per point of sale system and actual takings by the bank. **Completed**
All sites - Receiving of cash, Cash up process, Banking, Reconciliation		
7.	**Standard refund template with customer sign off and review by senior staff member.**	1. A new refund request form has been developed that requires sign off by the applicant (if applied for in person), otherwise the staff member who has completed the form on behalf of the customer. - All cash refunds larger than $20 are referred to Finance for processing. - Refunds smaller than $20 are administered by cash handling sites themselves. **Completed**
8.	**Development of a standard cash-up template and/or checklist.**	1. A standard electronic cash-up template has been developed for all cash handling sites. This electronic template is saved on Council's central document management system and is accessible by the cash handling site and Finance. 2. As this is an electronic spread sheet that retains the daily cash-up history, daily variances and explanations are retained and monitored for patterns and trends.
9.	**Develop trend analysis of daily cash ups.**	3. This template is reviewed by team leaders at the cash handling site, with the exception of smaller sites where no team leader is on-site. For those smaller sites finance views the cash-up templates and will follow up on variances if required.
10.	**Implementation of independent peer review of daily cash taking.**	4. Finance has been working closely with the cash handling sites embedding this new cash handling template, and additional support is currently provided to the swimming pools until the implementation of the new software system. Variances or patterns are clearly visible and regularly discussed with team leaders at the sites. **Completed**
Libraries - Receiving of cash, Cash up process		
11.	**Reconciliation between Library Management System (LMS) and till cash takings.**	1. During July 2018, the libraries upgraded their Library Management system (Spydus) and activated the cash management module within the system. Issues with the system generated reports for the cash module caused delays in dealing to this recommendation. 2. The software supplier and Council staff (IT and library) have been working closely in resolving the issues with final testing of the system reports scheduled early March 2019. Finance will update the process documentation once the reports are fully operational. **Delayed – to be completed when system is fully operational**
12.	**Recall of library petty cash floats.**	All petty cash floats at the libraries have been recalled to ensure that only the cash floats within the tills are used for refunds to customers and that refunds are properly accounted for. **Completed**
Council wide		
13.	**Development of debt collection**	1. Council has made some good progress with developing a debt collection process and has engaged a Local Government Shared

process.	Services agency, Debt Management Central, to assist us with the administration of long outstanding water and property rates.
	2. We are in the process of rolling out this administration services to other areas of Council as well.
	Completed