AGENDA

Audit and Risk Committee Meeting

I hereby give notice that a Meeting of the Audit and Risk Committee will be held on:

Date: **Thursday, 12 September 2019**

Time: **10.00am**

Location: **Council Chamber**
Ground Floor, 175 Rimu Road
Paraparaumu

Mark de Haast

Group Manager

Kapiti Coast District Council

Notice is hereby given that a meeting of the Audit and Risk Committee will be held in the Council Chamber, Ground Floor, 175 Rimu Road, Paraparaumu, on Thursday 12 September 2019, 10.00am.

Audit and Risk Committee Members

Cr Mike Cardiff	Chair
Cr Fiona Vining	Deputy
Mayor K Gurunathan	Member
Cr James Cootes	Member
Cr Michael Scott	Member
Mr Gary Simpson	Independent
Bryan Jackson	Independent

Order Of Business

1   WELCOME

2   COUNCIL BLESSING

"As we deliberate on the issues before us, we trust that we will reflect positively on the communities we serve. Let us all seek to be effective and just, so that with courage, vision and energy, we provide positive leadership in a spirit of harmony and compassion."

I a mātou e whiriwhiri ana i ngā take kei mua i ō mātou aroaro, e pono ana mātou ka kaha tonu ki te whakapau mahara huapai mō ngā hapori e mahi nei mātou. Me kaha hoki mātou katoa kia whaihua, kia tōtika tā mātou mahi, ā, mā te māia, te tiro whakamua me te hihiri ka taea te arahi i roto i te kotahitanga me te aroha.

3   APOLOGIES

4   DECLARATIONS OF INTEREST RELATING TO ITEMS ON THE AGENDA

Notification from Elected Members of:

4.1 – any interests that may create a conflict with their role as an elected member relating to the items of business for this meeting, and

4.2 – any interests in items in which they have a direct or indirect pecuniary interest as provided for in the Local Authorities (Members' Interests) Act 1968

5   PUBLIC SPEAKING TIME FOR ITEMS RELATING TO THE AGENDA

6   MEMBERS' BUSINESS

(a)   Public Speaking Time Responses

(b)   Leave of Absence

(c)   Matters of an Urgent Nature (advice to be provided to the Chair prior to the commencement of the meeting)

7   UPDATES

8   UPDATES

Nil

9   REPORTS

9.1   RISK MANAGEMENT - BUSINESS ASSURANCE UPDATE

Author: **Jacinta Straker, Chief Financial Officer**

Authoriser: **Mark de Haast, Group Manager**

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   As previously reported, 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 as required;

- provide Business Assurance oversight and complete business assurance work; and

- improve the understanding and tools to support good procurement practices.

5   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.

ISSUES AND OPTIONS

Issues

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 and the work has focussed primarily on tangible outputs, as discussed separately below.

Corporate Risk Profile

Current Status

7   As part of the implementation of risk management, a risk profile, comprising a regularly reviewed and reported risk register and risk treatment plan, is now well established.

8   The profile is subject to approximately quarterly updates and is reviewed by the Senior Leadership Team and then reported to the Audit and Risk Committee. This process has been largely facilitated to date by the Council's external consultant.

9   The profile including an Executive Summary and risk ranking tables is attached as Appendix 1 to this report.

10   Committee members are invited to nominate risks for "deep dive" for future meetings.

Areas for Improvement

11   The external consultant involved with assisting Council with risk management (and also the business continuity management system) development is now employed in full time work and is unable to assist to the prior extent. Management is considering alternate risk management resourcing and potential supporting software tools going forward to assist.

12   Finance is working closely with the property team and consultants from Morrison Low to imbed risk management at an activity management level as part of the improvement programme in property. There is good risk management functionality with the current SPM asset management software and Finance staff will be trained alongside property to maximise its use.

Corporate Business Continuity Management System (BCMS)

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

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

15   Business Continuity Plans have been developed for:

- Payroll (HR and Finance);
- Loss of office buildings;
- Supplier payments;
- Customer call centre;
- Drinking Water Supply;
- Laboratory Water Testing;
- Wastewater Services; and
- Electoral Services.

16   Business continuity has recently been strengthened with the formation of a Continuity Leadership Team (CLT) comprising the Group Manager Corporate Services and the Chief Information Officer.   The CLT provides guidance and support for further BCMS development, exercises and real responses.

17   The development and implementation of a BCP test and exercise programme is a priority.

18   As mentioned the consultant involved with assisting with BCMS development and delivering the BCP programme is now not available to the prior extent.   Management is considering resourcing for this work going forward.

Procurement Function Review

19   A procurement specialist has been contracted to build up the level of capability across the organisation.

20   The work required for the independent organisational review has been the focus for the procurement specialist since the independent review was requested in June 2019.

Areas for Improvement

21   The main priority of the procurement specialist is currently advising the Council on procurement of a supplier to conduct the independent organisational review. This will result in an approximate 6-month delay to the procurement improvement programme and a degree of risk exposure.

Business Assurance Review

22   As outlined in the Annual Tax Update paper, the Council has committed to PricewaterhouseCoopers performing data analytic testing on PAYE information during 2019/20 as the first priority for business assurance work in 2019/20.

23   The Council has a budget of $30,000 for the current year to fund business assurance related work that is additional to the EY annual audit of the Annual Report.

CONSIDERATIONS

Policy considerations

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

Legal considerations

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

Financial considerations

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

Tāngata whenua considerations

27   There has been no engagement with tāngata whenua regarding this paper.

SIGNIFICANCE AND ENGAGEMENT

Significance policy

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

Publicity

29   There are no publicity considerations at this stage.

RECOMMENDATIONS

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

APPENDICES

1.   Appendix 1 - Corporate Risk Executive Summary and Register

Executive Summary: Sept 2019

CHANGES SINCE LAST REPORT IN MAY 19				CURRENT RISK STATUS HIGHLIGHTS		
New Risks or Risks Increased in Level	Risks Reduced in Level	Risk Reduction Target Date Changes	Other Changes	Risk Treatment Progress Issues	Risks Currently Accepted	Risks with Severe Inherent Consequence
4. Management of Council Owned Property Assets *(new risk, was part of 3. Asset Investment Decisions)* 12. LGA Social Well-Being Policy Expectations *(new risk)*	16. Business Disruptions *(risk reduced due work completed to date)*	3. Asset Investment Decisions *(target date changed from TBD to 7/20)* 6. Central Government Policy Uncertainty *(target date extended from 12/9 to 6/20)* 7. Staff recruitment and retention *(target date changed from 6/19 to on-going)* 10. Programme Delivery *(target date extended from 6/19 to 12/19)*	7. Staff Recruitment and retention *(flagged for attention - review)* 8. Fraudulent Activity *(flagged for attention - resources)* 13. Financial Management *(flagged for attention - resources)* 16. Business Disruptions *(flagged for attention - resources)*	5. Iwi Relationships *(ongoing significant challenges, no risk treatment target date set)* 8. Fraudulent Activity *(limited resources to reduce risk to acceptable levels)* 9. Paraparaumu Wastewater Treatment Plant Consent *(Dependency on' Iwi Relationship' risk)* 13. Financial Management *(delays in procurement improvement programme due other resource priorities)* 14. New Asset Operational Deficiencies *(slower progress than anticipated due other priorities)*	15. Significant Contractual Disputes 17. Community Engagement 22. Economic Development and District Growth 23. Procurement Process Compliance 24. Environmental Compliance	1. Global Warming: Sea Level Rise / Climate Change 2. Infrastructure Service Disruption 5. Iwi Relationships 9. Paraparaumu Wastewater Treatment Plant Consent 11. Health and Safety 20. Emergency Response 21 Drinking Water Safety

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.
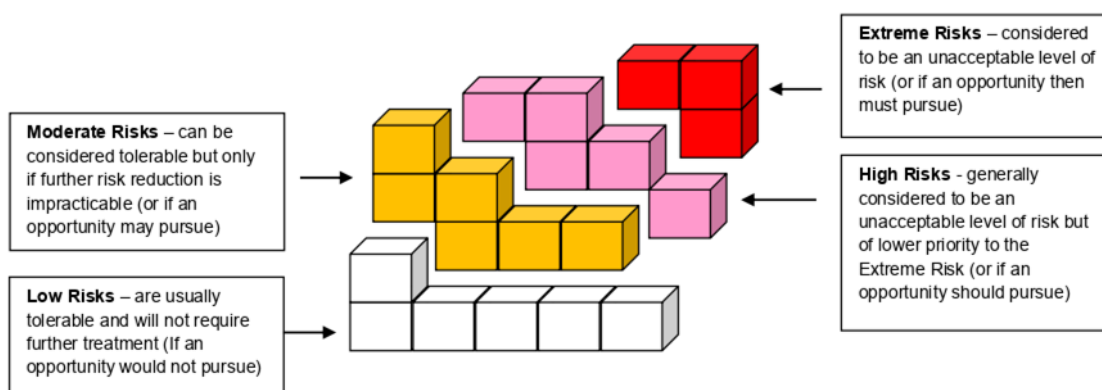
Risk Consequence

	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 label on left axis)

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)
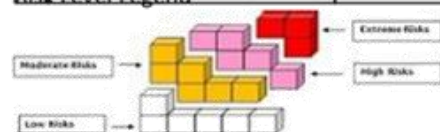
Appendix 1   Corporate-wide Profile

	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 and 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 including risk and event targeted asset upgrades, seawall and other protective measures - Proactive coastal hazards and climate change planning - LGNZ liaison - Council Climate Change Working Group - Self insurance fund ($250k Capex, $150k Opex per annum) - Stormwater Plan	- Community engagement - Resilience work - Establish sufficient resource to lead strategy development - Prioritise interventions to preclude house flooding - Mean high water surveys, sea level rise data - GWRC/NIWA - Updating sea level rise model. - Establishment of a community led coastal adaptation programme - Emissions reduction (CEMARS targets)	Senior Leadership Team	Dec-18	Jun-23	On Track	On Track	Updates to Mean High Water Surveys and Sea Level Rise data by GWRC and NIWA are being finalised. The outcome of AON/Tonkin Taylor resilience work will be incorporated in the strategic approach Developing new community engagement approaches Coastal hazards work programme involving other Wellington region councils. Project plan is currently being developed and progressing. Continuing to explore projects necessary to reach targeted CO2 emissions reduction by 21/22.
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	- AON / Tonkin Taylor / GNSR vulnerability / resilience modelling report - Self insurance $250k p.a. - Asset replacement programme & condition assessments - Resilience programme - Insurance programme $130M - underground assets - Redundant network - Embedded water storage	- Review insurance arrangements - Waikanae WTP clarifier project	GM Infrastructure Services	Dec-18	Jul-20	On Track	On Track	The Outer Wellington Shared Services resilience study is complete and highlights significant anomalies in risk and hence cost sharing amongst the subscribed councils. The arrangement is to be reviewed. Significant uncertainty of Central Govt 60% loss contribution in the context of a major event.
3	**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	100	4	400	Extreme	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	- SLT discussion to be held regarding activity management plan / audit process across all of council - increase frequency of activity management plan review and audit processes	GM Infrastructure Services and GM Place and Space		Jul-20	On Track	Attention	Target date changed from TBD to July 20 Review activity management plan / audit processes across all of council A more strategic asset management approach is underway
4	**Management of Council Owned Property Assets** Poor council asset management practices and outcomes	Council Property Assets Management	- Fragmented data, lack of analysis - Poor risk management - Lack of life cycle approach	- Reputational damage - Costs - Penalties - Social, environmental harm	100	4	400	Extreme	Moderate	- SPM asset management system - RFS processes	- Work programme following on from Morrison Low report	GM Place and Space	Jun-20			On Track	NEW RISK, was part of 'Asset Investment Decisions' Morrison Low report was critical of property asset management systems and practices. A work programme to address is underway

Risk Level Legend

Extreme Risks
High Risks
Moderate Risks
Low Risks

5/09/2019

Treatment Update Legend

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

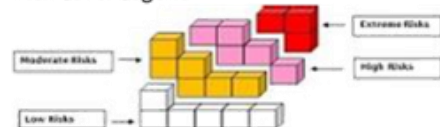Appendix 1   Corporate-wide Profile

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5	**Iwi Relationships** Failure to meet statutory and Memoranda of Partnership obligations to iwi, and to meet the council work programme, may result from an inability to achieve mutual understanding and agreement.	Iwi Relationships	-Lack of access to Te Whakaminenga o Kāpiti - Lack of experience/capacity - External factors e.g. 3 Waters - Treaty claim progression	-Reputational damage - Failure to meet statutory and MoP obligations -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	- Independent stocktake of legal and partnering obligations -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	**Regular meetings re-established with each 3 iwi** **Extra capability to be established in iwi relationship team** **Independent stocktake of legal and partnering obligations to iwi to be undertaken**
6	**Central Government Policy Uncertainty** Unforeseen district impacts/opportunities bought about by new Government policies.	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 - Develop mitigations and business cases / advocacy / submissions on a case by case basis as issues arise - Clear communication within the organisation	- Fully resource the Research and Policy team and work with SMEs across council - Advocacy to be presented and approved by council and/or committee	GM Corporate Services	Jun-18	Jun-20	On Track	On Track	**Target date extended from December 2019 to June 2020** **The Government has embarked on a significant round of policy consultations.** **Council is taking a planned and coordinated approach in adopting and considering proposed policy changes** **New 3 Waters regulatory changes have been announced. The financial implications of compliance need to be determined and resourced** **Research and Policy team recruitment is progressing**
7	**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	- Loss of intellectual knowledge - 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	- Staff engagement surveys - 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	- Greater capacity in OD area - Reviewing rem constraints -Better document/information management; desk files, project plans, asset management systems -Professional Development -Leadership training -A Council-wide staff satisfaction survey has been completed. -Monitoring staff work loads	Organisational Development Manager	Jun-19	On-going	On Track	Attention	**Target date changed to on-going. Flagged for attention** **Greater capacity to be sought in OD area** **Strong competition from larger metropolitan councils** **SOLGM recognise widespread industry skills shortages** **Particular long term issues in;** **- RMA area** **- Building area (a particular current challenge)** **- Development engineer** **Multiple recruitment and appointment rounds needed.**

Risk Level Legend

Extreme Risks
High Risks
Moderate Risks
Low Risks

5/09/2019

Treatment Update Legend

URGENT ACTION NEEDED | WARNING | ON TRACK | COMPLETED
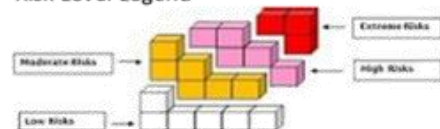
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8	**Fraudulent Activity** Fraudulent activity could occur undetected due to inadequate monitoring, lack of strong physical and process controls resulting in financial loss, business interruption and reputational damage.	Fraudulent activity	- Inadequate monitoring of processes and transactions - Lack of strong physical and process controls - Unauthorised misappropriation of council assets Procurement agility versus conflicts of interest	- Financial loss - Business interruption - Reputational damage	70	3	210	High	Low	- Maintain fraud awareness - Protected disclosures - Employee screening - Statutory year end audits - Internal controls - Fraud management framework	-Fraud awareness training -Enterprise risk management -Internal audit programme (as resources allow)	GM Corporate Services	Feb-21		On Track	Attention	Limited resources to carry out necessary steps to reduce target risk level to low Focus on obtaining funding to arrange for PWC to do PAYE tax compliance review
9	**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	Significant uncertainty continues due engagement challenges with Iwi. Consenting process is progressing
10	**Programme Delivery** Planned project delivery could be compromised due unforeseen events.	Programme delivery compromised	- Poor project management, procurement etc. - Potential global economic crisis - Unforeseen cost pressures - Design / scope changes	- Projects not delivered as planned - Financial losses - Reputational damage - Non delivery of core services	40	5	200	High	Moderate	Quarterly reports of performance (financial and non-financial) of council's priority projects are provided to the Operations and Finance Committee. - In-house PMO - Risk management - Regular financial reporting and monitoring - Rationalised capital project programme budget for the first 6 years of the 18-38 LTP	- Continue to develop financial management capability - Continue to develop capability of in-house PMO function - Continue to improve risk management awareness and capability - 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	Dec-19	On Track	On Track	Target date extended from June 2019 to December 2019 Deliverability of the 2019/20 CAPEX programme being reviewed and will be reported for council/committee decision post October 2019 More frequent reporting to SLT, on all relevant detail, to occur across all project areas
11	**Health & Safety** Harm occurs due to inadequate safeguards against extreme events and/or hazardous environments.	Health and safety (Permanent item on register)	- Extreme events (e.g. 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	-Consolidate H&S Committee -Risk based approach focus on Asbestos Hazardous substances Contractor management Driving	Senior Leadership Team	Feb-22		On Track	On Track	Commenced implementing staff asbestos health monitoring programme HSWA 2 year integrated action plan (incl Hazardous Substances) phase 1 complete.

Risk Level Legend

Extreme Risks
High Risks
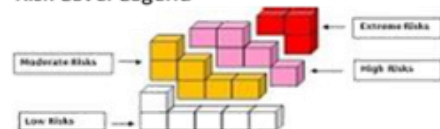Moderate Risks
Low Risks

5/09/2019

Treatment Update Legend

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Appendix 1   Corporate-wide Profile

	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	**LGA well-being policy expectations** Council loses the trust of the community if it fails to respond to the increased demand/expectations as a result of the new LGA well-being policies (e.g. social housing)	Social Wellbeing	Lack of resource and/or priority	Community dissatisfaction Reputational risk	40	4	160	Moderate	Low	- Explore responses at next LTP round	- Review council alignment with the policies and report	GM People and Partnerships	Dec-20			On Track	**NEW RISK** LGA amendments passed
13	**Financial Management** Actual costs exceed budget due poor financial management	Poor Financial Management	- Poor financial controls and monitoring - Unforeseen events	- Actual costs exceed budgets - Financial losses - Reputational damage - Non-delivery of core services	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	- Reprioritisation of budgets - Procurement improvement programme - PMO - Risk management - Financial management awareness training	GM Corporate Services	Dec-18	Jun-20	On Track	Attention	It is estimated that the procurement improvement programme is now 6 months behind schedule due to the independent organisation review utilising the procurement advisor resource Deliverability of the 19/20 CAPEX programme being reviewed and will be reported for council/committee decision post Oct 19
14	**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	**Open spaces strategy development** Business Improvement Team working on subdivision processes including approval of s224 certificate in consultation with internal stakeholders.	GM Infrastructure Services GM Regulatory Services GM Place and Space	Dec-18	Jun-20	On Track	Attention	Resourcing to be reviewed. Slower progress than anticipated on subdivision processes SDPR work has begun
15	**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 -Reputation	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	Risk accepted. Procurement process improvements have provided for better understanding of risks. Work yet to be undertaken to review contract documents.

Risk Level Legend

Extreme Risks
High Risks
Moderate Risks
Low Risks

5/09/2019

Treatment Update Legend

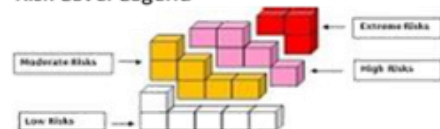| URGENT ACTION NEEDED | WARNING | ON TRACK | COMPLETED |

Appendix 1 Corporate-wide Profile

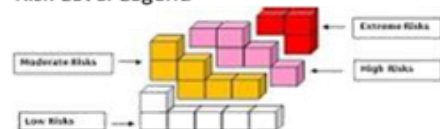|	Risk Statement	Short Description	Cause	Impacts	(C)onsequence	(L)ikelihood	Current C'L	Current Risk Level	Target Risk Level	Controls	Treatments	Owner	Target Date Original	Target Date Revised	Previous Treatment Status	Latest Treatment Status	Risk Treatment Update
16	**Business Disruptions** Following a disruptive incident; extended non delivery of core services, financial losses, reputational damage could result due to lack of Business Continuity Plans (BCPs).	Business disruptions	- Lack of BCP's - Lack of staff awareness / training - Lack of staff - Disruptive events - Over-reliance on key staff capability	- Financial losses - Reputational damage - Non-delivery of core services - H&S compromised	40	3	120	Moderate	Low	- Specific corporate BCPs in place - Continuity Leadership Team (CLT)	-Development and testing of organisation wide BCPs	Senior Leadership Team	Dec-18	Jun-20	On Track	Attention	**Risk reduced to moderate due work completed to date** **External BCP advisor is to commence alternate work in September 19. We need to internally resource further development work including test and exercise coordination (flagged for attention)**
17	**Community Engagement** 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 - Significance and engagement policies - Communication & engagement strategy - LG Act requirements - Connecting the dots; blend / extend consultation topics	Slow down and be more deliberate	GM Corporate Services GM People and Partnerships	Dec-18	Accept	On Track	On Track	**Positive feedback from consultation on the 19/20 annual plan and the pre-election report Digital campaigns achieving far greater reach #lovemybeach #lovemyneighbour**
18	**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 start-up 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	**Further successful meetings undertaken with developers, reps and activity managers** **Internal open for business stocktake commenced** **The Council has requested an independent organisational review to be done. This will include an assessment of the effectiveness of the Open for Business programme.**
19	**High Debt** Potential inability to increase debt funding in the future constraining council's ability to deliver (revised wording)	High Debt	-Trying to meet community expectations but lack of willingness to pay	- Inability to increase debt - Debt cap breached faster - High interest costs - Financial losses - Reputational damage - Non-delivery of core services	40	3	120	Moderate	Low	- Infrastructure strategy - Rating system - Strong treasury management with quarterly treasury performance reporting to A&R Committee	- Focus on green line strategy and on capital expenditure that provides for resilience and growth - Reprioritise to ensure borrowings stay below 200% of operating income -Developer contributions and other funds -Central government funding, provincial growth fund -Continue to seek alternate funding sources and/or increase non-rates funding sources to keep debt down	Chief Executive	Feb-21	On-going	On Track	On Track	**Target date set to on-going** **Independent credit rating agency Standard and Poor's affirmed council's credit rating of AA stable (was A+) in Aug 2019. This was a significant achievement and represents 3rd party confirmation of council's excellent treasury management and ability to borrow and repay debt.**

Risk Level Legend

Extreme Risks
High Risks
Moderate Risks
Low Risks

5/09/2019

Treatment Update Legend

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

Appendix 1　　　　　　　　　　　　　　　　　　　　Corporate-wide Profile

#	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
20	**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	**New sustainability and resilience role created**
21	**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)	-Reputational damage -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 -Otaki water supply reservoir 2024-26	GM Infrastructure Services	Dec-19	Jun-22	On Track	On Track	**The report on the 3 waters regulatory review was released by the government** **A proposed MoU to form a 'Wellington Region Water Group' is being considered. The group would aim to ensure greater collaboration in the region and provide greater assurance of drinking water safety.**
22	**Economic Development & District Growth** Less actual economic development and growth than planned may occur and result in higher rates increases being required or levels of service reduced.	Uncertainty in economic development and district growth	- Lack of capability to accurately predict / forecast -Inherent uncertainty in growth forecasts - Divergent views on how Kāpiti should develop - Expressway reshaping Kāpiti	-Suboptimal district outcomes - Ad-hoc development and business growth unpredictable - 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) - Monthly / quarterly reporting A robust development contributions policy and scheme	- Potential partnering with central government development initiatives - Economic Development Strategy refresh being implemented - Review Development Management Strategy (Growth Strategy) - More targeted business and visitor attraction policies - PGF / WIP development and applications	GM Place and Space		Accept	On Track	On Track	Level of risk accepted however subject to continuous improvement. **Potential development partnering initiatives with central government**
23	**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.
24	**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, fines -Environmental harm -Reputation damage	40	2	80	Moderate	Moderate	Consent processes Operational procedures Risk management CSVue compliance management system introduced as a pilot	Greater awareness, ownership of consents and more rigorous approach to compliance achieved through CsVue	GM Infrastructure Services		Accept	On Track	On Track	Level of risk accepted however subject to continuous improvement. Greater awareness, ownership of consents and more rigorous approach to compliance achieved through CsVue

Risk Level Legend

Extreme Risks
High Risks
Moderate Risks
Low Risks

Treatment Update Legend

URGENT ACTION NEEDED | WARNING | ON TRACK | COMPLETED

5/09/2019

9.2   AUDIT REPORT TO MANAGEMENT FOR THE YEAR ENDED 30 JUNE 2019

Author: **Anelise Horn, Manager Financial Accounting**

Authoriser: **Mark de Haast, Group Manager**

PURPOSE OF REPORT

1   This report provides the Audit and Risk Committee with a summary of Ernst & Young's Report on Control Findings for the year ended 30 June 2019

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.

- *Reviewing and maintaining the internal control framework*
- *Obtaining from external auditors any information relevant to the Council's financial statements and assessing whether appropriate action has been taken by management in response to the above.*

BACKGROUND

3   In accordance with New Zealand Auditing Standards, Ernst & Young (Audit) performed a review of the design and operating effectiveness of the Council's significant financial reporting processes as part of their audit for the year ended 30 June 2019.

4   As at 30 June 2018, Council had six open control findings of low risk. All six control findings originated from 2017/18 audit and a progress update on these were provided to the Audit and Risk Committee at the 30 May 2019 meeting (refer Corp-19-809).

5   Five of these findings were addressed and closed off by audit during 2018/19, with the remaining control finding relating to the Council's service performance reporting (SPR) carried forward and broken down into four separate control recommendations. Refer to paragraph 8 for further discussion.

6   Audit's Report on Control Findings for the year ended 30 June 2019 is attached as Appendix 1 to this report. This report details all of the internal control matters that were considered appropriate for review by management.

ISSUES AND OPTIONS

Issues

Summary Report on Control Findings

7   Control risk matters and/or issues are classified as either high, moderate or low. Control risk definitions are as follows:

- **High Risk** – matters and/or issues are considered to be fundamental to the mitigation of material risk, maintenance of internal control or good corporate governance. Action should be taken either immediately or within three months.

- **Moderate Risk** – matters and/or issues are considered to be of major importance to maintenance of internal control, good corporate governance or best practice for processes. Action should normally be taken within six months.

- **Low Risk** – A weakness which does not seriously detract from the internal control framework. If required, action should be taken within 6 to 12 months.

8   In addition to the four control recommendations relating to service performance reporting (SPR) as mentioned above, EY has identified a further four control findings within the course of the audit of the annual report for the year ended 30 June 2019.

9   The eight control findings range from moderate to low risk rankings and are as follow:

- SPR - Accuracy of response and resolution times (moderate);

- SPR - Monitoring of roading requests for services (moderate);

- SPR - Duplicate requests for services (low);

- SPR- Manual reorganisation of requests for services (low);

- Corporate policies due for review (low);

- Timeliness of purchase order initiation (low);

- Approval of expenditure (low);

- Review of useful life of landfill asset (low).

10   The Council's responses and action plan to address these new finding are contained in Appendix 1 to this report.

CONSIDERATIONS

Policy considerations

11   There are no policy implications.

Legal considerations

12   There are no legal considerations

Financial considerations

13   Financial issues have been covered as part of this report.

Tāngata whenua considerations

SIGNIFICANCE AND ENGAGEMENT

Significance policy

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

Publicity

15   There are no publicity considerations.

RECOMMENDATIONS

16   That the Audit & Risk Committee receives Ernst & Young's Report on Control Findings for the year ended 30 June 2019 and notes the eight open control risks recommendations.

17   That the Audit & Risk Committee notes that action plans to remedy these control findings and that progress updates will be provided to the Committee on a regular basis.

APPENDICES

1.   Ernst & Young Report on Control Findings

Kapiti Coast District Council

Report on Control Findings

September 2019

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Building a better
working world

EY

Building a better
working world
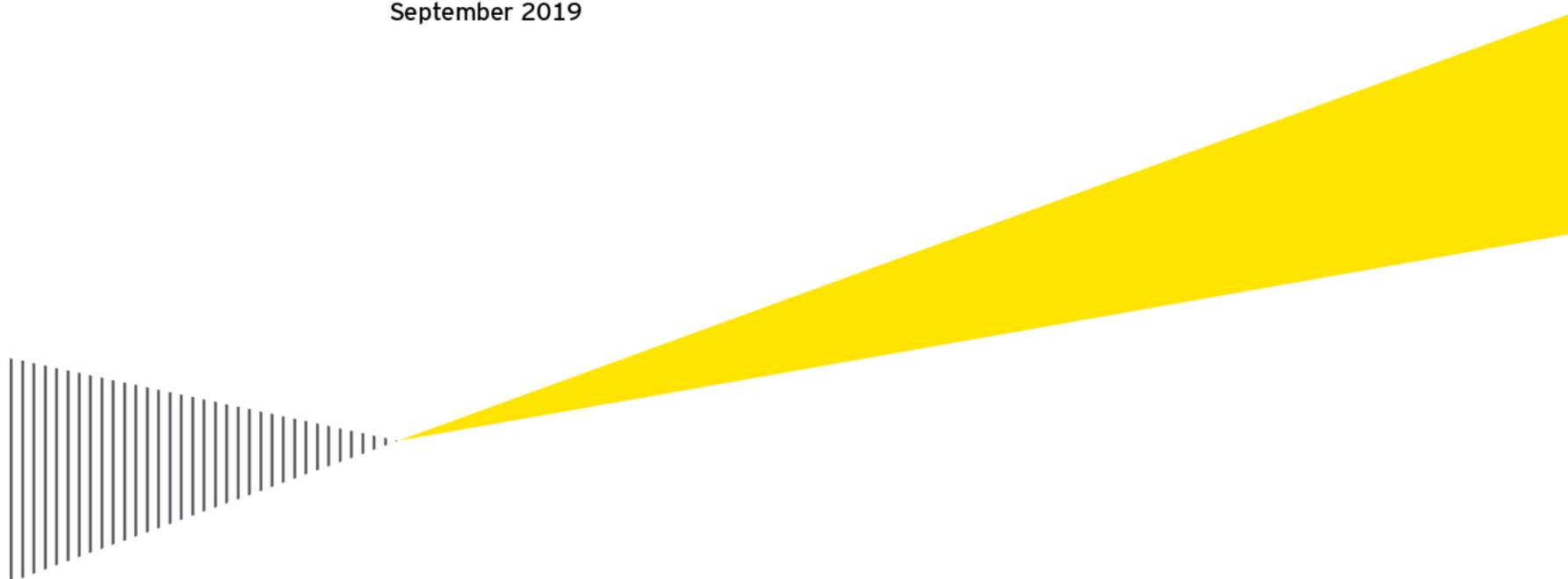
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Mark de Haast
Group Manager Corporate Services
Kapiti Coast District Council
Private Bag 60601
Paraparaumu 5254

5 September 2019

Dear Mark

Report on Control Findings

We have substantially completed our audit of the financial
statements and service performance information of Kapiti Coast
District Council ("Council" or "KCDC") for the year ended 30 June
2019.

This Report on Control Findings includes all control matters and
issues arising from our audit that we consider appropriate for review
by management.

In accordance with New Zealand Auditing Standards we performed a
review of the design and operating effectiveness of KCDC's
significant financial and non-financial reporting processes. Our audit
procedures do not address all internal control and accounting
procedures and are based on selective tests of accounting records
and supporting data. They have not been designed for the purposes
of making detailed recommendations. As a result our procedures
would not necessarily disclose all weaknesses in KCDC's internal

control environment. We wish to express our appreciation for the
courtesies and co-operation extended to our representatives during
the course of their work. If you have any questions or comments,
please do not hesitate to call me on 021 923 431.

Yours faithfully

David Borrie
Partner
Ernst & Young

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1. Overview

1.1 Overview of Risk Ranking System and Recommendations

The following table provides an overview of the number of observations and the associated risk ratings.

	High	Moderate	Low	Total
Open at 30 June 2018	0	0	6	6
Closed during FY19	0	0	(5)	(5)*
New points raised in FY19	0	2	5	7
Total open points as at 30 June 2019	0	2	6	8

* All recommendations raised in 2018 were closed during the year with the exception of a matter relating to Council's service performance information which we have carried forward and included in this year's report.

Key:

A weakness which does not seriously detract from the internal control framework. If required, action should be taken within 6-12 months.

Matters and/or issues are considered to be of major importance to maintenance of internal control, good corporate governance or best practice for processes. Action should normally be taken within 6 months.

Matters and/or issues are considered to be fundamental to the mitigation of material risk, maintenance of internal control or good corporate governance. Action should be taken either immediately or within 3 months.

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1.2   Audit observations

The following table summarises new recommendations raised as part of the 2019 audit.

Observations	High Needs significant improvement	Moderate Needs substantial improvement	Low Needs some improvement
Accuracy of response and resolution times	-	✓	-
Monitoring of roading requests for service	-	✓	-
Duplicate requests for service	-	-	✓
Manual recategorisation of requests for service	-	-	✓
Corporate policies due for review	-	-	✓
Timeliness of purchase order initiation	-	-	✓
Approval of expenditure	-	-	✓
Review of useful life of landfill	-	-	✓

1.3   Disclaimer

Issues identified are only those found within the course of the audit for year ended 30 June 2019. Recommendations are intended solely for the use of Council's management. We disclaim any assumption of responsibility for any reliance on this report, to any person other than the Council and the Council's management team or for any purpose other than that for which it was prepared.

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2.   Detailed recommendations

2.1   Moderate Risk Category Issues

2.1.1 Accuracy of response and resolution times	
Observation	One of Council's key activities is managing, and responding to, requests for service that ratepayers make of Council. KCDC uses the MagiQ system to record and monitor these requests. When a customer makes a request the time of the request, actions taken to respond to and resolve the request, and the times these actions were taken are all recorded in the system. This data then forms the basis for reporting a number of performance measures which relate to how quickly Council have either responded to, or resolved, requests for service relating to a particular area of operations.
	In completing our testing of performance reporting information we identified multiple instances where the response and resolution times used as a basis for calculating measures were inconsistent with the times indicated on job sheets that were completed for those jobs by the staff attending to the request.
	One particular issue we observed that occurred for multiple items tested was requests being marked as responded to or resolved too early. This was observed for both water supply and waste water when measuring response or resolution times to urgent and non-urgent requests. This is primarily the result of the first action logged in response to the request being treated as either KCDC having responded to, or resolved, the matter when in actual fact the action was a step towards either responding to, or resolving, the matter.
Implication	Since a number of performance measures require reporting of response or resolution times discrepancies in the time recorded will lead to incorrect outcomes being reported. Whilst this has implications for Council's non-financial performance reporting it also impacts management's ability to understand the team's responsiveness to ratepayer requests and any resourcing or process issues that may need to be remedied to allow timely responses to requests.
Recommendation	Requests logged in Council's system should be reviewed on a periodic basis to ensure the time to respond to, or resolve, matters is being accurately reflected in the system.
Management Response	We agree with the observation. The MagiQ system allows multiple actions to be recorded against a service request. In some cases, the final response time is recorded on the second or later action. Our analysis found that, although the correct response time is being entered in the system, the automatic reports used to calculate the response time measures only capture the time that the first action is completed. This has meant that in cases when the final response time is not when the first action is completed, the calculations of median response time are being made incorrectly.
	The issues have been documented and several solution options will be investigated further:
	1. Re-design the service request system and data capture process, to allow for reports to accurately calculate the correct median response time. This is the most robust and long-term solution, but would be the most complex to implement.

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	2. Adopt a workaround whereby staff ensure that only the first action can be used for the resolving action, allowing existing reports to calculate the median response time accurately. 3. Continue the current practice of cleaning the report data manually to ensure that the measure is reported accurately, but undertake this on a more regular basis throughout the year as recommended above. This is a short-term solution that does not fix the root cause of the problem. However, in advance of a more sustainable solution being implemented, a review and cleaning of the first two months of data for FY19/20 is already underway.
Responsibility	Manager Corporate Planning and Reporting, Corporate Services

2.1.2 Monitoring of roading requests for service

Observation	For the access and transport measure relating to the Council's response time to requests for service for roads and footpaths Council were unable to accurately determine if requests for service had been responded to within the target timeframes. The information for this measure is sourced from two separate systems, MagiQ which holds the details of requests, and RAMM which holds the details of work and actions undertaken. The primary issue is that there is insufficient clarity of how some requests in MagiQ can be linked to actions taken recorded in RAMM.
Implication	Because requests for service in MagiQ are unable to be fully mapped to work undertaken recorded in RAMM Council is unable to report an outturn for the year against this target. The issue also limits Council's ability to measure responsiveness from the perspective of managing operations and considering performance on a regular basis and how resource should be allocated.
Recommendation	We recommend that work is completed to improve the interfacing or flow of data between these two systems. Alternatively work completed could be recorded in MagiQ against each of the relevant requests for service.
Management Response	Investigative work will be needed to determine the best way forward to accurately measure response time to service requests for road and footpath work. The ideal would be an automated flow of data between MagiQ and RAMM where the interface is seamless and error-free. However, if that proves unattainable we will have to look at establishing systems to achieve manual updates of service request response time information from RAMM to MagiQ at the same time that completion times are entered into MagiQ from RAMM. This may require additional consistency checks between the two databases to ensure that request types and priority assignments are the same in the two systems so that response time targets are equivalent. At first glance this appears to be a substantial piece of work and will probably exceed the recommended 6 month timeframe.
Responsibility	Manager Corporate Planning and Reporting, Corporate Services

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2.2   Low Risk Category Issues

2.2.1 Duplicate requests for service	
Observation	When reviewing requests for service data for the water supply and wastewater management activities we identified duplicate requests for service for the same matter. In some instances requests for service were closed with zero response times if they were confirmed as duplicates. This has an impact on median response times through reducing this measure incorrectly.
	We also noted instances where Council initiated requests for service for planned work and these were included in the calculation of median response times. The request for service based metrics are primarily intended to measure response times to ratepayer requests as opposed to Council's internal work program.
Implication	Duplicate requests included in the system impact the reported results especially in instances where duplicates have a response time set to zero and have been included in the calculation of the median.
	The inclusion of requests for service from Council employees means the measures become less focused on Council's responsiveness to ratepayer requests.
Recommendation	We recommend implementing controls that prevent duplicate requests for service being recorded in the system. Alternatively, a periodic review of requests within the system could be undertaken to identify and remove duplicate requests. The same review could ensure Council generated requests are clearly labelled as such and excluded from the calculation of the measure.
Management Response	We agree with the observation.
	Several solution options will be investigated further in conjunction with the response in 2.1.1:
	1. Re-design the service request system and data capture process, to ensure that duplicate requests, internal requests, planned work, and other non-applicable requests can be excluded from the calculation of the performance measure.
	2. Continue the current practice of cleaning the report data manually to ensure that the measure is reported accurately, but undertake this on a more regular basis throughout the year as recommended above.
	As noted in 2.1.1, we have already begun a review and cleaning of the report data for FY19/20. As well as correcting the response times, this task also includes removing duplicates and non-applicable service requests from the calculated median response times.
Responsibility	Manager Corporate Planning and Reporting, Corporate Services

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2.2.2 Manual reorganisation of requests for service

Observation	To calculate outcomes for some measures data was extracted from the system and put through a further manual process to determine the category of the request. This involved adjusting the category of the request per the system and then calculating the measure to be reported based on the excel spreadsheet with updated categorisations. We identified instances where information extracted from the system subjected to further manual categorisation was incorrectly categorised affecting the reported results. For example requests for service that did not relate to a particular activity or urgency categorisation were included in calculating the outcome for that measure. We also identified instances where subsequent to information being extracted from the system changes were made to the information in the system and the associated spreadsheet wasn't updated to reflect these changes. Because the measures are calculated based on the data in the spreadsheet this results in information relevant to the request for service being excluded.
Implication	Incorrect categorisation of data could lead to measures being incorrectly calculated.
Recommendation	We recommend that processes be updated to allow for correct classification of requests for service at the point the requests are received. If this is impractical we would suggest that requests for service be reviewed on a periodic basis and reclassified within the system when a reclassification is required.
Management Response	The points above appear to refer to the current system for assessing and reporting on Stormwater and Coastal service requests. We agree that this system should be amenable to significant improvement. However, following our own analysis we have further characterised the issue: Firstly, our understanding is that *'instances where information extracted from the system subjected to further manual categorisation was incorrectly categorised affecting the reported results'* relates to two separate matters; i) Where instances of service requests related to stormwater outlets were included in calculations of the Coastal measure for 'Urgent requests to repair sea walls or rock revetments' when they should only be accounted for in the Coastal measure for 'Stormwater beach outlets are kept clear'. This has been fixed in the current reporting and is a straightforward fix even in the existing 'manual' spreadsheet method of reporting on Coastal KPI measures. ii) There were three instances of stormwater service requests (out of 89) which were classified as urgent in error. This error rate is unlikely to be improved by adopting the suggestion that *'processes be updated to allow for correct classification of request for service at the point requests are received'*. Requests are received at the call centre for the most part and staff often either a) do not have sufficient or accurate enough information from the caller to correctly classify the request, or b) do not have the experience to be

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able to do so. This is why we rely on a subsequent, secondary, classification process by our stormwater team, who occasionally make errors.

Secondly, it was identified that *'instances where subsequent to information being extracted from the system changes were made to the information in the system and the associated spreadsheet wasn't updated to reflect these change'*. It isn't clear how many instances of this were found but to our knowledge there weren't many and we expect they would be largely immaterial to the measures being reported on or the response time calculations. Many of the changes made to request types subsequent to data being extracted from the system do not have any material bearing on the secondary categorisation made by the stormwater team and to revisit MagiQ on a regular basis to update these would be both time-consuming and probably not very productive.

A full improvement solution to MagiQ to enable it to generate more stream-lined and efficient Coastal and Stormwater service request reporting will take significant investigation and discussion with both MagiQ, regarding the system's capabilities, and the Coastal and Stormwater team, regarding their requirements. We envisage the following:

i)   introducing a pro-forma report that doesn't require manual set-up each week and only needs date ranges entered to provide the appropriately filtered list of service requests each week.

ii)   ideally, we would then like to see enhancements to the system so that there are a range of drop-down or pick-list categories that the Coastal and Stormwater team can use for providing secondary and tertiary categorisations to each service request (so that this is done in MagiQ rather than on a separate spreadsheet). This categorisation process would include categorisations as to which service requests are Coastal or Stormwater requests, and further to that which are urgent/non-urgent, council/private issues, affect buildings/or don't etc

iii)   if such improvements are feasible then when that secondary categorisation process is complete each week a report should be able to be generated from MagiQ which generates the equivalent of the current Stormwater and Coastal service request spreadsheets.

This approach would significantly improve the efficiency of the current process and improve the audit trail. It would not remove the human judgement factor behind the categorisation process as that is how the categorisations are currently made in MagiQ in any case. We would need to investigate whether there is an efficient process for checking whether subsequent changes to categorisations of service requests not initially identified as relevant for Coastal or Stormwater reporting purposes have, as a result of a re-categorisation in MagiQ, become relevant for those purposes.

This will be a significant piece of work and will need to be undertaken in concert with the planned upgrade to MagiQ and other proposed improvements recommended to improve reporting of actual resolution times and avoidance of counting duplicate service requests in those calculations.

| Responsibility | Manager Corporate Planning and Reporting, Corporate Services |

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2.2.3 Corporate policies due for review	

Observation	We observed various employee manuals and policy documents were last updated over 3 years ago. Specifically, we noted the below policies are currently overdue for review and update:
	
	  a. Receipt of gifts and hospitality
	
	  b. Rewards and recognition policy
	
	  c. Mitigation of fraud
	
	  d. Employee code of conduct
	
	  e. Elected member code of conduct

Implication	Policies and other guidance documents should be updated on a regular basis to ensure any changes in circumstances that require additional guidance are incorporated on a timely basis.
Recommendation	We recommend that corporate policies be monitored and updated on a regular basis.
Management Response	We accept the findings and recommendation from the audit. The register of corporate policies, including review dates, will be updated and monitored by Corporate Services going forward as part of the wider policy programme.
Responsibility	Manager Research and Policy, Corporate Services

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2.2.4 Timeliness of purchase order initiation	
Observation	During our testing of the expenditure and payments process we observed that some purchase orders were generated subsequent to the receipt of invoices. Without adequate controls for processing and reconciling purchase orders, invoices and the receipt of goods and services there is an increased risk inappropriate or erroneous expenditure is incurred or reported.
Implication	A purchase order system works most effectively when purchase orders are approved prior to goods or services being purchased. After the transaction has occurred there may be less opportunity to change the agreement that has been entered into.
Recommendation	We recommend purchase orders are raised and appropriately approved prior to placing orders with suppliers.
Management Response	Management accepts the recommendation and is currently working on a programme for induction and increased training for staff to ensure there is a consistent high standard of compliance with the Procurement Policy across all areas of the Council. The Finance team worked with the suppliers during the 2018/19 year to highlight the importance of requesting an EPO number from Council before beginning any work.
Responsibility	Chief Financial Officer, Corporate Services

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2.2.5 Approval of expenditure	
Observation	KCDC's General Expenses policy states "one-up authorisation must be given to the person who will benefit or might be perceived to benefit from the expenditure." We noted two instances where an expense claim was either authorised by a person who was not one up from the individual that incurred the cost or was not one up from the most senior individual that benefited or might be perceived to have benefited from the expenditure. In both instances we are satisfied that the expenditure was appropriate but have recommendations regarding the execution of the relevant controls.
Implication	This may increase the risk that inappropriate expenditure goes undetected. This policy also serves to safeguard staff in that in instances where they may have been perceived to have benefited from Council expenditure an independent member of staff has concurred with their judgement that the costs are appropriate.
Recommendation	We recommend that expenses incurred are approved in a manner that is in line with KCDC's policies.
Management Response	Management accepts the findings and recommendation from Audit. Corporate Services will seek to increase Council-wide access to and awareness of all corporate policies
Responsibility	Chief Financial Officer, Corporate Services

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2.2.6 Review of useful life of landfill asset

Observation	The useful life of the Otaihanga landfill asset has not been thoroughly re-assessed recently. The asset is nearing the end of its capacity and is only able to accept clean-fill going forwards.
Implication	There is currently an asset recorded on balance sheet for the Otaihanga landfill that has a residual useful life spanning a number of years. If the landfill is near to the end of its useful life and the asset has limited remaining value the residual useful life used for accounting purposes may need to be reduced or the value attributed to the asset may need to be decreased.
Recommendation	The current useful life of the landfill suggests that benefit will continue to be derived from the landfill over a number of years going forward. We recommend that Council consider the nature and timing of the expected benefits from the landfill and use this as context for evaluating if the current useful life is still appropriate and if Council is likely to receive future benefit from the landfill that broadly equates to the current carrying value of the landfill asset.
Management Response	Management accepts the findings and will assess the economic life of the asset during the 2019/20 year
Responsibility	Chief Financial Officer, Corporate Services

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