

Chairperson and Committee Members
AUDIT AND RISK COMMITTEE

19 JULY 2018

Meeting Status: **Public**

Purpose of Report: For Information

ENTERPRISE RISK MANAGEMENT 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 In February 2017, the Audit and Risk Committee endorsed a proposal to recommence and accelerate the development and establishment of Council's enterprise risk management framework, on the understanding that progress would require unbudgeted external consultant resources that would need to be funded from the 2017/18 Annual Plan through underspends across the organisation.
- 4 The key elements of the Enterprise Risk Management Framework include:
 - Risk Management
 - Business Continuity Management
 - Business Assurance
 - Procurement Improvement Programme
- 5 Independent consultants have been engaged to complete the work streams in a facilitative and collaborative manner with Council officers:
 - review and agree with management the areas of the business where risk management implementation will provide the greatest value;
 - develop a targeted programme of risk workshops at Council; Committee; Senior Leadership and Group levels; and encourage the right conversations;
 - work with the Council's business groups to socialise and incentivise 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
 - Business Units / Groups
 - Projects, Asset Management

- provide Fraud Awareness training. PwC provided this training to the Leadership Forum in August 2017; and
 - provide a Business Assurance Charter and Strategy.
- 6 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);
 - clarification and socialisation of the notion of Council's risk appetite and tolerance.

ENTERPRISE RISK MANAGEMENT PROGRESS UPDATE

- 7 Guidance for the risk management, procurement and assurance work has been provided by independent consultants through a collaborative process with Council staff.
- 8 Since the last meeting in May 2018, the work has focussed primarily on tangible outputs, as discussed separately below.

Corporate Risk Profile

Current Status

- 9 The corporate-wide risk profile (Extreme/High and Moderate level risks) is attached as Appendix 1 and was reviewed by the Senior Leadership team in July.

Areas for Improvement

- 10 There is significant opportunity for the respective leadership teams within each group to engage, at least quarterly, on their group relevant risks so that the outputs can then be consolidated to better inform the corporate-wide risk profile,
- 11 Critical decision-making areas within the business to be identified to ensure that they are adequately supported by appropriate risk management practice and behaviour

Corporate Business Continuity Management System (BCMS)

Current Status

- 12 The BCMS also falls under the broad umbrella of ERM.
- 13 'Business Disruptions' is a high current risk on the corporate risk profile. Since May 2018, the Continuity Management team have held a workshop with the Senior Leadership team to discuss the responsibilities for Business Continuity across the organisation and start a process to reconfirm the critical activities that require a BCP.

Areas for Improvement yet to be implemented

- 14 Review and ensure corporate BCPs are fit for purpose
- 15 Conduct of a business impact analysis in the non-corporate side of the business to identify, and then carry out further required BCP development.
- 16 Establishment of a BCP test and exercise regime to raise awareness and provide confidence that the CMT structure and BCPs are fit for purpose.
- 17 Work continues on fully assessing and testing the ICT requirements that can be confirmed as available to support the corporate BCPs. Note that this means that corporate BCPs might not be able to operate to an optimum standard and/or if an event results in wide scale ICT outages.
- 18 Further enhancement of the Continuity Management Team structure, resourcing, terms of reference and staff training.
- 19 Develop and establish multiple emergency communication channels to support any dislocated staff.

Procurement Function Review

- 20 A procurement specialist has been contracted for 12 months, to deliver the procurement policy, manual and build up the level of capability across the organisation.
- 21 The revised procurement policy and staff manual will be rolled out this month to staff.

Internal Audit Programme

- 22 The Council does not currently have dedicated internal audit resources. At present, this is resourced externally through PricewaterhouseCoopers (PwC), similar to the model employed by Greater Wellington Regional Council. The following is an update on the key work in the area:

Review and assess the Council's Fraud Control Framework

- 23 This includes the Council's Protected Disclosures processes and materials. This review was completed in October 2017 and a programme for implementing PwC's improvement recommendations is being developed but due to resourcing constraints has been delayed.

Cash handling review.

- 24 In February 2018, Council reported to the Audit and Risk committee the key findings and improvement recommendations from the PwC Cash handling Business Assurance review. A targeted work programme to best address the improvement recommendations on or before 30 June 2018 was also shared at this meeting.
- 25 At the May meeting, staff signalled that this work stream was running behind schedule due to a lack of resourcing and conflicting priorities within the Finance team. Despite best efforts the targeted completion date of 30 June 2018 was not met.

- 26 With the finalisation of the 2018-38 Long Term Plan at the end of June, Finance staff have revisited the cash handling work programme and are proposing the following revised time line referred to in Appendix 2.

Tax Compliance and Governance

- 27 PwC completed a PAYE/WHT compliance review for Council during May 2018. Refer to report (Corp-18-548) that contains the key findings of their evaluation as well as an annual tax update on all relevant tax developments and upcoming changes to tax legislation.

CONSIDERATIONS

Policy Implications

- 28 There are no further policy implications arising from this report.

Legal Considerations

- 29 There are no further legal considerations arising from this report.

Financial Considerations

- 30 The cost of the independent consultants and external internal auditor will be offset by savings across the organisation. No new budgets are required.

Tāngata Whenua Considerations

- 31 There are no tāngata whenua considerations.

Publicity Considerations

- 32 There are no publicity considerations at this stage.

SIGNIFICANCE AND ENGAGEMENT

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

RECOMMENDATIONS

- 34 That the Audit and Risk Committee notes the progress update regards the Council's Enterprise Risk Management Framework.
- 35 That the Audit and Risk Committee endorses the revised business assurance programme timeline.

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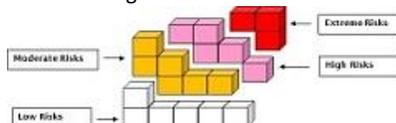
Kevin Black
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Appendix 1: Corporate Risk Register.
Appendix 2: Cash Handling Work Programme

Risk Statement	Short Description	Cause	Impacts	Consequence (L) Likelihood			Current Risk Level	Target Risk Level	Controls	Treatments	Owner	Target Date Original	Target Date Revised	Previous Treatment Status	Latest Treatment Status	Risk Treatment Update
				100	4	400										
Sea Level Rise Erosion, property floods, property abandonment, early asset replacements, higher costs for more resilient assets is likely to result due to climate change and the inability to budget for its effects	Sea level rise	- Climate change, - Inability to budget for effects	- Erosion, property abandonment - Property floods - Greater costs - Early stormwater asset replacements - Higher capital costs for more resilient assets	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 - LGNZ liaison - Council Climate Change Working Group	- Coastal strategy working group - Self insurance contingency strategy - Continually revise and enhance forecasts - Prioritise interventions to preclude house flooding - Mean high water surveys	GM Infrastructure Services and GM Strategy & Planning	Dec-18		On Track	On Track	Activity Management Plans updated and awaiting approval. Collaboration processes to be commenced. Self insurance contingency fund developed. Reprioritised stormwater plan established \$239M. Mean high water survey underway
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 - Inadequate insurance arrangements	- Loss of core infrastructure and services to the - Injuries, fatalities	100	4	400	Extreme	Moderate	- Asset replacement programme & condition assessments - Resilience programme - Insurance programme - Redundant network - Embedded water storage	- Self-insurance - AON / Tonkin Taylor / GNSR vulnerability / resilience modelling - Bulk mains vulnerability study - LGNZ liaison	GM Infrastructure Services	Dec-18		On Track	On Track	A self-insurance fund has been established for 2017/18. Council's reinsurance renewal strategy has now extended off-shore insurance underwriting to 50% (from 40%) Network resilience modelling (including landslip impacts on critical infrastructure networks) proceeding. Waikanae Water Treatment Plant programmed
Iwi Relationships Lack of Iwi capacity to participate in Council processes and decision making	Iwi Relationships	Lack of capacity	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	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 Strategy & Planning	Dec-18		On Track	On Track	Risk level increased ARC 4/5/18
Debt 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 debt 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	70	3	210	High	Low	- Manage community expectations via elected members - Review rates - Long term planning - Financial strategy (closing depreciation / funding gap)	- Capital works programme reprioritisation - Treasury management controls - Developer contributions and other funds - Central government funding, provisional growth fund	Chief Executive	Feb-21		On Track	On Track	Target risk level lowered. The Council has reduced the 2017/18 capital works programme by \$7.5 million to \$27.5 million and asset expenditure from 2018/19 onwards is being reviewed and prioritised. Borrowings are targeted to not exceed 200% debt to revenue

Risk Level Legend

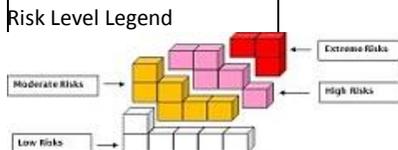


Treatment Update Legend



Corporate-wide Profile

Risk Statement	Short Description	Cause	Impacts	Consequence (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
				(C)	(L)	(L)										
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	- Maintain awareness - Protected disclosures - Employee screening - Statutory year end audits - Internal controls	- Fraud awareness training - Enterprise risk management - Internal audit programme in place (to be agreed)	GM Corporate Services	Feb-21		On Track	On Track	PwC provided fraud awareness training in August 2017 and has since completed an assessment of the Council's fraud control framework and reviewed the Council's cash handling processes. Actions have been prioritised to follow the money handling activities. Implementation plan under development
Business Disruptions 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)	- Identify critical activities, ensure appropriate BCP's and critical resources in place - CMT training - BCP tests - ICT alignment with BCPs - Assess cyber risks and mitigate - Governance/SLT succession planning - Enterprise risk management	Senior Leadership Team	Dec-18		On Track	Attention	Agreed Corporate BCP's have been developed however the CMT needs to be re-established and the BCP's require full testing. The Chief Information Officer has reviewed these BCP's with regards to assessing the ICT support required, assuming no wide-scale ICT outages. Plan for further BCP development in non-corporate areas being worked on
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" risk	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	70	3	210	High	Low	- "Open for Business" initiative - Case/project management - Pre-application meetings	Continue to build on "Open for Business" initiative - Enhance systems and processes - Improve customer service culture - Ensure timely delivery - Integrated services	GM Regulatory Services	Dec-18		On Track	On Track	A new work plan has established for the Open for Business – Caring, Dynamic and Effective programme. Both the IANZ audit Customer Feedback project have been completed.
Drinking Water Safety Threats to sufficient water supply and/or meeting NZ Drinking Water Standards	Drinking Water Safety	In sufficient source capacity due climate changes or demand exceeding supply Contamination in water distribution	Noncompliance with NZDWS Water shortages Community dissatisfaction	70	3	210	High	Low	Water treatment processes Independent water sampling programme Demand planning	Improved -Distribution security -Backflow prevention -Contamination response -Enhanced monitoring -Demand planning & climate forecasting	GM Infrastructure Services	Dec-19		On Track	On Track	New risk ARC 4/5/18



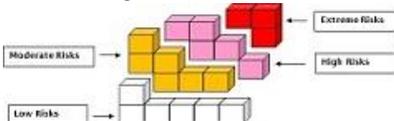
Treatment Update Legend



Corporate-wide Profile

Risk Statement	Short Description	Cause	Impacts	Consequence (L)ikelihood			Current Risk Level	Target Risk Level	Controls	Treatments	Owner	Target Date Original	Target Date Revised	Previous Treatment Status	Latest Treatment Status	Risk Treatment Update
				100	2	200										
Wastewater Consent Paraparaumu Forbidden / more onerous discharge conditions and substantial costs to further treat/dispose are likely to result	Wastewater consent Paraparaumu	- Iwi/community concern regarding current arrangements - Bar raised on consent conditions	- Substantial costs to further treat and/or dispose - More onerous discharge conditions	100	2	200	High	Moderate	Maintain / strengthen Iwi/community relationship	- Maintain and strengthen Iwi/community relationships - New consenting strategy	GM Infrastructure Services	Jun-18		On Track	On Track	Consenting strategy scoping document (programme of works, budget and implementation plan) complete. Tenders back for consenting work
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	- Actual costs exceed budget - Unnecessary and/or poorly planned expenditure (hockey stick expenditure profile) - Lack of VfM expenditure - Legal challenges and costs	40	5	200	High	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 monthly reporting and education of managers	GM Corporate Services	Dec-18		On Track	On Track	Phase 2 of the procurement improvement programme is well underway. This includes design by consultation of a new procurement policy, procurement procedures manual, council-wide contracts register and procurement strategies for identified spend categories. Procurement policy workshops are close to completion. Work effort is being largely driven by an external consultant to enhance the capability of a fit-for-purpose decentralised procurement model.
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	- Lack of preparedness and unified response approach - Loss of limited key staff	- Reputational damage - Financial loss - Injuries, fatalities	100	2	200	High	Moderate	- CD and emergency management systems - CD training and exercises	- Review emergency management plans and staff capability/resources - Enterprise risk management - New infrastructure resilience	GM Community Services	Dec-18		On Track	On Track	Impacts on the organisation from a major earthquake event are inevitable and difficult to mitigate significantly. CDEM training is provided regularly to staff required for CDEM responses and emergency management plans and key learning's are being reviewed regularly.

Risk Level Legend



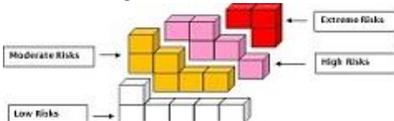
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				C	L	C*L										
Programme Budgets Programme budgets could be exceeded due external influences resulting in the slow down or postponing of projects/programmes	Programme budgets exceeded	- Global economic situation deteriorates GFC2 - Poor project management, procurement etc - Govt withdraw subsidies eg 60/40 insurance programme	- Projects slowed or halted - Rates not paid - Debt can't be serviced	40	5	200	High	Moderate	- Economic situation monitoring - Risk management - Project management systems	- More conservative/resilient forward programme - Project Management champion to roll-out of project management techniques and educate new/existing staff	Senior Leadership Team	Jun-19		On Track	On Track	Current risk level and target risk level increased. The business case methodology and templates have been refreshed and work will progress to improve project management capabilities across the organisation. The Council has also reduced the 2017/18 capital works programme by ~ \$10 million to forecast \$24.2 million and asset expenditure from 2018/19 onwards is being reviewed and prioritised. Establishment of a more robust PMO function is being considered
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	- Injuries to people - Loss of reputation - Penalties, fines - Welfare staff exposure	100	2	200	High	Low	- Health and safety management systems - Asbestos management plan - Care register - Working alone policy - Resilience training, safety in the workplace	- 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	Current risk level increased. Completed; - Asbestos management plan - Care register - Working alone policy - Resilience training, safety in the workplace
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	- 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	40	4	160	Moderate	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	Continuous improvement	Organisational Development Manager			On Track	On Track	Risk accepted A Council-wide staff satisfaction survey has been completed.

Risk Level Legend



Treatment Update Legend

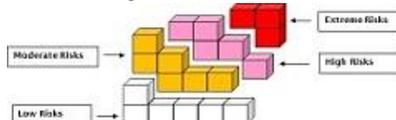


24/05/2018

Corporate-wide Profile

Risk Statement	Short Description	Cause	Impacts	Consequence (Likelihood)			Current Risk Level	Target Risk Level	Controls	Treatments	Owner	Target Date Original	Target Date Revised	Previous Treatment Status	Latest Treatment Status	Risk Treatment Update
				40	4	160										
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	Review handover "fit for purpose" processes. The scope of related work by the Business Improvement Team could be extended	GM Infrastructure Services	Dec-18		On Track	On Track	No specific update
Engagement Fatigue Delays to critical works and reputational damage is likely due to over promising on programmes, legislative requirements, the need to extensively consult, community desire for transparency and participation Also refer to "Open for Business" risk	Engagement fatigue	- Need to extensively consult - Legislative requirements - Community desire transparency and participation - Business planning deficiencies - Community perception of council	- Delays to critical works - Raising community expectations but disconnect with current resources - Reputational damage through lack of progress - Lack of progress - People opt out	70	2	140	Moderate	Low	- Consultation processes - Significance and engagement policies - Communication & engagement strategy - LG Act requirements	- 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	Senior Leadership Team	Dec-18		On Track	On Track	Communications plans established for key activities Focussed communication on LTP being considered
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	- Underpinned by Infrastructure and Financial Strategy- Activity management plans - Asset renewal programme - SLT and Council	- Refreshed Business Cases and methodology - Activity Management Plans (refreshed for 2018 - 38) - Monthly / quarterly reporting	GM Infrastructure Services and GM Community Services	Dec-18		On Track	On Track	Moderate level of risk accepted however subject to continuous improvement. The 2018-38 Long Term Plan requires Activity Management Plans to be reworked and business cases are required to justify asset expenditure. The Council has also reduced the
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	Low	Contract Management Processes	Review current practices to ensure process consistency	GM Infrastructure Services	Dec-18		On Track	On Track	Procurement process improvements have provided for for better understanding of risks

Risk Level Legend



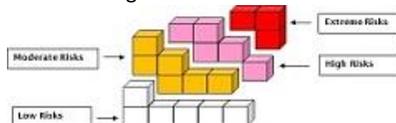
Treatment Update Legend



Corporate-wide Profile

Risk Statement	Short Description	Cause	Impacts	Consequence (L) Likelihood			Current Risk Level	Target Risk Level	Controls	Treatments	Owner	Target Date Original	Target Date Revised	Previous Treatment Status	Latest Treatment Status	Risk Treatment Update
				C	L	C*L										
Central Government Policy Uncertainty Unforeseen district impacts/opportunities brought 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	Government intervention Delays in projects programmes Redesign Priority change Community dissatisfaction	40	3	120	Moderate	Low	Monitor policy announcements	Assess threats and opportunities	GM Strategy & Planning	Jun-18		On Track	On Track	Council monitoring the direct impacts and implications new policies may have on the Council business and the wider Kapiti community
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 - Expressway reshaping Kapiti	- Ad-hoc development and business growth unpredictable - Higher rates due lower than predicted growth	40	2	80	Moderate	Moderate	- Current forecasts - Stimulate Economic Development Leadership Group to deliver optimal outcomes - Constant review - Monitoring and quarterly reporting on resources and business land demand and supply	Continuous improvement	GM Strategy & Planning			On Track	On Track	Risk accepted Research work continues to inform the development of a plan for business and talent attraction and retention that aligns with the Economic Development Strategy. Data collation and analysis is being extended to fully understand impacts of the Expressway on retail centres in the district
Procurement Process Failure 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			On Track	On Track	Target risk level increased. Risk accepted
Environmental Non-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	Current risk level accepted	GM Infrastructure Services			On Track	On Track	Target risk level increased. Risk accepted

Risk Level Legend



Treatment Update Legend



24/05/2018

Cash Handling Work Programme

Nr	Target work plan	Current status
1	Development of a comprehensive cash handling policy. (Original deadline 30 June 2018)	<ol style="list-style-type: none"> 1. Finance has developed a comprehensive cash handling policy that includes customer refunds and petty cash. 2. The policy is based on best practise and needs to be reviewed in conjunction with the cash handling operating procedures to ensure that it is fit for purposes and pragmatic for an organisation of our size. (New deadline - December 2018)
2	Development and deployment of best practise standard operating procedures. (Original deadline 30 June 2018)	<ol style="list-style-type: none"> 1. Finance has partnered with the Business Improvement (BI) Team with guidance from PwC, to implement best practice cash handling procedures. 2. The agreed approach was for the BI team to develop a fit for purpose cash handling process for “Customer Services – Rimu Road” cash handling site that then will be reviewed by PwC for best practice. 3. PwC completed their review and provided feedback on the 20th of June. Their key finding were: <ul style="list-style-type: none"> • that the BI team has done a commendable job of documenting current state of the cash handling process, • that as the document described current practices rather than desired future state it does not include all the key internal controls to expected within the end to end cash handling process to mitigate the risk of fraud or error. 4. PwC acknowledged that their review was based on a draft version of the process documentation that was still a work in progress that did not included planned changes that was raised and agreed with Finance. 5. To assist the BI team, PwC has provided verbal and written feedback and examples on elements of good practise that can be leverage from when completing the documentation. 6. At time of writing this report, the BI team was still implementing these recommendations to the cash handling process for “Customer Services – Rimu Road” 7. Once completed, Finance will draw on the learnings from the PwC review and ensure that the process is fit for purpose and designed to mitigate the risk of fraud and error. 8. With Council’s financial year-end and the production of the annual report, finance resourcing on this work steam will be limited during July and August. To build on the momentum and progress, it was agreed for the BI team to currently proceed with the Libraries cash handling process by capturing the current state and then applying the PwC elements of good practise in developing fit for purposes procedures. Swimming pools and i-site operating procedures are still to follow. 9. Senior leadership team approval of the policy and procedures will be sought before proceeding with staff training and deployment. (New deadline - December 2018)

Nr	Target work plan	Current status
3	<p>Issue receipts/tickets to all customers for pool entry. (Original deadline 30 June 2018)</p> <p>Stock management function for Swimming pool shop and café. (Original deadline 30 June 2018)</p> <p>Introduction of turnstiles within pool to prevent unauthorised access. (Original deadline 30 June 2018)</p>	<p>1. Council is in the process of replacing the software currently used by the pools and has approached the market in December to procure a fit for purpose Recreational Management system with an initial projected implementation date of early April 2018. The new estimated implementation date is post September 2018.</p> <p>2. The implementation has been significantly delayed due to:</p> <ul style="list-style-type: none"> • The evaluation process and confirmation of the preferred supplier took longer than planned; and • IT resourcing constraints. <p>3. Council will consider access controls and entry procedures as part of the software implementation process.</p> <p>4. The stock management function is dependent on the new software implementation.</p> <p>(New deadline - December 2018)</p>
4	<p>Standards refund template with customer sign off and review by senior staff member. (Original deadline April 2018)</p> <p>Development of a standard cash-up template and/or checklist. (Original deadline 30 June 2018)</p> <p>Develop trend analysis of daily cash ups. (Original deadline 30 June 2018)</p> <p>Implementation of independent peer review of daily cash taking. (Original deadline May 2018)</p> <p>Monthly spot check of cash up process at each location. (Original deadline 30 June 2018)</p>	<p>1. The BI team has developed:</p> <ul style="list-style-type: none"> • new customer refund templates • a new cash up template that operating staff will be trained on with the deployment of the new standard operating procedures. <p>2. Trend analysis, independent peer review and monthly spot check are key internal controls for mitigating the risk of fraud and error that will be ingrained within the new end to end cash handling process.</p> <p>(New deadline - December 2018)</p>
5	<p>Reconciliation between Library Management System (LMS) and till cash takings. (Original deadline 30 June 2018)</p>	<p>1. Council will achieve reconciliation between the LMS and the till cash takings via the cash management module (CMM) of the LMS. Council will activate the CMM as part of the next LMS upgrade that is scheduled for the 12th of July.</p> <p>2. The library team is currently been trained on the new CMM and LMS upgrade changes.</p> <p>(New deadline – September 2018)</p>
6	<p>Recall of library petty cash floats. (Original deadline January 2018)</p>	Completed.
7	<p>Revise structure of the swimming pool reconciliation. (Original deadline February 2018)</p>	Completed.
8	<p>Development of debt collection process. (Original deadline December 2018)</p>	<p>In progress.</p> <p>(Deadline - December 2018)</p>