



AGENDA

Audit and Risk Committee Meeting Monday, 12 October 2020

Date Monday, 12 October 2020

Time 11am

Location Meeting Room 1
Timaru District Council
King George Place
Timaru

File Reference 1379480

Timaru District Council

Notice is hereby given that a meeting of the Audit and Risk Committee will be held in the Meeting Room 1, Timaru District Council, King George Place, Timaru, on Monday 12 October 2020, at 11am.

Audit and Risk Committee Members

Clrs Keiran Horne (Chairperson), Peter Burt (Deputy Chairperson), Stu Piddington, Janice Fredric and the Mayor Nigel Bowen

Quorum – no less than 2 members

Local Authorities (Members' Interests) Act 1968

Subcommittee members are reminded that if you have a pecuniary interest in any item on the agenda, then you must declare this interest and refrain from discussing or voting on this item, and are advised to withdraw from the meeting table.

Donna Cross
Group Manager Commercial and Strategy

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- 1 Apologies**
- 2 Identification of Items of Urgent Business**
- 3 Identification of Matters of a Minor Nature**
- 4 Declaration of Conflicts of Interest**

5 Confirmation of Minutes

5.1 Minutes of the Audit and Risk Committee Meeting held on 16 June 2020

Author: Jo Doyle, Governance Advisor

Recommendation

That the Minutes of the Audit and Risk Committee Meeting held on 16 June 2020 be confirmed as a true and correct record of that meeting.

Attachments

- 1. Minutes of the Audit and Risk Committee Meeting held on 16 June 2020**



MINUTES

Audit and Risk Committee Meeting Tuesday, 16 June 2020

Ref: 1379480

**Minutes of Timaru District Council
Audit and Risk Committee Meeting
Held in the Meeting Room 1, Timaru District Council, King George Place, Timaru
on Tuesday, 16 June 2020 at 11am**

Present: Ms Keiran Horne (Chairperson) via Zoom Video Link, Mayor Nigel Bowen, Cr Allan Booth, Cr Stu Piddington, Ms Janice Fredric

In Attendance: Chief Executive (Bede Carran), Group Manager Commercial and Strategy (Donna Cross), Group Manager People and Digital (Symon Leggett), Acting Group Manager Infrastructure (Erik Barnes) via Zoom Video Link, Chief Information Officer (Justin Bagust), Chief Financial Officer (David Codyre), Risk and Assurance Manager (Ernest Bernard), Director Audit New Zealand (John Mackey) via Zoom Video Link, Governance Advisor (Jo Doyle), Executive Assistant Commercial and Strategy (Liz Law)

The Chairperson welcomed Janice to the Committee. Janice introduced herself to the Committee and explained that she grew up in Albury, now lives in Christchurch and is a professional director across many diverse boards.

1 Apologies

Resolution 2020/26

Moved: Cr Allan Booth

Seconded: Cr Stu Piddington

That the apology from Cr Peter Burt be accepted.

Carried

2 Identification of Items of Urgent Business

There were no urgent business items.

3 Identification of Matters of a Minor Nature

There were no minor nature items.

4 Declaration of Conflicts of Interest

There were no declarations of conflicts of interest, however the members interests register will need to be updated for Janice Fredric, but was noted she is no longer Chair of Hurunui Tourism.

5 Confirmation of Minutes

5.1 Minutes of the Audit and Risk Committee Meeting held on 31 March 2020

Resolution 2020/27

Moved: Ms Keiran Horne

Seconded: Cr Allan Booth

That the Minutes of the Audit and Risk Committee Meeting held on 31 March 2020 be confirmed as a true and correct record of that meeting.

Carried

6 Reports

6.1 Work Programme

The Committee was updated with the programme of work for the Committee that will be updated on a 12 month rolling basis and included with every agenda.

New and updated items are highlighted on the report.

Resolution 2020/28

Moved: Ms Keiran Horne

Seconded: Cr Stu Piddington

That the report be noted and received.

Carried

6.2 Corporate Risk Register

The Risk and Assurance Manager updated the Committee on the Corporate Risk Register.

A risk workshop is being held with Elected Members, and once completed, the register will be updated and provided at the next Audit and Risk Committee meeting.

It was requested that the areas of development along with tangible actions rather than aspirations be included and that an owner of the risk be included. The progress needs to be monitored to ensure outcomes are achieved.

This register will be a dynamic living document, and relevant triggers and mitigations will be added at each Audit and Risk Committee meeting.

The Covid-19 risks were discussed. The Group Manager Commercial and Strategy advised of some corrections to the Covid-19 attachment.

Lessons learnt from the Covid-19 pandemic should be useful for business continuity plans, these should be documented and the risk register updated via the Group Manager Commercial and Strategy. A project management framework should be developed for major events and projects that provides structure as well as a review post the event to identify what went well.

The Annual Plan has been recast with a proposal for the stimulus fund where Council can support community initiatives that are well advanced and provide funding for projects were they may not be able to go ahead.

The financial landscape from Covid-19 is being reassessed for the annual plan process. The Treasury scenarios along with Infometrics industry information is assisting with assumptions. The annual plan will be adopted 30 June 2020.

ACTION POINTS

- That the areas of development along with tangible actions and owner of the risk be included.
- A project management framework to be developed for major events and projects.

Resolution 2020/29

Moved: Ms Keiran Horne

Seconded: Mayor Nigel Bowen

That the report be received and noted.

Carried

6.3 Recommendations from Review of Risk Management Framework - Implementation Plan

The Committee was presented with an implementation plan to action the recommendations received from the review carried out on Timaru District Council's (TDC's) Risk Management Framework.

The Committee discussed the recommendations in the report and agreed that the Audit and Risk Committee does not have authority to approve reports but can recommend to Council.

Council receives quarterly updates on the corporate risk register following the Audit and Risk Committee meeting, however it was agreed that the risk register will also be reported to Council with the Minutes.

The Committee would like to see the high or extreme operational risks that could transpire into a strategic risk because of their significance, however other operational risks are to be managed by the Senior Leadership Team and a framework should be produced to ensure this happens. Also, all strategic risks should continue to be reported to the Committee at least annually.

ACTION POINTS

- Group Manager Commercial and Strategy to create a framework for the Senior Leadership Team to manage Operational risks lower than High. An implementation plan with tracking on the recommendations should come to the Audit and Risk Committee in October meeting for further feedback. These recommendations should be included in the Risk and Assurance Managers spreadsheet.
- Include the Risk Register with the Minutes to Council

Resolution 2020/30

Moved: Ms Keiran Horne

Seconded: Cr Allan Booth

That the Committee:

1. Receives and notes the report;
2. Notes the proposed implementation plan attached in relation to the recommendations from the review of Timaru District Council's risk management framework;

3. Recommend the proposal in paragraph 9.1 relating to Council's engagement on risk and how risk is reported to Council; and
4. Notes the proposal in paragraph 9.2 relating to the level of risk to be included in the corporate risk register that is reported to the Committee (but with continued reporting of all strategic risks on an annual basis).

Carried

6.4 Probity Update

The Committee was advised that there have been no incidents of wrong doing brought to the attention of the Chief Executive or other senior executives in Council.

Through Covid-19 lockdown, payment and payroll processes were assessed as with staff working remotely there was a heightened risk in some areas.

A review will be conducted to provide assurance over these processes, and an external provider is being considered to complete this review.

Resolution 2020/31

Moved: Ms Keiran Horne

Seconded: Mayor Nigel Bowen

That the report be received and noted.

Carried

6.5 Draft Audit and Risk Committee Charter

The draft Audit and Risk Committee charter was presented to the Committee.

Feedback was sought on the Committee's functions, as the functions were previously established by Council, any alterations will require Council approval. The current one page charter has changed significantly and should now be reassessed with priorities added.

The Committee discussed the Health and Safety Committee and noted the date of the last review. Council have the most diverse health and safety profile and an option is to create a separate committee to overview. Currently the Health and Safety Committee forms part of a report to the People and Performance Subcommittee.

In the terms of reference, the risk of CCO's should be included. The CCO requires autonomy and the letter of expectation should include health and safety.

Another item to add to the terms of reference should be the review of the Chief Executives expenses. This provides assurance and protection for the Chief Executive.

The process is to set a new quorum which will consist of the majority of committee and include one independent director, as well as reviewing the scope of the committee. The charter will be referred to council to revise.

Resolution 2020/32

Moved: Ms Keiran Horne

Seconded: Mayor Nigel Bowen

To note and provide feedback on the Draft Audit and Risk Committee Charter that is under development.

Carried

6.6 Health and Safety Update

The Group Manager People and Digital provided an update of the health and safety activity.

Covid-19 has dominated the prior 3-4 months with a strong focus on staff safety, customer safety and compliance with Ministry of Health guidelines and being prepared as the country moved through the levels and opening facilities.

The focus has shifted now with staff working back in buildings and facilities. An increase in engagement has occurred with teams being tighter, and this engagement will be captured from pulse surveys, one was presented during lockdown and the next to occur soon.

A new Health and Safety Advisor has employed and is having a positive impact in his second week on the job.

It was discussed that culture and wellbeing measures such as referrals to EAP, staff turnover, complaints from staff and themes from exit interviews should be reported in the Public Excluded Agenda to this Committee. EAP referrals should also be included in the report to People and Performance Subcommittee.

ACTION POINTS

- Group Manager People and Digital to provide an update of culture and wellbeing measures to the Public Excluded Agenda for the next Audit and Risk Committee meeting.

Resolution 2020/33

Moved: Ms Keiran Horne

Seconded: Cr Allan Booth

That the report be received and noted.

Carried

6.7 Draft Internal Audit Plan

The draft internal audit plan was presented by the Risk and Assurance Manager. Input has been received from external providers, senior leadership team and the office of the auditor general. Conversations have taken place with unit managers and the plan then developed.

It is assumed that the audit will be completed internally, however if the technical skills are not available, they should be outsourced.

A framework to ensure statutory compliance needs to be developed.

The process is to provide a detailed plan and cover the period and time of the audit and the resource required. Once this is produced the Senior Leadership Team will approve and the plan

will be presented at the next Audit and Risk Committee meeting and then a recommendation will be made to Council.

It was noted by the Audit New Zealand Director that internal audits should be independent. Prioritisation may be required once the resourcing is identified.

ACTION POINTS

- The Risk and Assurance Manager to develop a framework to ensure statutory compliance.
- The Risk and Assurance Manager to develop a detailed Audit Plan and cover the period and time of the audit and the resource required. Once this is produced the Senior Leadership Team will approve and the plan will be presented at the next Audit and Risk Committee meeting and then a recommendation will be made to Council.

Resolution 2020/34

Moved: Ms Keiran Horne

Seconded: Mayor Nigel Bowen

To note the Draft Internal Audit Plan

Carried

6.8 Water Infrastructure Asset Revaluation Project

An overview of the water infrastructure asset revaluation project was presented to the Committee by the Chief Financial Officer.

This asset revaluation is part of the bigger project to revalue certain classes of Council assets. The change in methodologies is required to be applied from the first day of the financial year for which it applies.

Three Waters have completed the revaluation in their Asset Database and are currently having this peer reviewed. The next step in this process is for finance to take the data from drainage and water and enter into the financial system. Audit will process an interim audit from 22 June to 10 July.

The financial impact of the revaluation is 3 Water assets increasing by \$200m. The depreciation changes reflect what has been assessed and calculated through activity management plans for depreciation funding required. The current depreciation figure reported in the financial statements are based on the deemed cost of the assets which is different to the depreciation funding budgeted each year.

This is the first step in the wider revaluation process, and certain classes of assets will be added on an annual basis, the roading assets will be added in 2021 with land and buildings for the following year.

The frequency of valuations was discussed and was expected to be on a 3 yearly basis however an impairment valuation needs to be undertaken each year. The 3 year cycle enables the valuing process to link into the Long Term Plan.

Resolution 2020/35

Moved: Ms Keiran Horne

Seconded: Cr Stu Piddington

That the Committee note and receive the report.

Carried

6.9 Accounting Policies for 2019/20 Annual Report

The draft accounting policies for inclusion in the preparation of the 2019/20 Annual Report for Timaru District Council were presented to the Committee.

The updated accounting policy with tracked changes was tabled (attached).

The major change is the asset revaluation and a firm decision is needed for the Downlands scheme. The legal advice is clear but it seems there is a disconnect with EY. The law firm are discussing the subject with EY with a view that Downlands is a joint operation and the 3 entities own the asset in proportionate shares. Unanimous decisions are required on significant matters not clearly delegated to the Committee and clarification is required before the end of June.

The provisions for landfill aftercare will be updated using appropriate discount rates at 30 June 2020. The CFO talked about the assumptions and judgements to be used in the Annual Report.

Debtors and the ability to recover debt after of Covid-19 have been assessed. Majority of debt is rates debt that is rolled over and there are mechanisms to recover this debt.

Clarity was sought on land and building improvements which have not been valued for 15 years.

Resolution 2020/36

Moved: Ms Keiran Horne

Seconded: Cr Stu Piddington

That the Committee receive and note the report.

Carried

Attachments

- 1 2019/20 draft Accounting Policies

6.10 Audit NZ Audit Plan 2019/20

The committee was presented the Audit Plan for the 2019/20 Annual Report audit.

John Mackey, Audit New Zealand Director updated the Committee and explained Covid-19 has had major alterations for the financial market. The Auditor General will be providing a template for all public entities in the notes to financial statements that covers the impact of Covid-19 on their operations.

The March balance dates have been the focus and the audits are taking a longer period of time to complete. During lockdown, audits were being conducted remotely.

The Auditor General has completed an assessment and it is expected that not all entities will be able to meet statutory deadlines. Audits are to be prioritised as resource may have to be diverted.

Officers will be kept informed of all developments. The Auditor General has been part of discussions from Wellington around the statutory timeframes and whether timeframes can be extended, but no decision has been made yet.

SOLGM, LGNZ and DIA are in discussions about the effect on Long Term Plans for Councils and the possibility of moving dates.

The Committee discussed that a meeting prior to October may need to be set to address this subject.

The Audit engagement letter has been circulated and is a standard engagement letter and will be forwarded to the Mayor for signing.

Resolution 2020/37

Moved: Ms Keiran Horne

Seconded: Cr Allan Booth

That the report be noted and received and that committee recommend to Council that the Mayor sign the Engagement Letter for Council

Carried

1 Consideration of Urgent Business Items

2 Consideration of Minor Nature Matters

3 Exclusion of the Public

Resolution 2020/38

Moved: Ms Keiran Horne

Seconded: Mayor Nigel Bowen

That the public be excluded from the following parts of the proceedings of this meeting on the grounds under section 48 of the Local Government Official Information and Meetings Act 1987 as follows:

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Plain English Reason
10.1 - Public Excluded Minutes of the Audit and Risk Committee Meeting held on 31 March 2020	<p>s7(2)(a) - The withholding of the information is necessary to protect the privacy of natural persons, including that of deceased natural persons</p> <p>s7(2)(b)(ii) - The withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the</p>	<p>To protect a person's privacy</p> <p>Commercial sensitivity</p> <p>Due to an obligation of confidence and to ensure the information avenue remains open, when it is in the public interest for it to do so</p> <p>Due to an obligation of confidence and to protect the public interest</p>

	<p>person who supplied or who is the subject of the information</p> <p>s7(2)(c)(i) - The withholding of the information is necessary to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely to prejudice the supply of similar information, or information from the same source and is in the public interest that such information should continue to be supplied</p> <p>s7(2)(c)(ii) - The withholding of the information is necessary to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely otherwise to damage the public interest</p> <p>s7(2)(g) - The withholding of the information is necessary to maintain legal professional privilege</p> <p>s7(2)(h) - The withholding of the information is necessary to enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities</p> <p>s7(2)(i) - The withholding of the information is necessary to enable the Council to carry out, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)</p>	<p>To protect all communications between a legal adviser and clients from being disclosed without the permission of the client.</p> <p>To enable commercial activities</p> <p>To enable commercial or industrial negotiations</p>
<p>10.2 - Cyber Security Report</p>	<p>s7(2)(b)(ii) - The withholding of the information is necessary to protect information where the</p>	<p>Commercial sensitivity</p>

	making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information	
10.3 - Outstanding items raised by audits	s7(2)(h) - The withholding of the information is necessary to enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities	To enable commercial activities
10.4 - Legal update	<p>s7(2)(b)(ii) - The withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information</p> <p>s7(2)(g) - The withholding of the information is necessary to maintain legal professional privilege</p> <p>s7(2)(i) - The withholding of the information is necessary to enable the Council to carry out, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)</p>	<p>Commercial sensitivity</p> <p>To protect all communications between a legal adviser and clients from being disclosed without the permission of the client.</p> <p>To enable commercial or industrial negotiations</p>
10.5 - Insurance renewal	s7(2)(b)(ii) - The withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information	Commercial sensitivity
10.6 - Employee Matters	s7(2)(a) - The withholding of the information is necessary to protect the privacy of natural persons, including that of deceased natural persons	To protect a person's privacy
10.7 - Committee and Auditor only time (agenda placeholder)	s7(2)(c)(ii) - The withholding of the information is necessary to protect information which is	Due to an obligation of confidence and to protect the public interest

	<p>subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely otherwise to damage the public interest</p> <p>s7(2)(h) - The withholding of the information is necessary to enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities</p>	<p>To enable commercial activities</p>
<p>10.8 - Committe and Chief Executive only time (agenda placeholder)</p>	<p>s7(2)(a) - The withholding of the information is necessary to protect the privacy of natural persons, including that of deceased natural persons</p> <p>s7(2)(h) - The withholding of the information is necessary to enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities</p>	<p>To protect a person’s privacy</p> <p>To enable commercial activities</p>

Carried

Resolution 2020/39

Moved: Ms Keiran Horne
 Seconded: Mayor Nigel Bowen

That the meeting moves out of Closed Meeting into Open Meeting.

Carried

- 4 Public Excluded Reports**
- 10.1 Public Excluded Minutes of the Audit and Risk Committee Meeting held on 31 March 2020**
- 10.2 Cyber Security Report**
- 10.3 Outstanding items raised by audits**
- 10.4 Legal update**
- 10.5 Insurance renewal**
- 10.6 Employee Matters**
- 10.7 Committee and Auditor only time (agenda placeholder)**
- 10.8 Committe and Chief Executive only time (agenda placeholder)**
- 5 Readmittance of the Public**

The meeting closed at 2.13pm.

.....
Chairperson

6 Reports

6.1 Audit and Risk Committee Work Programme

Author: Ernest Bernard, Risk and Assurance Manager

Authoriser: Donna Cross, Group Manager Commercial and Strategy

Recommendation

That the report be noted and received.

Purpose of Report

- 1 This report is to update and outline the programme of work (below) for the Committee.
- 2 This will be updated on a 12 month rolling basis and included with every agenda.

Work Programme				
	Oct	Dec	Mar	Jun
<i>Public items</i>				
Risk register – top risks (6 monthly)	✓	✓	✓	✓
COVID-19 risks	✓	✓	✓	✓
Risk register – all risks (annually)		✓		
Health and safety update (quarterly)	✓	✓	✓	✓
Probity update	✓	✓	✓	✓
Tax risk management report (annually)		✓		
Implementation items risk management framework	✓			✓
Internal audit and assurance programme (annually)	✓			✓
Audit plan and engagement letters (annually)	LTP			✓
Audit management report (annually)		✓		
Accounting policy review (annually)				✓
Asset Revaluation Project				✓
<i>Public excluded items</i>				
Health and safety update (quarterly)	✓	✓	✓	✓
Legal update (quarterly)	✓	✓	✓	✓
Cyber Security Report	✓	✓	✓	✓
Outstanding items raised by audits	✓	✓	✓	✓
Draft annual report review (annually)	✓			
Review audit representation letters (annually)	✓			
AuditNZ interim audit report	✓			
Insurance renewal (annually)	✓ (strategy)		✓ (strategy)	✓ (endorse)
Credit rating review			✓	
Employee matters				✓
Auditor only time	✓	✓	✓	✓
CE only time	✓	✓	✓	✓

Attachments

Nil

6.2 Corporate Risk Register Update (All Risks)

Author: Ernest Bernard, Risk and Assurance Manager

Authoriser: Donna Cross, Group Manager Commercial and Strategy

Recommendation

That the report be received and noted.

Purpose of Report

- 1 This report is to provide an update on the Corporate Risk Register.

Background

- 2 The Corporate Risk Register has been refreshed and updated (draft attached). A risk workshop was held with Council and the Audit and Risk Committee members on 16 June to refresh and re-focus the Corporate Risk Register.
- 3 Senior Leadership Team (SLT) carried out a similar risk workshop on 31 August and risks discussed at SLT and the Councillor workshop did cover each of the key strategic risks.

Below are the top strategic risks identified through recent workshops:

- Capital project delivery. Failure to deliver adequate infrastructure to meet community expectations
- Climate change impacts and weather events
- Legislative changes
- Community engagement
- CBD building strengthening
- Health & safety
- Decision making
- Disaster event
- Major economic or financial shock
- Operational risks becoming strategic risks

- 4 A COVID-19 specific risk register is also attached.

A draft risk appetite statement from the Councillor workshop is attached. It is a starting point that can be taken forward for discussions and finalisation.

Attachments

1. **Corporate Risk Register**  
2. **Covid-19 Specific Register**  
3. **Draft TDC Risk Appetite Statement**  

Register of Corporate Risks								
Risk Number	Specific Risks Identified	Possible Effects	Mitigation measures currently in place	Likelihood	Consequence	Residual Risk	Areas for development	Responsibility
Achievement of the Vision and Community Outcomes								
1	Failure to deliver capital works programme set out in the Long Term Plan/Annual Plan	<p>Not meeting service levels, not aligning rates funding with project delivery, project complexities and dependencies leading to cost escalation, expected timeframes not being met</p> <p>A loss of trust and confidence, community not engaged</p> <p>Negative impact to safe, vibrant and growing community, and high-quality infrastructure objectives</p>	<p>Specific accountabilities introduced into Group Manager role and additional resource for new unit manager roles for capital delivery, risk and assurance and business systems improvement to ensure best project management practices are embedded and observed. Finance capability to assist with budgeting and cost management. Building Programme delivery function to improve project planning and project management, risk management function to ensure effective risk management within projects.</p> <p>Internal project managers in place for current capital projects and district plan project. Project control group in place for Pareora pipeline renewal. Appointment of external project manager and internal client rep for external project manager for Theatre Royal/Heritage Centre project.</p>	4	4	High	<p>Lifting organisation wide project management capability (people and systems). Ensure project performance through good project management, risk management and cost management. Robust planning, budgeting and cost management. Review resource requirements within key projects.</p>	SLT

			<p>Better scheduling of project delivery to align with resource availability.</p> <p>Factor in/account for the impact of historical non- delivery and carry forwards</p> <p>Set realistic goals and expectations with Governance</p> <p>Programme Delivery Team actively working with project sponsors and project teams in relation to acceleration within programmes and projects, introduce agile methodologies, and to reduce barriers to project delivery.</p> <p>Feasibility assessments in relation to programme for 2020/21.</p> <p>Ongoing reporting to Council improving ability to monitor</p>					
2	Ineffective organisation planning and budgeting processes (LTP/Annual Plan/Activity Management Plans/Projects/District Plan)	Difficulties in maintaining levels of service and delivering LTP/Annual work programme, increased costs/financial loss, loss of reputation, community dissatisfaction, staff morale/turnover	<p>Good LTP and Annual Plan expertise and development processes – highly skilled Corporate Planning team. Regular reporting against LTP and Annual Plan, review of capital projects. Monitoring of AMP work improvement plan delivery. Recruiting for Programme Delivery Manager.</p> <p>Review planning, maturity, processes and effectiveness</p>	3	2	High	<p>Develop improved financial systems /processes for LTP and Annual Plan.</p> <p>Deliver capex plan. Project management training and support. Development</p>	SLT and Unit Managers

			<p>Identify areas for development, and develop programme for improvement</p> <p>Review major understanding and use of these tools, knowledge and ability to deliver</p>				<p>of improvement programmes yet to be completed</p> <p>See 61 below regarding key LTP projects.</p>	
3	Physical disasters and pandemics	Inability to deal with a major incident, difficulties in maintaining levels of service, financial loss, injuries/death, damage to property and infrastructure, ineffective emergency management	<p>Lifelines project (being led by Group CDEM), Civil defence and Emergency Management team, ongoing staff training, insurance, physical means (such as fire fighting equipment), specialised and trained technical staff and volunteers, health & safety policy</p> <p>Business Continuity Plans/Disaster Recovery</p> <p>Staff training and back up tutorials</p> <p>Preparedness</p> <p>“Live” test on work from home</p>	2	4	High	<p>Robust business continuity planning.</p> <p>CD staffing to be reviewed.</p> <p>CD Recovery Plan</p> <p>Recommendations from CD Controller training to be implemented.</p> <p>Work within Canterbury Group to be reviewed.</p> <p>Communication plans/or a Welfare Plan (80%).</p> <p>Resilience planning for</p>	SLT

							<p>people and assets at TDC.</p> <p>STEC as lead welfare centre now well established.</p> <p>Obtaining EPB assessments for STEC and Civic.</p> <p>Review resource requirements (starting to train external volunteers to back up our EOC).</p>	
4	<p>Climate change</p> <p>Changing climate and stronger weather events impact on community wellbeing and Council infrastructure</p>	<p>Change in or loss of infrastructure development, economic impacts, increased compliance costs or restrictions on operations [impact on local industries and economy also noted]</p> <p>Community wellbeing - ability for Council to deliver core services to impacted settlements</p>	<p>Monitoring of inundation projections, overland flow paths, network capacity, rising sea levels and their impact on coastal settlement, communication with Ecan, monitoring zoning</p> <p>Adaptation strategy to be developed</p>	4	4	Extreme	<p>Activity management plans (AMPs) to continue to be developed to identify how to enhance resilience in networked and community infrastructure</p>	SLT and Unit Managers

		<p>Rebuilding or resettlement of impacted communities</p> <p>Water service delivery impacted (a third source of water needed)</p> <p>Financial cost of response, rebuild</p>					<p>Climate change strategy work initiated.</p> <p>Factor into next LTP. Mitigation through District Plan.</p>	
5	A natural or human-induced disaster event.	<p>Loss of key infrastructure in the community and disruption in the ability to provide community services</p> <p>Significant staff resource required to respond</p> <p>Financial impact to Council and community in response and recovery</p>	<p>Insurance</p> <p>EOC to have a targeted plan in place to increase community resilience</p>	4	5	Extreme		SLT and Unit Managers
Financial								
6	Insufficient and/or ineffective insurance cover	<p>Financial loss, loss of reputation, possible impacts on ability to provide expected levels of service</p>	<p>Use of insurance broker, valuations for insurance purposes, regular reviews of assets insured, participant in LAPP, Local Government Risk Agency being considered, staff training on obligations to insurer to observe terms of the policy.</p>	2	4	High	<p>Council workshop to strategically review future property/insurance requirements</p>	<p>Group Manager Commercial and Strategy</p>

7	A major financial shock	<ul style="list-style-type: none"> • Reduced revenue • Revision of strategic priorities for investment decisions • Borrowing funds implications 	Keep a strong financial position. Deliver on budget	5	2	Medium	Apply effective financial strategy	SLT and Unit Managers
Health and Safety (Customers, public, staff, contractors and elected members)								
8	Death or serious injury to public, staff, volunteers, contractors or elected members	Injury, Death, legal action, financial loss, reputational damage, major disruption at facilities	Health and Safety policies and procedures, Health and Safety Committee, Health and Safety advisor, external advisors, staff and volunteer training, contractor engagement procedures, risk registers, relevant controls, internal audits and verification Driving and vehicle monitoring policy in place. Site specific risk plans as appropriate. Increased membership of Health and Safety Committee and increased training and task allocation across the wider business. Standard Operating Procedures (SOP's) Improve due diligence and notification of activity – shift	2	5	High	To review the structure of the current Health and Safety Committee to better align with Act? Done	SLT and Unit Managers
				3	4		Currently updating the H&S manual to the NZS45001 standard. This includes revitalising policies, procedures, permits to work, standard operating procedures	

			culture to have a greater focus on behavior instead of the paper.				and verification activity. Confirmation of new supplier of vehicle monitoring systems imminent. Manual H&S processes in place in interim.	
9	Physical attacks against staff	Abuse, Injury, death	Physical security measures, staff training (ongoing), security cameras, panic alarms, office lockdown procedures, regular checks of at risk staff and procedures, debrief in case of near miss. Case by case risk assessment.	3	3	High	Sites outside of TDC main office still need reviews/upgrades. The key sites outside of the main building have been assessed and security measures implemented. Further site assessments are ongoing. Security cameras and updated processes in	SLT and Unit Managers

							place at Timaru Library.	
10	Minor Public injuries at Council facilities	Injury, legal action, financial loss, reputational damage, loss of ACC accreditation	Health and Safety policies and procedures, by-laws, "Pool Safe" policy, staff and volunteer training, contractor engagement procedures, hazard registers, monitoring, signage, external reviews, auditing of facilities, building and facility maintenance programmes, defibrillators, access to specialised services, updated hire agreements	5	2	High	On site H and S team being implemented at CBAY as a higher risk facility.	Group Manager Community Services

Service Delivery to the Community								
12	Failure to develop and maintain a positive relationship with the community.	A disengaged community with a loss of trust Lack of business confidence/ investment Affect voter turnout	Long Term Plan – formal strategic direction Elected members carry a responsibility on how they are representing Council Community engagement Significance and engagement policy	3	4	High		Elected Members and SLT

13	Failure of water supply systems, including inability to obtain sufficient water or provide safe drinking water	Illnesses, death, loss of reputation, financial loss, difficulties in meeting level of service, Government inquiries	Activity Management Plan, Infrastructure Strategy, Documented procedures, qualified staff, testing programmes, physical security, industry standards, Water Safety Plans, contract specifications, telemetry systems, insurance, public education, monitoring possible water sources, water restrictions, liaison with high water users, Business Continuity Planning, Health and Safety Policy, Bylaws	2	5	High		Group Manager Infrastructure
14	Failure of sewerage systems	Illnesses, death, abatement notices, prosecution, loss of reputation, financial loss, difficulties in meeting level of service, adverse environmental impact	Activity Management Plan, Infrastructure Strategy, Documented procedures, qualified staff, testing and monitoring programmes, physical security, industry standards, contract specifications, telemetry systems, insurance, public education, Business Continuity Planning, Health and Safety Policy, Bylaws	1	5	High		Group Manager Infrastructure
15	Inadequacy of stormwater systems	Illness, death, abatement notices, prosecution, loss of reputation, financial loss, difficulties in meeting level of service, flooding	Activity Management Plan, Infrastructure Strategy, Documented procedures, qualified staff, testing and monitoring programmes, physical security, industry standards, contract specifications, telemetry systems, insurance, public education, Business Continuity Planning Significant investment through LTP in relation to stormwater systems.	2	4	High		Group Manager Infrastructure

16	Sabotage or vandalism at multiple locations or severe in nature	Death, Injury, Financial loss, loss of services, difficulties in maintaining level of service, loss of reputation	Physical security, surveillance cameras in some locations, physical deterrents/locking of some facilities, staff monitoring, zero tolerance approach, insurance	2 4	4 2	High	Further security improvements at critical sites.	SLT
17	Power and/or telecommunication failures	Difficulties in maintaining level of service, financial loss	Generators at critical sites, UPS for critical IT equipment, cellphones, landline and wireless networks, engagement with key suppliers	3	3	High	Generator being added at STEC. Generator in place, instructions on use in place, training conducted with staff at STEC and Welfare team. Looking at diesel storage onsite. Strengthening of Civic Building - EOC to IL4. Be active members of Lifelines project. Create business continuity plans to ensure sufficient	Group Manager People and Digital

							power generation for at least 5 days. Develop 'capability' list at various sites (where do we have back up)	
18	IT failures (including on line applications used and cyber attacks)	Difficulties in maintaining levels of service, financial loss, loss of data and information, altered or corrupted records, privacy breach, reputational loss	Regular backups and off site storage of backups, passwords, external reviews, IT policies, Business Continuity Plan, discussions with suppliers, regular maintenance of equipment including upgrades, multiple redundancies, latest cyber security suites, firewalls, staff security requirements, staff training and awareness Information breach or loss of data – Information management strategy Cyber security review and actions Maturity with cyber security Staff training ongoing	2	5	High	Review business continuity plans. Ongoing maintenance of cyber security measures, including regular updates, patches and training. Ongoing awareness of international trends and threats. Ongoing review of internal compliance measures.	Group Manager People and Digital

Organisational Capability and Capacity								
19	Staff mistakes or staff providing incorrect advice	Legal challenge, financial loss, damage to Council reputation	<p>Staff training, Corporate Policies, Delegations, insurance, legal advice sought where appropriate.</p> <p>Peer/management review of outputs and reports.</p> <p>Performance framework, coaching and staff development</p> <p>Assessment, monitor, review, discuss and develop</p>	3	3	High	<p>Documented procedures in high risk areas.</p> <p>Continuous improvement culture development process at debrief following poor decision making to share learnings and update processes.</p> <p>Quality assurance framework to be developed under Risk and Assurance function.</p>	SLT and Unit Managers
20	Loss of institutional knowledge	Failure to meet statutory obligations or key Council accountabilities as set out in performance measures due to the loss of knowledge and know-how from departure of key staff.	Documenting processes and systems, mentoring and training and development for all staff, increased substantially the accountability and capability within the finance team	3	3	High	<p>Documented procedures in high risk areas as a priority.</p> <p>Managers have implemented succession and retention</p>	SLT and Unit Managers

		Reduced engagement could be an affect that increases churn rate of staff.					planning activity as required. Completed a Talent Matrix assessment to identify key staff.	
21	Council buildings deemed to be unusable	Difficulties in meeting levels of service, financial loss, low staff morale	Assessments being undertaken, remediation plans being developed, additional resource engaged, ability to relocate services if needed, remote access availability, budget included within 2018-28 draft LTP for structural work on known Earthquake Prone buildings	3	3	High	Ongoing strengthening programme to be considered in next LTP. EPB strategy and programme for TDC owned buildings to be finalised, including for IL3 and IL4, EOC buildings.	Group Manager Commercial and Strategy and Property Manager

22	Officers fail to effectively manage operational risks therefore they become strategic issues	<p>Untimely or incomplete reporting to EM's</p> <p>Lack of confidence from EM's to staff</p> <p>Inability to deliver effectively or efficiently LTP objectives</p> <p>Negative media attention</p>	Performance Framework enables effective management of operational risks	2	2	Low		SLT and Unit Managers
Legislative/Regulatory Compliance								
23	Failure to comply with Legislation	Prosecution, financial loss, loss of reputation, modified audit opinions, requirement for rectifying legislation	Legal and other specialist advice sought as required, use of SOLGM Legislative Compliance programme, Tax Policies and procedures, qualified staff, staff and elected member training, external reviews	3	3	High	<p>Activity and Reserve Management Plans (including legislative compliance obligations), Ongoing legislative training, Documentation of critical processes, Use of software such as ComplyWith</p> <p>Development statutory compliance framework</p>	SLT and Unit Managers

							under Risk and Assurance programme (for implementation across the organisation), subject to approval of business case.	
24	Legislative changes requiring implementation in a short timeframe or are complex and require significant consideration prior to implementation.	<ul style="list-style-type: none"> • Significant staff resource required to assess and respond to changes • Inadequate implementation of legislative changes can result in a loss of trust by the community and central government by failing to deliver services to expectations • Financial impact to Council 	<ul style="list-style-type: none"> • Oversight from Committees • GM drives assessment and management of changes 	5	3	Extreme	GM keeping a view of what's happening Update by local government group and SOLGM	SLT and Unit Managers

Risk Description	Causes	Consequences	Mitigation Measures Currently In Place	Residual Risk		Rating
				Likelihood	Consequences	
<p>There is risk that:</p> <ul style="list-style-type: none"> The lockdown is extended or re-introduced by central government, through a cycle back to alert 4; or The criteria for operating under lower alert levels are changed to require more stringent remote working environments for extended timeframes; Loss of revenue (e.g. if facilities required to close or restrict capacity). 	<ul style="list-style-type: none"> Current social/physical distancing measures become unsuccessful (through either social irresponsibility or change in virus facts/evolution such as timeframes if it remains active on surfaces). Border controls are opened too early to enable tourism or BAU to operate. Leading to reinfection/second wave and increases in COVID-19 cases, with potential staff cases. 	<p>This would impact Council in a number of ways including:</p> <ul style="list-style-type: none"> This risk would heighten/cause risks #2 & 3. I.e. Delays to capital programme, staff/stakeholder wellbeing, Compromised remote working environment through impacts on IT team and supply-chain infrastructure/resourcing. Broad Council objectives/LTP are not achieved Reputation and regulatory consequences. 	<ul style="list-style-type: none"> Staffing training programmes, Provision of screens and sanitizers in all Council facilities, Facilitation of working remotely opportunities for staff, Provision of PPE for staff, Displaying QR code at all Council public facing facilities. 	3	3	High
<p>There is a risk that:</p> <ul style="list-style-type: none"> A number of significant and important capital projects are delayed for extended periods. Shovel ready projects funded by central government are delayed or forced to defer. 	<ul style="list-style-type: none"> Risks #1 & 3 cause this risk i.e.: Lockdown extensions/changes and Significant impact on staff/stakeholder wellbeing. We are dependent on external providers, and overseas suppliers and supply chains, that ultimately fail or delay in resource delivery Quality of supply materials suffers due to materials being sourced from countries impacted significantly from COVID, such as US and China (supply QA severely impacted) Council fail to effectively manage capital project restarts and shovel-ready projects 	<p>This would impact Council in a number of ways, including:</p> <ul style="list-style-type: none"> This could cause/lead to Risks #4 and 5, i.e. delayed regional recovery and Councils effective recovery. Capital project delays cause: Increased financial costs Council unable to support contractors and contribute to economic reintegration Affects capital maintenance programme and levels of service Reputation and environmental consequences. Crown project funding withdrawal 	<ul style="list-style-type: none"> Procuring consulting and construction work as soon as reasonably practicable to ensure consultants and contractors commit to the TDC work programme. Briefing contractors every 3 months on the TDC work programme including details on the forward procurement programme 	4	2	High
<p>There is a risk that:</p> <ul style="list-style-type: none"> Increased adverse impact on staff/stakeholder well being, mental health issues/family hardship and family ill health/poor wellbeing concerns loss of staff engagement and resignation of competent staff (looking for other jobs) 	<ul style="list-style-type: none"> Risks #1, 4, 5 could cause this risk: i.e. extension of lockdown, delayed/extended economic recovery, Council failing to effectively recover. Perception and/or requirement for significant cost reduction within Council, impacting on staff salaries/numbers. Exacerbation of existing negative economic, social, community and environmental trends (especially on vulnerable/at risk community members - lower income/education success communities/poor health outcomes from pandemic closedown and lack of community/business/social activity during closedown period. 	<p>This would impact Council in a number of ways, including:</p> <ul style="list-style-type: none"> Increased dependency on central/local government welfare services/support and increased requirement for funding for community development programmes and/or increased funding sought for continuing community wellbeing/welfare initiatives and social organisations/support services Significant reduction on staff engagement & productive/effective Council operations, with consequences extended broadly to Council objectives/LTP. 	<ul style="list-style-type: none"> Regular staff briefings (fortnightly) and enhanced staff engagement through regular COVID specific communications, Staff support services being more widely available. 	2	3	Medium
<p>There is a risk that:</p> <ul style="list-style-type: none"> National and regional economic recovery is delayed and extended beyond predictions.. 	<ul style="list-style-type: none"> Risks #1 & 5 i.e. extended lockdown and Councils agile/effective recovery (circular relationship) Lack of focus by Central Government on development/coordination of onshore core/essential resource/manufacturing/primary industry jobs, whilst maintaining closed borders for up to 12 months (Treasury Scenario 1) Exacerbation of existing negative economic, social, community and environmental trends (especially on vulnerable/at risk community members - lower income/education success communities/poor health outcomes from pandemic closedown and lack of community/business/social activity during closedown period. 	<p>This would impact Council in a number of ways, including:</p> <ul style="list-style-type: none"> This could cause/lead to Risks #2, 3 and 5, i.e. Capital programme delay, Significant wellbeing impact & Councils agile/effective recovery. Breakdown in coordination between government departments and Council, leaving gaps in support services and communication/engagement with vulnerable /at-risk community members 	<ul style="list-style-type: none"> Council \$2m COVID Stimulus Fund has been fully allocated which will assist with kick starting the local economy. \$6.86m of the Government's Waters Stimulus package has been activated by signing the Government MoU and submitting a draft Delivery Plan by the 30th September deadline. Receiving \$11.6m approval for the Theatre Royal and Heritage Centre shovel ready application. 	4	2	High
<p>There is a risk that:</p> <ul style="list-style-type: none"> Council fails to effectively and responsibly respond to the pandemic situation, considering its regional leadership role, and longer term consequences. Council decision making fails to adequately consult or seek/inform decisions through planning, strategy and underpinning principles. 	<ul style="list-style-type: none"> Risks #1 & 4, i.e. extended lockdown and delayed economic national/regional recovery. Emphasis on short term cost reduction and broad citizen financial relief, without sufficient broader and longer term considerations, such as factoring availability of central government hardship relief/loan ratio requirements or influence based on incomplete advice, Lack of review/re-assessment/re-alignment of performance measures/goals and KPIs in light of post-COVID19 requirements 	<p>This would impact Council in a number of ways, including:</p> <ul style="list-style-type: none"> This could cause/lead to Risks #2 & 3. I.e. Capital programme delay and Significant staff/stakeholder wellbeing impacts. Rushed decisions - uneconomic and/or ineffective decisions which have longer term significant impacts financially economically and socially on Councils operations and Timaru District. 	<ul style="list-style-type: none"> SLT awareness that decision making and approvals must be agile and prompt. Elected Members continued to meet during lockdown and made governance decisions relating to COVID-19. For example, following initial consideration of the Annual Plan 2020/21 on March 25, elected members reviewed the impact of COVID-19 on the Annual Plan and budget and adjusted, including a change to the proposed rate increase. An Emergency Committee was established to enable decision making to occur in the event a normal quorum couldn't be met, and meetings moved to video-conference/ZOOM, per the enabling legislation. 	2	2	Medium
<p>There is a risk that:</p> <ul style="list-style-type: none"> Council's existing work programme is impacted by the redirection of resources to address Covid-19 related responses and that existing significant work streams fall behind in their delivery schedule and dates. 	<ul style="list-style-type: none"> Risks #5: Council fails to be agile and effectively respond/recover Council has insufficient resources in some business units to support the increased work load from recalibrating work stream to address Covid-19 implications 	<p>This would impact Council in a number of ways, including:</p> <ul style="list-style-type: none"> Jeopardy of delivery within statutory timeframes of key accountability documents such as the Annual Report and the Long term Plan. 	<ul style="list-style-type: none"> Getting the highly feasible component of the capital expenditure work programme, \$53.5m, locked in as soon as possible. Reporting to the Infrastructure Committee and the Commercial and Strategy Committee every 6 weeks on specific progress on 5 Key Projects, and a summary status report covering all 140 projects. 	3	2	Medium

Risk Description	Causes	Consequences	Mitigation Measures Currently In Place	Residual Risk		
				Likelihood	Consequences	Rating
There is a risk that the supply chain in all areas of operations is affected due to the inability to deliver and provide the goods and services expected by TDC	<ul style="list-style-type: none"> Risks #5: Council fails to be agile and effectively respond/recover Council has insufficient resources in some business units to support the increased work load from recalibrating work stream to address Covid-19 implications 	<ul style="list-style-type: none"> Project delays, Possible cost increase; Potential use of inferior products. 	<ul style="list-style-type: none"> Ensuring client supplied items are available before installation commitments are made Being aware of supply chain market conditions through regular liaison with suppliers, allow appropriate lead times for supply chains to respond to operational and contractual requirements. 	4	2	High
There is a risk that: <ul style="list-style-type: none"> Council asset managers become unavailable to manage the assets that provide essential services such as water and sewer networks as a whole Councils essential services operations staff, particularly water and wastewater operators become unavailable. Contractors essential services staff become unavailable to fulfill their contract obligations. 	<ul style="list-style-type: none"> Staff and/or contractors staff catch COVID 19 and become unavailable for work. Staff and/or contractors staff become reluctant to provide essential services because of fear of catching COVID 19. Council and/or contractors have insufficient resources to operate and provide essential services. 	<ul style="list-style-type: none"> Available Council or contractors staff become overwhelmed with subsequent diminishing effectiveness Essential services become less available with the consequence being that the community loses faith in Council being the provider of essential services. Significant reputational risk. 	<ul style="list-style-type: none"> Maintaining infrastructure assets in a safe and stable operating condition. Ensuring adequate staff are available to provide asset management services. Ensuring trained operational staff are available and rostered to provide continuous and reasonable coverage under each COVID level Ensuring contractors have sufficient trained and available staff to respond to essential services requirements. 	2	4	High
There is a potential risk that Council may not meet its financial obligations.	Extraordinarily high cost of providing essential services combined with a diminishing revenue stream.	Staff, suppliers, and contractors do not get paid, or payments are delayed.	<ul style="list-style-type: none"> No unauthorised expenditure Reduce all discretionary expenditure 	1	3	Low
There is a potential risk that Council may not be aware of legislative changes.	Parliament passes new legislation unbeknown to Local Government.	Potentially legislative non compliance.	Membership of Local Government NZ and the Society of Local Government Managers that provide membership services including updates on Parliamentary Activity.	1	3	Low
There is a potential risk that stakeholders expectations of Council continue to raise.	<ul style="list-style-type: none"> Economic distress results in the community turning to the local Council for material support Human health is adversely affected resulting in the community turning to the local Council for solutions 	<ul style="list-style-type: none"> Council is expected to provide support to the community via activities that it is not empowered or resourced to provide Council is expected to increase its support in activities that it traditionally provides in order to increase economic activity Councils energy is diverted to responding to issues that do not provide community benefit. The financial reputation of Council is adversely affected. 	<ul style="list-style-type: none"> Continue to communicate Councils role in the provision of core services Council to be very mindful when considering issues relating to levels of service. 	3	2	Medium
That the community criticises Council for making unacceptable decisions, or for not making a decision on a particular matter	Community expectations of Council are higher than what is provided.		<ul style="list-style-type: none"> Financial delegations register Communications planning 	3	2	Medium
That there are significant changes to the workplace environment and/or key staff resign or retire.	<ul style="list-style-type: none"> Workplace physical working conditions become unbearable Key staff decide to retire 	Potential reduction in levels of service provided to the community		3	2	Medium

Risk Appetite Summary									
	Low Appetite			Moderate Appetite			High Appetite		
	Accept little or zero risk, taking a cautious approach towards taking risk			A balanced and considered approach is adopted to taking risk			A more assertive or aggressive approach to taking risk is accepted to realise strategic objectives		
Strategic Growth									
Financial									
Compliance									
Health & Safety									
Reputation									

Area	TDC Risk Appetite Description
Strategic Growth	We want to be nimble, try new things and staff need to feel safe to fail in the environment we set for them.
Financial	As a publicly funded entity there is a need to ensure sound financial decision making that takes between a cautious to balanced approach towards taking risk.
Compliance	There is a low risk appetite for compliance areas which will result in a breach of regulation or have flow on implications to public health and safety. A moderate risk appetite where there is flexibility in the decision and we don't want to slow down business or community activity.
Health & Safety	A strong need to ensure a safe environment for staff, contractors and the community.
Reputation	A realisation that Councils have to make tough decisions in the short term for the benefit of long-term objectives, however it is important to ensure a strong and positive community engagement.

Risk Appetite Statement

The Council’s risk appetite is the shared view of the Councillors and the Senior Leadership Team and refers to the type and amount of risk that the Council is prepared to accept or avoid to achieve its strategic objectives. The risk appetite statement influences and guides decision making.

In pursuing its vision and strategic objectives the Council will accept a level of risk proportionate to the expected benefits to be gained, and the impact or likelihood of damage.

The Council has a high appetite for risk in the context of:

- Supporting areas of economic and district growth.
- Promoting integrated, highly liveable communities.

The Council has a low appetite for risk where there is a likelihood of:

- Significant financial damage.
- Harm to the public and our staff.
- Breach of regulatory obligations.

The risk classification and rating tables within the Risk Management Policy provide guidance regarding the Council's appetite for risk.

6.3 Recommendations from Review of Risk Management Framework - Implementation Plan

Author: Ernest Bernard, Risk and Assurance Manager

Authoriser: Donna Cross, Group Manager Commercial and Strategy

Recommendation

That the report be received and to:

1. Endorse the revised Risk Management Policy and the Draft Risk Management Framework and for them to be recommended to Council for adoption.
2. Provide the Audit and Risk Committee an update on the status of the recommendations from the review of the risk management framework.
3. Note the status of the Implementation Plan – Recommendations from the Review of TDC’s Risk Management Framework.

Background

1. From the review carried out by Navigatus Consulting, a draft Risk Management Framework has been developed to address the findings from the review (attached).
2. The purpose of the Risk Management Framework is to provide the basis for the development and maintenance of a coordinated set of activities to respond to risks that may affect the ability of the Timaru District Council (TDC) to achieve its Long Term Plan (LTP) and strategic objectives.
3. The draft Risk Management Framework is based on the Australia/New Zealand Risk Management Standard AS/NZS ISO 31000:2018
4. The Risk Management Policy consists formal statements of principles that indicate how the TDC will respond to risks. It is a high level risk statements that establishes a principle-based approach towards risk management. The risk management policy is proposed to be updated as attached.
5. The draft Risk Management Framework describes in detail the process to implement the Risk Management Policy.

Implementation Plan – Recommendations from the Review of TDC’s Risk Management Framework

Enhancement	Action	Accountable (A)/Responsible (R)	Timeframe
Clarification of the scope of risk management – determine Council’s engagement on risk and how risk is reported to Council	Discuss and resolve at ARC 16 June 2020	Group Manager Commercial & Strategy (A) Risk and Assurance Manager (R)	Drafted – Section 10.2 Draft Risk Management Framework

Enhancement	Action	Accountable (A)/Responsible (R)	Timeframe
Enhancement of the risk management process – determine the level of risk to be included in the corporate risk identification and the extent to which risk will be reported to Council	Discuss and resolve at ARC 16 June 2020	Group Manager Commercial & Strategy (A) Risk and Assurance Manager (R)	Drafted – Section 5.2 Draft Risk Management Framework
Enhancement of the risk management process – refresh corporate risk register – including risk identification, analysis, evaluation and treatment	Facilitated workshop with Council, ARC, Senior Leadership Team to identify and assess key strategic risks.	Group Manager Commercial & Strategy (A) Risk and Assurance Manager (R)	Drafted – Draft Risk Management Framework provides the platform and guidelines to systematically collate and update the Corporate Risk Register
Enhancement of the risk management process – refresh corporate risk register	Senior Leadership Team and Risk and Assurance Manager to update corporate risk register incorporating Council/ARC workshop outcomes and report back to Council/ARC	Senior Leadership Team (A) Senior Leadership Team, Risk and Assurance Manager (R)	Completed together with SLT on 31 August 2020
Enhancement of the risk management process - recording and reporting	Develop framework to update, record and report on key risks, for approval by ARC	Group Manager Commercial & Strategy (A) Risk and Assurance Manager (R)	Drafted – Draft Risk Management Framework
Enhancement of the risk management process – monitoring and review	Develop framework to monitor and review key risks	Group Manager Commercial & Strategy (A) Risk and Assurance Manager (R)	Drafted – Draft Risk Management Framework
Enhancement of the risk management process – consultation and communication	Develop and provide internal training programme to build positive risk culture and risk management capability	Group Manager Commercial & Strategy (A) Risk and Assurance Manager (R) Learning and Development Manager (R)	First training sessions to occur by December 2020, then twice yearly
Risk management policy and guidelines	Review and revise risk management policy. <ul style="list-style-type: none"> • Revisions to outline the objectives, scope and responsibilities for risk management and how it should be integrated into business processes. • Review responsibilities outlined in the current risk management policy to ensure they sit at appropriate levels and are sufficiently specific to ensure a clear 	Group Manager Commercial & Strategy (A) Risk and Assurance Manager (R)	Drafted – Attached revised Risk Management Policy (draft) for consideration by ARC and adoption by Council

Enhancement	Action	Accountable (A)/Responsible (R)	Timeframe
	understanding of what is required		
Risk management policy and guidelines	Develop guidelines to support policy <ul style="list-style-type: none"> • Relevant information on risk management frameworks and how the risk management process operates • Details of risk assessment criteria and scales to be included in guideline rather than policy 	Group Manager Commercial & Strategy (A) Risk and Assurance Manager (R)	Completed – Revised Risk Management Policy supported by detail process provided by the draft Risk Management Framework

Attachments

1. **Draft Risk Management Framework** [!\[\]\(f15d3c54be60b4fd0ce1da9fb3f67256_img.jpg\)](#) 
2. **Risk Management Policy - Revised October 2020** [!\[\]\(2bcc37677ea6b96900e4d746ad300082_img.jpg\)](#) 

Document Control					
Version No.	Date	Revision Details	Author	Endorsed	Approved
1.0		Draft for consultation	Ernest Bernard		
1.1		Draft incorporating changes following consultation			
1.2		Final version			

DRAFT

Acknowledgements

Risk and Assurance acknowledge those who created and implemented the existing Risk Management Framework, processes and tools at the Timaru District Council. These have created the foundation and context of this framework.

Further, the 'Risk management – Principles and guidelines', ISO AS/NZS 31000:2018 resource documents have been relied on for development of this framework.

DRAFT

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1. PURPOSE

The purpose of the Risk Management Framework is to provide the basis for the development and maintenance of a coordinated set of activities to respond to risks that may affect the ability of the Timaru District Council (TDC) to achieve its Long Term Plan (LTP) and strategic objectives.

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

The framework is based on the Australia/New Zealand Risk Management Standard AS/NZS ISO 31000:2018 and establishes:

- Integrated – Risk Management is an integral part of all organizational activities.
- Structured and Comprehensive – A structured and comprehensive approach to risk management contributes to consistent and comparable results.
- Customized – The risk management framework and process are customized and proportionate to the organization's external and internal context related to its objectives
- Inclusive – Appropriate and timely involvement of stakeholders enables their knowledge, views and perceptions to be considered. This results in improved awareness and informed risk management.
- Dynamic – Risks can emerge, change or disappear as an organization's external and internal context changes. Risk management anticipates, detects, acknowledges and responds to those changes and events in appropriate and timely manner.
- Best available information – The inputs of risk management are based on historical and current information, as well as on future expectations. Risk Management explicitly takes into account any limitations and uncertainties associated with such information and expectations. Information should be timely, clear and available to relevant stakeholders.

2. SCOPE

This framework applies to all areas of TDC's business, including its infrastructure, community services, administrative, project and commercial activities. All business units are responsible for their own risk management activities and provide reports on the status of risk to TDC's Audit & Risk Committee periodically (every two-monthly) and on the request of the Committee.

3. BENEFITS

The Risk Management Framework and associated activities:

- Link risk management to TDC's planning processes – this provides a structured approach to the identification and management of risks that could impact on TDC's strategic and operational objectives.
- Improves the quality of decision making by providing methods and approaches for the exploration of threats and opportunities.

-
- Supports a culture of openness that encourages staff to identify risks and respond appropriately.
 - Contributes to a robust and ethical culture of excellence in corporate governance.
 - Provides assurances to the Councillors, Mayor, Chief Executive and SLT that critical risks are being managed.
 - Helps to ensure that suppliers and contractors are aware of TDC's expectations regarding risk.

The principles upon which risk management are based are detailed in Appendix 1.

4. RISK GOVERNANCE

Risk governance refers to the culture and arrangements developed by TDC to manage the risk to its LTP and strategic objectives. It includes leadership, accountabilities and oversight and is an essential part of TDC's overall governance responsibilities.

Effective risk governance:

- Guides required risk management behaviours.
- Establishes consistent processes.
- Drives informed decision making.

The alignment of corporate and business planning to the Risk Management Framework is an essential component of good governance and provides value to decision makers as it will:

- Identify what could impact TDC's objectives.
- Provide an opportunity to develop strategies to minimise the impact.
- Support decisions on how much risk can be taken to achieve an objective.

4.1 Risk Appetite

TDC's risk appetite is the shared view of the Councillors, its Committees and the senior leadership team, and refers to the type and amount of risk that TDC is prepared to accept or avoid to achieve its strategic objectives.

The risk appetite statement influences and guides decision making, clarifies strategic intent and helps to ensure choices align with the capacities and capabilities of TDC.

In pursuing its vision, mission and strategic objectives TDC will accept a level of risk proportionate to the expected benefits to be gained, and the impact or likelihood of damage.

The Council's risk appetite is the shared view of the Councillors and the Senior Leadership Team and refers to the type and amount of risk that the Council is prepared to accept or avoid to achieve its strategic objectives. The risk appetite statement influences and guides decision making.

In pursuing its vision and strategic objectives the Council will accept a level of risk proportionate to the expected benefits to be gained, and the impact or likelihood of damage.

- The Council has a high appetite for risk in the context of:
- Supporting areas of economic and district growth.
- Promoting integrated, highly liveable communities.

The Council has a low appetite for risk where there is a likelihood of:

- Significant financial damage.
- Harm to the public and our staff.
- Breach of regulatory obligations.

TDC shall seek to formally identify and appropriately manage all potentially major and significant risks. Thresholds for identifying and managing less significant risks shall take account of the time and resources required for such activities.

The risk classification and rating tables that support the Risk Management Framework also provide guidance regarding TDC's appetite for risk (refer Appendix 4).

4.2 The Three Lines of Defence

The Three Lines of Defence Model is designed to ensure the effective and transparent management of risk by making accountabilities clear. Each of the three lines has a distinct role in TDC's governance and oversight. The Council, its Committees and senior management are the primary stakeholders that are served by the established lines and are in a position to ensure that the three lines of defence are reflected in TDC's risk management control processes.

- First line of defence - TDC Operations and operational management has ownership, responsibility and accountability for directly assessing, controlling and mitigating risks.
- Second line of defence - consists of oversight and support functions such as Risk Management, Compliance, Quality, Finance.
- Third line of defence - Internal Audit, External Audit, regulators and other independent assurance providers who independently challenge both the first and second lines of defence.



Figure 2: The Three Lines of Defence model¹

4.3 Audit & Risk Committee

At each meeting of the Audit & Risk Committee, a high-level status report and commentary on risk management will be provided as part of standard reporting to the Committee.

In addition, risks assessed as high or very high will be reported to the Committee via the Corporate Risk Register. The Corporate Risk Register will include significant and aggregated risks drawn from subsidiary registers maintained for Groups, Projects, Health & Safety, and Legal Compliance.

4.4 Risk Management Policy

The Risk Management Policy outlines the intent of TDC with respect to risk management and describes governance arrangements and expectations. It provides guidance and helps to clarify expectations regarding attitude, awareness and accountabilities relating to risk management. A copy of the Risk Management Policy is located in the XXXX on TDC’s website.

¹ The Institute of Internal Auditors. (2013) *The Three Lines of Defence in Effective Risk Management and Control*. Almonte Springs. IIA Global

5. THE RISK MANAGEMENT PROCESS

The risk management process is best summarised in the following diagram drawn from the Risk Management Standard AS/NZS ISO 31000:2018. The *principles* of risk management are incorporated into a *framework* that employs a structured *process* for the identification, treatment and communication of risk.

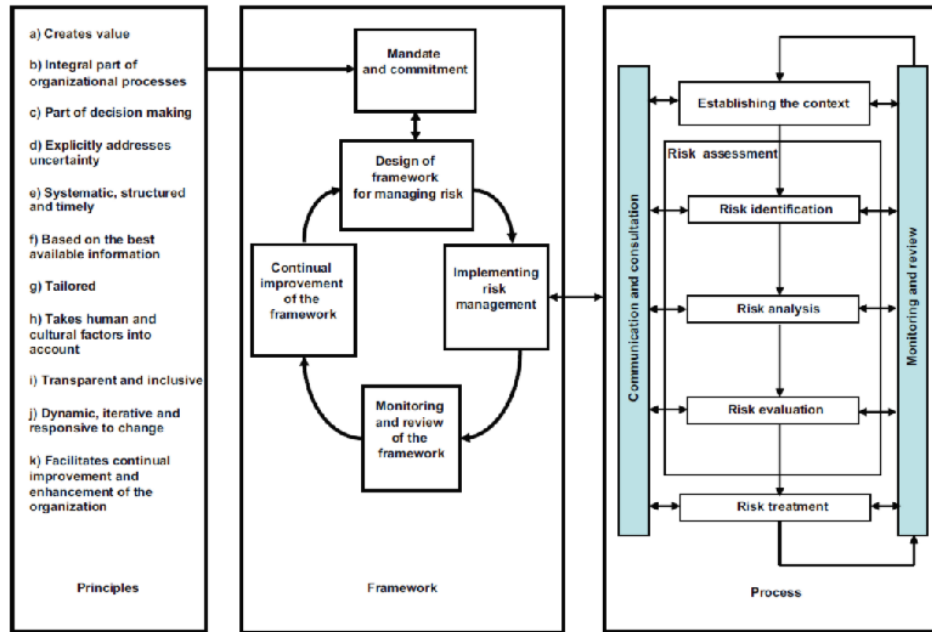


Figure 3: Relationships between the risk management principles, framework and process (ISO 31000 2013)²

5.1 Establish the Context

The objectives, scope and parameters of the activity where the risk management process is to be applied, should be established. The context may vary according to the activity under review and may involve an evaluation of the following:

External Context

- The social, cultural, political, legal, regulatory, financial, technological, economic, natural, and competitive environment in which the activity occurs.
- Key drivers and trends.
- Stakeholder interests and perceptions.

Internal Context

- Strategic and/or operational objectives of TDC and activity.
- TDC's structure, culture, roles and responsibilities.
- Policies, procedures, and guidelines.
- Capabilities and resources.
- Information flows and decision-making processes (both formal and informal).
- Reports, surveys, questionnaires, business plans, audits, records or people that could provide expert judgement or knowledge.

5.2 Risk Identification

The aim of the risk identification process is to generate a comprehensive list of risks based on events that might enhance, prevent, accelerate or delay the achievement of strategic or operational objectives. The identification process should include all significant risks, regardless of whether or not the source of the risk is under the control of TDC.

Where possible, include sources of quantitative or qualitative data in the identification process to assist in the analysis of the risk and the application of risk ratings i.e. past records, industry practice, knowledge experts, and performance indicators.

Common approaches to identifying risks include:

- Workshops
- Brainstorming sessions
- Benchmarking
- Questionnaires
- Interviews and meetings with stakeholders

When describing a risk, be specific and try to avoid broad statements and "types" of risk i.e. Health & Safety, Information Technology. These descriptions are less informative and may make the identification of controls and risk mitigations strategies difficult. In addition, remember that incidents or issues are not risks – they are risks that have materialised and treatment plans would focus on managing the incident or the issue itself (rather than on proactively preventing the incident or issue from occurring).

The broad categories of risk provided in **Appendix 3** may assist with the identification and subsequent aggregation of risks.

5.3 Risk Analysis

Risk analysis and risk evaluation (refer part 5.4) are separate activities but are usually undertaken together.

Risk analysis involves developing a greater understanding of a risk and provides the basis upon which subsequent decisions regarding treatment options are made. The causes and sources of risk are considered together with the likelihood and impact of an event occurring.

Step 1 - Likelihood, Impact and Inherent Risk

The Risk Rating/Classification tables provided in **Appendix 4** should be utilised to determine likelihood and impact scores.

The “likelihood” is an estimate of how likely the risk is to occur and is usually an approximate estimate only.

The “impact” or severity is an estimate of the effects of the risk if the risk eventuated.

Multiplying the likelihood score by the impact score provides the inherent risk rating/ classification (refer Appendix 3).

Example 1

It is Probable that TDC will experience a cyber-attack on its IT systems and if the Authority system was unavailable for several days the impact would be Serious.

The inherent risk rating would therefore be $4 \times 4 = 16$ and the inherent risk classification “**Very High**”.

Example 2

If a fire started in the main central building of the Council, it is Likely that it could destroy the building and the impact on TDC services and operations would be Serious.

The inherent risk rating would therefore be $3 \times 4 = 12$ and the inherent risk classification “**High**”.

Step 2 - Existing Controls

The effectiveness of existing controls to mitigate risk is then assessed during this analysis. The best person to provide advice on controls is usually the **risk owner**, although specialist advice may be required depending on the nature of the risk.

To determine the quality of existing controls, look at what systems, procedures or practices currently exist to control the risk in question. Such controls may be management, technical, legal or procedural.

Examples of common controls include:

- Delegations
- Committees
- Reporting
- Policies, procedures and guidance material
- Qualifications
- Insurance

- Employment screening
- Training and required learning
- Position descriptions
- Code of conduct
- Reconciliations
- Segregation of duties
- Audits, reviews and investigations
- Checklists, templates
- Personal protective equipment
- Physical access controls
- IT firewalls
- Passwords
- Independent checks

Step 3 - Residual risk

After assessing the effectiveness of existing controls, the likelihood and/or impact ratings are adjusted to determine the level of residual risk.

A simple and reasonable approach is to consider whether the controls are:

- Effective and can be relied upon.
- Partially effective and can be relied upon in most circumstances.
- Ineffective and cannot be relied upon.

Example 1

It is *Probable* that TDC will experience a cyber-attack on its IT systems and if the Authority system were unavailable for several days the impact would be *Serious*.

The inherent risk rating would therefore be $4 \times 4 = 16$ and the inherent risk classification "**Very High**"

IT Services however routinely scan key systems and applications for vulnerabilities and it has implemented password controls and firewalls. When these controls are considered, the likelihood is reduced and adjusted to *Likely*.

The residual risk rating would therefore be $3 \times 4 = 12$ and residual risk rating classification "**High**".

Example 2

If a fire started in the main central building of the Council it is *Likely* that it could destroy the building and the impact on TDC services and operations would be *Serious*.

The inherent risk rating would therefore be $3 \times 4 = 12$ and the inherent risk classification "**High**".

TDC however has installed fire detection, alarm and sprinkler systems in buildings on the Dunedin campus. When these controls are considered, the likelihood is reduced and adjusted to *Rare*.

The residual risk rating would therefore be $1 \times 4 = 4$ and residual risk rating classification "**Low**".

The level of detail produced during the analysis phase may vary, depending on the risk and the purpose of the analysis. The analysis can also be qualitative or quantitative and should involve key stakeholders and knowledge experts where appropriate.

5.4 Risk Evaluation

The purpose of risk evaluation is to assess what risks require treatment and in what order of priority. Decisions should be made in accordance with legal and regulatory requirements and include a consideration of available resourcing and TDC's appetite for risk, particularly in terms of potential financial and reputational impact.

Risk evaluation should also take into account the degree of control over each risk and the cost impact, benefits and opportunities presented by the risk.

5.5 Risk Treatment

Risk treatment involves selecting one or more options for modifying risks, and implementing those options.

Options for treating risks are not mutually exclusive and may include the following approaches:

- Avoid – do not start or continue with the activity that gives rise to the risk.
- Transfer or share risk – through contracts, partnerships, risk financing, insurance etc.
- Reduce – implement controls and other treatments to reduce the impact or likelihood of an event.
- Accept – retain the risk by informed decision and develop a contingency plan if appropriate to minimize the impacts should they arise.

The following questions may also help to decide the options to treat risks:

- What is the feasibility of each treatment option?
- What is the cost of implementing versus the benefits?
- What is the extent of risk treatment versus the benefits?
- What are the resources needed (staff, funds, technical)?
- Do the risk treatments comply with legal requirements, government and organisational policies including those concerning access, equity, ethics and accountability?

-
- What opportunities are created by the risk?

After careful consideration, risk treatments may also involve decisions to take or increase the risk in order to pursue an opportunity for TDC.

The most appropriate treatment option involves balancing costs against benefits together with due regard to legal, regulatory and other requirements such as social responsibility, the mission and the strategic objectives of TDC and the safety of staff and students.

If, after treatment, there remains an unacceptably high residual risk, a decision should be taken about whether to retain this risk, repeat the risk treatment process, or continue to monitor and review the risk.

The actions required based on the residual risk ratings can also be found in the Risk Rating/Classification table in Appendix 3.

Risk Treatment Plans

For significant risk issues it may be appropriate to develop a detailed risk treatment plan that outlines the treatment options and the priority in which they will be implemented. The plans should ideally include:

- Proposed treatment actions.
- Responsibilities for approving the plan and implementing the plan.
- Resourcing requirements.
- Reporting and monitoring requirements.
- Timeframes for completion including the frequency of review of the treatment plan.

Where possible treatment options should be embedded into existing day-to-day practices or processes.

Contingency Plans

A contingency plan is an action or set of activities that will be implemented once a trigger is reached and it is used to help manage a risk as it shifts towards being an issue. A trigger may be an event, a threshold, a date or other item that indicates that it is time to put backup plans into action.

Contingency plans may be developed for risks that are unlikely or rare but if realised, would have a catastrophic impact on TDC, a project or the health and safety of staff, students or contractors.

The plans should ideally include:

- Trigger, timeline and actions.
- Realistic goals/objectives and the purpose of the plan.
- Actions and proposed responses.
- Responsibilities of nominated staff.

5.6 Communication and Consultation

Communication and consultation with internal and external stakeholders should take place at all stages of the risk management process and plans to communicate risks, causes, impacts, and treatments should be developed. This will help to:

- Ensure the interests of stakeholders are understood.
- Bring different areas of expertise together to better analyse risk and reduce uncertainty.
- Assist with the development of risk criteria.
- Secure endorsement and support for the treatment of risk.

Stakeholders are people who are (or perceive themselves to be) directly affected by a decision or activity and can supply essential information and valuable feedback during the risk analysis process.

Stakeholders are likely to make judgments about risk based on their perceptions. These can vary due to differences in values, needs, assumptions and concerns as they relate to the risks or the issues under discussion. Since the views of stakeholders can have a significant impact on the decisions made, it is important to identify and document their differing perception of risks and benefits.

Communications Plan

A Communications Plan can be used to ensure that:

- All stakeholders have been identified.
- Consistent messages are sent to relevant stakeholder groups.
- Risk messages are sent out at times and with a frequency that supports business objectives and follows business planning cycles.

The template provided in Appendix 7 can be used to develop a communication approach. The plan should link to the risk mitigation strategies and provide a summary of key risk management communications planned over a period, typically 1 year.

Communications could include:

- Regular reports on the status of the risk management process for the Council, Audit & Risk Committee, senior management.
- Reports to Project Teams and other stakeholders identified when establishing the context (the first step in the risk management process).
- Invitations to periodic risk assessment workshops/meetings.
- Articles to be included in staff newsletters, intranet etc.
- Risk management progress reports included in annual reports.

5.7 Risk Monitoring and Control

Monitoring and review is an essential and ongoing component of the risk process and is undertaken in order to:

- Detect any changes in the internal or external context.
- Identify emerging risks.

- Assess the performance of treatment options.
- Assess if a risk has changed and requires escalation, or is no longer valid and can be archived.

The reviews may be self-initiated or undertaken by independent assessors such as internal or external auditors.

Ideally, active risks should be a standing item on Business Units, Group, Corporate and Committee/Council meeting agendas.

Risk Management Process Summary

Process Step	Step Summary	Tools & Resources
Step 1 Establish the Context	<ul style="list-style-type: none"> • Establish the external, internal and risk management context in which the rest of the process will take place. Reference risk categories, such as, legal or regulatory requirements and the objectives to be achieved. 	<ul style="list-style-type: none"> • Operational or Strategic Plans • Financial data • Stakeholder input • Subject matter experts • Workshops • Risk Categories
Step 2 Risk Identification	<ul style="list-style-type: none"> • Identify where, when, why and how events could prevent, delay or enhance the achievement of operational or strategic objectives. 	<ul style="list-style-type: none"> • Risk categories • Reports, audits and reviews • Historical data/trends • Stakeholder input • Subject matter experts • Workshops
Step 3 Risk Analysis	<ul style="list-style-type: none"> • Analyse identified risks to determine the level of inherent risk. • Identify and evaluate existing controls. • Revise likelihood and impact ratings to gauge the level of residual risk. 	<ul style="list-style-type: none"> • Risk Classification Table • Risk Matrix
Step 4 Risk Evaluation	<ul style="list-style-type: none"> • Evaluate risks by comparing the level of risk found during the risk analysis process with the risk categories established. 	<ul style="list-style-type: none"> • Cost/benefit assessments • Risk appetite statement • Risk Categories

	<ul style="list-style-type: none"> Consider resources required to address or pursue risk. 	
Step 5 Risk Treatment	<ul style="list-style-type: none"> Develop and implement specific strategies/controls and action plans to mitigate/pursue risk. 	<ul style="list-style-type: none"> Risk Register Risk Treatment Plan Contingency Plan
Steps 6 Communicate and Consult	Continual Process: Monitor and review the effectiveness of all steps taken in the risk management process. Communicate and consult with internal and external stakeholders.	<ul style="list-style-type: none"> Stakeholders Communications Plan Workshops Interviews
Steps 7 Monitor and Review	Continual Process: Monitor and review the effectiveness of all steps taken in the risk management process. Monitor, record and report on risks and the effectiveness of treatment measures to ensure that changing circumstances do not alter priorities.	<ul style="list-style-type: none"> Reports, audits and reviews Risk Registers

6. RELATED ASSURANCE FRAMEWORKS AND PLANS

The Risk Management Framework is the means by which intelligence regarding risk across the entire TDC is identified and aggregated. This information is used to support the achievement of TDC’s mission and strategic objectives by proactively responding to threats and providing an additional source of guidance when pursuing opportunities. There are a number of key frameworks and activities at TDC that identify and respond to risk that support the development and implementation of TDC’s framework:

6.1 Project Risk and Issues Management Framework

This Project Risk and Issues Management Framework has been designed to ensure TDC has an effective system in place to manage risks within the project environment. The framework provides a management tool to project participants conducting projects on behalf of TDC. It has the following goals that align with TDC’s Risk Management Framework:

- Facilitate the achievement of TDC’s strategic and project goals by managing risks that could otherwise create barriers.
- Apply risk management practices as part of long term and day-to-day project planning and decision making.
- Develop a culture of openness that encourages project participants to quickly identify risks and to respond appropriately.
- Facilitate continual improvement of TDC project activities.
- Create a robust and ethical culture of excellence in corporate and project governance.
- Provide assurance to the Chief Executive, Council and the Project Control Group (PCG) that critical risks are being managed effectively.

A Risk Register is maintained for each major project.

6.2 Workplace Health & Safety

TDC is committed to providing a safe and healthy workplace for workers, students and visitors. Accordingly, TDC actively seeks to comply with the relevant Workplace Health and Safety legislation, codes of practice, guidelines, and standards.

The health and safety management structure supports and facilitates the development of health and safety policies, risk registers, risk control strategies, hazard management processes, defines responsibilities, and ensures open communication on health and safety issues.

TDC also maintains an online Health and Safety management system. The system allows all staff, contractors and visitors to TDC premises to report any health and safety related event on site.

Further information regarding workplace health and safety management systems can be accessed on TDC's website or by contacting the Health and Safety Officer.

6.3 Legal Compliance Framework

A Legal Compliance Framework is currently under development, further information can be obtained from the Risk and Assurance.

6.4 Emergency Management Planning

The Emergency Management Plan sets out the arrangements for a co-ordinated action by TDC in response to an emergency.

These emergencies cover a very wide field of possible events that include:

- Natural disasters such as flooding, earthquake, or storms.
- Hazardous substance, leaks, or spills.
- Terrorism.
- Violence.
- Criminal activity and unrest.

TDC's main objectives in its initial response to all emergencies are:

- To protect human life and alleviate suffering, and, as far as possible, protect property and reputation.
- To support the continuity of everyday activity and the restoration of disrupted services at the earliest possible time.

The Emergency Management Plan supports these objectives by providing a clear and organised response strategy supported by pre-defined response procedures.

Further information regarding emergency management planning can be accessed on TDC's website or by contacting the Emergency Management Advisor.

6.5 Business Continuity Management

TDC's Business Continuity Management Framework is currently being developed, further information can be obtained from the Group Manager People and Digital.

6.6 Disaster Recovery Planning

The Disaster Recovery Plan provides guidance on how to respond to Information Technology Services disasters where critical information technology services are physically damaged due to fire, flood, electrical failure, sabotage by personnel, malicious attack or some other harmful event. The Plan is designed to help ensure TDC is able to:

- Ensure the availability of services.
- Minimise loss and facilitate recovery of core IT infrastructure assets.
- Preserve TDC's public image and reputation within the community.
- Prevent the disaster from threatening TDC's long term stability and viability.
- Heighten organisational awareness, allow for advanced preparation and workforce education and training.

For further information regarding Disaster Recovery Planning contact Information Technology Services.

6.7 Internal and External Assurance/Audit

TDC management is responsible for ensuring that satisfactory systems of internal control are in place to ensure that the financial information produced is reliable, that TDC assets are safeguarded and that TDC resources are used efficiently and effectively.

One of the mechanisms for ensuring that these objectives are achieved is the establishment of an independent Internal Audit function. The Internal Assurance/Audit function reviews accounting records, management information systems and other administrative policies and practices throughout TDC and reports outcomes to the Audit & Risk Committee. The role includes the identification and recommendation of measures to achieve greater effectiveness, efficiency and economy. It also assesses non-compliance with policies or regulatory requirements and contribute to measures to prevent fraud and corruption.

The integrity of internal controls is also routinely assessed by TDC's external auditors when undertaking financial statement audits.

Risk and Assurance reviews TDC's insurance strategy on an annual basis, taking into account the risk profile, the prevailing status of the insurance market and TDC's risk appetite

6.8 Financial Management Assurance

The Financial Services Unit contributes to the mitigation of financial risks through its maintenance of financial planning, performance and reporting systems. Significant strategic and operational matters

relating to budgets, business cases and forecasting are managed by its financial and management accounting functions. The Finance Office also:

- Mitigates risk associated with procurement.
- Prepares the annual financial statements.

7. EMERGING RISKS

In order to identify unwelcome trends and emerging risks, TDC will develop and maintain a Risk Data Management (RDM) system. The database will be populated with information arising from incidents and near miss events that are routinely reported from across all areas of TDC i.e.

- Workplace Health & Safety - reportable incidents and aggregated data (Vault system).
- Key Risk Indicators – metrics established when significant risks are first identified or when the negative impact of a risk significantly increases.
- Services - complaints and issues reported from both internal and external sources.
- Learning from Adverse Events - the outcomes of investigations, audits, reviews and organisational learning processes.
- Governance - in the course of their business it is anticipated that the various Council Committees and controlled entities will identify risk.
- Data analysis – other metrics relating to performance, workforce, finance and quality extracted from major corporate IT systems (Finance, Human Resource).

This data will be aggregated and reviewed by Risk and Assurance and the outcomes used to coordinate a proactive response to emerging risk.

8. TRAINING AND SUPPORT

To ensure that adequate risk management competency levels are achieved and maintained, TDC will provide regular training courses in the risk management process and its application in TDC.

Specific risk management training sessions will also be held with business units on a regular basis, aimed at providing an overview of the Risk Management Framework. The training will be facilitated by Risk and Assurance. Additional ad-hoc training will also be provided as required/on request.

9. ROLES AND RESPONSIBILITIES

The roles and responsibilities of the Council, Audit and Risk Committee and staff are detailed in the Risk Management Policy which can be accessed on TDC website. Additional roles include:

Risk and Assurance Manager

- Undertakes regular independent reviews of the adequacy and effectiveness of the Risk Management Framework and related risk management processes.
- Reports outcomes to the Audit & Risk Committee.

Risk Owner

- Monitors the status of their assigned risks.
- Advises the owner of the Risk register on the appropriateness of responses to the risk and control measures.
- Confirms that control and risk mitigation measures are in place and working effectively.

Action Owners

- Inform the relevant Risk Owner of any issues relating to the implementation of assigned actions.
- Manages and allocates resources to ensure that the mitigating actions they are responsible for are undertaken and completed within the time frame specified.
- Updates their assigned risks in the Risk Register located in RM8 when they occur or at the time of quarterly reporting to the Audit & Risk Committee.

10. RISK ESCALATION AND REPORTING**10.1 Escalation**

Risks recorded in the subsidiary Risk Registers maintained for Groups Project Management, Legal and Health & Safety may be escalated and included in the Corporate Risk Register. This will occur if the risk represents an issue that has the potential to hinder achievement of the strategic objectives detailed in Long Term Plan and the underlying activities. The decision to escalate a risk will invariably be based on professional judgement. However, if there is any uncertainty staff are encouraged to refer the matter to Risk and Assurance Manager.

Risk and Assurance also reviews High and Very High risks in subsidiary risk registers with a view to escalation where:

- There has been a significant adverse change in the status of a significant risk.
- To reflect the aggregated significance of similar risks presenting on several risk registers.

10.2 Reporting

The Subsidiary and Corporate Risk Registers should be regularly reviewed and updated, ideally on at least a monthly basis. A full review will be undertaken on a quarterly basis and outcomes will form part of progress reports to the Audit & Risk Committee. Reporting deadlines will be communicated to staff at the commencement of each calendar year.

Reports to the Audit & Risk Committee will include:

- All High and Very High corporate risks.
- An executive summary of significant changes in TDC risk profile.
- Commentary on significant residual risks and associated mitigation efforts.

10.3 Closing of Risks

The Risk Owner may close risks when remedial actions are complete and the predetermined target risk rating has been achieved. The Audit & Risk Committee is to be formally notified when closing High and

Very High risks maintained in the Corporate Risk Register. This notification will form part of regular risk reports to the Committee at each Committee meeting.

10.4 Risk Registers

The Risk Registers will be located RM8 which is accessible from TDC's website and instructions for accessing the Registers can be obtained from Risk and Assurance.

The registers have been designed to capture risks, facilitate an enterprise-wide response to risk and provide a means for recording risks and the active mitigation of risk.

Access to RM8 is controlled and, whilst the information it contains is not strictly confidential, it is for internal use only and access should be on a needs-to-know basis only.

Please note that workplace health and safety issues should still be reported separately in accordance with TDC's Health & Safety Policy. The Health & Safety Officer will in turn determine which health and safety issues will be escalated from its system to the Corporate Risk Register.

With the exception of workplace health and safety, all Groups are required to maintain registers on RM8– any exceptions should be communicated to Risk and Assurance.

11. CONTACT INFORMATION

For further information regarding the Risk Management Framework contact Risk and Assurance

GLOSSARY OF TERMS

Context - the internal and external environment that is considered when commencing a risk assessment, it helps define the scope of activities and is used to define risk criteria.

Controls - the measures that modify or reduce risk. Controls include any process, policy, device, practice or other action that minimises negative risks or contains them to an acceptable level.

Corporate Risks - those that may have a major impact on the strategic objectives of TDC in the delivery of its objectives or the achievement of performance measures. Corporate risks are listed in the Corporate Risk Register, which is the responsibility of the Group Managers

Group Risks - those which would seriously inhibit the achievement of the aims and objectives of a Group.

Governance - the framework by which an organisation is directed and controlled.

Issue - an event that has happened or which has a high likelihood of happening that may impede the achievement of objectives if not resolved. Issues are not risks.

Inherent Risk - the initial assessment of the impact and likelihood of a risk prior to considering any existing controls, i.e., in the absence of controls.

Impact (or consequence) - the outcome of an event which impact objectives either positively or negatively. The impact may be certain or uncertain and may be expressed qualitatively or quantitatively.

Legal Compliance Programme - system for identifying and monitoring compliance with legislation that raises employee awareness of legal obligations and aims to embed a compliance culture in the organisation.

Likelihood - the chance of something happening, whether defined, measured or determined objectively or subjectively, qualitatively or quantitatively.

RM8 - TDC's electronic document and records management system.

Residual Risk - the risk remaining after risk treatment/application of controls.

Risk - an uncertain event or condition that, if it occurs, has a positive or negative effect on objectives. It is often expressed in terms of a combination of the impact of an event and the associated likelihood of occurrence.

Risk Appetite - the amount and type of risk that an organisation is willing to pursue or retain.

Risk Assessment - the overall process of identifying, analysing, and evaluating risks. It may also be referred to as 'risk profiling' and may involve a qualitative and/or quantitative assessment.

Risk Attitude - refers to TDC's approach to assess and eventually pursue, retain, take, or turn away from risk.

Risk Management - coordinated activities to direct and control an organisation with regard to risk.

Risk Management Framework - the set of components that provide the foundations and organisational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management throughout the organisation.

Risk Matrix - a tool for ranking and displaying risks by defining ranges for impacts and likelihood.

Risk Owner - the person or entity with the accountability and authority to manage a risk.

All risks in the risk register are 'owned' by a single named individual on the understanding that it may take shared responsibility to mitigate the risk successfully. Ownership of corporate risks is assigned by the Chief Executive. Ownership of Group risks is assigned by the Group Manager.

Risk Profile - description of any set of risks. It is a structured approach to the identification and assessment of risk. The output of the risk identification and assessment process is a completed risk profile i.e. a Risk Register or in a graphical/chart format.

Risk Register - a document containing the results of the qualitative risk analysis, quantitative risk analysis, and risk response planning. The register includes identified risks, descriptions, category, cause, likelihood of occurring, impact on objectives, mitigation strategies, owners, and status. The risk register facilitates standardised reporting of risks within the approved TDC governance framework.

Stakeholder - a person or organisation that can affect, be affected by or perceive themselves to be affected by a decision or activity.

Note: Definitions are in some instances, paraphrased from the **Joint Australian New Zealand International Standard Risk Management**, pp 2-5 [AS/NZS ISO 31000:2018].

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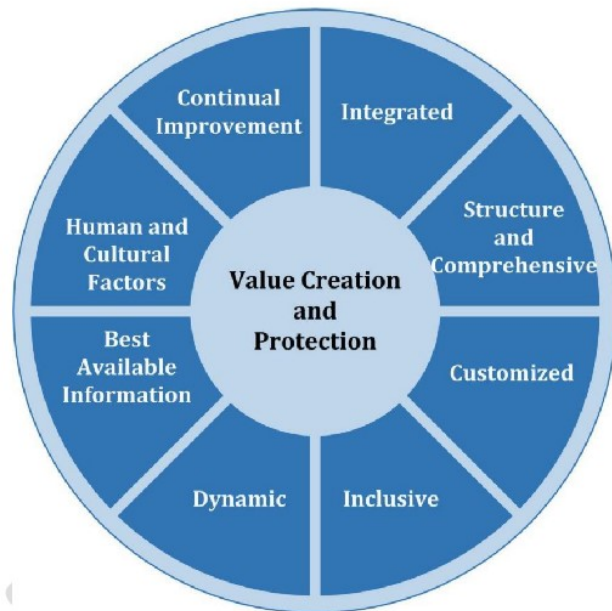
Appendices:

1. Risk Management Principles
2. Risk Appetite Summary and Statement
3. Categories and Descriptors of Consequence
4. Categories of Likelihood
5. Risk Rating/Classification Table
6. Risk Response

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Risk Management Principles

Appendix 1

**Figure 2 – Principles**

Effective risk management requires the elements of Figure 2 and can be further explained as follows:

- a) **Integrated**
Risk management is an integral part of all organizational activities.
- b) **Structured and comprehensive**
A structured and comprehensive approach to risk management contributes to consistent and comparable results.
- c) **Customized**
The risk management framework and process are customized and proportionate to the organization's external and internal context related to its objectives.
- d) **Inclusive**

Appropriate and timely involvement of stakeholders enables their knowledge, views and perceptions to be considered. This results in improved awareness and informed risk management.

e) Dynamic

Risks can emerge, change or disappear as an organization's external and internal context changes. Risk management anticipates, detects, acknowledges and responds to those changes and events in an appropriate and timely manner.

f) Best available information

The inputs to risk management are based on historical and current information, as well as on future expectations. Risk management explicitly takes into account any limitations and uncertainties associated with such information and expectations. Information should be timely, clear and available to relevant stakeholders.

g) Human and cultural factors

Human behavior and culture significantly influence all aspects of risk management at each level and stage.

h) Continual improvement

Risk management is continually improved through learning and experience.

(Source: AS/NZS ISO 31000:2018)

Risk Appetite Summary and Statement

Appendix 2

Risk Appetite Summary									
	Low Appetite			Moderate Appetite			High Appetite		
	Accept little or zero risk, taking a cautious approach towards taking risk			A balanced and considered approach is adopted to taking risk			A more assertive or aggressive approach to taking risk is accepted to realise strategic objectives		
Strategic Growth									
Financial									
Compliance									
Health & Safety									
Reputation									

Area	TDC Risk Appetite Description
Strategic Growth	We want to be nimble, try new things and staff need to feel safe to fail in the environment we set for them.
Financial	As a publicly funded entity there is a need to ensure sound financial decision making that takes between a cautious to balanced approach towards taking risk.
Compliance	There is a low risk appetite for compliance areas which will result in a breach of regulation or have flow on implications to public health and safety. A moderate risk appetite where there is flexibility in the decision and we don't want to slow down business or community activity.

Health & Safety	A strong need to ensure a safe environment for staff, contractors and the community.
Reputation	A realisation that Councils have to make tough decisions in the short term for the benefit of long-term objectives, however it is important to ensure a strong and positive community engagement.

Risk Appetite Statement

The Council’s risk appetite is the shared view of the Councillors and the Senior Leadership Team and refers to the type and amount of risk that the Council is prepared to accept or avoid to achieve its strategic objectives. The risk appetite statement influences and guides decision making.

In pursuing its vision and strategic objectives the Council will accept a level of risk proportionate to the expected benefits to be gained, and the impact or likelihood of damage.

The Council has a high appetite for risk in the context of:

- Supporting areas of economic and district growth.
- Promoting integrated, highly liveable communities.

The Council has a low appetite for risk where there is a likelihood of:

- Significant financial damage.
- Harm to the public and our staff.
- Breach of regulatory obligations.

The risk classification and rating tables within the Risk Management Policy provide guidance regarding the Council’s appetite for risk.

Categories and Descriptors of Consequence

Appendix 3

	1	2	3	4	5
	Less than minor	Minor	Moderate	Major	Extreme
Achievement of the Vision and Community Outcomes	No impact on the Vision and Community Outcomes	Inconvenience or delay in achieving the Vision and Community Outcomes	Significant difficulty introduced to achievement of the Vision and Community Outcomes Lost opportunity to contribute positively to one or more of the Vision and Community Outcomes	Failure to achieve a specific community Outcome Lost opportunity to significantly advance a specific Community Outcome	Failure to achieve multiple Community Outcomes Lost opportunity to significantly advance multiple Community Outcomes
Financial	Financial impact of less than \$50,000	Financial impact of between \$50,000 and \$250,000 Financial impact of between 1% and 2% of the Council's total opex	Financial impact of between \$250,000 and \$1 million Financial impact of between 2% and 5% of the Council's total opex	Financial impact of between \$1 million and \$5 million Financial impact of between 5% and 10% of the Council's total opex	Financial impact of more than \$5 million Financial impact of more than 10% of the Council's total opex
Health and Safety (customers, staff, contractors)	Minor injury, first aid not required	First aid or minor treatment	Medical treatment required	Serious harm, for example broken bones, hospitalisation	Loss of life; multiple serious harms; permanent severe disability
Service delivery to community	Short-term reduction in service delivery which is easily restored and does not compromise	Reduced service delivery that does not compromise the community's health and wellbeing	Key service not available to some of the community for ten hours or more	Key service not available to a significant portion of the community for two days or more	Key service not available to a large proportion of the community for one week or more

	the community's health and wellbeing		Continued service degradation for two days or more	Continued severe service degradation for one week or more	Continued severe service degradation for one month or more
	1	2	3	4	5
	Less than minor	Minor	Moderate	Major	Extreme
Organisational capability and capacity	Temporary problem with organisational capability resulting in no impact on external service delivery	Loss of organisational capability in some areas resulting in sub-optimal support to external delivery activities	Organisation unable to function for less than 10 hours Serious reduction in organisational capability for one week or more	Organisation unable to function for more than 10 hours Serious reduction in organisational capability for two weeks or more	Organisation unable to function for more than two days Serious reduction in organisational capability for one month or more
Reputational	Negative feedback from individuals Short-term 'letters to the editor' (or online equivalent) commentary	Short-term loss of confidence among small sections of the community Regional adverse political or media comment for one or two days Sustained 'letters to the editor' (or online equivalent) commentary in usual sources	Short-term and manageable loss of community confidence Regional adverse political or media comment for more than two days Significant social media commentary or campaign from new sources	Loss of community confidence requiring significant time to remedy National adverse political or media comment for more than two days Regional adverse political or media comment for more than one week Requirement for (televised) public explanation	Insurmountable loss of community confidence National adverse political or media comment for more than one week Requirement for (televised) public apology or defence Adverse comments or questions in Parliament

<p>Legislative / regulatory compliance</p>	<p>One-off minor regulatory or legislative non-compliance with no direct impact on the community's health or wellbeing</p>	<p>One-off minor regulatory or legislative non-compliance with potential impact on the community's health or wellbeing</p>	<p>Complaint to the Ombudsman, Auditor-General or other statutory office</p> <p>Multiple related minor non-compliances due to an underlying systemic issue</p> <p>Significant breach or non-compliance resulting in regulatory scrutiny</p>	<p>Significant breach or non-compliance, or multiple breaches or non-compliances, resulting in regulatory action and/or restrictions on Council activities</p>	<p>Court proceeding or criminal action for breach or non-compliance; potential for imprisonment of elected member or staff</p> <p>Judicial review on a matter of rates or other funding, or on a matter with significant financial impact</p>
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Risk Rating/Classification Table

Appendix 4

Categories of Likelihood

Almost certain	5	<p>90% or greater chance of occurring in next 12 months</p> <p>Expected to occur in 9 or next 10 years</p> <p>Certain to occur at least once in next 5 years</p> <p>It would be unusual if this didn't happen</p>
Likely	4	<p>60% to 90% chance of occurring in next 12 months</p> <p>Expected to occur at least once in next 5 years</p> <p>Will occur more often than not</p>
Possible	3	<p>25% to 60% chance of occurring in next 12 months</p> <p>Expected to occur in 4 or next 10 years</p> <p>Likely will occur at least one in next five years (>80% chance)</p> <p>Not likely, but don't be surprised</p>
Unlikely	2	<p>2% to 25% chance of occurring in next 12 months</p> <p>Expected to occur a maximum of once every 5 to 20 years</p> <p>50% chance of occurring in next 5 years</p> <p>A surprise, but not beyond the bounds of imagination</p>
Rare	1	<p>Up to 2% chance of occurring in next 12 months</p> <p>Could occur once every 50 or more years</p> <p>Less than 10-% chance of occurring in next 5 years</p> <p>Will only occur in exceptional circumstances</p>

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Appendix 5

Overall Risk (L X C)	Likelihood (L)	Consequence (I)	Risk Rating/Classification - Corporate/Groups	Risk Response
Extreme > 15	(5) Almost Certain <ul style="list-style-type: none">Will undoubtedly happenGreater than 80% chance	(5) Very Serious	<ul style="list-style-type: none"> Failure to achieve multiple Community Outcomes. Lost opportunity to significantly advance multiple Community Outcomes Potential financial impact of more than \$5million. Financial impact of more than 10% of the Council’s total opex Detrimental impact on operations or major projects Sustained loss in reputation Key service not available to a large proportion of the community for one week or more. Continued service degradation for one month or more Loss of public confidence with the Council Contractual, legislative, or regulatory non-compliance with certain litigation Loss of life; multiple serious harms; permanent severe disability 	<ul style="list-style-type: none"> Immediate notification to Audit & Risk Committee Requires immediate CE/ Senior Management attention Requires a detailed risk treatment plan within 30 days Immediate notification to relevant Group Manager Advise Group Manager Commercial and Strategy to allow tracking of risk.
High 10 – 14	(4) Probable <ul style="list-style-type: none">Will probably happen50 - 80% chance	(4) Serious	<ul style="list-style-type: none"> Failure to achieve a specific Community Outcome. Lost opportunity to significantly advance a specific Community Outcome Financial impact of between \$1 million and \$5 million. Financial impact of between 5% and 10% of the Council’s total opex Major impact on operations or major projects Serious loss in reputation Key service not available to a significant portion of the community for two days or more. Continued severe service degradation for one week or more Probable loss of public confidence with the Council Contractual, legislative, or regulatory non-compliance with probable litigation Serious harm for example broken bones, hospitalisation 	<ul style="list-style-type: none"> Requires prompt senior management action/ attention Requires a detailed risk treatment plan within 60 days Reported to Audit & Risk Committee Notification to relevant Group Manager. Advise Group Manager Commercial and Strategy to allow tracking of risk.
Medium 5 – 9	(3) Likely <ul style="list-style-type: none">Might happen	(3) Moderate	<ul style="list-style-type: none"> Significant difficulty introduced to achievement of the Vision and Community Outcomes. Lost opportunity to contribute positively to one or more of the Vision and Community Outcomes 	<ul style="list-style-type: none"> Requires ongoing management of control effectiveness

	<ul style="list-style-type: none"> • 20 - 50% chance 		<ul style="list-style-type: none"> • Financial impact of between \$250,000 and \$1 million. Financial impact of between 2% and 5% of the Council's total opex • Moderate impact on operations or major projects • Short-term loss in reputation • Serious reduction in organisational capability for one week or more • Possible loss of public confidence with the Council • Contractual, legislative, or regulatory non-compliance with potential for litigation • Medical treatment required 	<ul style="list-style-type: none"> • Manage by specific monitoring or response procedures • May require a risk treatment plan • Included on management-level risk registers • Group Manager Commercial and Strategy to review risk registers periodically.
<p>Low 3 - 4</p>	<p>(2) Unlikely</p> <ul style="list-style-type: none"> • Not expected to happen • 5 - 20% chance 	(2) Minor	<ul style="list-style-type: none"> • Inconvenience or delay in achieving the Vision and Community Outcomes • Potential financial impact of \$50,000 and \$250,000. Financial impact of between 1% and 2% of the Council's total opex • Minor impact on operations or major projects • No loss in reputation • Minor impact on services or quality • No loss of public confidence with the Council • Contractual, legislative, or regulatory non-compliance but litigation unlikely • First aid or minor treatment 	<ul style="list-style-type: none"> • Manage by routine procedures • Monitor control effectiveness by local management • May require a risk treatment plan • Included on management-level risk register. • Group Manager Commercial and Strategy to review risk registers periodically
<p>1 - 2</p>	<p>(1) Rare</p> <ul style="list-style-type: none"> • Less than 5% chance. 	(1) Negligible	<ul style="list-style-type: none"> • Financial impact less than 50,000 • No Impact on the Vision and Community Outcomes • Minor injury, first aid not required 	<ul style="list-style-type: none"> • Impact to be absorbed by daily business running costs or managed through routine procedures

Risk Rating Health and Safety

Overall Risk	Likelihood (L)	Consequence (C)	Health and Safety
Extreme ≥ 15	(5) Almost Certain	(5) Very Serious	Life threatening: <ul style="list-style-type: none"> • Loss of life(s) • Major health and safety incident involving staff or members of the public • Permanent disability • Permanent ill-health
High 10 - 14	(4) Probable	(4) Serious	Extensive injuries: <ul style="list-style-type: none"> • Loss of life • Significant health and safety incident involving staff or members of the public • Multiple serious injuries • Long term illness/disability

Risk Rating Project Management

Overall Risk	Likelihood (L)	Consequence (C)	Project Management
Extreme ≥ 15	(5) Almost Certain	(5) Very Serious	<ul style="list-style-type: none"> • Capital cost impact – 25% above budget with a minimum of \$25k. • Significant project delay resulting in a legislative deadline not met and / or 40% or more of the project isn't completed within the financial year of planned completion • Consenting unobtainable • Catastrophic impact on project objectives, identified benefits, deliverables • Irreversible injury/illness, permanent disability or fatality • Level of Service not met • Dispute resulting in mediation and law suit (often as a result from omission of key matters in the contractual agreement)
High 10 - 14	(4) Probable	(4) Serious	<ul style="list-style-type: none"> • Capital cost impact – 20% above budget with a minimum of \$20k. • 25% or more of the project isn't completed within the financial year of planned completion • Consenting obtainable but late and /or with onerous conditions • Significant impact on project objectives, identified benefits, deliverables • Level of Service not met • Serious injury/illness – lost time of more than 4 days

Medium 5 - 9	(3) Likely	(3) Moderate	Minor injuries: <ul style="list-style-type: none"> • Possible hospitalisation • Numerous days lost • Short term illness 	Medium 5 - 9	(3) Likely	(3) Moderate	<ul style="list-style-type: none"> • Dispute resulting from omission of key matters in the contractual agreement resulting in mediation and law suit (often as a result from omission of key matters in the contractual agreement) • Capital cost impact – 15% above budget • Consenting obtainable late and /or with onerous conditions • Project 85% completed within the financial year of completion • Some impact on project objectives, identified benefits, deliverables
Low 3 - 4	(2) Unlikely	(2) Minor	Potential for injury: <ul style="list-style-type: none"> • Medical/ First Aid treatment required • Some days lost 	Low 3 - 4	(2) Unlikely	(2) Minor	<ul style="list-style-type: none"> • Minor cost impact • Project almost completed (90%+) within the financial year of completion • Small impact on project objectives, identified benefits, deliverables
Near Miss 1 - 2	(1) Rare	(1) Negligible	No injuries: <ul style="list-style-type: none"> • Report, record and review. 	1 - 2	(1) Rare	(1) Negligible	<ul style="list-style-type: none"> • Capital cost impact – specific to project • Other negligible impact on project objectives, benefits, deliverables.

	Risk Response	Appendix 6
Overall risk rating	Action	Reporting
Extreme	<p>Urgent and active management required.</p> <p>Risk treatment plan must be implemented immediately to reduce the risk exposure to an acceptable level.</p> <p>Regular reporting required.</p>	<p>Immediate notification to relevant Group Manager</p> <p>Advise Group Manager Commercial and Strategy to allow tracking of risk.</p>
High	<p>Management attention is required.</p> <p>Risk treatment plan required.</p> <p>Regular reporting required.</p>	<p>Notification to relevant Group Manager.</p> <p>Advise Group Manager Commercial and Strategy to allow tracking of risk.</p>

Medium	<p>Management responsibility to monitor.</p> <p>Focus on ensuring internal controls are effective and monitoring the ongoing risk.</p>	<p>Included on management-level risk registers</p> <p>Group Manager Commercial and Strategy to review risk registers periodically.</p>
Low	<p>Can be monitored using routine practices.</p> <p>Focus on ensuring internal controls are effective.</p>	<p>Included on management-level risk register.</p> <p>Group Manager Commercial and Strategy to review risk registers periodically.</p>

Communication Plan

Appendix 7

Stakeholders/ Target Audience	Purpose/ Objective of Communication	Key Message/ Content	Communication Channel/ Method	Timing/ Date	Frequency	Communication Prepared By	Communication Approved By	Status
Internal:								
Council								
Chief Executive								
Management								
Project Team/s								
All Staff								
Specific Business Units/Groups								
External:								
Clients								
Business Partners /Suppliers								

Other Councils								
Media								

Risk Management



Document No.	
Approved by:	Policy and Development Committee
Approved by Date:	9 June 2016
Effective Date	
Next Review Keywords:	Risk assessment, risk identification, risk analysis, risk evaluation, risk treatment

1.0 Purpose

Policy Objectives

To provide a consistent process to enhance efficient operations, effective processes and successful strategies that increase the likelihood of achieving the best outcomes for the district and the Council by:

- Ensuring risk-based information is available to support good decision-making
- Providing assurance that risks are being appropriately addressed and managed, and
- Ensuring compliance with applicable legislation and regulation.

The purpose of risk management is the creation and protection of value. It improves performance, encourages innovation and supports the achievement of objectives.

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The principles are outlined in the Risk Management Framework and provides detailed guidance on the characteristics of effective and efficient risk management, communicating its value and explaining its intention and purpose. The principles are the foundation for managing risk and should be considered when establishing the organization's risk management framework and processes. These principles should enable an organization to manage the effects of uncertainty on its objectives.

2.0 Background

Principles

The Council's approach to risk management is consistent with the Joint Australian New Zealand International Standard Risk Management – Principles and Guidelines (AS/NZS ISO 31000:201809). That Standard provides the following principles of risk management:

- Integrated

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Risk management is an integral part of all organizational activities

- Structured and comprehensive
A structured and comprehensive approach to risk management contributes to consistent and comparable results.
 - Customized
The risk management framework and process are customized and proportionate to the organization's external and internal context related to its objectives.
 - Inclusive
Appropriate and timely involvement of stakeholders enables their knowledge, views and perceptions to be considered. This results in improved awareness and informed risk management.
 - Dynamic
Risks can emerge, change or disappear as an organization's external and internal context changes. Risk management anticipates, detects, acknowledges and responds to those changes and events in an appropriate and timely manner.
 - Best available information
The inputs to risk management are based on historical and current information, as well as on future expectations. Risk management explicitly takes into account any limitations and uncertainties associated with such information and expectations. Information should be timely, clear and available to relevant stakeholders.
 - Human and cultural factors
Human behaviour and culture significantly influence all aspects of risk management at each level and stage.
 - Continual improvement
Risk management is continually improved through learning and experience.
- ~~Risk management creates and protects value~~
- ~~Risk management is an integral part of all organisational process~~
- ~~Risk management is a part of decision making~~
- ~~Risk management explicitly addresses uncertainty~~
- ~~Risk management is systematic, structured and timely~~
- ~~Risk management is based on the best available information~~
- ~~Risk management is tailored~~
- ~~Risk management takes human and cultural factors into account~~
- ~~Risk management is transparent and inclusive~~
- ~~Risk management is dynamic, iterative and responsive to change~~
- ~~Risk management facilitates continual improvement of the organisation~~

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Objectives

Risks are defined in relation to relevant objectives.

At the highest level, Council's objectives are expressed through its Vision of:

- Fantastic sustainable lifestyle second to none
- Thriving and innovative economy where opportunities abound
- Strong and enviable reputation and identity
- Inspiring, people-focused leadership

In addition, the Council's Community Outcomes are:

- High quality infrastructure to meet community and business needs
- Smart, diversified economic success and growth supported and enabled
- Communities that are safe, vibrant and growing
- People enjoying a high quality of life
- A strong identity forged and promoted
- A valued, healthy and accessible environment

Risks

Risks can be positive or negative.

Risks can also be 'risks to Council' or 'risks to the district'.

Positive risks, or opportunity risks, should be embraced, in a cost-effective manner, to the extent that they help Council or the district to meet its objectives.

Negative risks should be managed in a cost-effective manner so that they do not detract from Council or the district meeting its objectives.

In tabular form these concepts can be shown as follows:

	Negative risk	Positive risk
District risks	3 Understanding risks for the district and assessing Council's role in managing those risks	4 Understanding opportunities for the district and assessing Council's role in developing those opportunities
Council risks	1 Understanding and managing risks for Council and its immediate stakeholders	2 Understanding and exploiting opportunities for Council

Council's initial approach will be to focus on quadrant 1 while remaining aware of the responsibilities and possibilities under quadrants 2, 3 and 4.

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Council is establishing a comprehensive formal risk management framework that principally focuses on quadrant 1 risks. This approach will be reviewed in time.

3.0 Key Definitions

- **Control** is a process, policy, device, practice or other action that reduces the likelihood of a risk event occurring or reduces the potential consequence of that risk event before the risk event occurs.
- **Council** means the entity known as the Timaru District Council and includes the governing body and the organisation.
- **Governing body** means the mayor and councillors.
- **Mitigation** is a process, policy, device, practice or other action that is intended to reduce the consequence of a risk event after the risk event has occurred.
- **Organisation** means the operations, processes and staff of Timaru District Council led by the Chief Executive.
- **Residual risk** is the risk remaining after risk treatment. (AS/NZS ISO 31000/201809)
- **Risk** is the effect of uncertainty on objectives. (AS/NZS ISO 31000/201809)
- **Committee responsible for risk** means the Audit and Risk Subcommittee, or a subsequent Committee of Council established with similar roles, responsibilities and powers.
- **Risk event** is an occurrence or a change in a particular set of circumstances that gives rise to, or modifies, a risk.
- **Risk management** is the coordinated activities to direct and control an organisation with regard to risk. (AS/NZS ISO 31000/201809)
- **Risk management framework** is the combined suite of tools and processes, including this policy and supporting procedures, by which Council manages risk.
- **Risk management plan** **Risk Register** is a schedule that records risks and the controls, mitigations, risk treatments, and accountabilities associated with those risks.
- ~~Risk register is the same as a 'risk management plan'.~~
- **Risk treatment** is the process to modify risk. (AS/NZS ISO 31000/201809)

4.0 Policy

Commitment to risk management

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Council recognises that early and systematic identification, analysis and assessment of risks and the development of plans for controlling and mitigating risk are necessary to achieve its desired objectives.

AsAs such, Council is committed to identifying, analysing, assessing and appropriately managing the risks to its objectives.

Risk management is the responsibility of everyone.

Council encourages intelligent and informed risk-taking and risk-acceptance in pursuit of its objectives.

It is the Policy of Timaru District Council to ensure that risks that it is exposed to are either avoided or if it is not possible to avoid those risks controlled to an acceptable level.

Identification of risks

All staff members are empowered, and expected, to identify and communicate risks. Identified risks will be recorded in a risk management plan.

Where, for whatever reason, direct reporting lines are not able to be used to communicate identified risks, alternative methods will be made available. These will include, but not be restricted to, direct notification to Group Managers or the Chief Executive.

Analysis of risks

Risks will be analysed to determine potential causes, the likelihood of occurrence, and the potential consequences if they do occur.

The causes, likelihood and consequence will be recorded in a risk management plan.

In accordance with the principle that risk management is tailored, the analysis of risks will reflect the relevant objectives of the Council, organisation, group, unit or project.

For the high-level 'corporate risk management plan:

- The likelihood of a risk event occurring will be assessed in accordance with the Likelihood Table included as [Attachment 1](#).
- The potential consequences if a risk event occurs will be assessed in accordance with the Consequence Table included as [Attachment 2](#).
- The assessments of the likelihood of a risk event occurring and the potential subsequent consequences will be considered together in accordance with the Risk Matrix included as [Attachment 3](#).

The analysis of risks at subsidiary levels will be undertaken in a manner consistent with the above but may be tailored to suit the relevant circumstances.

Evaluation of risks

Analysed risks will be evaluated against criteria to determine whether a risk is tolerable in its current state or whether further action is required.

The evaluation of risks will consider established risk tolerances for such risks, as well as any risk-specific factors.

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In the first instance the evaluation of risk will include reference to the Risk Response table included as [Attachment 4](#).

Treatment of risks

Where residual risk is considered to be too high, risk treatments will be applied to reduce the residual risk to an acceptable level.

In considering risk treatments consideration will be given to both the costs and effort involved in the treatment and the potential benefit from the risk reduction.

Risk treatment can involve:

Avoiding a risk by deciding not to start or continue with the activity that gives rise to the risk.

- Taking or increasing risk in order to pursue an opportunity
- Removing the risk source
- Changing the likelihood of the risk occurring
- Changing the consequence if the risk occurs
- Sharing the risk with another party or parties, or
- Retraining the risk by informed decision.

Recording of risks

Risks, controls and mitigations will be recorded in a [Corporate Risk Register](#)~~risk management plan~~.

A high level organisation-wide 'corporate risk ~~register~~[management plan](#)' will be maintained to record and report on risks of Council-wide significance.

~~Subsidiary risk registers will be prepared as appropriate throughout the organisation. These may include, but will not be limited to:~~

- ~~Group risk registers~~
- ~~Activity risk registers (within Activity Management Plans)~~
- ~~Asset risk register (if appropriate to be separate from Activity Management Plans)~~
- ~~Specialists risk register (for example, health and safety)~~
- ~~Project risk registers, and~~
- ~~Any other risk registers relevant to helping Council achieve its objectives.~~

~~Subsidiary risk management plans will be prepared as appropriate throughout the organisation. These may include, but will not be limited to:~~

- ~~Group risk management plans~~
- ~~Activity risk management plans (within Activity Management Plans)~~
- ~~Asset risk management plans (if appropriate to be separate from Activity Management Plans)~~
- ~~Specialists risk management plans (for example, health and safety)~~
- ~~Project risk management plans, and~~
- ~~Any other risk management plan relevant to helping Council achieve its objectives.~~

Reporting of risks

Identified risks, and the associated controls, mitigations and accountabilities, will be reported in accordance with the Risk Response table included as Attachment 4.

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Risk management plans will be reported regularly to both the Management Team and the Committee responsible for risk.

Accountability for risks

Specific accountability for each risk, control and mitigation will be identified and recorded in a risk management plan.

Roles and responsibilities

Assigning specific responsibilities to specific roles provides clarity and strengthens the overall risk management framework.

Governance	Responsibility
Council	To be assured that a risk management framework is in place and that risks are being appropriately managed.
Committee responsible for risk	Subject to the governing body's delegated authority, the Committee responsible for risk has responsibility to: <ul style="list-style-type: none"> • Review the risk management framework • Consider matters related to the quality assurance and internal controls in the organisation including by enquiry and monitoring of risk matters • Advise the governing body on matters of risk and provide objective advice and recommendations for the governing body's consideration

Management	Responsibility
Chief Executive	Approve the risk management framework and recommend it to the Committee responsible for risk. Lead and promote a risk aware culture across the organisation. Implement the risk management framework across the organisation.
Management Team	Endorse the risk management framework and champion it to the organisation. Monitor effective implementation of the risk management framework across the organisation. Receive and consider risk management plans on a quarterly basis Receive and consider other risk-related reports on an as-required basis. Provide direction on risk tolerance at a general and risk-specific level.

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	Periodically review the risk management framework to ensure it remains appropriate.
Group Managers	'Own' risks relevant to, or arising from, their groups. Lead and promote a risk aware culture within their groups.
Group Manager Commercial and Strategy Corporate Services	Develop and maintain the risk management framework. Facilitate the population and ongoing review of the high level 'corporate risk management plan'. Manage the interface between subsidiary risk management plans and the high level 'corporate risk management plan'. Advise on potential risk treatments for identified risk. Consider and, where necessary, challenge the risks, controls, mitigations and accountabilities included (or not included) in risk management plans across the organisation. Support unit managers to implement the risk management framework in their divisions and teams. Lead the integration of risk management principles into other Council decision-making processes.
Unit Managers	Develop, populate and manage the risk management plan for their unit in accordance with the risk management framework. 'Own' risks relevant to or arising from, their teams. Lead and promote a risk aware culture within their units.
Staff and Contractors	Provide support in identifying risk. As appropriate, 'own' risks, controls or mitigations.

Relevant Delegations

The Chief Executive or his/her nominee has delegated authority for the implementation of this policy.

References and Relevant Legislation

Joint Australian New Zealand International Risk Management – Principles and Guidelines (AS/NZS ISO 31000:201809).

- Attachments:
- 1 Likelihood Table
 - 2 Consequence Table
 - 3 Risk Matrix
 - 4 Risk Response Table

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Attachment 1

Categories of Likelihood

Almost certain	5	90% or greater chance of occurring in next 12 months Expected to occur in 9 or next 10 years Certain to occur at least once in next 5 years It would be unusual if this didn't happen
Likely	4	60% to 90% chance of occurring in next 12 months Expected to occur at least once in next 5 years Will occur more often than not
Possible	3	25% to 60% chance of occurring in next 12 months Expected to occur in 4 or next 10 years Likely will occur at least one in next five years (>80% chance) Not likely, but don't be surprised
Unlikely	2	2% to 25% chance of occurring in next 12 months Expected to occur a maximum of once every 5 to 20 years 50% chance of occurring in next 5 years A surprise, but not beyond the bounds of imagination
Rare	1	Up to 2% chance of occurring in next 12 months Could occur once every 50 or more years Less than 10-% chance of occurring in next 5 years Will only occur in exceptional circumstances

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Attachment 2

Categories and Descriptors of Consequence

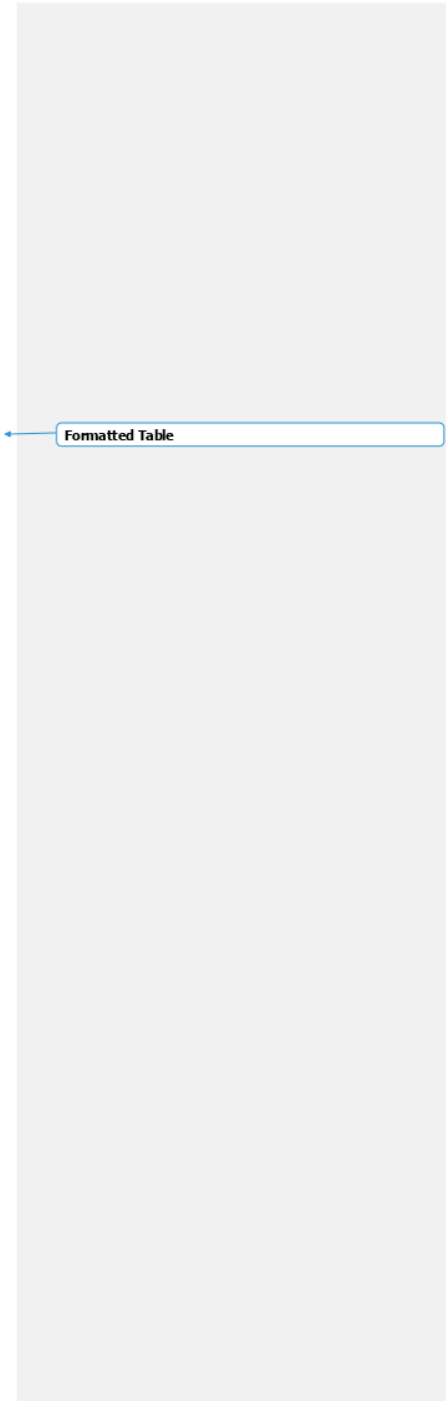
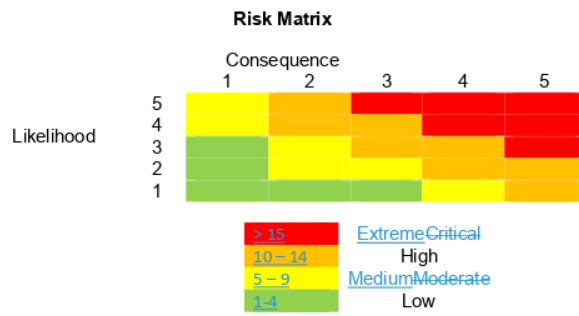
	1	2	3	4	5
	Less than minor	Minor	Moderate	Major	Extreme
Achievement of the Vision and Community Outcomes	No impact on the Vision and Community Outcomes	Inconvenience or delay in achieving the Vision and Community Outcomes	Significant difficulty introduced to achievement of the Vision and Community Outcomes Lost opportunity to contribute positively to one or more of the Vision and Community Outcomes	Failure to achieve a specific Community Outcome Lost opportunity to significantly advance a specific Community Outcome	Failure to achieve multiple Community Outcomes Lost opportunity to significantly advance multiple Community Outcomes
Financial	Financial impact of less than \$50,000	Financial impact of between \$50,000 and \$250,000 Financial impact of between 1% and 2% of the Council's total opex	Financial impact of between \$250,000 and \$1 million Financial impact of between 2% and 5% of the Council's total opex	Financial impact of between \$1 million and \$5 million Financial impact of between 5% and 10% of the Council's total opex	Financial impact of more than \$5 million Financial impact of more than 10% of the Council's total opex
Health and Safety (customers, staff, contractors)	Minor injury, first aid not required	First aid or minor treatment	Medical treatment required	Serious harm, for example broken bones, hospitalisation	Loss of life; multiple serious harms; permanent severe disability
Service delivery to community	Short-term reduction in service delivery which is easily restored and does not compromise the community's health and wellbeing	Reduced service delivery that does not compromise the community's health and wellbeing	Key service not available to some of the community for ten hours or more Continued service degradation for two days or more	Key service not available to a significant portion of the community for two days or more Continued severe service degradation for one week or more	Key service not available to a large proportion of the community for one week or more Continued severe service degradation for one month or more

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	1	2	3	4	5
	Less than minor	Minor	Moderate	Major	Extreme
Organisational capability and capacity	Temporary problem with organisational capability resulting in no impact on external service delivery	Loss of organisational capability in some areas resulting in sub-optimal support to external delivery activities	Organisation unable to function for less than 10 hours Serious reduction in organisational capability for one week or more	Organisation unable to function for more than 10 hours Serious reduction in organisational capability for two weeks or more	Organisation unable to function for more than two days Serious reduction in organisational capability for one month or more
Reputational	Negative feedback from individuals Short-term 'letters to the editor' (or online equivalent) commentary	Short-term loss of confidence among small sections of the community Regional adverse political or media comment for one or two days Sustained 'letters to the editor' (or online equivalent) commentary in usual sources	Short-term and manageable loss of community confidence Regional adverse political or media comment for more than <u>two</u> days Significant social media commentary or campaign from new sources	Loss of community confidence requiring significant time to remedy National adverse political or media comment for more than two days Regional adverse political or media comment for more than one week Requirement for (televised) public explanation	Insurmountable loss of community confidence National adverse political or media comment for more than one week Requirement for (televised) public apology or defence Adverse comments or questions in Parliament
Legislative / regulatory compliance	One-off minor regulatory or legislative non-compliance with no direct impact on the community's health or wellbeing	One-off minor regulatory or legislative non-compliance with potential impact on the community's health or wellbeing	Complaint to the Ombudsman, Auditor-General or other statutory office Multiple related minor non-compliances due to an underlying systemic issue Significant breach or non-compliance resulting in regulatory scrutiny	Significant breach or non-compliance, or multiple breaches or non-compliances, resulting in regulatory action and/or restrictions on Council activities	Court proceeding or criminal action for breach or non-compliance; potential for imprisonment of elected member or staff Judicial review on a matter of rates or other funding, or on a matter with significant financial impact

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Attachment 3



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Attachment 4

Risk Response

Overall risk rating	Action	Reporting
Extreme	Urgent and active management required. Risk treatment plan must be implemented immediately to reduce the risk exposure to an acceptable level. Regular reporting required.	Immediate notification to relevant Group Manager Advise Group Manager Commercial and Strategy Corporate Services to allow tracking of risk.
High	Management attention is required. Risk treatment plan required. Regular reporting required.	Notification to relevant Group Manager. Advise Group Manager Commercial and Strategy Corporate Services to allow tracking of risk.
Medium Moderate	Management responsibility to monitor. Focus on ensuring internal controls are effective and monitoring the ongoing risk.	Included on management-level risk registers Group Manager Commercial and Strategy Corporate Services to review risk registers periodically.
Low	Can be monitored using routine practices. Focus on ensuring internal controls are effective.	Included on management-level risk register. Group Manager Commercial and Strategy Corporate Services to review risk registers periodically.

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5.0—Delegations, References and Revision History					
<i>5.1 Delegations—Identify here any delegations related to the policy for it to be operative or required as a result of the policy</i>					
<i>5.2 Related Documents—Include here reference to any documents related to the policy (e.g. operating guidelines, procedures)</i>					
<i>5.3 Revision History—Summary of the development and review of the policy</i>					
5.1 Delegations					
Delegation					Delegations—Register Reference
5.2 References					
Title					Document Reference
5.3 Revision History					
Revision #	Policy Owner	Date Approved	Approval by	Date of next review	Document Reference
1	Group Manager Corporate Services	9 June 2015	Policy and Development Committee	June 2018	#832395

#832395

6.4 Internal Audit Plan

Author: Ernest Bernard, Risk and Assurance Manager

Authoriser: Donna Cross, Group Manager Commercial and Strategy

Recommendation

To approve the Draft Internal Audit Plan

Purpose of Report

- 1 From the previous Audit and Risk Committee held on the 16 June 2020, Risk and Assurance was requested to provide a more detailed plan that outlines the resource required to carry out the proposed audits.
- 2 Due to available funds allocated for Risk and Assurance activities 2020/21, the plan has been revised to prioritise key audits and risk management activities.
- 3 Risk and Assurance will review the Internal Audit Plan periodically and advise the Senior Leadership Team of any extreme/high risks matters and will propose for those areas to be prioritised for a review if required.

Attachments

1. **Draft Internal Audit Plan 2020/2021** [!\[\]\(33006de4dd11f8c729ca8ca0fde0352f_img.jpg\) !\[\]\(d5f9ffa97ddb414b7e96feb8ad710c8e_img.jpg\)](#)
2. **Detailed Internal Audit Plan 2020-2021** [!\[\]\(d900cae4f5a7d73d67b6a98ff3e7bb9a_img.jpg\) !\[\]\(ca15981e1cca5aa5bb6984590487f7b9_img.jpg\)](#)

1. Executive Summary

Purpose of the Internal Audit Plan

The purpose of this Internal Audit Plan is to provide the Council and the Audit and Risk Committee with a balanced risk-based approach to gaining assurance over its risk management and internal control environment.

The plan has needed to recognise and account for the significant Council and economic impact from Covid-19. This has forced a refreshed view over risk and control coverage, and the internal audit delivery approach. Reviews now needed to be re-prioritised to ensure internal audit engagement focuses on important and relevant coverage to support Council through recovery. This has resulted in planned coverage for 2020/21 including:

- *Lockdown key controls assurance (continued if applicable);*
- *GST, PAYE and FBT compliance evaluation;*
- *Accounts payable, banking and transaction controls.*
- *Payroll Processing*
- *Animal control - billing, issuing, & enforcement*
- *Contract Management*

As the Council control environment matures and the organisation manages disruption and returns to a new normal post Covid-19, our aim continues to not solely focus on stewardship, but also leadership and influencing. Accordingly the plan consists of engagements reflecting a need to keep our house in order and manage disruptions. This is reflected in our coverage of key controls within core and inherently high risk activity, combined with a fresh perspective of reviews covering heightened risk activity that is more temporary or outside of normal operation (such as those noted above).

The Internal Audit Plan will also undergo regular review to ensure scheduled reviews and focus remains relevant when considering the fluid pandemic and economic emergency.

Development of the Internal Audit Plan

There is an intention to focus on extending the plan to continue to a three year horizon, maintaining alignment with Councils risk management, and keeping a realistic delivery that provides core and targeted coverage over key risks and controls.

We have utilised available risk registers, senior management engagement, External Consultants knowledge base, methodology and insights from wider NZ Councils, and our experience within TDC to identify and prioritise assurance coverage. This allows internal audit to take a risk and control approach for each engagement at the planning, execution and reporting stages.

The risk assessment and reference to assurance coverage is summarised in Section 2. The resulting plan is detailed in Sections 3.

An outline of the process followed to produce the Internal Audit Plan is included below:

- Consideration of resourcing and the Councils pandemic response/recovery challenges, with a preference toward application over heightened risks and controls.
- Utilised risk identification, treatment and ongoing exposure at Chief Executive, Group Manager and Unit Manager's meetings to identify and evaluate updates and changes to risks and associated mitigations.

Council context

Some key context in considering internal audit coverage and approach:

- New Zealand is responding and recovering from a global pandemic crisis (Covid-19), which will have lasting and profound effects on people, economies and businesses.
- The Council is an organisation with approximately 396 staff disbursed across multiple sites, \$62m operating spend (excluding depreciation) and with \$1B approximately asset base.
- Risk management maturity is ongoing with areas to be brought to a level of better understanding and discipline for capturing, escalating and managing risks.

Internal Audit objective and scope

Internal Audit has a core objective, scope and coverage outlined in its Charter. The Internal Audit Plan maintains alignment with these and will deliver a mix of evaluation, assurance and improvement advice.

Alongside the independent assurance role, a key principle of Internal Audit is to add value by assisting Council achieve its objectives. There are a number of ways in which internal audit seeks to support Council in achieving its objectives/goals and outcomes whilst fulfilling its assurance role.

These include:

- Engaging with the business and stakeholders to provide leadership, advice and foster improvements in controls and control-environment;
- Building capability and platform to develop and deliver nimble focused reviews along with a continuous assurance programme as different forms of key-control assurance;
- Providing capacity to deliver prompt reactive assurance engagements (for example concerning, crises response, matters of probity, fraud or potential conflicts of interest);
- Evaluation and practical relevant advice for risk management improvement, efficiency and economy of resources, and business processes (rather than merely assessment); and
- Continued engagement with the business, post review completion, ensuring visibility, accountability and remediation of issues raised in reports.

2. Assurance Plan Summary

The proposed Internal Audit Plan is presented in summary below, with indication of period scheduled and reference to risk coverage. The Plan will continue to be monitored for potential change to ensure it remains dynamic, and assurance coverage is appropriately prioritised.

The full objective and scope of these engagements along with resourcing, will be confirmed during the review planning stage and agreed with the relevant Review Sponsor.

#	Review	20/21	21/22	22/23
Core / cyclic coverage				
Key financial risk coverage				
1.	Rates setting, billing, remissions & collection.		✓	
2.	Development Contributions inputs, setting and billing.			✓
3.	Accounts payable, banking and transaction controls.	✓		
4.	Payroll processing.	✓		
5.	Capital spend/project management: Sample test and review key project controls.			✓
6.	Operational spend monitoring/management.			
7.	Financial controls: reconciliations, reporting, ledger administration and overhead/internal allocations.		✓	
8.	Probity/sensitive expenditure controls, analysis and sample-test.			✓
9.	Contract management.	✓		
10.	Procurement.			
Key business risk coverage				
11.	IT penetration/network security testing		✓	
12.	Health & Safety.			
13.	Employee recruitment.			
14.	LIMs preparation, billing and issuing.			
15.	Fraud prevention/governance.			
16.	Licence/consent/registrations: billing, cost-recovery, issuing & compliance.			
17.	Alcohol licence - billing, issuing, & compliance			
18.	Food licence - billing, issuing, & compliance		✓	
19.	Resource consent – billing & issuing			✓
20.	Resource consent – enforcement			

#	Review	20/21	21/22	22/23
21.	Building consent – billing & issuing		✓	
22.	Building consent – enforcement			
23.	Animal control - billing, issuing, & enforcement	✓		
24.	Parking - enforcement & collection			
25.	Site operational controls, cyclic visit: (Pools, community facilities, service desks, libraries, nurseries, park-sites).			✓
26.	Subsidiary governance/monitoring and financial service controls.			
27.	Resource consent compliance.			✓
28.	Policy Management			✓
Non-cyclic coverage				
29.	Lockdown key controls assurance (if applicable)		✓	✓
30.	Wastewater systems review			
31.	Facilities maintenance and security			✓
32.	Treasury & cash flow management.		✓	
33.	GST, PAYE and FBT tax compliance evaluation	✓		
34.	IT software licence management			✓
35.	Credit management			
36.	Procurement framework review			
37.	Asset purchase and disposal (non-construction)			
38.	Infrastructure renewals planning and prioritisation			
39.	Parks management/operations			
40.	Property Lease Management			
41.	Drinking water and trade-waste billing			
42.	Grant award: application evaluation, payment & performance			
43.	Events: booking, billing, management			
44.	Privacy / Public Records Act compliance			

Detailed Internal Audit Plan 2020/21

	Review Name	Review Description	Area	Risk Category	Number of Hours	When
1	GST, PAYE and FBT tax compliance review	<p>The objective is to assess the extent to which the processes and procedures used by Council facilitates GST, PAYE and FBT compliance and the extent tax legislation and Inland Revenue practice. In particular, the evaluation will:</p> <ul style="list-style-type: none"> • Ascertain areas of risk, and provide practical recommendation to mitigate those risks; • Provide Council management with a high level independent assessment of council's level of GST, PAYE and FBT compliance; and • Identify any areas of non-compliance by Council that have not yet been addressed, and provide recommendations as how this should best be remedied 	Commercial & Strategy	Legislation /Regulatory	Outsource	Q2
2.	Accounts payable, banking and transaction controls.	<p>The objective of the review is to provide assurance to:</p> <ul style="list-style-type: none"> • Ensure adequate internal controls exist over the AP, banking and transactions processes and that those controls are operating effectively. • Evaluate AP, banking and transactions processes for operating efficiencies and 	Commercial and Strategy	Financial	Up to 120	Q2

		applicability of best practices.				
3.	Payroll	<p>To provide assurance that there are effective controls in place carrying out Payroll activities by:</p> <ul style="list-style-type: none"> • Reviewing current process (Inc. pay runs, time sheeting, adding, editing and terminating employees from payroll system) • Assessing process to best practice • Transactional testing (where required) • Application of payroll policy • Leave policy and process review and application • Review and reporting 	People and Digital	Human Resources	Up to 80	Q3
4.	Contract management.	<p>To review the processes for forming a contract, variations to a contract, contract management/monitoring, budget monitoring and management information. Identify and test controls are in place within these processes. Areas of business will be selected and tested.</p>	Infrastructure	Operations	Up to 120	Q3
5	Animal control - billing, issuing, & enforcement	<p>The objective of the review was to assess the effectiveness of TDC's animal control processes to ensure that they are undertaken in accordance with overarching Policies, Plans and Bylaws and risks are managed appropriately.</p>	Environmental Services	Animal Control	Up to 80	Q4

Total Hours	Up to 400 hours
Available hours for one person: (2080 hours less AL, SL, PH and Training and less Q1 480 hours)	Up to 1280 hours
Resourcing (560/1280)	Up to 0.3 FTE

Strategy to carry out the above audits.

- 1. Risk and Assurance Manager will carry out 4 of the audits**
- 2. 1 of the audits will be outsourced**

6.5 AuditNZ - Long Term Plan Audit - Letter of Engagement**Author:** Donna Cross, Group Manager Commercial and Strategy**Authoriser:** Donna Cross, Group Manager Commercial and Strategy**Recommendation**

That the Committee note and receive the report.





Purpose of Report

- 1 To provide the Committee with the following LTP audit planning documents for the period commencing 1 July 2021:
 - 1.1 LTP engagement letter
 - 1.2 LTP self-assessment letter
 - 1.3 LTP self-assessment document
- 2 The self-assessment document is currently being completed, and is to be returned to AuditNZ on or before 22 October 2020.

Assessment of Significance

- 3 Low.

Attachments

1. LTP Engagement Letter  
2. LTP Self-assessment Letter  
3. LTP Self-assessment Document



AUDIT NEW ZEALAND
Mana Arotake Aotearoa

25 September 2020

Level 3, 335 Lincoln Road
Addington
PO Box 2, Christchurch 8140

Nigel Bowen
Mayor
Timaru District Council
PO Box 522
Timaru 7940

Ref: EN/LCA/3-0043/C109
Copy: Director Auditor Appointments
Office of the Auditor-General
PO Box 3928
Wellington 6140

cc Bede Carran, Chief Executive
Donna Cross, Group Manager Commercial and Strategy

Dear Nigel

Audit engagement letter: audit of the consultation document and Long-term Plan for the period commencing 1 July 2021

This audit engagement letter is sent to you on behalf of the Auditor-General, who is the auditor of all “public entities”, including the Timaru District Council (the Council), under section 14 of the Public Audit Act 2001. The Auditor-General has appointed me, John Mackey, using the staff and resources of Audit New Zealand, under section 32 and 33 of the Public Audit Act 2001, to carry out the audit of the Council’s consultation document and Long-term Plan (LTP).

This letter outlines:

- the terms of the audit engagement and the respective responsibilities of the Council and me as the Appointed Auditor;
- the audit scope and objectives;
- the approach taken to complete the audit;
- the areas of audit emphasis;
- the audit logistics; and
- the professional fees.

1 Specific responsibilities of the Council for preparing the consultation document and the LTP

Our audit will be carried out on the basis that the Council acknowledges that it has responsibility for preparing the consultation document and LTP, by applying the Council's own assumptions, in accordance with the Local Government Act 2002 (the Act) (in particular, the requirements of Part 6 and Schedule 10) and in accordance with generally accepted accounting practice in New Zealand. We assume that elected members are familiar with those responsibilities and, where necessary, have obtained advice about them.

For clarity, we note the following statutory responsibilities as set out in the Act:

- Section 93 of the Act requires the Council to have an LTP at all times, and Part 1 of Schedule 10 governs the content of the LTP.
- Section 111 aligns the financial information with generally accepted accounting practice.
- Section 83 (with reference to section 93A) sets out the special consultative procedure that the Council is required to follow to adopt the consultation document and LTP.
- Section 93C(4) requires an auditor's report on the consultation document, and section 94 requires a separate opinion on the LTP.

Please note that the audit does not relieve the Council of any of its responsibilities.

Other general terms are set out in the relevant sections of this letter and Appendix 1.

2 Our audit scope

The Act requires us to provide two separate reports, as follows:

- On the consultation document, a report on:
 - whether the consultation document gives effect to the purpose specified in section 93B; and
 - the quality of the information and assumptions underlying the information in the consultation document.
- On the LTP, a report on:
 - whether the LTP gives effect to the purpose in section 93(6); and
 - the quality of the information and assumptions underlying the forecast information provided in the LTP.

We expect our work to assess the quality of underlying information and assumptions to be a single, continuous process during the entire LTP preparation period.

Our focus for the first limb of each opinion will be to assess whether each document meets its statutory purpose. Given the different purposes of each document, we will assess the answers to different questions for each opinion.

Our focus for the second limb of each opinion will be to obtain evidence about the quality of the information and assumptions underlying the information contained in the consultation document and LTP. How we obtain this information depends on our judgement, including our assessment of the risks of material misstatement of the information and assumptions underlying the information contained in the consultation document and LTP, whether because of fraud or error.

Our audit opinions do not:

- provide a guarantee of absolute accuracy of the information in the relevant document;
- provide a guarantee that the Council has complied with all relevant legal obligations;
- express an opinion on the merits of any policy content; or
- include an opinion on whether the forecasts will be achieved.

3 Our approach to this audit

3.1 The content of the consultation document

The Act emphasises the discretion of the Council to decide what is appropriate to include in the consultation document and the associated consultation process. In deciding what to include in the consultation document, the Council must have regard to its significance and engagement policy, and the importance of other matters to the district and its communities.

We will need to understand how the Council has approached the task of applying its significance and engagement policy, and how it has considered the importance of other matters in deciding what to include in the consultation document. This will help inform our assessment of whether the consultation document achieves its statutory purpose.

3.2 Adopting and auditing the underlying information

Before adopting the consultation document, section 93G of the Act requires the Council to prepare and adopt the information that:

- is relied on by the content of the consultation document;

- is necessary to enable the Auditor-General to issue an audit report under section 93C(4); and
- provides the basis for the preparation of the LTP.

The information to be prepared and adopted needs to be enough to enable the Council to prepare the consultation document.

We consider that local authorities will need to have thought comprehensively about how best to meet the requirements of the Act. Consistent with the guidance of the Society of Local Government Managers (SOLGM), our view is that core building blocks of an LTP will be needed to support an effective consultation document. This will include, but not be limited to, draft financial and infrastructure strategies and the information that underlies them, including asset management information, assumptions, defined levels of service, funding and financial policies, and a complete set of financial forecasts.

We will work with management to understand the information proposed to be adopted and assess whether it will enable us to issue an audit report under section 93C(4).

In addition, the time frames to consider and adopt the LTP after the consultation process will be tight. From a practical perspective, it will be important that the Council is well advanced with the preparation of the full LTP when it issues the consultation document. Otherwise, you may find it difficult to complete the work and adopt the full LTP before the statutory deadline. The same is true for the audit work. The more audit work that is able to be completed at the first stage of the process, the less pressure there will be on you and the audit team at the end of the process.

3.3 Control environment

The Council is responsible for establishing and maintaining accounting and internal control systems (appropriate to the size of the Council), supported by written policies and procedures, designed to prepare the consultation document and LTP, and to provide reasonable quality information and assumptions underlying the information contained in these documents.

Our approach to the audit will be to identify, confirm, and assess the Council's key processes and controls over the underlying information and the production of both the consultation document and the LTP. The purpose of this assessment is to enable us to plan the most effective and efficient approach to the audit work needed to provide our two audit opinions. Our assessment is not for the purpose of expressing an opinion on the effectiveness of the Council's internal controls.

We will carry out a review of the control environment to help us understand the approach taken to develop the consultation document and LTP, develop expectations of what should be included in the consultation document and LTP, and identify areas of potential audit risk. This will involve discussions with elected representatives and selected staff throughout the Council, review of publicly available information about the Council, updating our knowledge

of Council issues developed during recent years, and a review of Council minutes since the last audit review.

Our review of your self-assessment response (see below) and key controls relating to the underlying information and development of the LTP is useful to our initial assessment of audit risk and so the nature and extent of our overall audit work.

3.4 Project management, reporting deadlines, and audit progress

The development of the consultation document and LTP is a significant and complex project, and a comprehensive project plan is required for a successful LTP process. It is also essential that there is commitment throughout the organisation for the project, starting with the elected representatives. The involvement of senior management and elected representatives is important in deciding what to include in the consultation document.

The LTP has complex and inter-related information needs and draws together plans, policies, decisions, and information from throughout the Council and its community. We recognise that the Council will be doing its LTP preparation over an extended period. A more efficient and cost-effective audit can be achieved when audit work and feedback is provided in “real time” or on an “auditing as you go” basis as the underlying information is developed.

Consequently, we will discuss with you and your staff the Council’s approach to preparing and completing the LTP. We expect that the Council is approaching its preparation on a project basis and recognise that our audit work should “shadow” that project timetable. The success of this “auditing as you go” approach will depend on the Council’s project management of the overall LTP process, which should include time for audit work at appropriate points in the process.

3.5 Self-assessment

To assist our audit planning, we intend to use a self-assessment process to assist with our risk assessment process. The self-assessment requires you to reflect on your most significant issues and risks, governance of the LTP project, and the systems and processes you have in place (particularly to meet the purposes in the Act for the consultation document and the LTP), asset management, performance management and reporting, and financial management.

We will shortly be forwarding the self-assessment to you under a separate cover. We ask for your co-operation in completing this assessment for return to us by 22 October 2020.

The self-assessment is similar to those used with our audit of previous LTPs. The information provided through the self-assessment will be confirmed with you through discussion after its completion.

4 Our particular areas of audit emphasis

4.1 Impact of the economic downturn caused by Covid-19 on the Council's forecasts

The response to manage the impacts of the Covid-19 pandemic has created significant uncertainty for businesses, local and central government organisations, as well as communities and families. The impact to the economy is likely to be negative on the Council, including the Council's revenue assumptions and the level of service the Council provides in the future. In addition, the Council will need to consider the impact on its financial and infrastructure strategies, and key underlying assumptions such as population growth, capital expenditure programme and revenue from investments.

We will review Council's approach to considering the impact of Covid-19 and how this has been factored into the underlying policies, strategies and assumptions used to prepare the LTP.

4.2 Financial strategy and infrastructure strategy

The Act requires a local authority to prepare two key strategies as part of the LTP: the financial strategy and the infrastructure strategy.

The purpose of the financial strategy is to:

- facilitate prudent financial management by the local authority by providing a guide for the local authority to consider proposals for funding and expenditure against; and
- provide a context for consultation on the local authority's proposals for funding and expenditure by making transparent the overall effects of those proposals on the local authority's services, rates, debt, and investments.

The purpose of the infrastructure strategy is to:

- identify significant infrastructure issues for the local authority during the period covered by the strategy; and
- identify the principal options for managing those issues and the implications of those options.

The Act expects close alignment between the two strategies, and section 101B(5) allows for them to be combined into a single document.

Although the Act clearly sets the minimum requirements for these strategies, it does not define the only things that can be in a strategy. A good strategy should include what is needed to be a good quality strategic planning document. In the case of the infrastructure strategy, the principles of ISO 55000 should be considered, particularly where the Council is seeking to prepare a best practice strategy.

The Council, in common with the vast majority of councils, could improve its explanations on the effects of changes in land use on its finances.

The Act requires councils to present quantified limits on rates, rate increases, and borrowing. It is important for the Council to explain why it is relevant to use the specific limits set to assess its financial health or prudence.

The Council, in common with the vast majority of councils, could usefully improve its infrastructure strategy in the following ways:

- being clear on the condition of the Council's critical assets and the impact for the management of its infrastructure assets;
- better integration and/or consistency with its financial strategy; and
- clear explanation of the link between assets and the services they support by better description of the levels of service

Our focus when reviewing both strategies is to assess whether the Council has met the purpose outlined in the Act and presented the strategies in a coherent and easily readable manner. Specifically, we will:

- confirm that the two strategies are appropriately aligned;
- understand the effect of the financial forecasts included in the infrastructure strategy on the prudence of the financial strategy; and
- assess the reasonableness of the prepared forecasts by:
 - understanding how the Council has applied the effect of its assumptions including, allowing for changing demographics, the implications of the changing climate, the condition and performance of critical assets, and levels of service on expenditure decisions and outlined the implications of these decisions in the strategies;
 - reviewing the Council's relationship between its renewal capital expenditure and depreciation expenditure forecasts; and
 - checking that the infrastructure strategy is appropriately inflated.

The Council's financial modelling is a significant component of the underlying information that supports both the financial strategy and infrastructure strategy. We will place particular emphasis on the integrity and effectiveness of the financial modelling of all local authorities.

An additional role played by these strategies is to facilitate accountability to the community. It is critical that these strategies are presented in such a way that they are engaging and informative, and support the presentation of issues, options, and implications presented in the consultation document.

4.3 Assumptions

The quality of the Council's financial forecasts is significantly affected by whether the assumptions on which they are based are defined and reasonable. The Act recognises this by requiring all local authorities to clearly outline all significant forecasting assumptions and risks underlying the financial estimates in the LTP (Schedule 10, clause 17). *Prospective Financial Statements* (PBE FRS 42) also requires the disclosure of significant assumptions.

We will review the Council's list of significant forecasting assumptions and confirm that they are materially complete. We will also test the application of selected assumptions in the financial forecasts to check that they have been reasonably applied. Finally, we will confirm that:

- all significant forecasting assumptions disclose the level of uncertainty associated with each assumption; and
- for all significant forecasting assumptions, which involve a high level of uncertainty, the uncertainty, and an estimate of the potential effects of the uncertainty, on the financial forecasts are appropriately disclosed in the LTP.

We consider that the significant forecasting assumptions are crucial to the underlying information for the consultation document and will complete our review during our audit of the consultation document.

Climate change assumption

We will pay more attention to the assumptions that the Council has made on climate change and the adequacy of other information and disclosures relating to climate change.

We will review the Council's climate change assumptions to determine whether they are reasonable and supportable. We will assess the quality of the supporting information the Council is using to develop its assumptions and disclosures included in the LTP, the consultation document (if relevant), and the adopted underlying information.

This review will include the council's consideration of future land use, and the management and development of its infrastructure.

4.4 Quality of asset-related forecasting information

A significant portion of the Council's operations relates to the management of its infrastructure: the roading network and the "three-waters" of water supply, sewerage, and stormwater drainage. These activities typically make up about 40% of operational expenditure and 75% of capital expenditure.

To prepare reasonable quality asset information, the Council needs to have a comprehensive understanding of its critical assets and the cost of adequately maintaining and renewing them. An important consideration is how well the Council understands the condition of its assets and how the assets are performing.

In reviewing the reasonableness of the Council's asset-related forecasting information, we will:

- assess the Council's asset management planning systems and processes;
- understand what changes the Council proposes to its forecast levels of service;
- understand the Council's assessment of the reliability of the asset-related information;
- consider how accurate the recently prepared budgets have been; and
- assess how factors such as affordability have been incorporated into the asset-related forecasts prepared.

Depending on what we identify with the above, we may have to complete further detailed testing on the Council's asset-related information.

5 Other matters

5.1 Our independence

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

5.2 Publication of the consultation document and adopted LTP on the Council's website

The Council is responsible for the electronic presentation of the consultation document and LTP on its website. This includes ensuring that there are enough security and controls over information on the website to maintain the integrity of the presented data. Please ensure that your project plan allows time for us to examine the final electronic file version of the respective documents, including our audit report, before their inclusion on the website.

We need to do this to ensure consistency with the paper-based documents that have been subject to audit.

6 Audit logistics

6.1 Audit timing

The key dates in the audit timetable are as follows:

Self-assessment provided to Council	25 September 2020
Self-assessment returned to audit team for consideration	22 October 2020
First interim visit (initial assessment)	to be confirmed (TBC)
Second interim visit (see project plan for key dates and number of visits)	TBC
Proposed consultation document available	TBC
Audit opinion on consultation document required	TBC
Draft Report to Council on consultation document engagement	TBC
Final Report to Council on consultation document engagement	TBC
Proposed LTP for adoption available	TBC
Audit opinion on adopted LTP required	by 30 June 2021
Draft Report to Council on LTP engagement	by 30 June 2021
Final Report to Council on LTP engagement	TBC

Should we encounter any significant problems or delays during the audit, we will inform you immediately.

We have an electronic audit management system. This means that our auditors will complete most of their work on their laptops. Therefore, we would appreciate it if the following could be made available during our audit:

- a suitable workspace for computer use (in keeping with the health and safety requirements discussed in Appendix 1); and
- electronic copies of key documents.

As noted in section 3.4, our audit work needs to be performed as you develop your underlying information and prepare your consultation document and LTP, to ensure the timely completion of our audit.

To ensure that we meet agreed deadlines, it is essential that the dates agreed are adhered to.

7 Professional fees

Our audit fee, covering both the consultation document and the LTP for the period commencing 1 July 2021, is \$87,300 (excluding GST and disbursements), as outlined in Appendix 2.

The proposed fee is based on the following assumptions:

- Information required to conduct the audit is complete and provided in accordance with the agreed timelines. This includes the draft consultation document and the full draft financial strategy, draft infrastructure strategy and key underlying assumptions and information that supports the draft consultation document.
- There will be an appropriate level of assistance from your staff.
- All documentation (consultation document, LTP, and all other underlying documentation) provided will be subject to appropriate levels of quality review before submission for audit.
- The consultation document and LTP will include all relevant disclosures.
- We will review, at most, two drafts of each of the consultation document and LTP during our audit.
- We will also review one printer's proof copy of the consultation document and LTP and one copy of the electronic version of the consultation document and LTP (for publication on your website).
- There are no significant changes in the structure or level of operations of the Council impacting on the audit, such as the establishment of a CCO to deliver core functions or a major restructuring of groups of activities.
- The local authority is preparing forecast financial statements for the "Council parent" only, rather than including consolidated forecast financial statements for the Council and its controlled entities in the adopted LTP.

If the scope and/or amount of work changes significantly (such as a change in direction during the development of the consultation document or between the development of the consultation document and the LTP), we will discuss the issues with you at the time.

If information is not available for the visits as agreed, or the systems and controls the Council use to prepare the underlying information and assumptions cannot be relied on, we will seek to recover all additional costs incurred as a result. We will endeavour to inform you as soon as possible should such a situation arise.

This fee is exclusive of any subsequent amendments the Council might make to the adopted LTP under section 93D.

We wish to interim bill as work progresses. We propose the following billing arrangements:

	\$
November	10,000
March	30,000
June	30,000
July	17,300
Total	\$87,300

8 Personnel

Our personnel involved in the management of the audit are:

John Mackey	Appointed Auditor
Scott Tobin	Engagement Quality Reviewer
Trevor Makanza	Audit Manager

We have endeavoured to maintain staff continuity as far as possible.

9 Agreement

Please sign and return the attached copy of this letter to indicate that:

- it is in accordance with your understanding of the arrangements for this audit of the consultation document and LTP for the period commencing 1 July 2021; and
- you accept the terms of the engagement set out in this letter that apply specifically to the audit of the consultation document and LTP and supplement the existing audit engagement letter dated 19 July 2020.

If there are any matters requiring further clarification, please do not hesitate to contact me.

Yours sincerely

John Mackey
Appointed Auditor

I acknowledge that this letter is in accordance with my understanding of the arrangements of the audit engagement. I also acknowledge the terms of the engagement that apply specifically to the audit of the consultation document and LTP, and that supplement the existing audit engagement letter dated 19 July 2020.

Signed: _____

Nigel Brown

Mayor, Timaru District Council

Date: _____

Appendix 1: Terms of the engagement that apply specifically to the audit of the consultation document and LTP

Objectives

The objectives of the audit of the consultation document and LTP are:

- to provide independent opinions on the consultation document (under section 93C(4) of the Act) and on the LTP (under section 94(1) of the Act) about:
 - whether each document gives effect to the relevant statutory purpose; and
 - the quality of the information and assumptions underlying the information included in each document; and
- to report on matters relevant to the Council's planning systems that come to our attention.

Our audit involves performing procedures that examine, on a test basis, evidence supporting assumptions, amounts, and other disclosures in the consultation document and LTP, and evaluating the overall adequacy of the presentation of information.

We also review other information associated with the consultation document and LTP to identify whether there are material inconsistencies with the audited consultation document and LTP.

Provision of a Report to the Council

At a minimum, we will report to the Council at the conclusion of the engagement. The Report to the Council communicates matters that come to our attention during the engagement and that we think are relevant to the Council. For example, we will report:

- any weaknesses in the Council's systems; and
- uncorrected misstatements noted during the audit.

Please note that the Auditor-General may refer to matters that are identified in the audit of consultation documents and LTPs in a report to Parliament if it is in the public interest, in keeping with section 20 of the Public Audit Act 2001.

Materiality

Consistent with the annual audit, the audit engagement for the consultation document and LTP adheres to the principles and concepts of materiality during the 10-year period of the LTP and beyond (where relevant).

Materiality is one of the main factors affecting our judgement on the areas to be tested and the nature and extent of our tests and procedures performed during the audit. In planning and performing the audit, we aim to obtain assurance that the consultation document and LTP, and the information and assumptions underlying the information contained in these documents, do not have material misstatements caused by either fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence a reader's overall understanding of the consultation document and LTP.

Consequently, if we find material misstatements that are not corrected, we will refer to them in the audit opinion. Our preference is for any material misstatement to be corrected, avoiding the need to refer to misstatements in our opinion.

The standards applied when conducting the audit of the consultation document and adopted LTP

Our audit is carried out in accordance with International Standard on Assurance Engagements (New Zealand) 3000 (Revised): Assurance Engagements Other Than Audits or Reviews of Historical Financial Information. In meeting the requirements of this standard, we took into account particular elements of the Auditor-General's Auditing Standards and International Standard on Assurance Engagements 3400: The Examination of Prospective Financial Information that were consistent with those requirements.

Responsibilities

General responsibilities

The general responsibilities of the Council for preparing and completing the consultation document and LTP are consistent with those for the annual report, as set out in the audit engagement letter dated 19 July 2020 – but noting that the consultation document and LTP include forecast information.

These responsibilities include those set out in Appendix 1 of that audit engagement letter as detailed below:

Appendix 1: Respective specific responsibilities of the Council and the Appointed Auditor:

- responsibilities for compliance with laws and regulations; and
- responsibilities to establish and maintain appropriate standards of conduct and personal integrity.

Specific responsibilities

The Council is responsible for:

- maintaining accounting and other records that:
 - correctly record and explain the forecast transactions of the Council;
 - enable the Council to monitor the resources, activities, and entities under its control;
 - enable the Council's forecast financial position to be determined with reasonable accuracy at any time; and
 - enable the Council to prepare forecast financial statements and performance information that comply with legislation; and
- providing us with:
 - access to all information and assumptions relevant to preparing the consultation document and LTP, such as records, documentation, and other matters;
 - additional information that we may request from the Council for the purpose of the audit;
 - unrestricted access to Council members and employees that we consider necessary; and
 - written confirmation of representations made to us in connection with the audit.

Health and safety of audit staff

The Auditor-General and [name of firm] take seriously their responsibility to provide a safe working environment for audit staff. Under the Health and Safety at Work Act 2015, we need to make arrangements with you to keep our audit staff safe while they are working at your premises.

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

We also expect you to provide them with all information or training necessary to protect them from any risks they may be exposed to at your premises. This includes advising them of emergency evacuation procedures and how to report any health and safety issues.

Appendix 2: Team mix and hours for the audit of the consultation document and LTP for the 10-year period commencing on 1 July 2021

	Total hours
Appointed Auditor	60
Engagement Quality Reviewer	
Sector Specialists	11
Audit Manager	95
Other CA staff	290
Staff not yet CA qualified	130
Other Expert or Specialist Assistance:	
• IS	
• etc.	
Total	586

Fee calculations

	\$
Net fee	87,300
OAG overhead contribution*	NIL
Total fee (including overhead contribution)	87,300
GST	13,095
Audit fee for the LTP for the period commencing 1 July 2021	\$100,395

*No OAG overhead is charged in relation to the audit of the LTP.

We will charge disbursements, including travel, on an actual and reasonable basis.



AUDIT NEW ZEALAND
Mana Arotake Aotearoa

25 September 2020

Level 3, 335 Lincoln Road
Addington
PO Box 2, Christchurch 8140

Nigel Bowen
Mayor
Timaru District Council
PO Box 522
Timaru 7940

cc Bede Carran, Chief Executive
Donna Cross, Group Manager Commercial and Strategy

Dear Nigel

Self-Assessment: 2021 Long-term Plan

Purpose of the self-assessment

As part of our audit of your consultation document and Long-term Plan (LTP) and to help us to understand your LTP development systems and key risks and matters that affect our audit planning, can you please complete the attached self-assessment.

The self-assessment is an efficient way to confirm the approach you intend to use to prepare your LTP and its associated consultation document.

We hope that completion of this self-assessment will also assist you to identify opportunities for improvement in your own processes.

This self-assessment asks questions on the changes you have made to prior systems and processes to develop your LTP, and its associated consultation document. There is no need to explain, in detail, the systems and processes that we have examined in prior years.

How will the self-assessment be used?

We will review and discuss your self-assessment answers with you, to help decide whether there are any particular areas of risk that require further consideration. The information obtained will assist us to prepare our audit plan and will assist us to update our understanding of your control environment for preparation of the consultation document and LTP. It also assist us to understand the systems and processes that you have in place to support the Council to work within the provisions of the Local Government Act 2002.

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Process of preparation

We ask you to involve the people that you think are appropriate to prepare your self-assessment response. In most cases, it is unlikely that one member of staff will be in a position to respond to all the questions. We also ask you to consider elected members' involvement in preparing your response.

We ask that one person be responsible to coordinate the response, and that the Chief Executive and the Chair of the Audit and Risk Committee review it before it is sent back to us.

When you complete the self-assessment, please attach a copy of any documents, which have not been previously provided to us, you refer to in the self-assessment to enable us to understand the relevance/importance of the document.

We have formatted the self-assessment questions into core areas of questions. This may result in each area appearing to suggest a stand-alone process. We understand that there is an existing body of knowledge in which each step or part of preparation of the consultation document and LTP occurs as part of a much wider and iterative process. However, our intention, in formatting the questions in this way, is to be clear about the focus of our interest.

We do not intend the completion of the self-assessment to be a time-consuming task.

What happens next?

Please return the completed self-assessment to me by 22 October 2020.

If you have any questions, please contact me. Likewise if there is any significant change through the process of preparation of your consultation document, and LTP, after you complete your self-assessment, which would have affected your response to any of the self-assessment questions, please advise me.

We will use the information in the self-assessment to assist us to plan our audit of your consultation document and LTP.

We thank you for your time and work on this part of the audit process.

Yours sincerely



John Mackey
Appointed Auditor

Self-assessment questions

Section 1: Sector-wide issues – Impacts of Covid-19 and the government’s July 2020 3 Waters upgrade announcement

To identify how the Council expects to respond to these matters and ensure that appropriate disclosure will be made in the consultation document and LTP

Purpose: To understand the significant Covid-19 and 3 Waters related matters that will impact on the Council and its community, how the Council expects to reflect them in its consultation, and how they will impact on its LTP.

Key questions	Response
Impacts of Covid-19	
<p>1.1 Are there any areas where the demand for the Council’s services will be significantly impacted by Covid-19? If yes:</p> <ul style="list-style-type: none"> • What are the main impacts on the community, the Council’s organisation and/or its services? • What is the Council doing to respond to any changes in demand? • Has the Council already consulted with the community (for example, in the 2020/21 annual plan) on its responses to these issues/matters? 	
<p>1.2 Has there been (or will there be) any significant impact on the organisation’s size, shape or capacity? If yes:</p> <ul style="list-style-type: none"> • What are these changes, and • How will they impact on the delivery of its services (including levels of service)? 	

Key questions	Response
<p>1.3 Has the Council identified any significant financial impacts? If yes:</p> <ul style="list-style-type: none"> • What is it doing to address these; • Will this require changes to: <ul style="list-style-type: none"> ○ the financial strategy; ○ the funding and financial policies; and/or ○ the infrastructure strategy; • How will these impacts be reflected in the consultation document, and • How will they be reflected in the financial forecasts in the LTP? 	
<p>Government’s July 2020 3 Waters upgrade announcement</p>	
<p>1.4 Has or is the Council likely to sign the MOU?</p>	
<p>1.5 What assumptions will the LTP likely include about the Council’s 3 waters services and their impact on the Council’s:</p> <ul style="list-style-type: none"> • Organisation size and structure, • 3 Waters assets, and <p>Financial forecasts?</p>	
<p>1.6 What assumptions and disclosures will the LTP likely include about further government funding?</p>	
<p>1.7 Does the Council anticipate this being a consultation matter for inclusion in the CD?</p>	
<p>1.8 Is it likely that changes would impact on the Council’s other activities in the LTP (including the overhead costs they carry)?</p>	

Section 2: Council-specific risks and issues

How does the Council ensure that it has identified the important issues facing the Council and that enough disclosure will be made in the consultation document/LTP to provide meaningful information to the community to effectively consult on these issues? (Section 93B).

Purpose: To assess the extent to which the Council has identified its important issues and that they will be communicated in the consultation document to enable effective consultation.

Key questions	Response
<p>2.1 We are aware of the following issues and matters facing the Council and its community that it intends on consulting on:</p> <ul style="list-style-type: none"> • Climate change • Covid-19 • Capital programme delivery • Condition assessment of strategic assets <p>What other issues and/or matters is the Council facing and not looking to consult on and why?</p> <p>What process has the Council done to identify, prioritise, and consult on these issues and/or matters to date?</p>	
<p>2.2 What processes has the Council taken to gain assurance the issues and matters outlined in 2.1 are complete?</p>	
<p>2.3 How is the Council planning to disclose these issues/matters in the consultation document for the community to provide feedback on the choices it faces in respect of these issues/matters?</p> <p>Is the process different to the process the Council took in 2018?</p>	

Section 3: Project management processes
How does the Council ensure that there is clear accountability for the integrity of the information and for meeting deadlines?
 Purpose: To identify whether any potential risks are arising from the way the Council intends to manage the consultation document/LTP process.

Key questions	Response
<p>3.1 Is the Council using the same processes for the development of its consultation document/LTP as it has for prior plans?</p> <p>If yes, were there any lessons learnt from the prior process and how has the Council addressed this?</p> <p>If not, what is the Council doing that is different?</p>	
<p>3.2 Has the Council familiarised itself with the most recent SOLGM LTP guides?</p>	
<p>3.3 When did the Council last complete the SOLGM health check?</p>	
<p>3.4 As a result of considering the SOLGM guides and completing the health check, what areas has the Council identified that require action?</p> <p>What action is planned to address these areas?</p>	
<p>3.5 Explain how the local authority is approaching the preparation of the consultation document and the LTP. What approach does the Council propose to provide the information and assumptions underlying the information included in the consultation document?</p>	
<p>3.6 How have responsibilities relating to the LTP project been assigned?</p>	
<p>3.7 How are those with project responsibilities being held accountable?</p>	
<p>3.8 If the Council has an overall project plan in place, how broad is the scope of this plan? Does it capture all the processes and system flows linked to the whole project? If so, how?</p>	

Key questions	Response
<p>3.9 How has the Council ensured that all those involved in small parts of the project understand how their work contributes to the overall project, including the importance of the co-ordination and timing of the completion of each part of the project?</p>	
<p>3.10 Has a risk assessment been completed? What risks were identified and what strategies and processes have been put in place to mitigate the identified risks?</p>	
<p>3.11 How has the Council made certain that everyone involved in the project is clear about their reporting relationships?</p>	
<p>3.12 Are specific duties and reporting relationships outlined in employee job descriptions or other documentation?</p>	
<p>3.13 How has the Council made certain that there is clear communication of what is required of each individual involved in the project and by when?</p>	
<p>3.14 Is there a project manager? What are their responsibilities?</p>	
<p>3.15 Have any project monitoring procedures been put in place? What do these procedures consist of? How has the Council ensured that the monitoring role is carried out by a sufficiently senior staff member to provide assurance that monitoring will occur and that targets and deadlines will be achieved?</p>	
<p>3.16 Has the Council obtained any independent quality assurance advice about key elements of the development of the project?</p>	

Section 4: Content of the consultation document and LTP

What controls does the Council have in place to ensure that the consultation document and LTP contents cover the content requirements of the Local Government Act 2002?

Purpose: To consider how the Council intends to ensure that the contents of the consultation document and LTP are consistent with the requirements of the Local Government Act 2002 (the Act)

Key questions	Response
<p>4.1 What controls does the Council have in place to ensure that the consultation document and LTP include the information required by the Act?</p>	
<p>4.2 Does the Council make use of any disclosure checklist? Various consultants have developed checklists for use by the sector. SOLGM has also produced a disclosure checklist.</p> <p>If so, what has the Council done to ensure that the disclosure checklist covers all relevant aspects and has been correctly completed?</p>	
<p>4.3 Has the Council made use of templates during the development process to accumulate information that is required to be disclosed? In what areas have templates been used?</p>	
<p>4.4 Who is responsible for ensuring the information required to be disclosed in the consultation document and LTP are included in those documents?</p>	
<p>4.5 Is there a review process to ensure that all disclosure requirements have been met? How will this process be carried out and by whom?</p>	
<p>4.6 Describe the Council’s quality assurance process to oversee the quality of the consultation document and the LTP document and to ensure coherence and internal consistency of content. Has the process been evaluated to assess its effectiveness?</p>	

Key questions	Response
<p>4.7 What does the Council plan to do differently in its content for the consultation document and LTP now that the promotion of community well-being has been reintroduced as a purpose of local government?</p>	

Section 5: Governance

Are the governance structures of the Council effective, open and transparent? (s39(b))

Purpose: To assess the extent of understanding of roles by elected members and staff in the development of the consultation document/LTP.

Key questions	Response
<p>5.1 How do the Council processes (whether changed or not) ensure that elected members and staff understand their respective roles in preparing and consulting on the key aspects of LTP?</p>	
<p>5.2 What processes have been put in place to record discussions with stakeholders outside of formally constituted meetings?</p>	

Section 6: Activity planning, asset management planning, and infrastructure strategy

How will the Council ensure that the information used in groups of activity and asset management planning is robust and integrated into the LTP?

Purpose: To assess the extent to which activity planning is consistent with the purpose of local government and the levels of service goals, and provides robust underlying information for the LTP.

Key questions	Response
<p>6.1 How has the Council’s infrastructure strategy changed from the previous LTP? If there are changes, how has the revised strategy been developed? What are the nature of the changes?</p>	
<p>6.2 Is the Council including more than the mandatory activities in its strategy? If yes, which activities?</p>	
<p>6.3 Have changes to the strategy been developed in consultation with elected members?</p>	
<p>6.4 Does the Council propose enhancing its discussion of resilience matters in the infrastructure strategy? If so, what enhancements are proposed?</p>	
<p>6.5 Has the Council been successful in completing the forecast work (maintenance and capital) in its activity and asset management plans to date? If not, what was the deviation of planned versus actual work done, what were the causes, and what have been the implications?</p> <p>If the Council has a history of capital expenditure being under or over budget, what has the Council done to address this issue and to provide comfort that the budget is appropriately set and forecast spending will occur when scheduled to?</p>	
<p>6.6 Is there a gap between depreciation charged and capital expenditure (in total and for renewals) over the past five years? Can the Council explain why that gap exists and whether it is justified?</p>	

Key questions	Response
<p>6.7 How confident is the Council that its asset data is reliable? Does the Council have AMP improvement programmes? If so, what progress has the Council made in respect of the improvement programmes? What areas of asset management planning does the Council consider to be weak or limited?</p>	
<p>6.8 How confident is the Council that its data about critical assets is complete and up to date when the LTP is being prepared?</p>	
<p>6.9 In respect of each asset class covered by the infrastructure strategy what is the Council’s assessment of network performance? Are there any network performance issues? How is the Council planning to address network performance/How has it assessed the effects?</p>	
<p>6.10 How is asset condition and performance data used to inform Council’s financial forecasts?</p>	
<p>6.11 What disclosure is the Council intending to provide in its LTP and 30-year infrastructure strategy about the reliability of asset condition data and the implications for the accuracy of financial forecasts?</p>	
<p>6.12 What is the Council planning to do to ensure that any significant movements since the last valuation are reflected in the opening asset values to be included in the LTP?</p>	
<p>6.13 What has the Council done to reconfirm or change the service levels since the prior LTP?</p> <p>If the Council is planning changes to service levels, what consultation has been completed?</p> <p>What analysis has been completed to consider the effects of current levels of service on future generations?</p>	

Key questions	Response
<p>6.14 How does the Council plan to provide information to its communities about the effects of proposed/determined levels of service? Will the Council provide information about the cost implications of different levels of service when consulting with the community?</p> <p>Does the Council plan to clearly set out the legislative requirements and environmental standards, to the extent they are relevant in setting minimum service levels?</p> <p>Does the Council plan to set out clearly the availability of resources, including financial constraints for community consideration?</p>	
<p>6.15 What systems and processes does the Council have to ensure that asset and activity information will flow through into the LTP?</p> <p>Specifically, the disclosure requirements outlined in Schedule 10 of the Act are as follows:</p> <p><i>For each group of activities for each financial year covered by plan the local authority needs to disclose the amount of capital expenditure that the authority has budgeted to—</i></p> <p><i>(a) meet additional demand for an activity; and</i></p> <p><i>(b) improve the level of service; and</i></p> <p><i>(c) replace existing assets.</i></p>	

Section 7: Financial strategy and financial management systems

How does the Council ensure that it gives effect to the requirements for financial management, particularly sections 100, 101 and 101A?

Purpose: To assess the extent to which the Council systems support prudent stewardship and effective use of resources in a manner that promotes the current and future interests of the community.

Key questions	Response
<p>7.1 How has the Council changed its financial strategy since the previous LTP? If there are changes, how has the revised strategy been developed? What are the nature of the changes?</p>	
<p>7.2 In developing the Council’s financial strategy, how has the Council considered issues of prudence? Has the Council specifically addressed the requirements of section 101(3) of the Act? If any specific prudence concerns have been identified, please summarise these issues.</p>	
<p>7.3 How has the Council taken future generations into account in developing its financial strategy?</p>	
<p>7.4 Have changes to the strategy been developed in consultation with elected members?</p>	
<p>7.5 How does the Council intend to present its financial strategy to its community to ensure that the effects on services, rates, debt, and investments as a result of the Council’s proposals for funding and expenditure are clear (section 101A)?</p>	
<p>7.6 Is the Council using the same budgeting and modelling systems or financial management systems as it did for the prior LTP?</p> <p>If yes, has the Council made any changes to improve these systems?</p> <p>If not, please describe the budgeting and modelling systems or financial management systems used.</p>	

Key questions	Response
<p>7.7 Does the Council’s budgeting and modelling systems or financial management systems have controls in place to ensure that it addresses matters of prudence and the current and future interests of the community? What controls are in place to ensure that limits and criteria set in policies are not breached?</p>	
<p>7.8 Is the Council taking the same process to develop its key forecasting assumptions? Are there any significant changes to the proposed key forecasting assumptions that the Council has identified?</p>	
<p>7.9 What quality assurance processes has the Council put in place to ensure that the financial model and the financial strategy and information/summary of the financial strategy are high quality and consistently presented?</p>	

Section 8: Performance management and reporting information

How does the Council ensure that it is giving effect to the requirements in the Act to identify the community outcomes that it aims to achieve, to assess its performance and be able to provide meaningful information to the community?

Purpose: To establish that the Council generates forecast service performance information in the LTP which is relevant, reliable, complete, meaningful and comparable, and will allow the Council to effectively identify community outcomes and monitor and report on the performance and effect of its activities on the four aspects of well-being.

Key questions	Response
<p>8.1 Is the Council planning on revising the performance framework it has used in prior plans?</p> <p>If so, please describe the Council’s approach to setting community outcomes, levels of service, performance measures, and performance targets, and to monitoring and reporting achievements against these.</p>	

Key questions	Response
<p><i>We expect the structure of performance information in the LTP to clearly show:</i></p> <ul style="list-style-type: none"> • <i>a clear link between community outcomes and the group of activities to which they primarily contribute;</i> • <i>any significant negative impact the council’s activities may have on the four aspects of well-being;</i> • <i>the services that will be carried out and why;</i> • <i>the service levels required to meet the needs of its communities or other duties and intentions of the Council; and</i> • <i>the planned level of service intended to be achieved.</i> 	
<p>8.2 How will the Council ensure that its presentation of the outcomes, levels of service, and performance measures and targets in the LTP allow the community to readily understand them? Has the Council considered how it will measure progress towards achievement of community outcomes (or well-beings) and how this will be communicated to the community?</p>	
<p>8.3 How does the Council plan to incorporate the reintroduction of the four aspects of well-being into the development of its performance framework.</p>	
<p>8.4 Does the Council have a split in its performance measurement system to ensure that an appropriate level of monitoring occurs for all of the Council’s activity but also that an appropriate level of detail is presented in its public reporting – that is, LTP and annual report?</p> <p>Has the Council considered the volume of measures to be included in the LTP and how to ensure that these are reasonable measures to inform the user of the Council’s performance?</p>	

Key questions	Response
<p>8.5 Is the Council updating or developing new systems to monitor and report (in the annual report) against its performance measures and targets? <i>When they develop the LTP, local authorities should have processes in place that will enable future reporting of results.</i></p>	
<p>8.6 Has the Council considered whether its framework will enable it to meet the reporting requirements of the Act? Will it be able to report against the requirements of clauses 23 and 25 of Schedule 10 in subsequent annual reports?</p>	

Section 9: Responding to climate change

What assumptions will the Council make in relation to the impact of climate change?

Purpose: To understand the assumptions the Council plans to make and disclosures it plans to include in the LTP on the impact of climate change.

Key questions	Response
<p>9.1 What is the Council’s approach to responding to climate change, both adaptation and mitigation? Are Council’s mitigation activities (such as setting emission reduction targets) council-only, or for the entire City?</p>	
<p>9.2 What guidance, evidence or data are these responses discussed in 9.1 based upon? (for example Ministry for the Environment guidance, and through the Certified Emission Measurement and Reduction Scheme (CEMARS) programme, now called Toitu CarbonReduce) Is the Council completing scenario analysis to inform its proposed responses? For example sea level rise modelling.</p>	

<p>9.3 What impact does the Council expect responding to climate change will have on the matters it intends to consult on, LTP content, the financial forecasts and the activities proposed? Are any of these responses discussed in 9.1 proposed for the first time in this LTP?</p>	
<p>9.4 Has the Council identified a funding gap in its planned response to climate change? How does it plan to address the funding gap?</p>	
<p>9.5 Does the Council propose any land use changes in its response to climate change? If so, has the Council considered how to reflect these changes in its financial strategy?</p>	

Section 10: Legislative compliance

What is the Council planning to do to ensure that key legislation (including the LGA and LGRA) are complied with?

Purpose: To understand what processes and controls the Council has in place to ensure that it is fulfilling its statutory and regulatory obligations.

Key questions	Response
<p>10.1 How will the Council ensure that key legislative and regulatory requirements are complied with when preparing the consultation document and LTP?</p>	
<p>10.2 Describe any new rates that the Council is considering.</p>	

6.6 Probity Report

Author: Ernest Bernard, Risk and Assurance Manager
Bede Carran, Chief Executive

Authoriser: Bede Carran, Chief Executive

Recommendation

That the report be received and noted.

Purpose of Report

- 1 This report is to note that there have been no incidents of wrong doing brought to the attention of the Chief Executive or other senior executives in Council. It is part of providing assurance to the public that Council staff, contractors and consultants are adhering to high ethical standards and that there are policies, systems, processes and controls in place to prevent fraud, corruption and serious wrongdoing by Council officers, its contractors and consultants.
- 2 In order to increase ethical awareness and responsibilities among the leadership teams at TDC, we will be engaging a consultant who has a proven track record in this area to provide some workshops in developing and creating an ethical culture in the Council. All Unit Managers and staff will be involve in this training. An interactive two hour session for each workshop in the five business groups will be carried out sometime in November 2020.
- 3 We have looked into some of the controls surrounding our procurement processes and have decided to implement the one up approval process for all purchases. This will provide us with some robust controls in ensuring that all goods and services purchased are for business related purposes only and also to mitigate the risk for fraud occurring. TDC's Business Improvement Analyst will be prioritising in implementing this process.

Attachments

Nil

6.7 Health and Safety Update

Author: Symon Leggett, Group Manager People and Digital

Authoriser: Symon Leggett, Group Manager People and Digital

Recommendation

That the report be received and noted.

Purpose of Report

- 1 This report is to provide an update on health and safety activity since the last report to the Audit and Risk Subcommittee in June 2020.
- 2 The health and safety of staff, contractors and members of the public who use our facilities is a constant focus for the organisation. Continuous improvement is a key theme to ensure we're always striving for a stronger safety culture.

Assessment of Significance

- 3 Very low

Coronavirus

- 4 The Covid-19 Coronavirus, is still a constant factor in our activity, especially for customer facing roles and community facilities. Council continues to follow the advice and guidelines issued from the Ministry of Health (MOH), Local Government New Zealand (LGNZ) and various professional bodies, such as Sport New Zealand.
- 5 Our business continuity plans (BCP) remain active and are updated to reflect the changes in national alert levels.
- 6 Regular communication through multiple channels has reinforced our key messages, expectations and protocols, to staff and the public. Overall, the community have been accepting and understanding of the changes in alert levels and subsequent requirements.
- 7 We previously reported in detail about the working arrangements of the team during isolation and how a number of people expressed a desire to continue working from home. Depending on the roles, different teams have continued to use flexible working arrangements, ensuring a constant minimum presence in the office to represent the service or activity.

Health and Safety Advisor

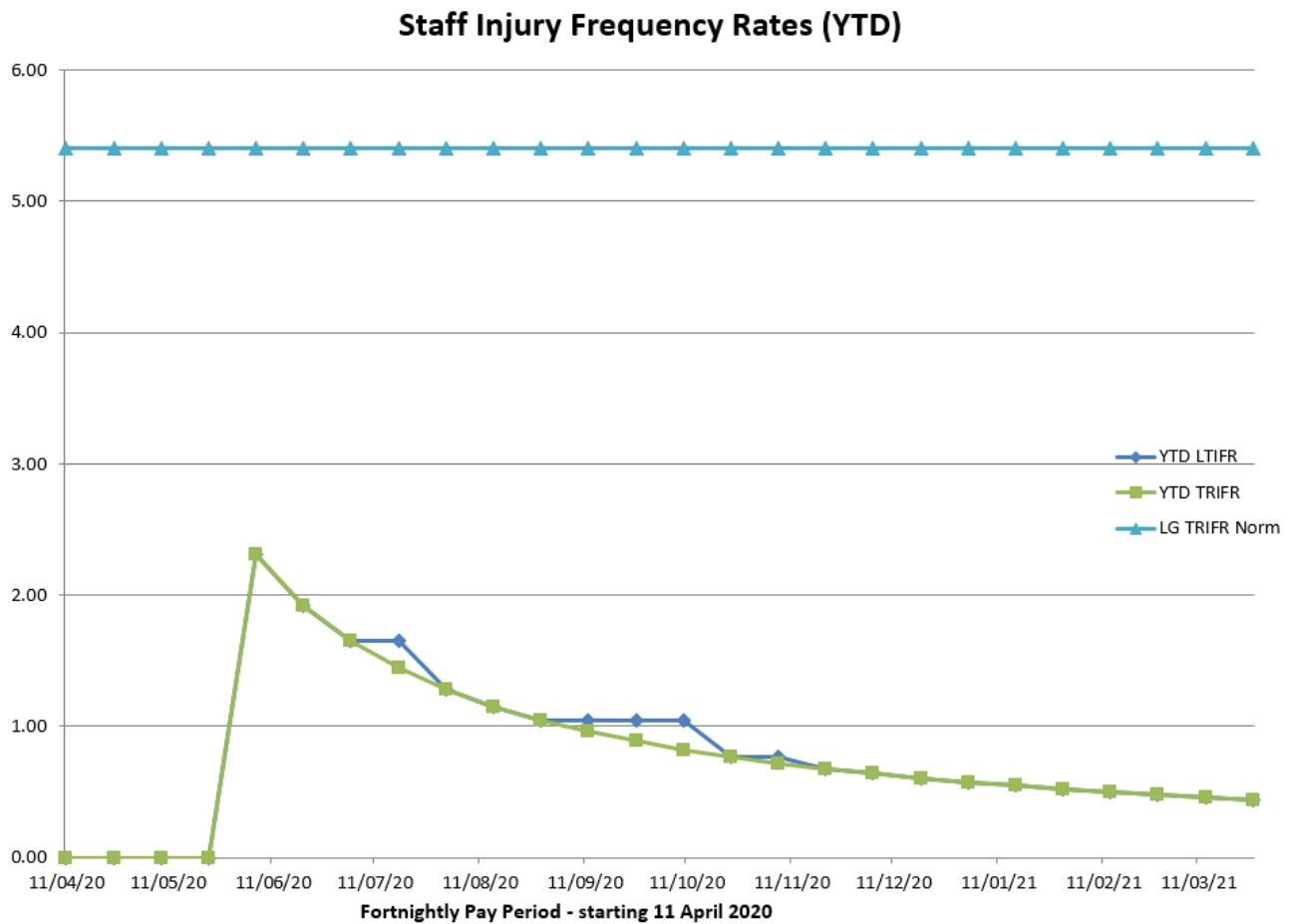
- 8 We've been successful in appointing a new Health & Safety Advisor to the team, Kevin Rowell. Kevin has been with the team 3 months and has made an immediate impact, working closely with multiple teams and our external contractors.

Update on Activity

- 9 While the year appears to have been dominated by the Covid-19 response there has been significant progress made in improving our processes for managing high risk activity,

contractor management and risk assessment. Kevin has brought a greater level of maturity to our incident investigation capacity, which has directly impacted our drive for continuous improvement.

- 10 While we've seen a dramatic reduction in the number of incidents and events occurring across all of our facilities, with only three staff incidents occurring during the lockdown period, we did have a lost time injury in June, causing a spike in the frequency rate, evident in the below graph.
- 11 Below is a copy of the injury frequency rates for the current year, April 2020 to March 2021. Both the long term injury frequency rate (LTIFR) and total recordable injury frequency rate (TRIFR) are well below the industry norm.



Health and Safety Statistics

- 12 The table below is based on the data for the reporting year, April 2020 to March 2021.
- 13 This reporting period aligns with our pay periods and provides us with actual hours worked in each fortnight, allowing us to create accurate Incident & Injury Frequency Rates.

Incident Type	Year to date 2020	Change since last report	Full Year 2019/ 2020	Full Year 2018/2019	Full Year 2017/2018	Full Year 2016/2017
Incident Only	10	8	40	59	43	21
First Aid	5	5	16	27	23	27
Medical Treatment	0	0	4	0	4	8
Lost Time	1	1	2	1	0	5

Incident Detail

14 The Subcommittee has requested extra detail for incidents resulting in lost time and medical treatment.

14.1 There has been one lost time injury resulting in a laceration to a staff members thumb when a piece of wood was 'grabbed' by the circular table saw he was using, injuring the thumb. While the machine was used correctly, the guard was in place, safety procedures were followed and staff member adequately trained, the cause of the incident was inattention to the task. Please note, the injury was caused by the piece wood lacerating the thumb not the saw.

14.2 There are no notable incident only events to report in this period.

Conclusion

15 The health and safety of our staff, contractors and customers remains a high priority for the organisation. While there are still many opportunities for improvement, our progress adds to a positive health and safety culture.

Attachments

Nil

- 7 Consideration of Urgent Business Items**
- 8 Consideration of Minor Nature Matters**

9 Exclusion of the Public

Recommendation

That the public be excluded from the following parts of the proceedings of this meeting on the grounds under section 48 of the Local Government Official Information and Meetings Act 1987 as follows:

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Plain English Reason
10.1 - Health and Safety Update	s7(2)(a) - The withholding of the information is necessary to protect the privacy of natural persons, including that of deceased natural persons	To protect a person’s privacy
10.2 - Cyber Security Report	s7(2)(b)(ii) - The withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information	Commercial sensitivity
10.3 - Employee Matters	s7(2)(a) - The withholding of the information is necessary to protect the privacy of natural persons, including that of deceased natural persons	To protect a person’s privacy
10.4 - Recommendations Outstanding Register	s7(2)(b)(ii) - The withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information	Commercial sensitivity
10.5 - Legal Update	s7(2)(b)(ii) - The withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information s7(2)(g) - The withholding of the information is necessary to	Commercial sensitivity To protect all communications between a legal adviser and clients from being disclosed without the permission of the client. To enable commercial or industrial negotiations

	<p>maintain legal professional privilege</p> <p>s7(2)(i) - The withholding of the information is necessary to enable the Council to carry out, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)</p>	
10.6 - Insurance	<p>s7(2)(b)(ii) - The withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information</p> <p>s7(2)(h) - The withholding of the information is necessary to enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities</p>	<p>Commercial sensitivity</p> <p>To enable commercial activities</p>
10.7 - AuditNZ - Interim Management Report	<p>s7(2)(b)(ii) - The withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information</p> <p>s7(2)(h) - The withholding of the information is necessary to enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities</p>	<p>Commercial sensitivity</p> <p>To enable commercial activities</p>
10.8 - Timaru District Council Draft Annual Report 2019/20	<p>s7(2)(b)(ii) - The withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information</p>	<p>Commercial sensitivity</p> <p>To enable commercial activities</p>

	s7(2)(h) - The withholding of the information is necessary to enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities	
10.9 - Committee and Auditor only time (agenda placeholder)	<p>s7(2)(c)(ii) - The withholding of the information is necessary to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely otherwise to damage the public interest</p> <p>s7(2)(h) - The withholding of the information is necessary to enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities</p>	<p>Due to an obligation of confidence and to protect the public interest</p> <p>To enable commercial activities</p>
10.10 - Committee and Chief Executive only time (agenda placeholder)	<p>s7(2)(a) - The withholding of the information is necessary to protect the privacy of natural persons, including that of deceased natural persons</p> <p>s7(2)(h) - The withholding of the information is necessary to enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities</p>	<p>To protect a person’s privacy</p> <p>To enable commercial activities</p>

- 10 Public Excluded Reports**
- 10.1 Health and Safety Update**
- 10.2 Cyber Security Report**
- 10.3 Employee Matters**
- 10.4 Recommendations Outstanding Register**
- 10.5 Legal Update**
- 10.6 Insurance**
- 10.7 AuditNZ - Interim Management Report**
- 10.8 Timaru District Council Draft Annual Report 2019/20**
- 10.9 Committee and Auditor only time (agenda placeholder)**
- 10.10 Committee and Chief Executive only time (agenda placeholder)**

11 Readmittance of the Public