



**CENTRAL
HAWKE'S BAY**
DISTRICT COUNCIL



Risk and Assurance Committee Meeting Agenda

Thursday, 27 May 2021

9.00am

Council Chamber, 28-32 Ruataniwha
Street, Waipawa

Together we Thrive! E ora ngātahi ana!

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- 1 **KARAKIA**
- 2 **APOLOGIES**
- 3 **DECLARATIONS OF CONFLICTS OF INTEREST**
- 4 **STANDING ORDERS**

RECOMMENDATION

THAT the following standing orders are suspended for the duration of the meeting:

- 21.2 Time limits on speakers
- 21.5 Members may speak only once
- 21.6 Limits on number of speakers

And that Option C under section 22 General procedures for speaking and moving motions be used for the meeting.

Standing orders are recommended to be suspended to enable members to engage in discussion in a free and frank manner.

5 CONFIRMATION OF MINUTES

Risk and Assurance Committee Meeting - 31 March 2021

RECOMMENDATION

That the minutes of the Risk and Assurance Committee Meeting held on 31 March 2021 as circulated, be confirmed as true and correct.

**MINUTES OF CENTRAL HAWKES BAY DISTRICT COUNCIL
RISK AND ASSURANCE COMMITTEE MEETING
HELD AT THE COUNCIL CHAMBER, 28-32 RUATANIWHA STREET, WAIPAWA
ON WEDNESDAY, 31 MARCH 2021 AT 9.00AM**

PRESENT: Mayor Alex Walker
Cr Tim Aitken
Cr Gerard Minehan (zoom)
Cr Brent Muggeridge (zoom)
Cr Jerry Greer
Cr Neil Bain (Chair)

IN ATTENDANCE: Monique Davidson (Chief Executive)
Brent Chamberlain (Chief Financial Officer)
Doug Tate (Group Manager, Customer and Community Partnerships)
Nicola Bousfield (Group Manager, People and Business Enablement)
Caitlyn Dine (Governance and Support Officer)

1 APOLOGIES

Nil

2 DECLARATIONS OF CONFLICTS OF INTEREST

Nil

3 STANDING ORDERS

RECOMMENDATION

THAT the following standing orders are suspended for the duration of the meeting:

- 20.2 Time limits on speakers
- 20.5 Members may speak only once
- 20.6 Limits on number of speakers

And that Option C under section 21 General procedures for speaking and moving motions be used for the meeting.

Standing orders are recommended to be suspended to enable members to engage in discussion in a free and frank manner.

4 CONFIRMATION OF MINUTES

COMMITTEE RESOLUTION

Moved: Cr Tim Aitken

Seconded: Cr Jerry Greer

That the minutes of the Risk and Assurance Committee Meeting held on 12 November 2020 as circulated, be confirmed as true and correct.

CARRIED

5 REPORT SECTION**6.1 COMMITTEE RESOLUTION MONITORING REPORT****PURPOSE**

The purpose of this report is to present to the Committee the Risk and Assurance Committee Resolution Monitoring Report. This report seeks to ensure the Committee has visibility over work that is progressing, following resolutions made by the Committee.

COMMITTEE RESOLUTION

Moved: Mayor Alex Walker

Seconded: Cr Jerry Greer

RECOMMENDATION

That, having considered all matters raised in the report, the report be noted.

CARRIED

Mrs Davidson presented this report

6.2 RISK AND ASSURANCE WORK PROGRAMME MONITORING REPORT**PURPOSE**

The purpose of this report is for the Risk and Assurance Committee to receive a progress update on the Risk & Assurance Committee Work Programme.

COMMITTEE RESOLUTION

Moved: Cr Tim Aitken

Seconded: Cr Jerry Greer

That, having considered all matters raised in the report, the report be noted.

CARRIED

Mrs Davidson presented this report

At 9:42 am, Mayor Alex Walker left the meeting.

6.3 RISK STATUS REPORT**PURPOSE**

The purpose of this paper is to report to the Risk and Assurance Committee (the Committee) on Council's risk landscape, risk management work in progress and to continue a discussion with the Committee about risk.

COMMITTEE RESOLUTION

Moved: Cr Jerry Greer

Seconded: Cr Tim Aitken

That, having considered all matters raised in the report, the report be noted.

CARRIED

Mrs Bousfield presented this report on behalf of Mr Lloyd. Chair Neil Bain noted a great quality report.

Bevan Johnston entered the meeting via zoom at 9:42

At 9:46 am, Mayor Alex Walker returned to the meeting.

6.4 HEALTH AND SAFETY UPDATE REPORT

PURPOSE

To provide the Committee with health, safety and wellbeing information and insight up to the end of mid-March 2021 and to update the Committee on key health and safety critical risks and initiatives.

COMMITTEE RESOLUTION

Moved: Cr Tim Aitken

Seconded: Cr Gerard Minehan

That, having considered all matters raised in the report, the report be noted.

CARRIED

Mrs Bousfield presented this report. The Committee noted the continuous improvement in health and safety reporting to the Committee. The Committee requested management prepare a report on the Council's processes for managing and monitoring contractor's compliance with health and safety requirements (for the September 2021 meeting).

Mr Bevan Johnston left the zoom meeting at 10.00am

6.5 AUDIT FINDINGS MONITORING REPORT

PURPOSE

The purpose of this report is to track and update the committee on audit recommendations from recent audits.

COMMITTEE RESOLUTION

Moved: Cr Tim Aitken

Seconded: Mayor Alex Walker

That, having considered all matters raised in the report, the report be noted.

CARRIED

Mr Chamberlain presented this report. The Committee noted the audit findings monitoring report and requested management update the Committee on the implementation of the progressive procurement toolkit (for the September 2021).

6.6 REVIEW OF ELECTED MEMBER REMUNERATION AND EXPENSES POLICY**PURPOSE**

The matter for consideration by the Council is the adoption of the updated Elected Member Remuneration and Expenses Policy

AMENDMENT

Moved: Mayor Alex Walker

Seconded: Cr Tim Aitken

The committee requested the following amendments be made to the policy:

That (a) read - (a) That all gifts received by councillors in excess of \$50 to be recorded in the gift register.

(a) That added third bullet point – Return gift to provider.

(b) That Councillors are encouraged to use their discretion as to whether gifts under the value of \$50.00 should be declared on the gift register

COMMITTEE RESOLUTION

Moved: Cr Tim Aitken

Seconded: Cr Brent Muggeridge

That having considered all matters raised in the report:

a) That the report be received.

b) That the Committee endorse and recommend to Council they adopt the proposed amendments to the Elected Member Remuneration and Expenses Policy” to include additional paragraphs on Receipt of Gifts.

CARRIED

Mr Chamberlain presented this report

6.7 TREASURY MANAGEMENT MONITORING REPORT**PURPOSE**

The purpose of this report is to provide an update on Treasury Management and Policy Compliance.

COMMITTEE RESOLUTION

Moved: Cr Tim Aitken

Seconded: Mayor Alex Walker

That, having considered all matters raised in the report, the report be noted.

CARRIED

Mr Chamberlain presented this report. The Committee noted the introduction of the Treasury Management Monitoring report. The Committee requested the maturity of debt table be further developed to include planned refinancing and new debt.

6.8 LONG TERM PLAN 2021-2031 RISK MITIGATION**PURPOSE**

This report is presented to the Risk and Assurance Committee to consider the risks associated with the Long Term Plan 2021-2031, and associated budget and policy position of Council.

AMENDMENT

Moved: Mayor Alex Walker

Seconded: Cr Tim Aitken

- (a) That the Risk and Assurance Committee request that independent Treasury advice be attained prior to the review of the debt and treasury management policy in 2022, and that management use discretion in obtaining independent advice in advance of any significant draw down prior to that review.
- (b) That risk an assurance committee recommend to council that the debt and treasury management policy be reviewed prior to the 2022-23 annual plan process.

RECOMMENDATION

That, having considered all matters raised in the report, the report be noted.

Mr Chamberlain presented this report

At 11:32 am, Mayor Alex Walker left the meeting.

6.9 RISK AND MITIGATION OF EARTHQUAKE PRONE COUNCIL FACILITIES**PURPOSE**

The purpose of this paper is to report to the Risk and Assurance Committee (the Committee) on Council's risk management of three of its buildings that have received a Detailed Seismic Assessment (DSA) and are considered potentially earthquake-prone. This report also provides an update on the other primary facilities yet to receive a DSA.

COMMITTEE RESOLUTION

Moved: Cr Jerry Greer

Seconded: Cr Brent Muggeridge

That, having considered all matters raised in the report, the report be noted.

CARRIED

Mrs Leaf and Mr Tate presented this report

The Committee adjourned at 11.48am for a morning tea break.

RESOLUTION TO EXCLUDE THE PUBLIC**RECOMMENDATION**

That the public be excluded from the following parts of the proceedings of this meeting.

The general subject matter of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48 of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48 for the passing of this resolution
6.1 - External Audit Plan for the Year Ending 30 June 2021	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 s7(2)(f)(i) - free and frank expression of opinions by or between or to members or officers or employees of any local authority	s48(1)(a)(i) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7

1

The Council moved into the public excluded forum at 12.15 pm.

6 DATE OF NEXT MEETING**COMMITTEE RESOLUTION**

Moved: Cr Jerry Greer

Seconded: Cr Brent Muggeridge

THAT the next meeting of the Central Hawke's Bay District Council Risk and Assurance Committee be held on 27 May 2021.

CARRIED

7 TIME OF CLOSURE

The Meeting closed at 12.32pm.

The minutes of this meeting were confirmed at the Risk and Assurance Committee Meeting held on 27 May 2021.

.....
CHAIRPERSON

6 Report Section

6.1 RESOLUTION MONITORING REPORT

File Number: COU1-1408

Author: Monique Davidson, Chief Executive

Authoriser: Monique Davidson, Chief Executive

Attachments: 1. Resolution Monitoring Report [↓](#)

PURPOSE

The purpose of this report is to present to the Committee the Risk and Assurance Committee Resolution Monitoring Report. This report seeks to ensure the Committee has visibility over work that is progressing, following resolutions made by the Committee.

RECOMMENDATION

That, having considered all matters raised in the report, the report be noted.

SIGNIFICANCE AND ENGAGEMENT

This report is provided for information purposes only and has been assessed as not significant.

DISCUSSION

The Committee Resolution Monitoring Report is **attached**.

IMPLICATIONS ASSESSMENT

This report confirms that the matter concerned has no particular implications and has been dealt with in accordance with the Local Government Act 2002. Specifically:

- Council staff have delegated authority for any decisions made;
- Council staff have identified and assessed all reasonably practicable options for addressing the matter and considered the views and preferences of any interested or affected persons (including Māori), in proportion to the significance of the matter;
- Any decisions made will help meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses;
- Unless stated above, any decisions made can be addressed through current funding under the Long-Term Plan and Annual Plan;
- Any decisions made are consistent with the Council's plans and policies; and
- No decisions have been made that would alter significantly the intended level of service provision for any significant activity undertaken by or on behalf of the Council, or would transfer the ownership or control of a strategic asset to or from the Council.

RECOMMENDATION

That, having considered all matters raised in the report, the report be noted.



CENTRAL HAWKE'S BAY

DISTRICT COUNCIL

Risk and Assurance Committee Resolution Monitoring Report May 2021

Key	
Completed	
On Track	
Off Track	

Item Number	Item	Council Resolution	Resolution Date	Responsible Officer	Progress Report
5.6	Treasury Management Policy	<p>That having considered all matters raised in the report:</p> <p>a) That the report entitled "Treasury Management Policy" be received.</p> <p>b) That the proposed changes to the policy be endorsed and be recommended to Council for future adoption.</p> <p>c) That the "Treasury Management Policy" be reviewed following the adoption of the Long Term Plan in 2021 and within 18 months from adoption.</p>	3/09/20	Brent Chamberlain	<p>The new Treasury Management Policy has been included in the LTP supporting document along with our Financial Strategy. The LTP Consultation document reference our debt projections, the two policies. This is currently out for comment as part of the consultation.</p> <p>Paper written to be taken to Council for adoption following LTP deliberations on the 13th May 2021.</p>
6.8	Review of Sensitive Expenditure Policy	<p>That having considered all matters raised in the report:</p> <p>a) That the review of Sensitive Expenditure Policy be received.</p>	12/11/20	Brent Chamberlain	<p>As per resolution D, the amendments to the Elected Member Remuneration and Expenses Policy regarding gift registers for Councillors is included in the report section of the Risk and</p>

		<p>b) That the Committee acknowledge Council's Sensitive Expenditure Policy is fit for purpose and no amendments are recommended.</p> <p>c) That the Committee endorse the proposed amendments to the Elected Member Remuneration and Expenses Policy, to include additional paragraphs on Entertainment and Hospitality, Private use of Council Assets, Gifts, Donations and Koha.</p> <p>d) That further amendments to the Elected Member Remuneration and Expenses Policy, as noted in the minutes, be made to the section of the Policy regarding registration of gifts, and that the amended Policy return to the table at the next Committee meeting.</p>			<p>assurance Agenda for the 31st March meeting for discussion.</p> <p>Revised Policy Adopted by Finance and Infrastructure meeting on 08-04-2021</p>
6.6	Review of Elected Member Remuneration and Expenses Policy	<p>AMENDMENT</p> <p>That (a) read:</p> <p>(a) That all gifts received by Councillors in excess of \$50 to be recorded in the gift register.</p> <p>a) That the added third bullet point – Return gift to provider.</p> <p>b) That Councillors are encouraged to use their discretion as to whether gifts under the value of \$50 should be declared on the gift register.</p>	31/03/21	Brent Chamberlain	<p>Revised Policy Adopted by Finance and Infrastructure meeting on 08-04-2021</p>

6.2 RISK AND ASSURANCE WORK PROGRAMME MONITORING REPORT

File Number: COU1- 1408
Author: Monique Davidson, Chief Executive
Authoriser: Monique Davidson, Chief Executive
Attachments: Nil

RECOMMENDATION

That, having considered all matters raised in the report, the report be noted.

PURPOSE

The purpose of this report is for the Risk and Assurance Committee to receive a progress update on the Risk & Assurance Committee Work Programme.

SIGNIFICANCE AND ENGAGEMENT

This report is provided for information purposes only and has been assessed as not significant.

BACKGROUND

In 2019 following the Triennial Election, Council established a Risk and Assurance Committee, which included the appointment of an Independent Chair.

At the time that Council agreed on Council and Committee priorities, the Risk and Assurance Committee had not been fully established, therefore a formal work programme was not determined.

At the Risk and Assurance Committee meeting in late June 2020, the Chief Executive following guidance from the Independent Chair, presented a Draft Risk and Assurance Work Programme for feedback. Subsequently, The Risk and Assurance Committee Work Programme was adopted by the Committee at meeting held 3 September 2020.

DISCUSSION

The purpose of the Risk and Assurance Committee is to contribute to improving the governance, performance and accountability of the Central Hawke's Bay District Council by:

- Ensuring that the Council has appropriate financial, health and safety, risk management and internal control systems in place.
- Seeking reasonable assurance as to the integrity and reliability of the Council's financial and non-financial reporting.
- Providing a communications link between management, the Council and the external and internal auditors and ensuring their independence and adequacy.
- Promoting a culture of openness and continuous improvement.

The Council delegates to the Risk and Assurance Committee the following responsibilities:

- To monitor the Council's treasury activities to ensure that it remains within policy limits. Where there are good reasons to exceed policy, that this be recommended to Council.
- To review the Council's insurance policies on an annual basis.

- To review, in depth, the Council's annual report and if satisfied, recommend the adoption of the annual report to Council.
- To work in conjunction with Management in order to be satisfied with the existence and quality of cost-effective health and safety management systems and the proper application of health and safety management policy and processes.
- To work in conjunction with the Chief Executive in order to be satisfied with the existence and quality of cost-effective risk management systems and the proper application of risk management policy and processes, including that they align with commitments to the public and Council strategies and plans.
- To provide a communications link between management, the Council and the external and internal auditors.
- To engage with Council's external auditors and approve the terms and arrangements for the external audit programme.
- To engage with Council's internal auditors and approve the terms and arrangements for the internal audit programme.
- To monitor the organisation's response to the external and internal audit reports and the extent to which recommendations are implemented.
- To engage with the external and internal auditors on any one off assignments.
- To work in conjunction with management to ensure compliance with applicable laws, regulations standards and best practice guidelines.
- To provide a communications link between management, the Council and the external and internal auditors.
- To engage with Council's external auditors and approve the terms and arrangements for the external audit programme.
- To engage with Council's internal auditors and approve the terms and arrangements for the internal audit programme.
- To monitor the organisation's response to the external and internal audit reports and the extent to which recommendations are implemented.
- To engage with the external and internal auditors on any one off assignments.
- To work in conjunction with management to ensure compliance with applicable laws, regulations standards and best practice guidelines.

Subject to any expenditure having been approved in the Long Term Plan or Annual Plan the Risk and Assurance Committee shall have delegated authority to approve:

- Risk management and internal audit programmes.
- Terms of the appointment and engagement of the audit with the external auditor.
- Additional services provided by the external auditor.
- The proposal and scope of the internal audit.

In addition, the Council delegates to the Risk and Assurance Committee the following powers and duties:

- The Risk and Assurance Committee can conduct and monitor special investigations in accordance with Council policy, including engaging expert assistance, legal advisors or external auditors, and, where appropriate, recommend action(s) to Council.

The Risk and Assurance Committee can recommend to Council:

- Adoption or non-adoption of completed financial and non-financial performance statements.
- Governance policies associated with Council's financial, accounting, risk management, compliance and ethics programmes, and internal control functions, including the: Liability Management Policy, Treasury Policy, Sensitive Expenditure Policy, Fraud Policy, and Risk Management Policy.
- Accounting treatments, changes in generally accepted accounting practice (GAAP).
- New accounting and reporting requirements.

The Risk and Assurance Committee may not delegate any of its responsibilities, duties or powers.

The Risk and Assurance Committee is still developing, as is the maturity of the organisation in the way it manages risk and assurance matters. It is for these reasons that a 12-month work programme was adopted, with the intention in early 2021 to develop a 2-year work programme that will take Council through until the end of 2022, which also aligns with the triennial election.

The Risk and Assurance Committee will receive the following standing reports:

- **Committee Priorities Monitoring Report**
- **Committee Resolution Monitoring Report**
- **Internal and External Audit Monitoring Report**
- **Risk Status Monitoring Report**
- **Health and Safety Monitoring Report**
- **Treasury Management Monitoring Report**

The monitoring report which provides an update on the key priorities of the Committee is below:

Key Priority	Responsible Officer	Progress Update
Review Internal Audit Work Programme.	Brent Chamberlain	<p>Council has sufficient funding for generally two internal audits during each financial year.</p> <p>The next planned internal audit is a programme of work planned where the internal auditors will work in assisting Council to develop more comprehensive Business Continuity Plans.</p> <p>Council has recently undertaken a Cyber Security audit and a Fraud Health Check audit, the results of which will be presented later in this meeting.</p>
Review Governance Policy Framework and determine role for Risk and Assurance Committee.	Monique Davidson	The Risk and Assurance Committee will workshop this item following the Committee meeting on 27 May 2021. This will take the Committee through the Governance Policy Framework, and enable a discussion on what role the Risk and Assurance Committee should take in policy development in the future.
Review Risk Management Policy	Nicola Bousfield	In the November 2020 report, revisions to the Risk Framework were completed and Officers advised they considered a separate Policy was not needed. The Framework has been amended to provide clear principles and intent for risk management and it is not considered that a separate Policy would add any value.
Review Risk Appetite Statement and Governance Risk Register.	Nicola Bousfield & Brent Chamberlain	Priority will be given to this in Q3 2021.
Review Fraud and Whistle Blowing Policy.	Brent Chamberlain	A draft fraud policy is provided as an attachment to the fraud health check report coming later in this meeting. The People and Capability Advisor is working on updating the protected disclosures policy (whistle blowing policy).
Review Procurement Policy	Brent Chamberlain	The policy was last reviewed in September 2020. Officers have updated the Progressive Procurement Guideline and will be running training session on this and the refreshed procurement manual in June.
Review Health, Safety and Wellbeing Governance	Nicola Bousfield	Priority will be given to this in Q2 2021 for refresh by July 2021, the Committee adopted the Charter

Key Priority	Responsible Officer	Progress Update
Charter		in Q3 (July 2020).
Review Insurances and Risk Appetite	Brent Chamberlain	Officers, the CEO, the Chair and Deputy Chair of Risk and Assurance, and the Chair of Finance and Infrastructure, and the Mayor attended an AON Insurance to workshop on the 30 th March 2021.

As part of the Risk and Assurance's role in ensuring assurance on things that matter the most, regular deep dives on key issues are agreed to:

Topic	Responsible Officer	Progress Update
Critical Risks	Nicola Bousfield	Critical Risks 'in focus' are reported to the Risk & assurance Committee regularly through the Health & Safety Report, providing Governors line of site into Council's critical risks and the controls taken to manage these.
Contractor Performance	Nicola Bousfield	As reported in the May 2021 Health and Safety Report to this Committee, this project has been re-scoped to take a wider 'all of Council' approach and embed the H&S aspects of contractor management into our existing Council Contract Management Framework. This work requires a full review of the existing framework. The H&S Advisor is working closely with the Chief Financial Officer on this project and progress will be reported to the Risk & Assurance Committee.
Legal Challenges / Files	Monique Davidson	Priority will be given to this following the adoption of the Long Term Plan 2021 – 2031.

IMPLICATIONS ASSESSMENT

This report confirms that the matter concerned has no particular implications and has been dealt with in accordance with the Local Government Act 2002. Specifically:

- Council staff have delegated authority for any decisions made;
- Council staff have identified and assessed all reasonably practicable options for addressing the matter and considered the views and preferences of any interested or affected persons (including Māori), in proportion to the significance of the matter;
- Any decisions made will help meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses;
- Unless stated above, any decisions made can be addressed through current funding under the Long-Term Plan and Annual Plan;
- Any decisions made are consistent with the Council's plans and policies; and
- No decisions have been made that would alter significantly the intended level of service provision for any significant activity undertaken by or on behalf of the Council, or would transfer the ownership or control of a strategic asset to or from the Council.

NEXT STEPS

A further update will be provided at the next committee meeting 16 September 2021.

RECOMMENDATION

That, having considered all matters raised in the report, the report be noted.

6.3 TREASURY MANAGEMENT MONITORING REPORT**File Number:** COU1-1408**Author:** Brent Chamberlain, Chief Financial Officer**Authoriser:** Monique Davidson, Chief Executive**Attachments:** Nil**RECOMMENDATION****That, having considered all matters raised in the report, the report be noted.****PURPOSE**

The purpose of this report is to provide an update on Treasury Management and Policy Compliance.

SIGNIFICANCE AND ENGAGEMENT

This report is provided for information purposes only and has been assessed as not significant.

BACKGROUND

Council is required under the Local Government Act 2002 to have 3 policies:

- Treasury Management Policy
- Liability Management Policy, and
- Investment Policy

The rationale for the policies is to ensure prudent use of public funds, manage investment returns, borrowing costs, and to minimise the risk of loss of public funds.

In practice Central Hawkes Bay District Council has combined them into a single policy covering all 3 topics.

Council consulted on a revision to its treasury policy as part the 2021-31 Long Term Plan. After considering submissions, Council has recently adopted the revised policy on the 13th May 2021.

DISCUSSIONInvestments

At the 30th April 2021, Council was holding \$4.8m in funds on call (up \$3.8m from 30 June 2020). Much of this is due to a large NZTA receipt and a GST refund being received just prior to month end.

In addition Council was holding \$12.0m in term deposits (\$11m as at 30 June 2020) spread across 3 maturities and 2 different banks, \$320k in capital notes (\$320k as at 30 June 2020), and \$955k (\$955k as at 30 June 2020) in bank bonds.

These investments are listed below:

Cash and Investment Position

	Maturity Date	Int Rate (Face)	Int Rate (Actual)	Amount 30/06/2020	Amount Now	Movement
<u>ANZ Cheque and Call Accounts</u>				2,527,145	4,750,161	2,223,017
<u>Term Deposits with maturity < 90 days</u>						
BNZ Term Deposit (AA-)	17/07/2020	2.92%	2.92%	4,000,000	-	(4,000,000)
ANZ Term Deposit (AA-)	18/09/2020	2.45%	2.45%	2,000,000	-	(2,000,000)
BNZ Term Deposit (AA-)	19/10/2020	2.55%	2.55%	2,000,000	-	(2,000,000)
BNZ Term Deposit (AA-)	19/11/2020	2.60%	2.60%	1,000,000	-	(1,000,000)
BNZ Term Deposit (AA-)	19/12/2020	2.13%	2.13%	2,000,000	-	(2,000,000)
BNZ Term Deposit (AA-)	17/06/2021	0.45%	0.45%		3,000,000	3,000,000
Westpac Term Deposit (AA-)	31/05/2021	1.52%	1.52%	-	4,500,000	4,500,000
BNZ Term Deposit (AA-)	31/05/2021	1.41%	1.41%	-	1,500,000	1,500,000
ANZ Term Deposit (AA-)	19/04/2021	0.22%	0.22%	-	-	0
				11,000,000	9,000,000	(2,000,000)
<u>Bonds, Capital Notes, & Term Deposits with maturity > 90 days</u>						
LGFA Capital Notes	25/08/2025	3.54%	3.54%	32,000	32,000	0
LGFA Capital Notes	15/04/2024	1.79%	1.79%	160,000	160,000	0
LGFA Capital Notes	15/04/2023	1.56%	1.56%	64,000	64,000	0
LGFA Capital Notes	15/04/2027	1.63%	1.63%	64,000	64,000	0
ANZ Bond (AA-)	1/09/2023	3.71%	3.71%	355,000	355,000	0
ASB Bond (AA-)	7/09/2023	3.33%	3.33%	600,000	600,000	0
BNZ Term Deposit (AA-)	19/07/2021	0.55%	0.55%	-	3,000,000	3,000,000
				1,275,000	4,275,000	3,000,000
<u>Total Cash and Investments Held</u>				14,802,145	18,025,161	3,223,017

During the last six months investment returns have fallen further, with the most recent term deposits only achieving returns of 0.5% compared to 2.5% nine months earlier.

Council's maximum exposure with any one bank is only \$7.5m which is compliant with Council's policy (\$10m limit) and the quality of the investments (credit worthiness) is also compliant with policy.

Borrowing

At the 30th April 2021 Council had \$20m of external debt drawn (\$20m 30 June 2020).

Council become a guarantor for LGFA (Local Government Funding Authority) on the 10th February 2021 which will then allow Council to borrow further funds (LGFA limit 175% of its operating revenue, internal limit 150%, currently Council is at 35% to total income, or 59% if you exclude one-off PGF and 3 Waters funding).

On the following page are a list of Council's debt ratios as per the existing policy and the proposed policy:

Treasury Compliance with PolicyLiquidity (Liquid Assets + Debt / Debt)**Existing**

	Limit	Policy Limit	Actual
✓	>115%	>115%	131%

Finance Costs / Total Revenue**Existing**

	Limit	Policy Limit	Actual
✓	<20%	<20%	0.8%

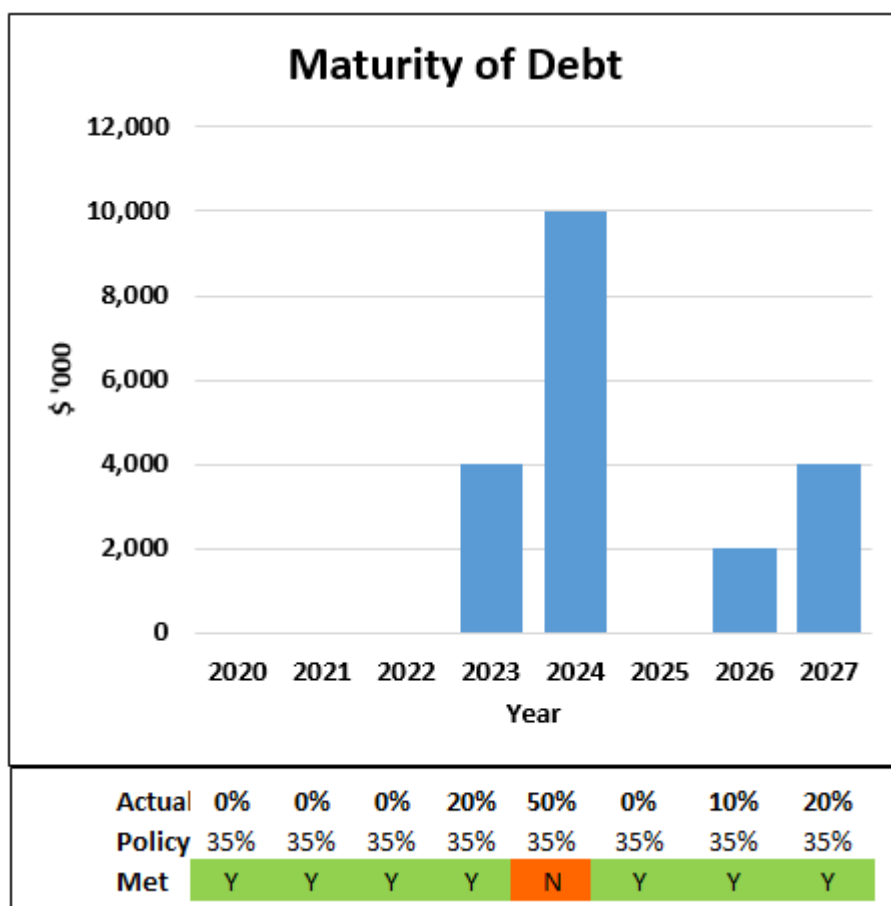
Finance Costs / Total Rates Revenue**Existing**

	Limit	Policy Limit	Actual
✓	<25%	<25%	1.7%

Debt to Operating Revenue**Existing**

	Limit	Policy Limit	Actual
✓	<150%	<150%	34.8%

As at 30th April 2021, Council is holding sufficient funds to meet its financial obligations (liquidity ratio), it is within its debt ceiling (debt per head of population and debt to operating revenue ratios), and it is within its financial costs ratios.



Council's policy states that "no more than the greater of \$10m, or 35% of Council's total debt can mature in any 12 month rolling period". As at 30th April 2021 the only 12 month period that exceeds 35% of all debt maturing in a 12 month period is 2024 where \$10m matures, which is still inside the proposed policy.

The table below shows the details of Council's current debt portfolio:

<u>Debt Position</u>	<u>Draw Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Amount</u> 30/06/2020	<u>Amount Now</u>	<u>Movement</u>
LGFA - Fixed Rate	28/08/2017	25/08/2025	3.85%	2,000,000	2,000,000	-
LGFA - Fixed Rate	22/07/2019	15/04/2024	2.19%	10,000,000	10,000,000	-
LGFA - Fixed Rate	16/12/2019	15/04/2023	1.96%	4,000,000	4,000,000	-
LGFA - Fixed Rate	16/03/2020	15/04/2027	2.03%	4,000,000	4,000,000	-
ANZ Seasonal Facility (\$1,500,000)				-	-	-
Total Debt			2.28%	20,000,000	20,000,000	-

Expected Funding / Refinancing Requirements

Over the next six months, Council has two rates revenue due dates occurring (May and August), the remaining 3 Waters reform monies due (further \$5.5m), and \$12m of term deposits maturing.

On the flip side the first LGFA debt maturity doesn't occur until April 2023.

Therefore it is not expected that Council will need seek any further LGFA debt funding during this period.

IMPLICATIONS ASSESSMENT

This report confirms that the matter concerned has no particular implications and has been dealt with in accordance with the Local Government Act 2002. Specifically:

- Council staff have delegated authority for any decisions made;
- Any decisions made will help meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses;
- Any decisions made are consistent with the Council's plans and policies; and
- No decisions have been made that would alter significantly the intended level of service provision for any significant activity undertaken by or on behalf of the Council, or would transfer the ownership or control of a strategic asset to or from the Council.

NEXT STEPS

Officers will continue to provide quarterly updates on Treasury Management.

RECOMMENDATION

That, having considered all matters raised in the report, the report be noted.

6.4 HEALTH & SAFETY REPORT**File Number:** COU1-1408**Author:** Nicola Bousfield, Group Manager - People & Business Enablement**Authoriser:** Monique Davidson, Chief Executive**Attachments:** 1. Health & Safety Report - Dashboard Attachment [↓](#)**RECOMMENDATION**

That, having considered all matters raised in the report, the report be noted.

PURPOSE

To provide the Risk & Assurance Committee with health, safety and wellbeing information and insight and to update the Committee on key health and safety critical risks and initiatives.

SIGNIFICANCE AND ENGAGEMENT

This report is provided for information purposes only and has been assessed as not significant.

BACKGROUND

Elected members, as 'Officers' under the Health and Safety at Work Act 2015 (HSWA), are expected to undertake due diligence on health and safety matters.

The Health and Safety at Work Act 2015 came into law on 4th April 2016. It requires those in governance roles, and senior management, to have a greater understanding of their organisation's health and safety activities.

Under the Health and Safety at Work Act 2015, all elected members are deemed 'officers' and must exercise a duty of due diligence in relation to health and safety. These quarterly reports provide information to assist elected members to carry out that role and provides the health and safety information it needs to be aware of to meet its responsibilities under the Act.

DISCUSSION**OVERVIEW**

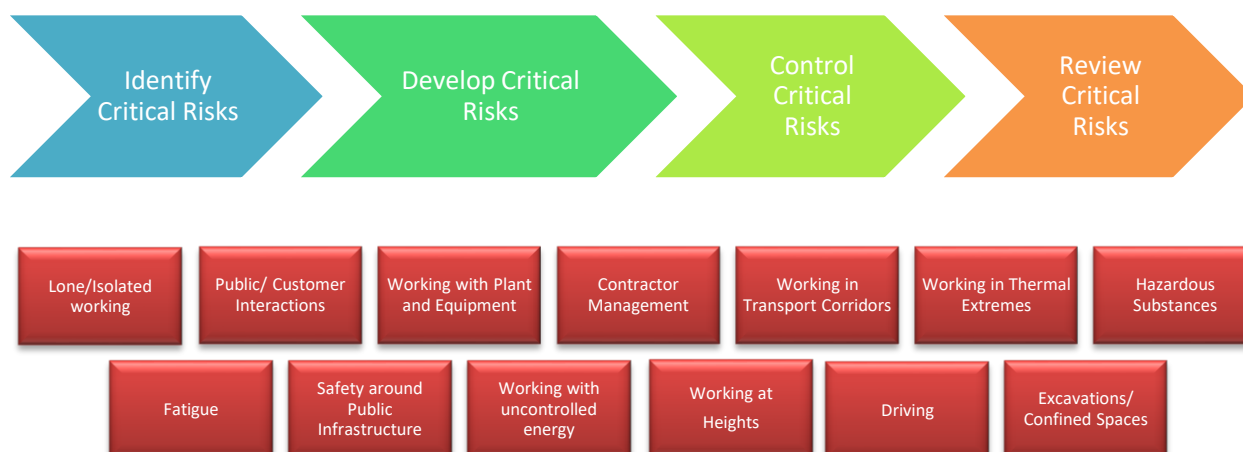
This is the update for Quarter Two of 2021 – March 2021 through to May 2021. The HS&W team continue to work on the raft of improvements put into action in 2020, many are well underway or bedding-in.

This is a shorter report than previous editions as the report provides brief updates on projects and initiatives while also being full of information in a dashboard format attached.

The increase in reporting levels previously reported has slowed and the H&S team will work to lift this again. Phase 1 of the vehicle GPS system is complete and Phase 2 has been brought forward due to a desire to ensure safe use of the fleet and in response to the delays in vehicle supplies due to the Covid-19 pandemic. In addition, to completing Phase 1 and bringing forward Phase 2 of the vehicle GPS project, Council has also invested an electronic vehicle checking app provided by Eroad which integrates into the fleet management and vehicle safety system. The app makes weekly checks of the fleet simple and convenient for staff while making it efficient for those involved in fleet management and safety to track and action improvements as needed.

The rollout of Phase 1 of the lone worker device project is complete and two further satellite devices have been purchased based on needs identified before Phase 2 of the project is due to be executed.

HEALTH AND SAFETY - CRITICAL RISKS



This diagram identifies the logical and methodical approach adopted to address our critical risks as well, as the 13 critical risks identified by Council.

Critical Risks In-Focus

Since the March 2021 report to the Risk & Assurance Committee, we have nearly completed electronic transfer of the bow-tie analysis workshops and are progressing plans to engage a specialist bow-tie software platform which will enable the H&S team and the wider organisation to better utilise the information from those workshops.

Lone Worker Devices

As previously reported phase 1 of the device purchase, training and rollout is complete. The instillation of mounting plates into Council vehicle fleet is complete and our internal contractors Veolia and Recreational Services have been invited to consider installation of the mounting plates into their vehicles also.

Reporting on device usage and alerts is now possible. This will be tracked monthly with feedback to staff, the health and safety committee, and reporting to the Executive team as well as the Risk & Assurance Committee.

Vehicle GPS Tracking - Eroad

Phase 1 of the vehicle GPS rollout is complete and significant investment has been put into setting up the Eroad platform. Council has also recently launched the 'Eroad Inspect' app which allows all our people to contribute to the fleet's safety by electronically performing weekly vehicle checks. The app is in addition to Eroad system and is integrated into the software which enables the platform to be the one source of truth for managing the vehicle fleet and lifting the safety of Council vehicles. Phase 2 of the vehicle GPS fit out was originally planned to occur as replacement vehicles were acquired; in light of the delays in sourcing new vehicles for replacement, this plan has been reviewed and brought forward for safety purposes. In addition, the work already reported on the fleet, Council are reviewing the suitability of the existing vehicles, the usage needs of our people which will inform future decisions to ensure Council staff can better utilise the existing fleet. Please see the driver safety dashboard for further information (in the dashboard section).

HEALTH AND SAFETY ACTIVITIES

Contractor Management

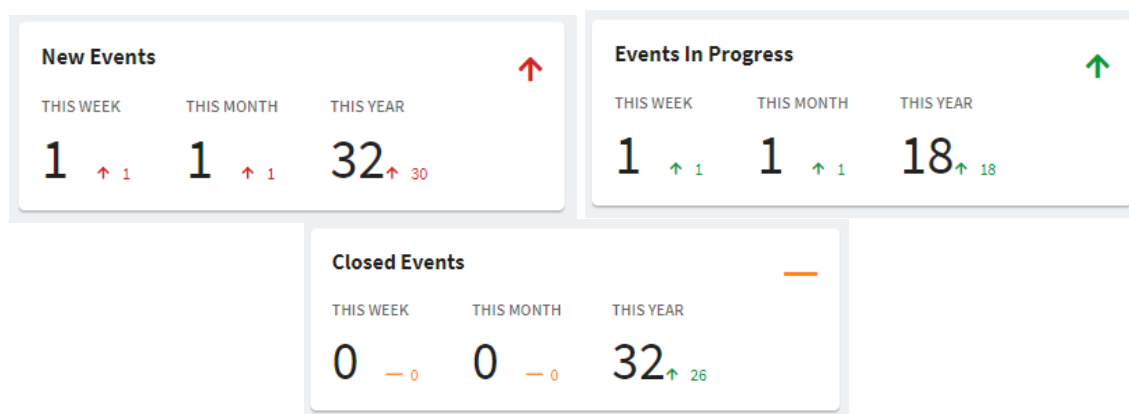
Previously it was reported that the H&S Contractor Management Framework would be rolled-out, this project has been re-scoped to take a wider 'all of Council' approach and embed the H&S aspects of contractor management into our existing Council Contract Management Framework. This work requires a full review of the existing framework. The H&S Advisor is working closely with the Chief Financial Officer on this project and progress will be reported to the Risk & Assurance Committee.

Vaccination Policy

Since the last Risk & Assurance Committee meeting, a Draft Vaccination Policy has been developed, which aims to work in partnership with our staff and contractors to ensure Council protect those likely to be exposed to infectious diseases. The draft has been agreed to in principle by the Executive Leadership Team and is now in a worker engagement phase for feedback before formal adoption.

HS&W Reporting

The reporting levels across the organisation are slowing compared to the increase reported when Risk Manager was launched. As previously reported, work will continue to encourage and drive higher reporting levels.



Aggression and Abuse of Stop-Go Operators in CHB Campaign #ActWithMana

Work on the #ActWithMana campaign is continuing, the Land Transport team have the Billboards up on the main local roads coming into our district, the PMO office to install a further two sets near their projects sites and the transport team are working with NZTA to get the billboards up on the state highway entrances to our district.

The Health and Safety Advisor has presented to the first cohort of logging truck drivers recently; the campaign was well received and many were visibly concerned at the experiences of our road workers. The drivers provided some feedback which will be used to inform future engagement opportunities as well as the wider project. Work is underway to develop and ready the social media side of the campaign which is anticipated to go live following a media release.

Council have approached large regional industry players to support the campaign as well as the Log Transport Safety Council and the two primary vehicle-GPS telemetric companies operating in the country.

WELLBEING

The Wellbeing for staff at Council is led by the People & Capability Advisor

Councils wellbeing initiatives include Weekly wellbeing topics, Monthly focus subjects, Bitesize Sessions and Wellness Webinars

For the January to March period the focus points were as follows with positive feedback and high engagement:

- January: Looking after yourself heading back to work
- February: Fresh air and fresh food focus, walking groups were started and we held a very successful fresh fruit Friday.
- March: Included more walking groups and in line with NZ awareness days/months, we held a shared morning tea for Hearing awareness month where we received a short lesson in sign language.

Focus areas for the following three months April to June are;

- April: Motivation – Bitesize session - Tips to find it, understand it and keep it!. Some staff utilised Community Service leave to support the Poppy Appeal fundraiser.
- May: Positivity – Bitesize session - How to squash that inner critic. Webinar – hosted by Lance Burdett. Pink shirt day – Bully Prevention, wear a pink top, bring along a shared morning tea (pink theme) and if possible make a gold coin donation
- June: Understanding & learning - Bitesize session – Understanding & Celebrating Matariki. World Refugee Day – Looking outside your bubble, celebrating resilience

The general feel of the organisation and the up and coming pressures are taken into account when planning the topics for each month.

IMPLICATIONS ASSESSMENT

This report confirms that the matter concerned has no particular implications and has been dealt with in accordance with the Local Government Act 2002. Specifically:

- Council staff have delegated authority for any decisions made;
- Council staff have identified and assessed all reasonably practicable options for addressing the matter and considered the views and preferences of any interested or affected persons (including Māori), in proportion to the significance of the matter;
- Any decisions made will help meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses;
- Unless stated above, any decisions made can be addressed through current funding under the Long-Term Plan and Annual Plan;
- Any decisions made are consistent with the Council's plans and policies; and
- No decisions have been made that would alter significantly the intended level of service provision for any significant activity undertaken by or on behalf of the Council, or would transfer the ownership or control of a strategic asset to or from the Council.

NEXT STEPS

To continue to improve the safety culture at CHBDC, while implementing the initiatives laid out in the Health and Safety Action Plan for 2020 and 2021, and to work through the actions laid out in the 2019 Gap Analysis Report.

RECOMMENDATION

That, having considered all matters raised in the report, the report be noted.



Risk and Assurance Committee

Health and Safety Report – Dashboard Attachment

27 May 2021



ORGANISATIONAL DASHBOARDS:

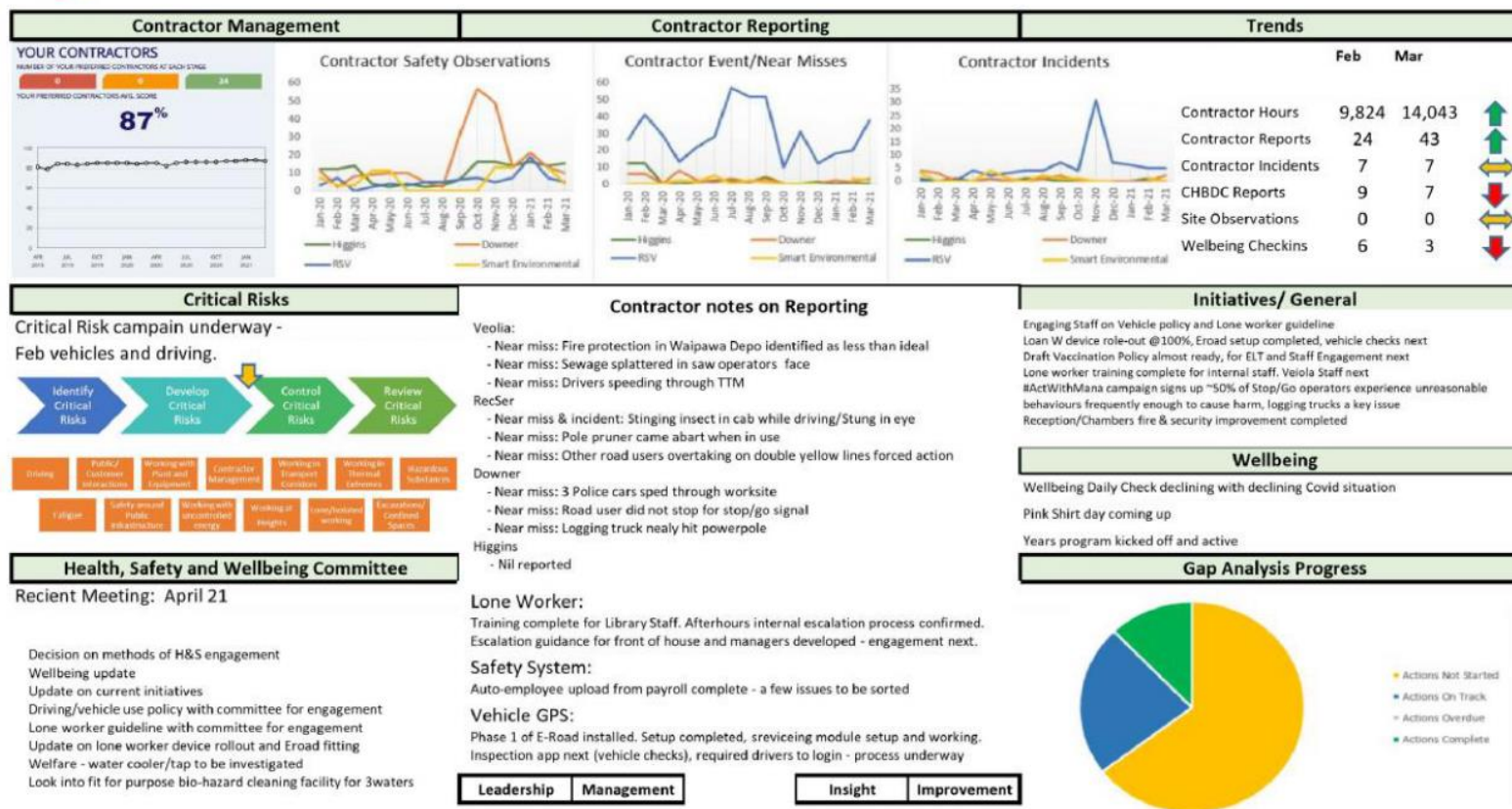
HEALTH AND SAFETY PERFORMANCE DASHBOARD



**CENTRAL
HAWKE'S BAY**
DISTRICT COUNCIL

Health and Safety Performance Dashboard

Mar-21



Central Hawke's Bay District Council – Health and Safety Report

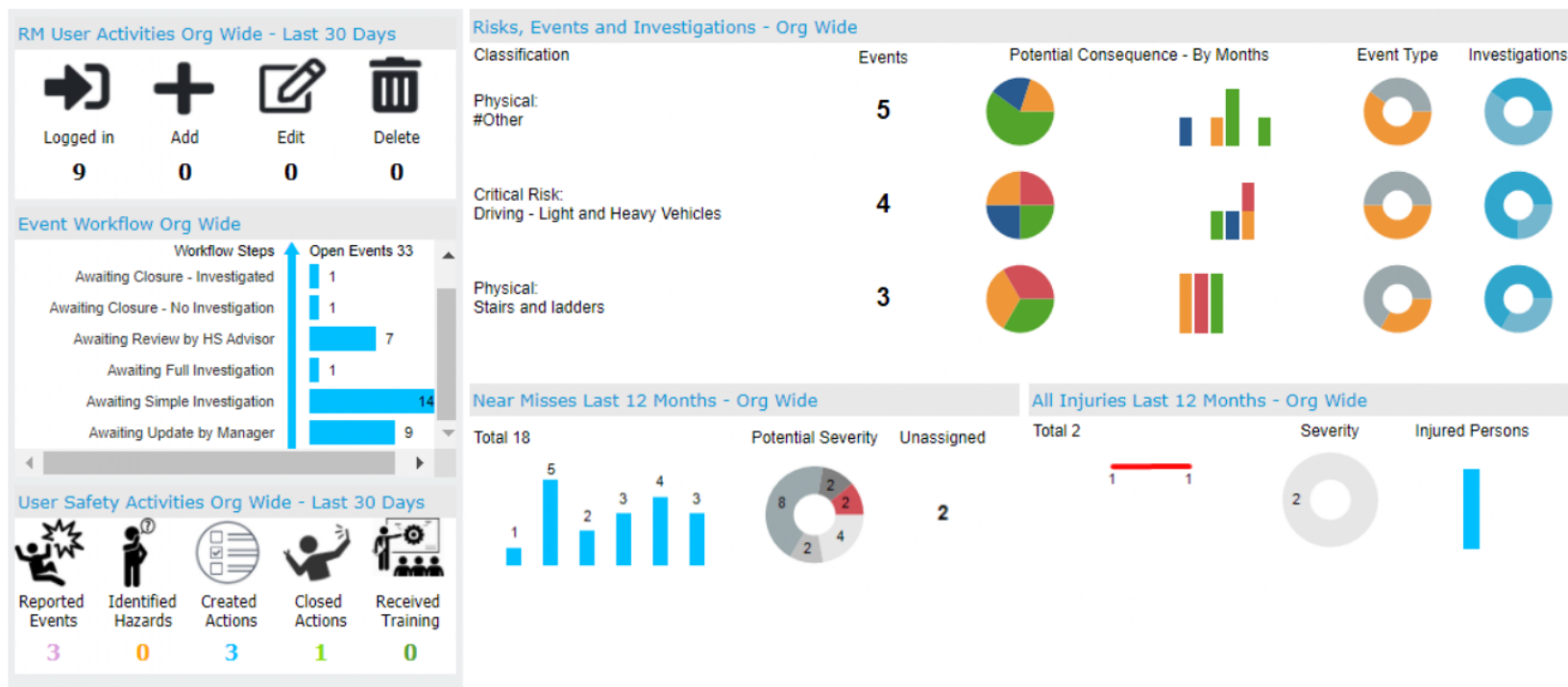
2

Author: Bevan Johnstone

Date: March 2021



RISKMANAGER DASHBOARD



Central Hawke's Bay District Council – Health and Safety Report

Author: Bevan Johnstone

Date: May 2021

3



EROAD DRIVER SAFETY DASHBOARD

Driving Events by Vehicle (This Quarter)



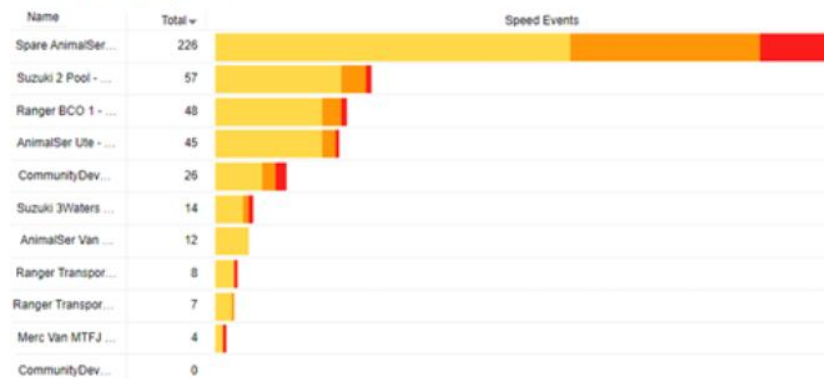
Safety Leader Board by Vehicle

(More stars represents safer driving)

Rank	Vehicle Name	Stars	Trend	Rank Change
1	Ranger Transport	★★★★★	▲	+1
2	Merc Van MTFJ	★★★★★	▼	-1
3	Ranger Transport	★★★★★	→	0
4	Suzuki 3Waters	★★★★★	→	0
5	AnimalSer Ute	★★★★★	▲	+2
6	AnimalSer Van	★★★★★	▼	-1
7	Suzuki 2 Pool	★★★★★	▲	+1
8	Ranger BCO 1	★★★★★	▼	-2
9	CommunityDevop	★★★★★	→	0
10	Spare AnimalSerUte	★★★★★	→	0

Over Speed Events by Vehicle (This Quarter)

No. of Events by Vehicle



Over Speed Key:

Over Speed Bands:	
Heavy Vehicles	Light Vehicles
✓ +5 km/h	✓ +10 km/h
✓ +10 km/h	✓ +15 km/h
✓ +15 km/h	✓ +20 km/h

Note: All council vehicles are considered light vehicles



LONE WORKER DEVICE – ACTIVATION DASHBOARD

Alerts Report

Last Updated: 5/10/2021 1:00:14 PM NZST

Alerts location

Alert Type ● Emergency alert ● Fall detected alert ● No motion alert



Median Delivery Time
(Seconds)

3



Median Acknowledgement
Time (Seconds)

27



Median Resolution Time
(Seconds)

221

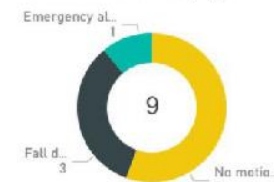


Number of alerts

Alert Type ● Emergency alert ● Fall detected alert ● No motion alert



Number of alerts by type



Number of resolutions by reason



Individual alert processing time

● Alert deliver... ● Alert ackno... ● Alert resol...



Average alert processing time by date

● Average Alert Delivery ● Average Alert Ack... ● Average Alert ...



Number of alerts by date



The above dashboard reports on the lone worker device activations for the selected period (excluding training or demo activations), it splits the activations into the type of alert (SOS, no-motion or fall) and provides data on the system performance including: delivery of the alert to the monitoring centre, the median time for the monitoring centre to respond to each alert, and the median time taken to resolve the activations

Central Hawke's Bay District Council – Health and Safety Report

Author: Bevan Johnstone

Date: May 2021

5

6.5 RISK STATUS REPORT

File Number: COU1-1408

Author: Nicola Bousfield, Group Manager - People & Business Enablement

Authoriser: Monique Davidson, Chief Executive

Attachments: Nil

RECOMMENDATION

That, having considered all matters raised in the report, the report be noted.

PURPOSE

The purpose of this paper is to report to the Risk and Assurance Committee (the Committee) on Council's risk landscape, risk management work in progress and to continue a discussion with the Committee about risk.

SIGNIFICANCE AND ENGAGEMENT

This report is provided for information purposes only and has been assessed as not significant.

BACKGROUND

The Risk Status Report is part of regular and routine reporting designed to provide governance with oversight and input into the way that identified risks are being managed within Council.

Further to the obvious benefits of 'reporting up' risk, Officers consider that these reports should be the basis of discussion that covers and adds value to all elements of the risk management spectrum (Identify, Analyse, Evaluate, Treat, Monitor/Report). That is, Officers intend that these reports facilitate discussion that identifies new risk, as well as focussing on existing listed and managed risks.

Feedback from the previous Committee meeting has shaped the structure and content of this report, with a specific focus of this report and future reports shifting to a clearer summary and assessment of risks that are considered 'active' at the time of reporting.

DISCUSSION

Sections below provide detail across and into Council's risk-scape.

Systems Implementation

Following the implementation of Impac Risk Manager (the system) at Council, all Corporate and Health & Safety risks are now in a single platform which allows for greater efficiency and consistency in reporting.

Council's highest-level strategic risks have been entered into Risk Manager. While undertaking this process, Officers identified opportunities to refine the transfer of information and continue develop our risk information.

As previously reported to the Risk & Assurance Committee, Officers next step in the implementation of Risk Manager, is to transfer Council's operational risks into the system. Officers have started scoping this project and are preparing to develop a programme of work to engage with Activity Managers and their teams, workshopping each area of operational risks over coming months. This process will ensure all operational risks are reviewed and analysed as they are prepared for input into Risk Manager, identifying any opportunities to refine existing operational risk registers.

Health and Safety Risks – Critical Risks

A detailed update on Health and Safety Risks is provided to the Committee in a separate report. That report covers priorities and progress and is an overview of Health and Safety Risk management at Council.

As reported to the Committee in the Health & Safety Reports, Officers undertook a significant Bow Tie project in 2020 to identify, develop and control Council's critical Health and Safety risks. Officers continue to look for opportunities to develop on this project and are in the process of purchasing a specialist bow-tie software platform. This will enable the H&S team and the wider organisation to better utilise the information from those workshops and easily embed it into operational activities.

Risk Framework – Fraud Report Recommendations

Revisions to the Council's Risk Framework were recently adopted by the Committee. Revisions were made to the matrix and grading system to provide greater clarity within the framework.

As reported to the Committee today, through the Internal Audit – Fraud Health Check Report, Crowe (Council's internal auditors) recommended Council expand the Financial Strategy Failure to specifically include Fraud. Officers will undertake the changes required to incorporate these recommendations and will bring the changes to the Committee for review and adoption.

Active Risks

The following risks are considered to be 'active' or 'live' at the time of this report, as determined by Officers. These risks span across the operational portfolios of the organisation. Some may be linked to or part of a larger Corporate Strategic Risk. This list will change from report to report as risks become live, escalate in terms of priority or are mitigated and no longer require reporting at this level.

Risk	Strategic Risk Register Linkage	Update
Growth from the implementation of the Development Contributions Policy	Failure to effectively deliver services and projects	<p>As anticipated, Council has experienced extremely high volumes of consenting applications, following the changes implemented in the Development Contributions Policy.</p> <p>While the processing of consents in itself would not ordinarily be considered an active risk, the unprecedented volume at which the consent applications have come to Council is, and the pressure that puts on Council's Consenting team to adhere to the required timeframes.</p> <p>This risk is being actively managed via increased engagement of external resources, as well as a returning Build Consent Officer commencing late May 2020.</p>
Growth and Notification of the District Plan	Failure to effectively deliver services and projects	<p>Similar to the 'active risk' above, Officers anticipate the notification of the District Plan will have a similar impact and pressure on Council's teams. Officers anticipate an increased volume in demand on consenting services from the point in which the District Plan is notified.</p> <p>Officers have also identified that some areas of the community may not have fully appreciated the changes to Significant Natural Areas in the District Plan, which come into effect from the point of notification, rather than the time in which it becomes operative.</p>
Construction of infrastructure to service the wave of growth	Failure to effectively deliver services and projects	<p>Relating to the two 'active risks' above, Officers have identified that following the wave of consents brought by recent policy decisions, Officers are now challenged to meet the demand this growth will place on Council infrastructure and services.</p>

	projects	This risk is being actively managed and has been planned for, through capital works projects in the Project Management Office. Council also plans to recruit for a Development Engineer that will be specifically focused on growth in the district.
Trade Waste Bylaws implementation	Failure to effectively deliver services and projects	The decision to recover a component of the construction costs for the new waste water treatment plants from trade waste is a shift from previous. There is risk of legal challenge, operational issues in implementing the new policy and financial risk of non-payment. All risks are being actively managed.
Recruitment for key roles	Not able to retain or secure key staff	As previously reported to the Committee, Council is advertising for several key roles and in some cases had more than one round of advertising to find suitable candidates. In the context of the 3 Waters Reform, this 'active risk' is more apparent in the 3 Waters Team, where we continue to see specialist skills and technical leadership shortages. This active risk is being managed via increased engagement of external resources or through existing staff taking on extra duties for a short period.
Asset condition related failures	Failure of Critical Assets	Council's 3 waters assets remain largely in a compromised condition and failures are still common. Significant funding has been tagged in the new LTP to address this risk but until such time as budgets are confirmed and work is undertaken across a number of years to replace tired assets, the risk will remain actively managed.

IMPLICATIONS ASSESSMENT

This report confirms that the matter concerned has no particular implications and has been dealt with in accordance with the Local Government Act 2002. Specifically:

- Council staff have delegated authority for any decisions made;
- Council staff have identified and assessed all reasonably practicable options for addressing the matter and considered the views and preferences of any interested or affected persons (including Māori), in proportion to the significance of the matter;
- Any decisions made will help meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses;
- Unless stated above, any decisions made can be addressed through current funding under the Long-Term Plan and Annual Plan;
- Any decisions made are consistent with the Council's plans and policies; and
- No decisions have been made that would alter significantly the intended level of service provision for any significant activity undertaken by or on behalf of the Council, or would transfer the ownership or control of a strategic asset to or from the Council.

NEXT STEPS

Officers focus on Risk Management continues to be the establishment and embedding of a common single system for managing and reporting all risks.

Officers welcome feedback and guidance of the Committee and its members on the future of this report and other matters with respect to Risk Management in the organisation.

RECOMMENDATION

That having considered all matters raised in the report, that the report be noted.

6.6 INTERNAL AUDIT - FRAUD HEALTH CHECK

File Number: COU1-1408

Author: Brent Chamberlain, Chief Financial Officer

Authoriser: Monique Davidson, Chief Executive

Attachments: 1. Fraud and Corruption Prevention Policy [↓](#)
2. Crowe Internal Audit Findings - Fraud Health Check [↓](#)

RECOMMENDATION

That, having considered all matters raised in the report, the report be noted.

PURPOSE

The purpose of this report is to bring to the Risk and Assurance Committee the findings of the recent Fraud Health Check.

SIGNIFICANCE AND ENGAGEMENT

This report is provided for information purposes only and has been assessed as not significant.

BACKGROUND

In April 2021 Crowe (Council's internal auditors) undertook a Fraud Health Check Audit.

The health check looked at four aspects of Council:

Prevention – Staff policies concerning fraud prevention, staff conduct, and whistle blowing

Detection – Strength of Internal Controls to prevent/detect fraud

Resolution – Process of responding to fraud

Monitoring – Checking fraud framework/controls are operating correctly

The review was undertaken over two days and consisted of interviews with key staff, and reviews of Council Policies and meeting minutes.

DISCUSSION

The main finding of the health check was that Council currently does not have a Fraud Policy, and its staff conduct and protected disclosure (whistle blower) policies are overdue for reviews.

Officers accept that this is the case, and have subsequently drafted a "Fraud and Corruption Prevention Policy" – a copy of which is attached. The People and Capability Advisor has the review of the staff conduct and protected disclosure (whistle blower) policies scheduled for September this year. Once the new/revised policies are adopted further communication/training with staff will be undertaken to reinforce the serious nature of the topic.

Crowe also questioned whether fraud awareness was part of day to day discussions across Council/Officer meetings as they didn't see any "fraud" discussions being minuted in Council's or Finance and Infrastructure's February 2021 meetings, and didn't see it specifically mentioned in Council's Risk Register.

Fraud and Internal Controls do not form part of every meeting's agenda, and the agenda they would more likely see it on is the Risk and Assurance Sub-Committee where audit findings and internal controls are discussed (such as this meeting).

Officers agree that Fraud should exist on Councils Risk Register, and the section covering Financial Strategy Failure should be expanded to include this.

Crowe has questioned a couple of Delegated Financial Authority levels and a couple of internal controls to do with accepting Direct Debits and security setting in our Magiq software. Officers will work through tightening these up in July 2021 and will tie this work in with the change in software to the cloud version.

Crowe has also recommended that a data analytics review is undertaken, since it was last performed in 2018. This is a piece of work that cross references payroll and creditor data looking for matches in bank accounts, IRD numbers, addresses etc.

IMPLICATIONS ASSESSMENT

This report confirms that the matter concerned has no particular implications and has been dealt with in accordance with the Local Government Act 2002. Specifically:

- Council staff have delegated authority for any decisions made;
- Council staff have identified and assessed all reasonably practicable options for addressing the matter and considered the views and preferences of any interested or affected persons (including Māori), in proportion to the significance of the matter;
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- Any decisions made are consistent with the Council's plans and policies; and
- No decisions have been made that would alter significantly the intended level of service provision for any significant activity undertaken by or on behalf of the Council, or would transfer the ownership or control of a strategic asset to or from the Council.

NEXT STEPS

Officers will work through the list of recommendations, and agreed actions over the coming months.

RECOMMENDATION

That, having considered all matters raised in the report, the report be noted.



**CENTRAL
HAWKE'S BAY**
DISTRICT COUNCIL

***Together
we thrive!***

Fraud and Corruption Prevention Policy

INTRODUCTION

The purpose of this policy is to ensure that any suspected cases of fraud or corruption are dealt with appropriately in order to protect the assets, reputation and staff of Central Hawke's Bay District Council (Council).

This policy:

- defines fraud and corruption,
- outlines prevention mechanisms,
- sets out responsibilities for detection,
- provides clarity about what to do if you suspect fraud or corruption, and
- sets out the action that will be taken if fraud or corruption is discovered.

SCOPE

This policy will apply to all employees of, and contractors to, the Central Hawke's Bay District Council, and its controlled entities, representatives, vendors and will also apply to all persons with honorary or unpaid status (e.g. volunteers).

Limits and applications

This policy does not apply to:

- Minor fraud perpetrated by the public against Central Hawke's Bay District Council (for example; providing wrong information on a licence application).
- Performance management issues that are not identified as fraud should be resolved by a manager and/or Human Resources.
- Councillors, who are subject to provisions within the Local Authorities (Members' Interests) Act 1968, the Local government Act 2002 and Central Hawke's Bay District Council's Code of Conduct for Elected Representatives.
- This policy distinguishes between fraud and error. Within this definition, "error" refers to an unintentional misstatement of information, such as financial information, including the omission of an amount or a disclosure.

INTERPRETATION

Definitions of Fraud and Corruption are provided in Appendix 1. To assist with interpretation of this policy the following general guidance relating to these terms is provided.

Fraud	Includes any actual, alleged or suspected fraud through acts of deception, misrepresentation or omission committed with the intention of gaining an unjust or illegal advantage or to cause an unjust or illegal loss or disadvantage.
Corruption	Lack of integrity or honesty (including bribery) or the use of a position of trust for dishonest gain.

Note: Refer to Appendix 1 for more detail

POLICY STATEMENT

The Council will proactively take all reasonable steps to prevent fraud or corruption by developing and maintaining a policy that clearly sets out policies, processes and expectations of behaviour, and promotes robust internal controls for all aspects of the protection of assets, procurement, purchasing, payroll, treasury and cash management.

Mandate and commitment

The Council and executive management regards fraud and corruption as totally unacceptable and will apply a 'Zero Tolerance' approach to fraudulent behaviour or corruption.

Employees should make themselves familiar with Central Hawkes Bay District Council policies, procedures, guidelines and business rules, particularly those which govern and guide processes and functions in relation to their specific role. Ignorance of the Council's policies and processes is not an acceptable excuse if a breach occurs.

Principles

Central Hawkes Bay District Council will treat all suspected instances of fraud or corruption seriously, and expects:

- All employees to act honestly and with integrity and to safeguard the public resources for which the Central Hawkes Bay District Council is responsible at all times.
- All suspected instances of fraud or corruption will be investigated.
- That irrespective of their roles, those that are suspected of committing fraudulent or corrupt acts will be subject to this policy and its related procedures.
- Employees who commit fraud will be subject to the Central Hawkes Bay District Council disciplinary procedures, as outlined in the Council's Staff Conduct Policy. Any proven instance of fraud will generally constitute serious misconduct. Fraud may also amount to a criminal offence.
- That any investigative activity will be conducted without regard to the suspected wrongdoer's length of service, position/title or relationship.
- That employees who suspect fraud or corruption must report the issue as outlined in the Fraud and Corruption Response Process.
- Any individual reporting suspected fraud has the right to expect their actions will be dealt with in confidence.
- Recovery of lost money or other property will be pursued wherever possible and practicable.
- Suspected fraud will be investigated in an independent, open minded and professional manner. The interests of the Central Hawkes Bay District Council and the suspected individual will be protected as much as possible and good employer processes will be followed at all times.

- Evidence collected as part of any fraud investigations must substantiate any further action the organisation takes. There must be transparency in the fraud or corruption response to provide confidence that the process has been adhered to.
- That no individual involved in investigating suspected fraud or corruption will disclose the status of an investigation, except to the Fraud Management Group (consisting of the Chief Financial Officer and Group Manager - People and Business Enablement), or the Chief Executive in cases where an employee is suspected of unauthorised possession or fraud.

Central Hawkes Bay District Council is committed to minimising fraud and corruption through the following strategies:

Prevention	Detection	Response
<p>Includes but is not limited to:</p> <ul style="list-style-type: none"> • All staff will be made aware of the Fraud and Corruption Prevention Policy on an annual basis. • Fraud awareness training for appropriate staff. • A clear, visible Code of Conduct that sets out the expectations for employee behaviour. • Pre-employment screening that includes checking for criminal convictions and/or credit checks for appropriate staff. • Assuring that staff appointed to positions of responsibility are appropriately qualified, experienced and aware of their obligations in regard to fraud and the protection of assets of the Council. • Induction processes for new staff that includes Code of Conduct information and appropriate fraud awareness information. • Segregation of duties in accordance with good practice whenever possible. • Appropriately robust financial reporting. • Robust confirmation of new suppliers. 	<p>The Council will undertake audits and analysis designed to identify fraudulent or corrupt activity which may include:</p> <ul style="list-style-type: none"> • An Internal Audit Plan and Programme of work carried out by external parties. • Regular Fraud Risk Assessments by external parties. • Periodic Data Analytics for suspicious transactions. • A safe, documented and widely available process for employees to report suspected fraud, which includes the option for reporting to an independent entity. 	<ul style="list-style-type: none"> • Investigations. • Insurance. • Reviewing processes and systems.

CHBDC INTERNAL POLICY – Fraud and Corruption Prevention Policy
ADOPTION DATE: XX/XX/XX REVIEW DATE: XX/XX/21

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Reporting

The Council has Fraud Response Procedures which set out the process to follow when a fraud is suspected.

Staff can report fraud in person, phone, or by email to the following key senior staff with whom they feel most comfortable;

- Chief Financial Officer
- Group Manager - People and Business Enablement
- Chief Executive
- Independent Chair of the Risk and Audit Subcommittee

Staff reporting suspected fraud are covered by the Central Hawkes Bay District Council's Protected Disclosure Policy.

Strategic Alignment

This policy gives effect to the need for trusted open and transparent local government services.

ROLES AND RESPONSIBILITIES

Role	Responsibility
ALL EMPLOYEES, including Managers	<ul style="list-style-type: none"> • Operating in line with Council's Code of Conduct and other relevant policies. • Being scrupulously fair and honest in their dealings with contractors, suppliers, customers and other staff members. • Taking reasonable steps to safeguard Central Hawkes Bay District Council funds and assets against fraud, theft, unauthorised use and misappropriation. • Strictly adhering to all system security measures, segregation of duties and delegations. • Not make any enquiries or undertake any investigation in to a case of suspected fraud or corruption. • Reporting immediately to Chief Financial Officer or General Manager- People and Business Enablement, or Chief Executive (or where this is inappropriate, Chair of the Audit and Risk Subcommittee) if they suspect or believe that there is evidence of irregular or improper behaviour or that a fraud may have been committed.
MANAGERS	<p>The day to day responsibility for the prevention and detection of fraud, misappropriation and other inappropriate conduct rests with Managers, who are responsible for:</p> <ul style="list-style-type: none"> • Demonstrating the highest standards of ethical behaviour. • Identifying the risks to which systems, operations and procedures are exposed. • Developing and maintaining effective internal controls to ensure effective stewardship of funds and to prevent and detect fraud. • Ensuring these internal controls are being complied with. • Strictly adhering to delegations of authority (including the "one up" approval principle and the amount they can authorise).

	<ul style="list-style-type: none"> Ensuring compliance with all Council policies, procedures and guidelines. An awareness and sense of responsibility for the types of impropriety that may occur within their respective areas and being alert for any indication of irregularity.
FRAUD MANAGEMENT GROUP Consists of the; - Chief Financial Officer, and - Group Manager - People and Business Enablement	<ul style="list-style-type: none"> Setting tone with regard to fraud or corruption. Primarily responsible for investigating cases of suspected fraud or corruption.
CHIEF EXECUTIVE	<ul style="list-style-type: none"> Making the decision to notify any cases of fraud or corruption to external agencies (including the Police). Note: This responsibility falls to the Chair Risk & Audit Subcommittee and Mayor in cases involving the Chief Executive.

REFERENCES

This policy should be read alongside the Council's Protected Disclosures Policy

Relevant Legislation

- Crimes Act 1961
- Procedures for the Protected Disclosure Act 2000
- Employment Relations Act 2000
- Protected Disclosures Act 2000
- Privacy Act 1993

Relevant Procedures

- Fraud Response Procedure
- Staff Conduct Policy
- Conflict of Interest Policy
- Sensitive Expenditure Policy (Covering Gifts, Prizes and Loyalty Schemes)
- Credit Card Operation Policy
- Procurement Manual

REVIEW

This policy will be reviewed every three years or at the request of Council or in response to triggers, legislative and statutory requirements.

APPENDIX 1: EXPANDED DEFINITIONS OF FRAUD AND CORRUPTION

CHBDC INTERNAL POLICY – Fraud and Corruption Prevention Policy
 ADOPTION DATE: XX/XX/XX REVIEW DATE: XX/XX/21

E ora ngātahi ana! 5

For the purposes of this policy, "fraud" includes any actual, alleged or suspected acts of deception, misrepresentation or omission committed with the intention of gaining an unjust, unfair or unlawful advantage or to cause an unjust, unfair or unlawful loss or disadvantage.

Such behaviour includes, but is not limited to:

- Unauthorised use of facilities, vehicles or equipment for personal gain;
- Deliberately not recording leave taken, or any other employee theft of time;
- Misappropriation or improper disposal of assets, including cash, funds and supplies;
- Forgery or alteration of documents or accounts belonging to the Central Hawkes Bay District Council;
- Forgery or alteration of a cheque, bank draft or any other financial document;
- Disclosing confidential or proprietary information to third parties;
- Accepting or seeking anything of material value from contractors or persons, including before, during and after, any procurement processes;
- Manipulating reporting to obscure impropriety;
- Obtaining funds or any other benefit through misleading claims, representations or by false pretences;
- Inappropriate claims for expenses for personal gain;
- Profiteering for personal or another person or entities gain as a result of insider knowledge of Central Hawkes Bay District Council's activities;
- Unapproved destruction, removal or inappropriate use of records, furniture, fixtures, and equipment;
- Use of the Central Hawkes Bay District Council's credit cards for personal gain;
- Inappropriate payments to third parties;
- Presenting false credentials or qualifications;
- Supporting others in, or in any way being party to, fraud or not reporting fraud;
- Any, of the above for personal gratification and/or edification, whether or not there is pecuniary gain.

'Corruption' is the lack of integrity or honesty (typically involving bribery) or the abuse of a position of trust for dishonest gain. It can include bribery (both domestic and foreign); coercion; destruction, removal or inappropriate use or disclosure of records, data materials, intellectual property or assets; or similar forms of inappropriate conduct.

Examples of corrupt conduct include, but are not limited to:

- Any person who has a business involvement with the Council, improperly using, or trying to improperly use, the knowledge, power or resources of their position for personal gain or the advantage of others, for example, fabrication of business travel requirements for personal situations;
- Knowingly providing, assisting or validating in providing false, misleading, incomplete or fictitious information to circumvent Council procurement processes and procedures to avoid further scrutiny or reporting;
- Disclosing private, confidential or proprietary information to outside parties without implied or express consent;
- Accepting or seeking anything of material value from contractors, vendors, or persons providing services or materials to the Council (also refer to the Sensitive Expenditure Policy);
- A member of the public influencing or trying to influence, a public official, employee, contractor, person seconded to, or any other party that has a business involvement with the Council to use his or her position in a way that is dishonest, biased or breaches public trust.

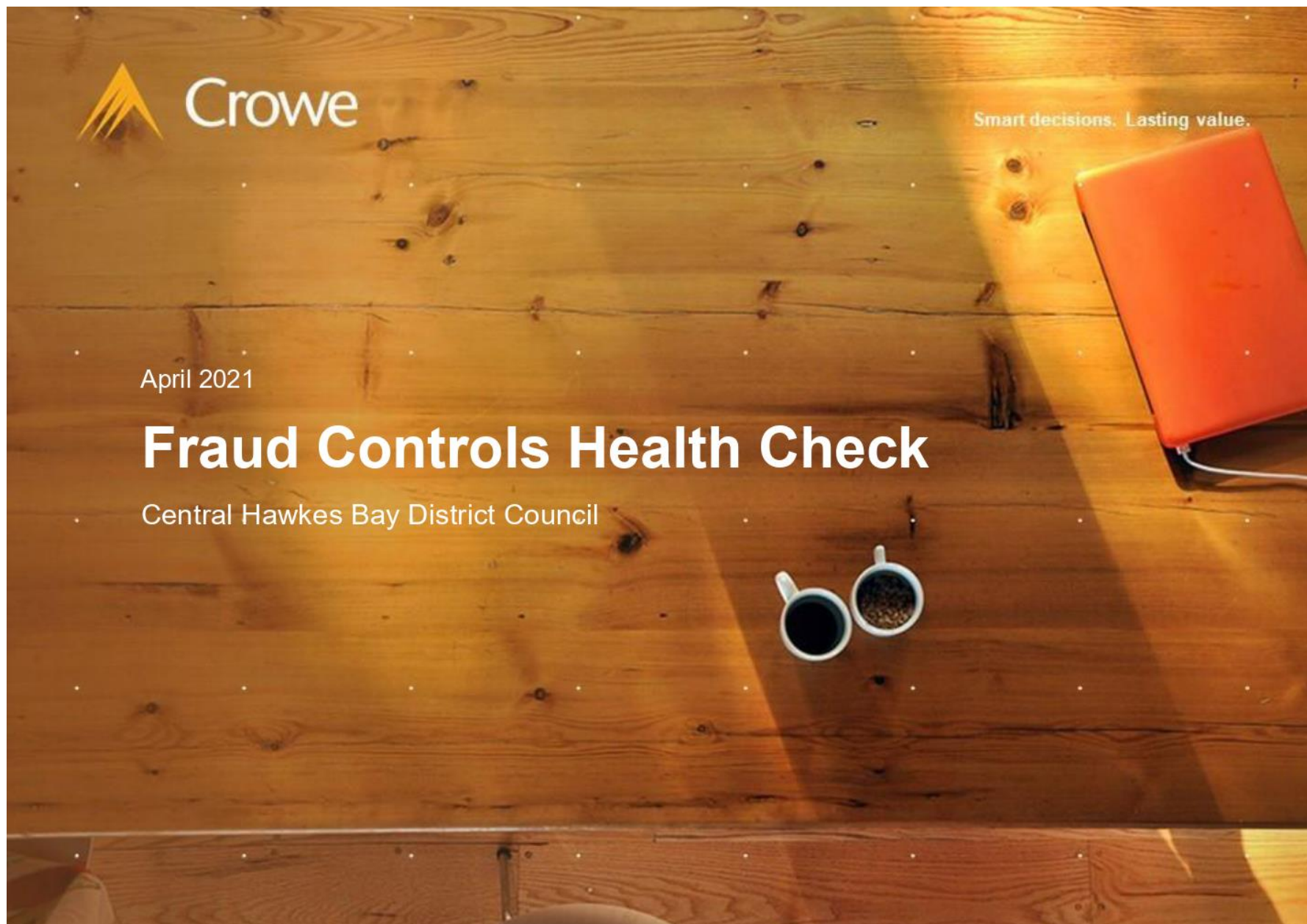


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Overview

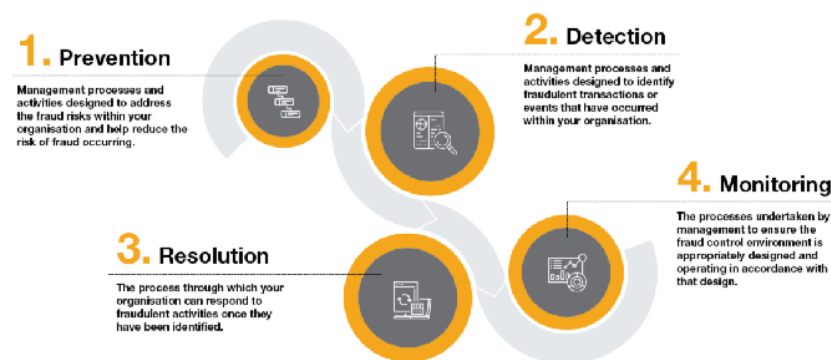
Introduction

The Fraud Health Check was undertaken to determine the level of maturity of the Central Hawkes Bay District Council ('Council') fraud management and prevention controls and identify any gaps.

The health check has been structured around four key pillars:

1. **Prevention.** Prevention activities are management processes and activities designed to address fraud risks within your organisation, specifically designed to reduce the risk of fraud occurring.
2. **Detection.** Detection activities are management processes and activities designed to identify fraudulent transactions or events that have occurred within your organisation.
3. **Resolution.** This area involves the process in place within your organisation to respond to fraudulent activities once they have been identified.
4. **Monitoring.** These are the processes undertaken by management to ensure the fraud control environment is appropriately designed and operating as intended in accordance with that design.

The health check involved a review of the Council's current practices against 89 separate elements of anti-fraud framework that collectively support each of the pillars. The elements of fraud control for our framework are sourced from a number of current industry leading sources. These have then been consolidated and tailored by our experts to arrive at a pragmatic and practical assessment tool.



Key Findings

Prevention

Prevention controls require strengthening.

The following prevention mechanisms are in place:

- Some basic policies (e.g. Disciplinary and Code of Conduct) are in place
- The Council's organisational structure contains no unnecessary entities that might be used for inappropriate purposes or that might enable less-than-arms-length transactions or relationships.

Current challenges and limitations include:

- There is no Fraud Risk Policy
- Ongoing fraud risk assessments are not completed
- Some policies are out of date
- No formal fraud-related communication and ongoing fraud awareness training provided to all staff.

Detection

Detection controls require strengthening.

The following fraud detection mechanisms have been established:

- Process and transaction-level controls (e.g. financial reporting controls, reconciliations)

Current challenges and limitations include:

- User access permissions is assigned to some employees outside of their job responsibilities (i.e. processing journals entries on Magiq system)
- Limited use of data analytics procedures to identify suspicious transactions and potential instances of fraud.

Resolution

Given the size and nature of the Council, the current resolution controls requires strengthening in some areas.

The Council should clearly outline in their Fraud Policy the key roles and responsibilities in the fraud resolution and communicate expectations to all relevant staff involved in the process.

Overall results

Our review identified 1 high risk finding and 4 medium risk findings. More detail on the risk rating scale is provided in the table in Appendix 3.

Indicator	Risk ratings	Findings
	High risk	1
	Medium risk	4
	Low risk	-

Detailed findings and recommendations are included in the Detailed Recommendations below.

Basis and use of report

This report has been prepared subject to the limitations set out in Appendix 2 "Basis and Use of Report".

Detailed Recommendations



Fraud Controls Health Check

Central Hawkes Bay District Council

1. Fraud-related policies and procedures		Rating of finding: High
Observation	Recommendations	Management Response
<p>The Council does not have a Fraud Policy in place.</p> <p>We also noted the following regarding other fraud related policies:</p> <ul style="list-style-type: none"> The Staff Conduct Policy is out of date and was due for renewal in 2018. The Protected Disclosures Policy is out of date and due for renewal in 2018. <p>The absence of up-to-date and relevant fraud-related policies prevents the Council from clearly communicating its attitude to fraudulent behavior, raising awareness of fraud risk amongst its staff and communicating relevant fraud prevention, detection and monitoring controls.</p>	<p>A significant amount of occupational fraud and corruption is opportunistic in nature and informing employees that the company has detailed fraud and corruption control strategies can act as an effective deterrent to fraudulent activity.</p> <p>We recommend that a specific Fraud Policy should be documented including the following key elements:</p> <ul style="list-style-type: none"> A categorical statement that the council has zero tolerance to fraud. A statement that all staff are responsible to disclose any suspicious activities they become aware of should be included. Examples of the types of behaviour the council considers to be fraudulent should be given. A description of specific prevention and detection procedures that are employed to manage fraud risk, such as, fraud awareness training, specific transactional reviews, management reporting etc An overview of fraud investigation processes and responsibilities. The consequences for perpetrating fraud. <p>The following is also recommended:</p> <ul style="list-style-type: none"> The Council should consider assigning the responsibility of maintaining the Fraud Policy to a person in a position with sufficient authority, relevant subject matter expertise, independence and objectivity (for example the CFO). The Council should periodically review its internal policies to ensure they remain relevant and include the latest fraud risks. The Audit Committee should proactively 	<p>Actions</p> <p>A Fraud and Corruption Prevention Policy has been drafted for adoption, and socialization with staff</p> <p>Staff Conduct Policy and Protected Disclosures Policy scheduled to be reviewed in 2021 by People and Capability Advisor</p> <p>Responsible person</p> <p>CFO and People and Capability Advisor</p> <p>Date of implementation</p> <p>Fraud Policy – 31/05/2021 Other Policy Reviews – September 2021</p>

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Fraud Controls Health Check

Central Hawkes Bay District Council

	<p>oversee fraud risk by:</p> <ul style="list-style-type: none">- Providing direction and input into anti-fraud activities and implementation of a fraud programme- Reviewing the results of the fraud risk assessment (see above)- Reviewing and approving relevant fraud-related policies- Overseeing and monitoring fraud related assurance activity.	
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Fraud Controls Health Check

Central Hawkes Bay District Council

2. Fraud risk assessment		Rating of finding: Medium
Observation	Recommendations	Management Response
<ul style="list-style-type: none"> The Council does not have formal fraud risk assessment procedures in place. Reliance is placed on controls implemented at transaction level to identify its exposure to fraud risk. <p>Whilst this assignment has considered fraud risks as a stand-alone assignment, the review and consideration of fraud risks should be considered alongside other strategic and operational risks on an ongoing basis.</p> <p>With a lack of formal fraud risk assessment and placing reliance on controls in only one area (payments), limits the Council's ability to understand the areas of its activities that are exposed to fraud, bribery and corruption and develop fit-for-purpose fraud identification and response procedure.</p> <ul style="list-style-type: none"> Risk assessment criteria are not periodically reassessed which can lead to a lack of awareness of the latest fraud that can occur. Risk registers are only maintained for each project, at an operational level. 	<ul style="list-style-type: none"> The Council should perform a formal fraud risk assessment (FRA). Fraud risk should be treated as a business risk like other risks and be incorporated into the Council's ongoing risk assessment and risk management processes. <p>The FRA should identify and evaluate the Council's exposure to key fraud risks – bribery and corruption, financial statement fraud, etc. – across all the Council's activities.</p> <p>The FRA should also assess the effectiveness of the Council's key fraud-related controls and assurance activities providing a better understanding of the level of risk and comfort and any possible gaps that need to be addressed.</p> <ul style="list-style-type: none"> Discussions of fraud or errors should be incorporated in management meetings and documented in the minutes. The Council should periodically reassess risk assessment criteria to consider changes in Council processes, and the latest fraudulent activities. The risk register should include council-wide fraud risks. 	<p>Actions</p> <p>Council has undertaken this Fraud Health Check as a Fraud Risk Assessment with its internal auditor – Crowe</p> <p>This will result a paper being taken to Risk and Assurance Sub-committee</p> <p>Council is also audited annually by Ernst Young as part of the external audit program who check internal controls as part of their audit reliance program</p> <p>Post Audit, every year Council has a debrief with Ernst and Young where audit findings and concerns are discussed</p> <p>Council has have a risk register that covers financial strategy failure, but officers will extend this to cover the risk of fraud</p> <p>Responsible person CFO</p> <p>Date of implementation April 2021</p>

Fraud Controls Health Check

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3. Fraud awareness and training		Rating of finding: Medium
Observation	Recommendations	Management Response
<p>We note the following:</p> <ul style="list-style-type: none"> There is no ongoing fraud-related communication and training provided to employees. There is no fraud awareness communication to third parties (i.e. vendors, contractors, etc.) <p>Raising awareness of fraud risks, scenarios and 'red flags' is an effective way to prevent and detect fraudulent activity. The absence of regular communication of fraud matters and relevant training creates an environment where staff can better understand their obligations and support effective prevention and detection of fraud, bribery and corruption.</p>	<p>With the implementation of the Fraud Policy and the Fraud Risk Assessment, we recommend that periodic training and awareness sessions should be provided to all staff. Contents should include:</p> <ul style="list-style-type: none"> A clear definition of the types of behaviour that constitute fraudulent or corrupt practice. An unequivocal statement that fraudulent and corrupt practices within the council will not be tolerated. The types of fraud that are common (as identified in the fraud risk assessment). The fraud detection measures that are in place. Red flag behaviours and due diligence activities that staff should undertake when reviewing invoices, contracts etc. How staff should report any unusual or suspicious documents or red flag behaviours. 	<p>Actions</p> <p>Council will shortly be socializing the new A Fraud and Corruption Prevention Policy with staff.</p> <p>The refreshed Staff Conduct Policy and Protected Disclosures Policy will be socialized with staff in September 2021 by People and Capability Advisor</p> <p>Responsible person CFO and People and Capability Advisor</p> <p>Date of implementation Fraud Policy – 31/05/2021 Other Policy Reviews – September 2021</p>

Fraud Controls Health Check

Central Hawkes Bay District Council

4. Fraud prevention – internal controls		Rating of finding: Medium
Observation	Recommendations	Management Response
<p>We identified a number of internal control weaknesses during our review including the following:</p> <ul style="list-style-type: none"> We noted that there are insufficient controls in place for adding and uploading direct debits to the bank account. Currently this process is performed by one individual and no secondary review is completed prior to the bank upload. Where bank numbers are entered by one person and not reviewed, the risk of error exists. Reliance is currently placed on complaints being made to identify errors. A review of permissions in the Magiq accounting system noted users outside the Finance team and Finance team members that should not be able to, can process journal entries. There is also no review of journal entries undertaken. We noted additionally that a recent IT security review identified a number of user access issues that are currently being investigated and resolved. Some basic data analytics testing was undertaken in 2018 as part of a Sensitive Expenditure audit to identify any unusual transactions, trends or relationships between employees and suppliers. No periodic routine analytics is undertaken on a scheduled basis. 	<p>The following is recommended:</p> <ul style="list-style-type: none"> The Council should consider implementing dual controls for adding and uploading direct debits into the bank account for the receipt of rate payments. A secondary review on all bank account addition or changes should be undertaken either on a real time basis or through reviewing change logs or reports from the accounting system on a regular scheduled basis. Magiq access rights and authorisations should be reviewed on a periodic basis to ensure individual authorisations remain up to date and appropriate. Consideration should be given to undertaking further periodic data analytics audits to help identify 'red flags', suspicious transactions, trends or relationships between employees and suppliers. 	<p>Actions</p> <p>Direct Debits – Issue is a result of only having a single rates officer and not being able to achieve separation of duties</p> <p>Magiq Permissions – agreed, and a review of these will be undertaken as part of the move to Magiq Cloud in July 2021</p> <p>Data Analytics – This was last undertaken by Crowe in October 2018</p> <p>Responsible person CFO</p> <p>Date of implementation July 2021</p>

Fraud Controls Health Check

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5. Protected disclosures		Rating of finding: Medium
Observation	Recommendations	Management Response
<p>The Association of Certified Fraud Examiners' Global Fraud Survey 2020 noted 43% of frauds were initially detected through a tip off (3 times higher than the next-most common detection method). Having clear protected disclosure policies and procedures is therefore a key control in the detection of fraud.</p> <p>Surveys undertaken by us and preferred methods indicated in the Association of Certified Fraud Examiners' Global Fraud Survey 2020 note preferences for whistleblowing equally split between telephone hotlines, email reports, web-based/online forms as well as face-to-face disclosures.</p> <p>Surveys undertaken by us also suggest a range of persons to whom staff prefer to make reports (most commonly to their direct supervisor but also to their HR representative to senior management or external parties).</p> <p>We note that the council has a Protected Disclosures Policy which covers the key areas we would expect it to. We note however that, as per the details above, that there is currently further mechanisms for reporting disclosures could be offered to ensure staff do not feel uncomfortable or discouraged in reporting.</p>	<p>Consideration should be given as to whether further methods of reporting and persons to whom reports can be made can be established to ensure the methods available do not discourage staff from reporting concerns (these could include a hotline, internal email address or contact details of the internal or external auditors).</p>	<p>Actions Protected Disclosures Policy scheduled to be reviewed in 2021 by People and Capability Advisor</p> <p>Responsible person People and Capability Advisor</p> <p>Date of implementation September 2021</p>

Appendices

Appendix 1 – Classification of Findings

Risk ratings are based on the use of professional judgement to assess the extent to which deficiencies could have an effect on the performance of systems and controls of a process to achieve an objective.

Rating	Definition
High	<ul style="list-style-type: none">Issue represents a control weakness, which could cause or is causing major disruption of the process or major adverse effect on the ability of the process to achieve its objectives.
Medium	<ul style="list-style-type: none">Issue represents a control weakness, which could cause or is causing moderate adverse effect on the ability of the process to meet its objectives.
Low	<ul style="list-style-type: none">Issue represents a minor control weakness, with minimal but reportable impact on the ability to achieve process objectives.

Appendix 2 – Basis and Use of Report

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

- Our procedures were performed according to the standards and guidelines of The Institute of Internal Auditors' International Professional Practices Framework. The procedures were not undertaken in accordance with any auditing, review or assurance standards issued by the External Reporting Board (XRB).
- Because of the inherent limitations of any internal control structure, it is possible that errors or irregularities may occur and not be detected. Our procedures were not designed to detect all weaknesses in control procedures as they were not performed continuously throughout a specified period and any tests performed were on a sample basis.
- Any projection of the evaluation of the control procedures to future periods is subject to the risk that the systems may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.
- The matters raised in this report are only those which came to our attention during the course of performing our procedures and are not necessarily a comprehensive statement of all the weaknesses that exist or improvements that might be made. We cannot, in practice, examine every activity and procedure, nor can we be a substitute for management's responsibility to maintain adequate controls over all levels of operations and their responsibility to prevent and detect irregularities, including fraud. Accordingly, management should not rely on our report to identify all weaknesses that may exist in the systems and procedures under examination, or potential instances of non-compliance that may exist.
- Recommendations for improvement should be assessed by management for their full commercial impact, before they are implemented.
- This Report is not to be used by any other party for any purpose nor should any other party seek to rely on the opinions, advice or any information contained within this Report. In this regard, we recommend that parties seek their own independent advice. Crowe disclaims all liability to any party other than the client for which it was prepared in respect of or in consequence of anything done, or omitted to be done, by any party in reliance, whether whole or partial, upon any information contained in this Report. Any party, other than the client for which it was prepared, who chooses to rely in any way on the contents of this Report, does so at their own risk.

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Fraud Controls Health Check

Central Hawkes Bay District Council

Appendix 3 - Key Personnel

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

Name	Title
Susan Blair	Assistant Accountant
Adrienna Martin	People and Capability Advisor
Brent Chamberlain	Chief Financial Officer
Kristen Anderson	Information Services Officer
Nicola Bousfield	Group Manager – People and Business Enablement
Jesse Singson	Management & Systems Accountant
Bridgette Winchester	Rates Officer

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6.7 AUDIT FINDINGS MONITORING REPORT**File Number:** COU1-1408**Author:** Brent Chamberlain, Chief Financial Officer**Authoriser:** Monique Davidson, Chief Executive**Attachments:** Nil**RECOMMENDATION****That, having considered all matters raised in the report, the report be noted.****PURPOSE**

The purpose of this report is to track and update the committee on audit recommendations from recent audits.

SIGNIFICANCE AND ENGAGEMENT

This report is provided for information purposes only and has been assessed as not significant.

BACKGROUND

Over the course of each year Council undertakes a number of audits that look at the activities of Council's Corporate Services functions.

This include internal audits which test Councils Policies and Procedures to ensure they are fit for purpose and that they are being adhered to, but also includes external audits of financial reporting to the public (whether this is an Annual Report, or a Long Term Plan). These external audit focus on the quality of data being supplied, and the controls that Council has in place to ensure accuracy of data, controls to ensure protection of public funds, and transparency of information supplied.

Officers will work between the March and May Risk and Assurance Committee meeting to incorporate NZTA Audit Report Recommendations into the report. It is anticipated that this report will become a standing item at every Committee meeting.

DISCUSSION

Below are the findings/recommendations of the last three audits undertaken on the Corporate Services Activities:

Internal Audit: Procurement and Purchasing (undertaken November 2019)

Observation	Recommendation	Actions Taken
<p>Managing Conflicts of Interest</p> <p>The Council adopted the Procurement and Contract Management Policy in October 2018. The Policy sets the Council's requirements and expectations in relation to how procurement should be done at the Council. The responsibility for the Policy has been assigned to Group Manager Corporate Support and Services.</p> <p>The Policy requires 'all staff involved in the preparation and execution of a public procurement process to complete a Conflict of Interest (CoI) declaration which is to be approved by the delegated financial authority for the procurement'.</p> <p>We received a list of current major contracts from the Council's Contract Register and selected a</p>	<p>The Council should effectively communicate the requirements of its Procurement and Contract Management Policy across relevant staff involved in procurement. This could be achieved through a Council-wide training session or workshop for staff.</p>	<p>Officers have worked with the PMO (Project Management Office) to ensure that conflict of interest forms are correctly filled out and kept for all of Councils significant procurements.</p> <p>Officers are in the process of reworking the procurement manual to incorporate the Progressive Procurement Toolkit and Supplier Guide recently developed by Hastings District Council on behalf of the 5</p>

<p>sample to check how the decision to procure was made, how the supplier was selected, what procurement methods were used in the selection (tender, direct engagement, pre-approved supplier list), whether all documentation (such as conflicts of interest forms) were completed and documented.</p> <p>For our sample of 5 procurements we noted the following:</p> <ul style="list-style-type: none"> • For 2 procurements the Col declarations were not prepared at all. • For 2 procurements the Col declarations were prepared by the members of the evaluation team but were approved by the 3 Waters Programme Manager instead of the appropriate delegated financial authority (the Council for one and the GM for the other). • For 1 procurement (for which the procurement plan was approved on 29/8/19) the Col hasn't been done at the time of our review (November 2019), although the Procurement Plan that went for approval to the Council said that the Col declarations had been approved. <p><u>Risk</u></p> <p>If the Council doesn't effectively manage the conflicts of interest across its procurement activities, it can make inappropriate purchases or enter into inappropriate contracts which could be challenged by other suppliers or ratepayers. Poor management of conflicts of interest also increases risk of corruption.</p>		<p>Hawkes Bay Councils.</p> <p>The Procurement Toolkit has been rebranded and updated to be CHBDC specific.</p> <p>Once the manual has been updated, staff training sessions will be run out by 30 June 2021.</p>
<p>Managing procurement outside the Infrastructure Team</p> <p>As part of our testing, a listing of annualised Council spend by supplier was provided. From this a random sample of suppliers with annualised spends of over \$50k were selected for testing. The testing consisted of how the decision to procure was made, how the supplier was selected, what procurement methods were used in the selection (tender, direct engagement, pre-approved supplier list), whether all documentation (such as conflicts of interest forms) were completed and documented.</p> <p>For our sample of 6 vendors with purchases between \$25k and \$200k we were unable to find:</p> <ul style="list-style-type: none"> - Procurement Plans - Vendor selection documentation - Conflicts of interest declarations for personnel involved in the procurement activities. <p>According to the Council's Policy we would expect that these procurements would either use quotes from preferred or panel suppliers. If existing contracted, preferred or panel suppliers</p>	<p>Like the point above, the Council should effectively communicate the requirements of its Procurement and Contract Management Policy across relevant staff involved in procurement outside the Infrastructure team. This could be achieved through a Council-wide training session or workshop for staff.</p>	<p>As above</p>

<p>are not appropriate then a Procurement Plan that recommends another approach must be prepared (e.g. an open tender or direct award to a high performing supplier).</p> <p><u>Risk</u></p> <p>If the Council doesn't comply with its Policy, the Council may procure goods or services at a higher price or may spend public money inappropriately. The Council's decisions can be challenged by ratepayers or suppliers. This may lead to legal or reputational damage.</p>		
<p>Procurement Strategy</p> <p>The Policy requires the Council's ELT team to 'oversee the development and maintenance of a rolling three year procurement strategy'. At the time of our review no such strategy has been developed.</p> <p><u>Risk</u></p> <p>If the Council doesn't comply with its Policy, the Council may procure goods or services at a higher price or may spend public money inappropriately. The Council's decisions can be challenged by ratepayers or suppliers. This may lead to legal or reputational damage.</p>	<p>The Council should develop the three-year procurement strategies are required by the Policy.</p>	<p>The current policy no longer requires Procurement Strategies to be developed, as it was determined they were essentially a distraction from individual Procurement Plans developed.</p>
<p>Lack of oversight of procurement activities</p> <p>A large number of instances of non-compliance with the Council's Policy (findings 1-3 above), requires the Council to monitor the extent to which the business units comply with the requirements of the Policy. This becomes even more important given the decentralised procurement operating model at the Council, i.e. when each business unit performs its own procurements without a centralised support.</p> <p>Currently no monitoring is performed by the Council to ensure all purchases and procurement activities comply with the Policy and there is varying degrees of understanding of procurements activities happening across the Council.</p> <p>In addition, there is limited procurement reporting to the Executive Team and the Council. We understand that reporting is on an exception basis. As a result, this reduces Managements oversight on procurement activities.</p> <p>Procurement reporting would provide an overview of large value, high risk or complex procurements. It would also provide valuable insights into the activities of other departments.</p> <p><u>Risk</u></p> <p>The lack of an effective process to monitor compliance with the Council's Policy increases the risk that the Council's purchases may not meet the policy requirements and the Council's expectations.</p>	<p>The Council should implement a formal process to review the Council's compliance with the requirements of the Policy. This could be done by regularly reviewing a sample of purchases to check whether all Policy requirements have been met. The results of this 'audit' should be communicated to the ELT. The responsibility for this work should either sit with the Group Manager Corporate Support and Services (as the Policy Owner) or could be delegated to the 3 Waters Programme Manager (as a 'Centre of Procurement Excellence' within the Council).</p>	<p>Council's finance team has recently had a small restructure which has introduced procurement as an element into the job description of a staff member other than the Chief Financial Officer.</p> <p>This staff member has is undertaking some procurement training in June 2021, and has been involved in the rebranding of the progressive procurement toolkit. Once the new procurement manual is rolled out to staff and training undertaken, we will begin to undertake quarterly checks of adherence to policy.</p>

<p>Lack of additional guidance to assist employees in the procurement process</p> <p>The Council has started drafting a Procurement Manual to provide additional guidance and support to the Council's personnel involved in procurement activities. However, at the time of our review, this work hasn't been finished yet.</p> <p>The Council's 3 Waters team has developed several templates (e.g. Procurement Plan) to assist with its major procurements, however they do not cover the end-to-end procurement process and additional templates need to be created (e.g. probity checklists, RFx templates, supplier recommendation templates, etc.).</p> <p>In a de-centralised environment, we would expect a suite of tools and templates such as procurement plans, tender documents and checklists to guide employees.</p> <p>Risk</p> <p>The absence of additional guidance material to assist staff during procurement may lead to a situation where staff do not comply with the Council's procurement process.</p>	<p>Finalise the Council's Procurement Manual and communicate it to all personnel involved in procurement.</p> <p>Develop additional tools and templates to assist employees in the procurement process. The need for these templates will be identified in the Manual.</p> <p>The Manual and templates should be developed or reviewed by procurement and or legal professionals.</p>	<p>Council adopted a rewritten procurement policy in 2020.</p> <p>Officers are in the process of reworking the procurement manual to incorporate the Progressive Procurement Toolkit and Supplier Guide recently developed by Hastings District Council on behalf of the 5 Hawkes Bay Councils.</p> <p>The Procurement Toolkit has been rebranded and updated to be CHBDC specific.</p> <p>Once the manual has been updated, staff training sessions will be run out by 30 June 2021.</p>
<p>Incorrect system-enforced authorisation limits</p> <p>The authorisation limits in the Council's core system, MagiQ, are not in line with the limits established in the Council's Delegations Register.</p> <p>As a result, staff members are able to approve purchases above the levels of authority they have been granted.</p> <p>We noted the following exceptions:</p> <p>Brent Chamberlain Bridget Gibson Craig Ireson Graham Manning Ian Cover</p>	<p>Review the authorisation limits in MagiQ and ensure they are in line with the current Delegations Policy.</p> <p>If it is identified that for practical reasons, higher limits may be required for approving payments then a review of the delegated authorities should be undertaken.</p> <p>The Council can also perform a data analytics test to understand whether these incorrect delegations settings have actually resulted in any incorrectly authorised purchases.</p>	<p>The limits in MagiQ were corrected following this audit, and then were tested again as part of the Ernst Young Year End Audit in August/September 2020.</p>
<p>Policies are not up to date</p> <p><u>Procurement and Contract Management Policy</u></p> <p>The Council's Procurement and Contract Management Policy was due to be reviewed on 31 October 2019. At the time of our work in November 2019 the Policy still hasn't been reviewed. This was largely due to a change in the Group Manager Corporate Support and Services.</p> <p><u>Credit Card Operation Procedure</u></p> <p>The Council has a Credit Card Operation Procedure which defines the Council's use of credit cards. The Procedure specifies that there should only be one card and it should be operated by the Chief Executive. We understand that the Council uses two cards: one used by the</p>	<p>Ensure the Procurement and Contract Management Policy is up to date.</p> <p>Review the Credit Card Operation Procedure to ensure it reflects the current Council's practice of using the credit cards.</p>	<p>Policies have been updated:</p> <p>Procurement Policy 18/9/2020</p> <p>Credit Card Operation 2/6/2020</p>

Mayor and the CE; one used by the Group Manager Corporate Support and Services for staff travel expenses and other minor purchases.		
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External Audit: Year End (Undertaken August/September 2020)

Observation	Recommendation	Actions Taken
Process documentation and reliance on key individuals There are certain roles within the Council that require specialised knowledge in order for the role to be performed efficiently and effectively. An example of this is the maintenance of the data for the three waters infrastructure assets and the associated valuation of these assets where knowledge of relevant systems plus the underlying subject matter is required. We observed that there was a reliance on the person filling this role and there were limited other staff members that were able to assist with key audit procedures relating to the valuation of the three waters infrastructure assets and how the valuation linked to the underlying data. There was also a lack of supporting documentation for the valuation exercise completed and the documentation that was available didn't contain sufficient detail.	We recommend that CHBDC broaden the number of staff that have a working understanding of the processes and controls relating to infrastructure assets and in particular data management and valuation processes for the three waters assets. We also recommend processes notes be retained by CHBDC to ensure that in the absence of key individuals, processes can continue to be performed and there is clarity with respect to processes followed historically.	This is the nature of being a smaller Council where not every position has a clear backup. It did highlight that all key person positions keep good hand over notes as part of role handover on exit.
Compliance with Policies We noted that the CHBDC Treasury Management Policy was not been followed in relation to concentration risk for investments. The Council's Treasury Management Policy restricts the amount that can be invested with any one counter party to \$8m. At 30 June 2020, Council had term deposits with BNZ of \$9m.	We recommend that policies be followed to ensure risk is being managed in a way that has been agreed with those that approved the policy.	Policy updated on 18/9/2020 to increase this limit to \$10m. Currently the maximum investment with any one bank is \$7.5m.
Timely update of authorised signatories During our testing of the authorised signatories for online banking, we noted that two employees who left the Council during the year were still listed as authorised signatories. We acknowledge that subsequent to our finding the list of authorised signatories was correctly updated.	We recommend that banking signatories and approvers be updated on a timely basis. There should also be a process for staff leaving Council to ensure access to IT systems is removed, they are removed as authorised signatories and Council property in returned. This process should be systematically worked through for each employee that leaves Council.	The paper banking mandates had been updated at the time of audit, but ANZDirect user logins did not reflect the change. This was subsequently corrected before the audit was completed.
Timely closure of credit cards As part of our testing, we identified that there was an active credit card in the name of a former employee. We did additional analysis over the expenses incurred on the credit card to assess what expenses had been incurred on the card since the employee left and noted that all costs were automatic payments for subscriptions that	We recommend that management cancel credit cards in a timely manner when individuals leave council.	The card had been cut up at the time of audit, but due to a number of annual subscriptions coming out of this card, the card wasn't immediately cancelled. The card was formally

were used by Council. Subsequent to year end, we are aware that the credit card has been cancelled.		cancelled before the audit was complete.
Approval of Expenditure Under the current sensitive expenditure policy, an approver or expenditure cannot benefit personally from the expenditure being claimed. However, through our testing we identified instances where expenditure was approved by a member of staff that benefited from the expense being incurred as well as the approver being more junior than the individual incurring the expense.	We recommend that Council update their policy to include a requirement for a "one up" approval of the individual incurring the expenses, this would be a council member in the case of the Mayor's expenses.	This item is a carry forward from 2019. Sensitive Expenditure was again retested in 2020 with one breach identified so it remains an audit point.
Land Title Discrepancies We obtained and reviewed the land titles for land owned by the Council on a sample basis to verify the information used by QV in their 2017 valuation of the Council's land and to validate the land is freehold. We identified several discrepancies between the Council records and the information used by QV. For one title the land information on the title was less than the area valued in by QV. In addition, a number of titles were not able to be obtained. There is a risk the Council records do not contain the most up to date information in relation to land titles. In addition, there is a risk QV may be performing their valuation on incomplete / inaccurate information.	We recommend a formal review be completed for land held by the council to ensure all land titles are available and the title area reflects the Council's records and that used by QV.	This item is a carry forward from 2019. 5 Titles were identified as belonging to CHBDC but had discrepancies with the LINZ records. 3 have now been resolved, and 2 remain: 1092050900 232 Pourerere Beach 1095013300 Hatuma Road Both these are recorded by LINZ as public reserves with Department of Conservation Ownership
Policies due for update We noted a number of policies are past their date for revision. There is a risk that outdated policies may not reflect the most up to date intentions of Council. It is important policies are updated in a timely manner, particularly when there is public visibility to policies via the council's website.	We recommend the Council update the policies, and in the future establish a process to ensure they are updated in a timely manner.	This item is a carry forward from 2019. Officers are working through a review process to ensure all policies are up to date and significant progress was made during 2020.

External Audit: Long Term Plan (Undertaken December 2020 – January 2021)

Observation	Recommendation	Actions Taken
Quality of asset information CHBDC could improve the quality of the information reflected in the Infrastructure Strategy through using a more granular five tier scale to assess data quality and through presenting asset performance information for water supply and waste water. The identification of specific critical assets would also be beneficial.		The understanding of our infrastructure assets is improving and being better documented over time. Officer's intention is that this is an area of continuous improvement. Officers will present Asset Management Plans at the 17 th June 2021 Council Meeting

<p>Targets for performance measures</p> <p>Some performance measures have targets set at a level notably below current delivery. We would expect targets to usually show continued performance at the current level or provide a degree of challenge for services to improve going forward.</p>		<p>After being challenged by Ernst Young many LOS targets were adjusted.</p> <p>But with many of our mature services with high levels of satisfaction it is not always practical or cost effective to strive for further improvements.</p>
<p>Articulation of long term view</p> <p>Council have provided a transparent plan of what is required in the short to medium term due to previous underinvestment in infrastructure assets. Funding this investment results in increased debt and expenditure exceeding revenue for most years of the long-term plan. Going forward Council will need to engage with the community on both when the budget will be able to be balanced and specifically how renewals work will be funded in a more sustainable way.</p>		<p>It is officer's intent to provide advice to Council in order to strive towards the goal of achieving a balanced budget and they intend reviewing the life expectancy of assets, and therefore depreciation, as more asset conditioning work is undertaken.</p> <p>Councillors have agreed that during the catch up of deferred renewals Council is unable to run balanced budgets, but this is an aspirational goal for the next LTP once the future of 3 Waters is clearer.</p>

Internal Audit: Fraud Health Check (Undertaken April 2021)

Observation	Recommendation	Actions Taken
<p>Fraud-related policies and procedures</p> <p>The Council does not have a Fraud Policy in place.</p> <p>We also noted the following regarding other fraud related policies:</p> <ul style="list-style-type: none"> • The Staff Conduct Policy is out of date and was due for renewal in 2018. • The Protected Disclosures Policy is out of date and due for renewal in 2018. <p>The absence of up-to-date and relevant fraud-related policies prevents the Council from clearly communicating its attitude to fraudulent behaviour, raising awareness of fraud risk amongst its staff and communicating relevant fraud prevention, detection and monitoring controls.</p>	<p>A significant amount of occupational fraud and corruption is opportunistic in nature and informing employees that the company has detailed fraud and corruption control strategies can act as an effective deterrent to fraudulent activity.</p> <p>We recommend that a specific Fraud Policy should be documented including the following key elements:</p> <ul style="list-style-type: none"> • A categorical statement that the council has zero tolerance to fraud. • A statement that all staff are responsible to disclose any suspicious activities they become aware of should be included. 	<p>A Fraud and Corruption Prevention Policy has been drafted for adoption, and socialization with staff.</p> <p>Staff Conduct Policy and Protected Disclosures Policy scheduled to be reviewed in 2021 by People and Capability Advisor</p> <p>Responsible person CFO and People and Capability Advisor</p> <p>Date of implementation Fraud Policy – 31/05/2021</p> <p>Other Policy Reviews – September 2021</p>

	<ul style="list-style-type: none"> • Examples of the types of behaviour the council considers to be fraudulent should be given. • A description of specific prevention and detection procedures that are employed to manage fraud risk, such as, fraud awareness training, specific transactional reviews, management reporting etc • An overview of fraud investigation processes and responsibilities. • The consequences for perpetrating fraud. <p>The following is also recommended:</p> <ul style="list-style-type: none"> • The Council should consider assigning the responsibility of maintaining the Fraud Policy to a person in a position with sufficient authority, relevant subject matter expertise, independence and objectivity (for example the CFO). • The Council should periodically review its internal policies to ensure they remain relevant and include the latest fraud risks. • The Audit Committee should proactively oversee fraud risk by: <ul style="list-style-type: none"> - Providing direction and input into anti-fraud activities and implementation of a fraud programme - Reviewing the results of the fraud risk assessment (see above) - Reviewing and approving relevant fraud-related policies - Overseeing and monitoring fraud related assurance activity. 	
Fraud risk assessment		

<ul style="list-style-type: none"> • The Council does not have formal fraud risk assessment procedures in place. Reliance is placed on controls implemented at transaction level to identify its exposure to fraud risk. <p>Whilst this assignment has considered fraud risks as a stand-alone assignment, the review and consideration of fraud risks should be considered alongside other strategic and operational risks on an ongoing basis.</p> <p>With a lack of formal fraud risk assessment and placing reliance on controls in only one area (payments), limits the Council's ability to understand the areas of its activities that are exposed to fraud, bribery and corruption and develop fit-for-purpose fraud identification and response procedure.</p> <ul style="list-style-type: none"> • Risk assessment criteria are not periodically reassessed which can lead to a lack of awareness of the latest fraud that can occur. • Risk registers are only maintained for each project, at an operational level. 	<ul style="list-style-type: none"> • The Council should perform a formal fraud risk assessment (FRA). Fraud risk should be treated as a business risk like other risks and be incorporated into the Council's ongoing risk assessment and risk management processes. <p>The FRA should identify and evaluate the Council's exposure to key fraud risks – bribery and corruption, financial statement fraud, etc. – across all the Council's activities.</p> <p>The FRA should also assess the effectiveness of the Council's key fraud-related controls and assurance activities providing a better understanding of the level of risk and comfort and any possible gaps that need to be addressed.</p> <ul style="list-style-type: none"> • Discussions of fraud or errors should be incorporated in management meetings and documented in the minutes. • The Council should periodically reassess risk assessment criteria to consider changes in Council processes, and the latest fraudulent activities. • The risk register should include council-wide fraud risks. 	<p>Council has undertaken this Fraud Health Check as a Fraud Risk Assessment with its internal auditor – Crowe.</p> <p>This will result a paper being taken to Risk and Assurance Sub-committee.</p> <p>Council is also audited annually by Ernst Young as part of the external audit program who check internal controls as part of their audit reliance program.</p> <p>Post Audit, every year Council has a debrief with Ernst and Young where audit findings and concerns are discussed.</p> <p>Council has a risk register that covers financial strategy failure, but officers will extend this to cover the risk of fraud.</p> <p>Responsible person CFO</p> <p>Date of implementation April 2021</p>
<p>Fraud awareness and training</p> <p>We note the following:</p> <ul style="list-style-type: none"> • There is no ongoing fraud-related communication and training provided to employees. • There is no fraud awareness communication to third parties (i.e. vendors, contractors, etc.) <p>Raising awareness of fraud risks, scenarios and 'red flags' is an effective way to prevent and detect fraudulent activity. The absence of regular communication of fraud matters and relevant</p>	<p>With the implementation of the Fraud Policy and the Fraud Risk Assessment, we recommend that periodic training and awareness sessions should be provided to all staff. Contents should include:</p> <ul style="list-style-type: none"> • A clear definition of the types of behaviour that constitute fraudulent or corrupt practice. 	<p>Council will shortly be socializing the new 'Fraud and Corruption Prevention Policy' with staff.</p> <p>The refreshed Staff Conduct Policy and Protected Disclosures Policy will be socialized with staff in September 2021 by People and Capability Advisor.</p>

<p>training creates an environment where staff can better understand their obligations and support effective prevention and detection of fraud, bribery and corruption.</p>	<ul style="list-style-type: none"> • An unequivocal statement that fraudulent and corrupt practices within the council will not be tolerated. • The types of fraud that are common (as identified in the fraud risk assessment). • The fraud detection measures that are in place. • Red flag behaviours and due diligence activities that staff should undertake when reviewing invoices, contracts etc. • How staff should report any unusual or suspicious documents or red flag behaviours. 	<p>Responsible person CFO and People and Capability Advisor</p> <p>Date of implementation Fraud Policy – 31/05/2021</p> <p>Other Policy Reviews – September 2021</p>
<p>Fraud prevention – internal controls</p> <p>We identified a number of internal control weaknesses during our review including the following:</p> <ul style="list-style-type: none"> • We noted that there are insufficient controls in place for adding and uploading direct debits to the bank account. Currently this process is performed by one individual and no secondary review is completed prior to the bank upload. Where bank numbers are entered by one person and not reviewed, the risk of error exists. Reliance is currently placed on complaints being made to identify errors. • A review of permissions in the Magiq accounting system noted users outside the Finance team and Finance team members that should not be able to, can process journal entries. There is also no review of journal entries undertaken. We noted additionally that a recent IT security review identified a number of user access issues that are currently being investigated and resolved. • Some basic data analytics testing was undertaken in 2018 as part of a Sensitive Expenditure audit to identify any unusual transactions, trends or relationships between employees and suppliers. No periodic routine analytics is undertaken on a scheduled basis. 	<p>The following is recommended:</p> <ul style="list-style-type: none"> • The Council should consider implementing dual controls for adding and uploading direct debits into the bank account for the receipt of rate payments. A secondary review on all bank account addition or changes should be undertaken either on a real time basis or through reviewing change logs or reports from the accounting system on a regular scheduled basis. • Magiq access rights and authorisations should be should be reviewed on a periodic basis to ensure individual authorisations remain up to date and appropriate. • Consideration should be given to undertaking further periodic data analytics audits to help identify 'red flags', suspicious transactions, trends or relationships between 	<p>Direct Debits – Issue is a result of only having a single rates officer and not being able to achieve separation of duties.</p> <p>Magiq Permissions – agreed, and a review of these will be undertaken as part of the move to Magiq Cloud in July 2021.</p> <p>Data Analytics – This was last undertaken by Crowe in October 2018.</p> <p>Responsible person CFO</p> <p>Date of implementation July 2021</p>

	employees and suppliers.	
<p>Protected disclosures</p> <p>The Association of Certified Fraud Examiners' Global Fraud Survey 2020 noted 43% of frauds were initially detected through a tip off (3 times higher than the next-most common detection method). Having clear protected disclosure policies and procedures is therefore a key control in the detection of fraud.</p> <p>Surveys undertaken by us and preferred methods indicated in the Association of Certified Fraud Examiners' Global Fraud Survey 2020 note preferences for whistleblowing equally split between telephone hotlines, email reports, web-based/online forms as well as face-to-face disclosures.</p> <p>Surveys undertaken by us also suggest a range of persons to whom staff prefer to make reports (most commonly to their direct supervisor but also to their HR representative to senior management or external parties).</p> <p>We note that the council has a Protected Disclosures Policy which covers the key areas we would expect it to. We note however that, as per the details above, that there is currently further mechanisms for reporting disclosures could be offered to ensure staff do not feel uncomfortable or discouraged in reporting.</p>	<p>Consideration should be given as to whether further methods of reporting and persons to whom reports can be made can be established to ensure the methods available do not discourage staff from reporting concerns (these could include a hotline, internal email address or contact details of the internal or external auditors).</p>	<p>Protected Disclosures Policy scheduled to be reviewed in 2021 by People and Capability Advisor.</p> <p>Responsible person People and Capability Advisor</p> <p>Date of implementation September 2021</p>

IMPLICATIONS ASSESSMENT

This report confirms that the matter concerned has no particular implications and has been dealt with in accordance with the Local Government Act 2002. Specifically:

- Council staff have delegated authority for any decisions made;
- Council staff have identified and assessed all reasonably practicable options for addressing the matter and considered the views and preferences of any interested or affected persons (including Māori), in proportion to the significance of the matter;
- Any decisions made will help meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses;
- Unless stated above, any decisions made can be addressed through current funding under the Long-Term Plan and Annual Plan;
- Any decisions made are consistent with the Council's plans and policies; and
- No decisions have been made that would alter significantly the intended level of service provision for any significant activity undertaken by or on behalf of the Council, or would transfer the ownership or control of a strategic asset to or from the Council.

NEXT STEPS

Officers will continue to work towards resolution for the audit recommendations listed above that have yet to be resolved. Officers will continue to report any items above until resolution is achieved.

RECOMMENDATION

That, having considered all matters raised in the report, the report be noted.

6.8 CLIMATE CHANGE COMMISSION AND IMPACT FOR LOCAL GOVERNMENT**File Number:** COU1-1408**Author:** Monique Davidson, Chief Executive**Authoriser:** Monique Davidson, Chief Executive**Attachments:** 1. [Environmental and Sustainability Strategy](#) [↓](#)
2. [Draft advice LGNZ Submission Climate Change Commission](#) [↓](#)**RECOMMENDATION**

That, having considered all matters raised in the report, the report be noted.

PURPOSE

The purpose of this report is to provide visibility to the Risk and Assurance Committee of the emerging importance of the impact of climate change and how local authorities are responding to it. This report does not seek a decision, but follows a request from the committee on understanding the emerging expectations on local authorities to respond to Climate Change.

SIGNIFICANCE AND ENGAGEMENT

This report is provided for information purposes only and has been assessed as not significant.

BACKGROUND

Climate change poses an unprecedented level of risk to New Zealand's natural and built environment. Adapting to and mitigating the impacts of climate change are significant challenges and a new priority focus for councils. Leading and championing policy to deal with the impacts of climate change is a key policy priority for LGNZ and its 78 member councils.

As the sphere of government with direct responsibility for environmental planning and regulation, much of the responsibility for adaptation falls to local government. However, councils cannot address these issues by themselves. To be effective, climate adaptation will require a diverse range of actions and policy approaches.

Councils can also play an important role in mitigation by working with their communities to reduce emissions.

Under the Resource Management Act 1991 (RMA) local government is required to consider the effects of a changing climate on communities. It is also required to incorporate climate change into existing frameworks, plans, projects and standard decision-making procedures. A climate change perspective is now integrated into activities such as flood management, water resources, planning, building regulations and transport.

At a local and regional level, councils play a critical role in helping communities prepare for, and respond to, natural hazard events, whose incidence and severity are increased by rapid changes in the climate.

At a National level, LGNZ have identified Climate Change as one of the key areas of focus, with a particular focus on working with central government to develop policies that will enable New Zealand's diverse communities to be resilient and adaptive in the face of climate change.

The increasing focus on Climate Change and the need for Local Government to provide coordinated leadership in this space, is something that Central Hawke's Bay District Council will need to give more consideration to in the future.

DISCUSSION

While Council does not currently have a specific Climate Change Strategy or Framework, Central Hawke's Bay District Council adopted its first Environmental and Sustainability Strategy in 2018, which sets the direction for how it will manage its impact on the environment for years to come.

The strategy is a key deliverable of Project Thrive, to deliver on the communities' aspirations for Central Hawke's Bay - a proud and prosperous district made up of strong communities and connected people who respect and protect our environment and celebrate our beautiful part of New Zealand.

Developed alongside the community with the support of a community reference group and external expertise, the Environmental and Sustainability Strategy seeks to deliver on the council's commitments made in the 2018-21 Long Term Plan. It captures activities and initiatives that the Council can influence, coordinate or facilitate, and in some instances deliver.

The strategy (**attached**) has four priority areas: Managing our impact on waterways, increasing recycling and reducing waste to landfill, conserving water and managing climate change and is supported by a number of goals and actions.

While we are already undertaking a range of actions through our current work, the intention is at future Strategy and Wellbeing Committee's to outline what actions within the Environmental and Sustainability Strategy are underway and any additional actions both within work programmes and in our own organisation we are doing to support climate change efforts.

The impacts of climate change are already being felt in Central Hawke's Bay. Changing weather patterns, more frequent and more severe storms, and the recent record-breaking drought, are examples of what we can expect to see more of. It is important that as a District we plan as best we can to meet these challenges. This Long Term Plan 2021-2031 is influenced in many areas by climate change with most significant influences being the known impacts on our infrastructure – in particular our water, wastewater and stormwater networks, which are primarily affected. Our existing and future infrastructure will be tested by changes in the climate. Rain events raise water levels, affecting our stormwater, wastewater and roading assets. Further, changing land-use patterns affect our assets and can affect the physical, economic and social composition of our District. Throughout this Long Term Plan 2021-2031 the impacts of climate change have been accounted for across relevant activities.

The way in which we tell the Climate Change story will become more important as the role of the Climate Change Commission elevates.

As a smaller Council, we rely on the expertise and support of our national organisation LGNZ. LGNZ are currently leading three projects that will support Councils in stepping up to the challenge of climate change:

Reporting and Funding

The introduction of the Zero Carbon Act gives the Climate Change Commission powers over councils that will allow them to request a range of information related to mitigation and adaptation measures in their jurisdictions. Highly complex and technical information is likely to be required, and meeting this expectation will be costly and burdensome on all councils, particularly smaller ones. The [Advice and evidence to government](#) is expected to be finalised by 31st May. LGNZ have already submitted (**attached**) to the Climate Change Commission on the draft advice they have provided to Government.

This project seeks to:

- Advocate for, and participate in, the development of a right-sized reporting methodology and framework for councils that meets the foreseeable needs of the Climate Change Commission while remaining cost effective by using a single national platform. A key focus of this work is to help identify, at a national level, where the key risks are as catalyst for starting funding discussions with central government. This project will also explore the application of new and emerging funding tools to pay for climate change related adaptation projects, including measures to protect natural environments threatened by rapid changes in climate.

Community resilience

Central Government is currently developing adaptation policy through the Community Resilience working group. Comprised of key ministries and local government representatives, the group seeks

to improve the ability of communities around the country to prepare for, avoid and respond to natural hazards - including those caused or exacerbated by climate change.

This project seeks to:

- Work with central government on identifying the gaps in the current system that prevents communities from becoming more resilient to natural hazards, and develop policies to close these, including funding shortfalls. From the local government perspective, the aim is to advocate for systemic reform, as opposed to the current approach of piecemeal intervention as hazards occur. In addition, this project will examine areas of local government practice, as they relate to community resilience to natural hazards, and identify and socialise areas where improvements can be made.

Climate future fit

Councils play a pivotal role in enabling their communities and economies to adapt to a low carbon economy. Their engagement with communities determines how local places will develop in the future - the more forward thinking and climate change aware these plans are, the more communities will be better positioned to adapt to a low carbon reality.

This project seeks to:

- Examine current engagement with communities in areas affected by climate change-related natural hazard events. The aim is to identify best practice among the local government sector using case studies, and socialise this among other councils facing similar challenges. In addition, this project seeks to identify the challenges and limitations when it comes to community engagement under the current legislative and regulatory system to identify areas for policy change.

In summary, expectations are increasing. While the 2021 – 2031 Long Term Plan has given consideration to the impacts of Climate Change, and Officers are currently guided by the 2018-2031 Environmental and Sustainability Strategy further work is required in order to be clear on what a strategic response to climate change will be. It is Officers advice that this is best done by awaiting the guidance from the Climate Change Commission in order for a more comprehensive strategic response to be developed.

IMPLICATIONS ASSESSMENT

This report confirms that the matter concerned has no particular implications and has been dealt with in accordance with the Local Government Act 2002. Specifically:

- Council staff have delegated authority for any decisions made;
- Council staff have identified and assessed all reasonably practicable options for addressing the matter and considered the views and preferences of any interested or affected persons (including Māori), in proportion to the significance of the matter;
- Any decisions made will help meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses;
- Unless stated above, any decisions made can be addressed through current funding under the Long-Term Plan and Annual Plan;
- Any decisions made are consistent with the Council's plans and policies; and
- No decisions have been made that would alter significantly the intended level of service provision for any significant activity undertaken by or on behalf of the Council, or would transfer the ownership or control of a strategic asset to or from the Council.

NEXT STEPS

Officers will continue monitoring the work of the Climate Change Commission, and report back to Council and the Risk and Assurance Committee as more guidance develops.

RECOMMENDATION

That, having considered all matters raised in the report, the report be noted.



**CENTRAL
HAWKE'S BAY**
DISTRICT COUNCIL

together we thrive

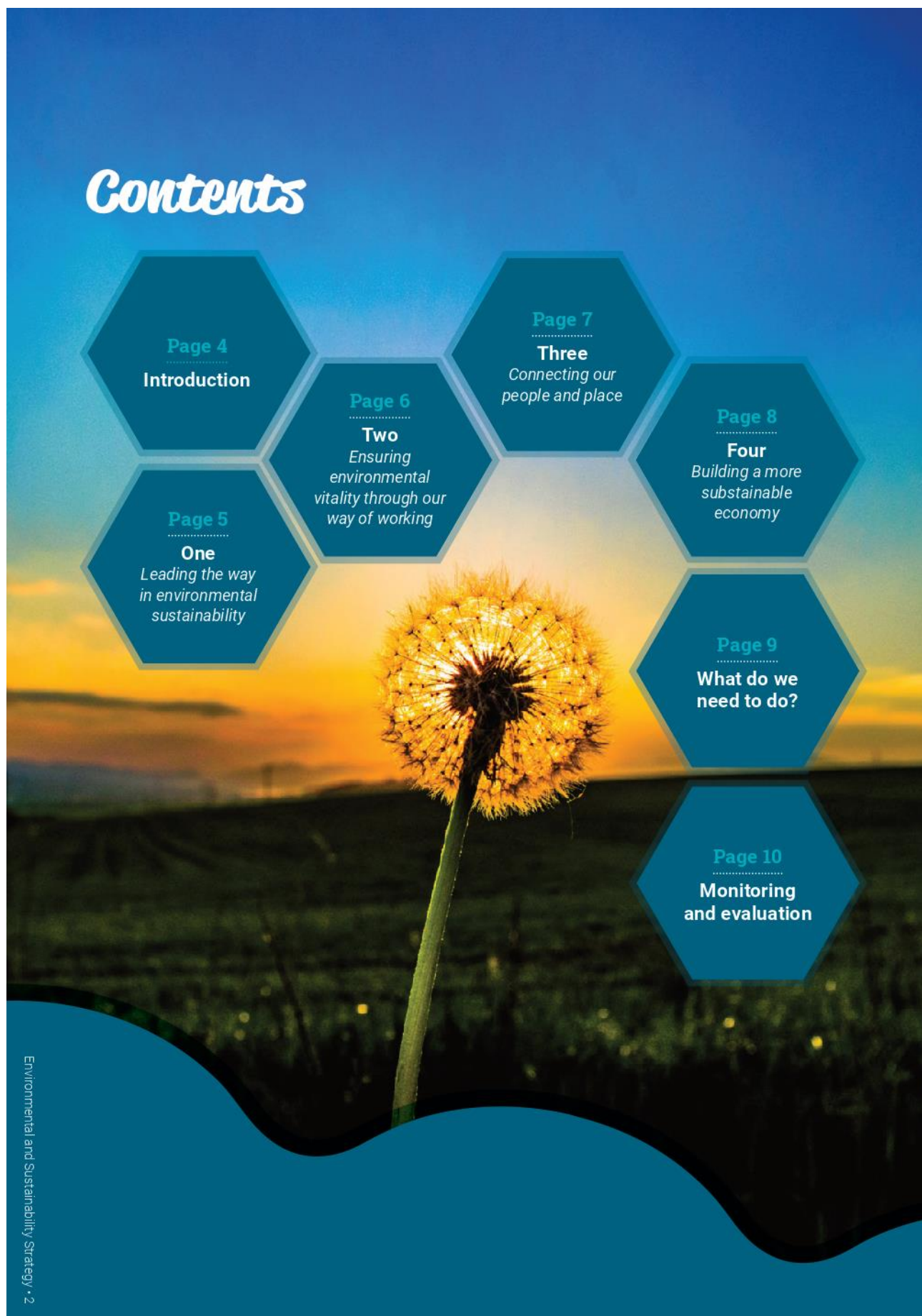
Environmental and Sustainability Strategy

2019-23

Successful
environmental
guardians, ensuring
future generations
THRIVE here.



January 2019





Together we are:
"Successful environmental
guardians, ensuring future
generations THRIVE here"

Introduction

Our people cherish the unique and beautiful landscape of the Central Hawke's Bay. Project THRIVE reaffirmed that great value is placed on our natural environment, ensuring that it is healthy and can sustain future generations is important to our community.

Together we are: "Successful environmental guardians, ensuring future generations THRIVE here".

The Strategy has been developed to reduce Central Hawke's Bays' environmental footprint and to protect and enhance the environment so that it can sustain future generations. Council has been undertaking research, working alongside the Community Environmental and Sustainability Reference Group and developing ideas gathered in Project THRIVE to identify a vision for the future. By 2023 Central Hawke's Bay community will be recognised as successful environmental guardians, protecting and enhancing the environment so that future generations can THRIVE here. Protecting the environment and acting sustainably means many things to Council and to the community, among these as top priorities are;

- Managing our impact on waterways
- Increasing recycling and reducing waste to landfill
- Conserving water
- Managing for climate change

Council recognises that no single organisation can bring about a healthy environment on its own.

We take our responsibility seriously and have pledged to work alongside others to reduce the environmental footprint of the District. We are a small, practical and agile community, grounded in practicality and buoyed by knowing what can be achieved by working together. Our future is bright and thriving, because we choose to make it so.

The Strategy is broken into four key themes that were identified through working with our community in Project THRIVE and through an established reference group for the Strategy. Each theme includes an assessment of where we are now and where we are going and in the back of the Strategy is a table of actions to help us, and our community, bridge the gap.



One

Leading the way in environmental sustainability



Where are we now?

During Project THRIVE our community told us they would like Central Hawke's Bay to be a good example to the rest of New Zealand, leading the way in clean environmental and sustainability practices. Council has a specific role in providing local leadership and decision making, the community also has a local leadership role to play. Council is looking forward to working with community leaders on the Environmental and Sustainability Reference Group to consider how our community can lead the way and be a role model to the rest of New Zealand. We have a number of environmental challenges to face - one of most the significant being the impacts of climate change.

Where do we want to be?

We are a good example to the rest of New Zealand, leading the way in environmentally friendly and sustainable business practices. Council believes that good role models actively demonstrate desired behaviour. It is important to us that we are leading the way and putting our policy into practice by actively work towards reducing our own carbon footprint here at Central Hawke's Bay District Council. We have much to learn. We intend to join a Sustainable Business Network for support and advice and embark upon an audit that will assist us to reduce our greenhouse gas emissions and build sustainability into our purchasing decisions.

We expect our audit findings will increase Council's understanding of sustainable business practices and influence the way we work with other businesses. We may have more stringent expectations about our suppliers taking end of life product stewardship and recycling and reducing their own emissions and environmental footprint.

We continue to demonstrate leadership in environmental and sustainability matters locally and on the national stage. Council will continue to carry out our leadership responsibilities as per the Local Government Act by incorporating environmental wellbeing and sustainability into decision making.

Leading at the local level will require Council to understand some of the likely impacts global environmental issues will have on our community. We will work with our community to develop local solutions. For example, adapting to and mitigating the impacts of climate change are significant challenges and a new priority focus for all Councils. We know that reducing emissions will help mitigate the effects of climate change.

Our whole community will have a part to play in meeting New Zealand's emission reduction targets to by 2050. While work is underway at a national level to develop emission reduction action plan it will be important that local solutions are developed for local communities. Farming and food production are at the heart of our local economy and these industries are some of the biggest contributors to emissions. We are committed to working with Central Government and participating in climate change projects it is equally important to us that we work alongside our Community Environmental and Sustainability Reference Group and involve our community in developing local solutions.



Two

Ensuring environmental vitality through our way of working



Where are we now?

Protecting the natural environment is Council's core business and is not something considered discretionary. We are legally required to supply water, manage waste and land resources to meet strict requirements under the Resource Management Act as stipulated in conditions of the numerous Resource Consents held by Council. While legal compliance is critically important, Council and our community recognise together that much more can be done.

Where do we want to be?

We will successfully meet our legal obligations. Council activity is largely bound by legislation. New ways of addressing environmental challenges mean that legal requirements are subject to change, requiring Council's to respond to new requirements and resources. For smaller Council's like Central Hawke's Bay, just meeting legal requirements requires careful balancing of very limited resources. We allocate resources according to priority. Our priorities for the next 5 years will be on ensuring legal requirements are met by:

- Upgrading wastewater treatment plants to meet resource consent conditions
- Investigating long term water storage solutions
- Implementing the Solid Waste Management and Minimisation Plan

We will do more than meet compliance. We will work in a way that ensures environmental vitality - our environment is strong, lively and healthy. Council has some flexibility about the way it meets legal compliance requirements. The priorities and preferences of the local community to protect natural environment can be reflected in choices and decision making. Often these choices do not require additional resources but a change in focus on a different way of working.

To reflect our way of working we will ensure that:

- We work alongside our community to investigate sustainable water storage solutions
- Our water supply infrastructure is well maintained and reduces leakage and waste



- We exceed expectations for recycling and reducing waste as outlined in the Solid Waste Management and Minimisation Plan
- We proactively work towards meeting consent conditions by monitoring and addressing issues if they arise.

We will monitor our progress towards environmental vitality and develop a plan for action. Good data and information are key to determining how healthy our environment really is. It also provides an evidence base to help distinguish between perception and reality and a guide for action. Council will complete the State of the Environment reporting. Renewed focus will be placed on establishing a core set of environmental indicators that will tell us how healthy our environment is. We will take available information and build upon it, adding a set of local environmental indicators. The State of the Environment Report will be shared in the community to raise awareness of how well we are doing and to develop an action plan and local solutions for addressing issues.

Three

Connecting our people and place



Where are we now?

During Project THRIVE our people told us how special our place is. Our home here in here Central Hawke's Bay has a unique and beautiful natural landscape, different from anywhere else in the world. The land, native bush, biodiversity, mountains, river, beaches and sea are natural treasures, our taonga to be valued and cherished. However, our community also identified some challenges that were holding us back from THRIVING. Council is committed to working in partnership with others to raise awareness about our special place to ensure our people know how they can take action and play a part in caring for the natural environment.

Where do we want to be?

We are aware of our unique natural environment and how to care for it. We will encourage community organisations to raise awareness of what makes Central Hawke's Bay landscape special and unique. Whenua is a term that can be used to describe a view point about land, that land is more than just a resource, or something to be owned but an anchor point to create experience and meaning. Whenua can enhance a sense of belonging and connection to a place and increase the likelihood that people will care for it.

We want our community to readily access information they need to live in an environmentally friendly and sustainable way. One of the ways Council can assist the community in this aim is to become a member of Sustainable Living Aotearoa. This is a national organisation that provides the Future Living Skills programme and includes information and suggested actions to the community about living more sustainably.

Website information about energy savings, sustainable buildings, water, food, transport, growing organic vegetables, waste and building resilience is kept up to date by specialist experts.

We are in partnerships with organisations and individuals that can help us be successful environmental guardians.

Central Hawke's Bay District Council is a signatory on the Hawke's Bay Biodiversity Accord. Our signature represents our continued support of the Hawke's Bay Regional Council and partners to implement the actions in the Biodiversity Strategy.

We intend to work alongside landowners, Community Environment and Sustainability Reference Group and biodiversity specialists at Hawke's Regional Council to protect and enhance sites of significance in the district. Our work will complement the recently completed Biodiversity Inventory and help prioritise effort where it is needed most.

Council recognises that Central Hawke's Bay is made of towns and villages each with its unique set of characteristics. It is important to Council that local issues are addressed by local solutions, rather than a one size fits all approach. In 2019/20 Council will embark upon Village Planning exercises where local villages will get to identify their own vision for the future, local issues and set of actions. We look forward to working with communities to address environmental issues identified for each village.



Four

Building a sustainable economy



Where are we now?

Council has become more active in Economic Development, recently appointing its first Economic Development Officer and planning to develop an Economic Development Strategy. To inform the Strategy, Council is currently undertaking research to identify the types of businesses that our natural assets and environment can sustain.

Where do we want to be?

We attract business that our natural environment can sustain. We know that climate change will impact upon our community and affect what we can produce here. Already water storage is a concern for our community. To prepare for further change it is important that we have good data and information to base decisions on. Council is undertaking an Economic Development Opportunities Assessment to identify the economic development opportunities for the Central Hawke's Bay. The study will consider the District's economic advantages and high productivity assets and attributes including quality agricultural land, natural resources, temperate climate, climate change, central location, and an excellent transport network, including the Napier Port. The aim is to undertake location specific research and make practical recommendations about profitable and sustainable, innovative business initiatives that will grow and diversify the local economy, increase overall productivity, business investment, and jobs.

It is thought the study will include a range of practical solutions and recommendations that may include, for example, alternative land use options. The information will be used for a range of different purposes including the development of investment prospectus to attract businesses to Central Hawke's Bay.

We encourage businesses to operate sustainably. We want to encourage local businesses to practice as sustainably as possible. Providing and facilitating access to businesses seeking information is a role that Council can provide through a range of sources including, Ministry for the Environment and Sustainable Living Aotearoa. Council has also allocated resources to encourage and enable local businesses to work with a Sustainable Business Network. This will involve undergoing business audits to reduce greenhouse gas emissions and build sustainability into purchasing decisions. For example, choosing suppliers, producers, brand owners, importers, that practice product stewardship by accepting responsibility for reducing a product's environmental impact throughout its life.



What we need to do?

Leading the way in environmental sustainability

Outcome	Actions 2019/20	Responsible
We are a good example to the rest of New Zealand, leading the way in environmentally friendly and sustainable business practices	Obtain membership on a Sustainable Business Network, complete an audit and plan to reduce Council's emissions and build sustainability into purchasing decisions	Central Hawke's Bay District Council and community
Outcome	Actions 2019/20	Responsible
We continue to demonstrate leadership in environmental and sustainability matters locally and on the national stage	Formally establish the Community Environmental and Sustainability Reference Group	Central Hawke's Bay District Council and Community Environmental and Sustainability Reference Group
Outcome	Actions 2020 - 23	Responsible
	Council monitors and reports on the progress made in the Environmental and Sustainability Strategy	Central Hawke's Bay District Council

Ensuring environmental vitality through our way of working

Outcome	Actions 2019/20	Responsible
We will successfully meet our legal obligations	Complete Review of District Plan	Central Hawke's Bay District Council
	Investigate long term water supply storage solution	Central Hawke's Bay District Council
	Implement the Solid Waste Management and Minimisation Plan	Central Hawke's Bay District Council and community
	Continue investment in infrastructure to meet resource consent conditions, specifically those related to discharges to waterways	Central Hawke's Bay District Council
	Council where possible will continue to seek external funding to support various environmental and sustainability initiatives	Central Hawke's Bay District Council
Outcome	Actions 2019/20	Responsible
We will do more than meet compliance. We will work in a way that ensures environmental vitality – our environment is strong, lively and healthy.	Council and the Tuki Tuki Water Task Force will continue to work together with Regional and Central Government on a sustainable water retention solution for the community.	Central Hawke's Bay District Council, Tukituki Water Task Force, Hawke's Bay Regional Council and Central Government
	Continue to improve water supply infrastructure to reduce leakage and waste	Central Hawke's Bay District Council

	Proactively work towards meeting resource consent conditions by monitoring and addressing issues as they arise.	Central Hawke's Bay District Council
	Support Hawke's Bay Biodiversity Strategy and Action Plan	Central Hawke's Bay District Council
Outcome	Actions 2020/21	Responsible
We will monitor our progress towards environmental vitality and develop a plan for action	Undertake State of Environment Report and report back to Council and Community	Central Hawke's Bay District Council, Hawke's Bay Regional Council
	Develop a State of the Environment Action Plan	Central Hawke's Bay District Council, Hawke's Bay Regional Council, Community Environmental and Sustainability Reference Group

Our People and Place

Outcome	Actions 2019/20	Responsible
We are aware of our unique natural environment and how to care for it	Provide readily accessible information about environmental sustainability.	Central Hawke's Bay District Council
Outcome	Actions 2019/20	Responsible
We are in partnerships with organisations and individuals that can help us be successful environmental guardians	Continue to provide support and resources for the Hawke's Bay Biodiversity Strategy and Action Plan – to protect, stabilise and enhance biodiversity. Signatory to the Biodiversity Accord.	Central Hawke's Bay District Council
	Complete Village Planning to identify projects of interest and plan to complete	Central Hawke's Bay District Council and community

Building a sustainable economy

Outcome	Actions 2019/2020	Responsible
We attract business that our natural environment can sustain	Complete Economic Development Assessment to determine opportunities sustained by our natural environment	Central Hawke's Bay District Council
We encourage businesses to operate sustainably	Develop an Economic Development Strategy incorporating sustainable development	Central Hawke's Bay District Council
	Provide and facilitate access to information about sustainable business practices	Central Hawke's Bay District Council and Sustainable Living Aotearoa
	Encourage businesses to practice end of life product stewardship	Central Hawke's Bay District Council, Sustainable Living Aotearoa



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We are.
LGNZ.
Te Kāhui Kaunihera o Aotearoa.



Climate Change Commission Draft Advice

Local Government New Zealand's submission on the Climate Change
Commission's Draft Advice to Government

March 2020

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We are. LGNZ.

LGNZ is the national organisation of local authorities in New Zealand and all 78 councils are members. We represent the national interests of councils and promote the good governance of councils and communities. LGNZ provides advocacy and policy services, business support, advice and training to our members to assist them to build successful communities. Our purpose is to deliver our Vision: "Local democracy powering community and national success."

Introduction

Local Government New Zealand (LGNZ) thanks the Climate Change Commission (the Commission) for the opportunity to submit on its 2021 Draft Advice for Consultation (the Draft Advice).

As New Zealand's local government peak body, LGNZ has prepared high-level sector input for the Commission's consideration. We acknowledge the need for a range of policy tools that enable New Zealand to mitigate and adapt to the effects of climate change. In our view, new policy should complement existing emissions reduction tools - namely the New Zealand Emissions Trading Scheme (NZETS). LGNZ also submits that any obligations foisted on local government by the Draft Advice's national policy change account for scale and have appropriate national funding. Finally, we recommend that our views are taken in concert with specific councils' and council groups' comments, to give consideration to their comments to address how the Draft Advice affects their particular localities and areas of oversight.

Our submission is broken into general comment and feedback to specific questions. We also request that our comments be considered alongside those with more technical expertise's submissions. Where we are silent on a question, this should be taken as deferral to those with more insight, rather than acquiescence (e.g. Consultation question 3 on the breakdown of the emissions budget, and Chapters 7, 8 and 9).

General comments

Policy bite or kicking the can

In reviewing the work of the Commission it is noted that many of the rules-based actions (as opposed to the market-based actions undertaken through the Emissions Trading Scheme) defer any real action for many years. This relies too heavily on the actions of a future government to have the necessary support to pursue what may be unpopular policies at that time, and hence increases their political risk. We recommend the Commission consider making the "pain" of climate change policies bite earlier, principally through raising the carbon price. This will spur action sooner, and may indeed mitigate the need to undertake unpopular and risky policies in future.

Funding

Local government will play an essential role for New Zealand to reach the carbon emission reductions targets. However, the Draft Advice's recommendations would require it carry out a range of new obligations in an already financially challenging context, to say nothing of the additional burden COVID-19 has had on council budgets. This issue is exacerbated by the fact that local government has fewer options to raise funds than central government. Raising rates is one option that we expect central government will recommend.

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However, this will likely cause financial hardships for those communities who are also likely to experience the worst aspects of climate change.

To address the funding issue and to avoid equity issues associated with rates increases, LGNZ recommends that the Commission accounts for the cost the national emission reduction recommendations contained in the Draft Advice would impose on local government. These costs should then be met by a new national fund to ensure local government can help New Zealand to meet its carbon emissions targets as outlined in the Draft Advice.

Scale

The Commission correctly identifies that a comprehensive and mutually reinforcing package of policies is needed to achieve the emissions reductions. We also agree that the package will need to achieve the three types of intervention listed to enable change (see p 104 of the Draft Advice). However, in forming this package we recommend that direction explicitly refer to the need for appropriate scale (i.e. how national policies trickle down into local action).

To ensure the Draft Advice accounts for how scale impacts policy design, we recommend the Commission acknowledge the role that local government will play in forming policy. This means affording significant weight to councils' feedback throughout the report and amending the sector specific policies to reflect councils' input on the necessary actions, particularly those contained in Chapter 6.

Urban form and transport

The key objectives of urban development are to maintain affordability, freedom to locate and mobility (fast and low cost transport) as the footprint and densities of cities inevitably increase to ensure well-functioning labour markets. At the same time, urban growth is accompanied by costs that function as constraints to development. Specifically, in relation to urban transport systems that contribute to maintaining the value proposition of urban life, there are three main costs: congestion, pollution concentration and greenhouse gas (GHG) emissions.

LGNZ acknowledges that the costs brought about by the use of urban transport systems need to be managed. However, focusing on centrally determining urban form (by way of constraining land use) may run counter to affordability objectives, because constraining the supply of land in the face of high demand always results in high land prices. We recommend that the Commission undertake more extensive work to understand the trade-offs and the relative priorities before developing firm policy direction.

Promoting pollution free transport is a good strategy, but there is not only one way to achieve this. Adopting any strategy must ensure that it reduces the net-costs across the entire system (across sectors), factoring in social and economic costs created by poor functioning land and labour markets with high house prices, as well as the true cost created by urban development under path-dependant conditions of existing urban forms, including:

- Already congested and transport systems that are over capacity at existing densities;
- Cost of upgrading depreciated three waters infrastructure to enable intensification of land use;
- The lack of availability of public utility space that could have been protected in advance if long-term spatial planning had been undertaken, but has not been;
- The increasing costs and constraints imposed by engineering and development economics to solely accommodate demand through of intensification;

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- The inability of government to provide for the amount of public transport to prevent congestion at higher densities; and
- The cost of transport emissions created by more congested commuting with longer times, because constraining land supply disallows business to disperse and households to locate closer to places of work.

We propose analysing the costs and benefits of alternative approaches to achieving pollution free transport, including development of new transport systems and technological advancement, which can reduce pollution while at the same time advancing productivity and housing affordability objectives.

Comments on specific questions

Question 1 - Principles to guide advice

We support the Commission's principles that guide the Commission's Draft Advice. However, we note that the role for market mechanisms, specifically the NZETS, should be included as one of the principles that underpins the Draft Advice. The Commission correctly acknowledges that market incentives need to be strengthened to reduce emissions late in the report. It also correctly points out that emissions pricing is a powerful tool to this end.

LGNZ also notes that the split gas approach could mislead readers as it could be read as painting a dual picture of the extent of emissions. For this reason, if possible, we propose that the Commission considers expressing biogenic methane (currently as Mt CH₄) alongside an equivalent measurement of carbon dioxide (Mt CO₂e) throughout the report.

Question 2 - Emissions budget levels

We recommend that timeframes per the emissions budget table found under recommendation 1 is expressed at consistent periods for clarity's sakes. Currently emissions budget recommendation 1 covers three years, while emissions budgets 2 and 3 cover four year periods. We also recommend that the Commission explain how the emissions budget levels interacts with the NZETS as this is only clarified towards the end of the Draft Advice.

Question 4 - Limit on offshore mitigation for emissions budgets, with conditions

We agree with the approach outlined in recommendation 4 in principle. In the first instance, New Zealand should take a proactive approach to reducing its own emissions. This will avoid creating equity problems by imposing our reduction obligations on still developing countries. That said, New Zealand may want to leave options open to meet our emissions targets as a last resort, with stringent conditions attached to ensure there is sufficient incentive to focus on domestic reductions. This is allowed under our international agreements and legislation that provide for offshore mitigation.

Question 5 and 6 - Cross-party support and joined up government

LGNZ supports the need for cross-party support and a joined up government approach for New Zealand to meet its emission reduction targets.

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We note that cross-party support should not hamstring the Minister for Climate Change from directing New Zealand's efforts to reduce its emissions. We emphasise the need for political debate to occur recognising the urgent need for New Zealand to take action to curb its emissions to prevent discourse from unnecessarily slowing action.

These comments apply similarly regarding the recommendation to introduce Vote Climate Change. Recognising the need for a dedicated central government fund to achieve the targets, LGNZ recommends that this should be established no later than 31 March 2022 so as not to defer the public service taking operational steps to achieve New Zealand's emissions targets.

Question 7 - partnership with iwi/Māori

LGNZ applauds the Commission's efforts throughout the Draft Advice to draw on the He Ara Waiora framework to understand wellbeing from a Te Ao Māori a mātauranga Māori perspective.

As identified, the Commission must act to remove barriers and progress actions to give effect to the Treaty partnership. To genuinely reflect the Te Tiriti o Waitangi principles as articulated by the Courts and the Waitangi Tribunal, all changes brought about through the Draft Advice requires the Crown and Māori to work in partnership in the governance, design, delivery, and monitoring of health and disability services.

Achieving enabling recommendation 3 requires the Crown support Māori to co-design the Draft Advice. This goes well beyond stakeholder engagement. However, Māori presently face significant barriers (resourcing, time, capacity) to submit on the extensive technical measures contained in the Draft Advice. Additionally, local government faces significant resource constraints when engaging with iwi/hapū to determine how the Draft Advice affects its obligations to its own communities.

We recommend that the Draft Advice account for the need to adequately resource Māori to co-design how New Zealand can achieve the emission reductions. Furthermore, we submit that the Draft Advice recognises local government's need for appropriate funding to (a) partner and engage meaningfully with Māori throughout New Zealand in fulfilling its roles per the Draft Advice's recommendations; and (b) promote the interests of Māori in co-designing emissions reduction efforts. We argue that this will not create the risk of consultation fatigue; instead it recognises the need for every governance level to own how New Zealand reduces nationwide emissions as they represent the communities that comprise New Zealand.

Question 8 - Central and local government working in partnership

A strong, reciprocal relationship between local and central government will be critical for New Zealand to achieve the Draft Advice's ambitions. For this relationship to emerge, local government needs representation at the decision-making table and appropriate funding to ensure it can hold up its part of the emissions reduction bargain.

Local government's ability to provide fulsome comment on the extensive, technical recommendations detailed in the Draft Advice is hampered by its capacity and resource constraints. Consequently, we recommend that the Commission provide local government with a more prominent role in determining the Draft Advice's design and implementation. This would have the added benefit of enabling continued input from local government as the policy process continues, which is otherwise limited by the Draft Advice's abridged consultation period.

Local government will play a critical role in implementing several aspects of the Draft Advice as many of its recommendations (e.g. those captured under question 14) would impose a variety of additional obligations on

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councils. Councils' current funding models are stretched and will not cover the new requirements to be imposed. For this reason, LGNZ reiterates that the Commission recommends new funding allocations accompany the new responsibilities that will be imposed on local government.

Finally, the Draft Advice appropriately identifies that several pieces of legislation will need to be aligned so that emissions can be reduced. The Land Transport Act will need to be included in this recommendation given its obvious relevance to the Draft Advice's recommendations concerning transport. We anticipate that the Commission should involve local government when designing these changes, given its existing role in the transport sector. Additionally, any new legislation will need to be accompanied by guidance to ensure that local government can give effect to it.

Question 9 - incorporating the views of all New Zealanders

We recognise the role that inclusive policy development has to play in determining how to prioritise meeting our emissions budgets. We are encouraged to see that the Draft Advice raises the prospect of a citizens assembly to inform how to make judgements on value driven issues, and determine how to make trade-offs when determining which climate actions and policies to pursue. The Commission's contemplation of this measure underpins the need for grassroots local involvement to address the problems posed by climate change.

LGNZ anticipates that, given local government's proximity to New Zealanders, any citizens assembly will necessarily make use of its assets, resources and capacity. Consequently, we recommend that the Commission factor in any costs imposed on local government and determine appropriate funding tools when forming mechanism(s) to enable citizen engagement. LGNZ also recommends that the Commission refers to a variety of resources when forming this mechanism to work effectively to steer policy and avoids industry capture. We highlight two potential resources below.

In January 2019, Oxford City Council members declared a climate emergency and created a citizens assembly to consider carbon targets and reduction measures. Importantly, climate change was treated as a 'given' and the Assembly was not asked to consider whether it is a reality. This involved a randomly selected representative sample of 50 residents who explored options to cut carbon emissions through a combination of presentations from experts and facilitated workshops. You can read more about the Oxford City Council approach [here](#).

In 2020, the Organisation for Economic Cooperation and Development (OECD) published a report titled *Innovative Citizen Participation and New Democratic Institutions*. This report explores process models and trade-offs in participation design choices and the relative benefits they bring. The OECD report also identifies good practice principles for decision-making. The Commission can access a summary of the report [here](#).

Questions 10 and 11 - Locking in net zero

LGNZ supports the Commission's approach to meeting its proposed emissions budgets. We agree in general with the relative benefits of exotic and native forests. However, we ask that the Commission pays heed to scientific input on the risks associated with permanence of carbon emissions removals using forestry. We submit that overstating these risks could unnecessarily limit the potential for forestry's role in reducing New Zealand's carbon emissions.

These scientific views considered giving forestry its appropriate role; we support efforts to drive down gross emissions as per the Commission's transformation pathways to lock in net zero emissions by 2050.

SUBMISSION**Question 12 - Our path to meeting the budgets**

LGNZ encourages the Commission to review submissions from across local government to account for its various approaches to meeting its proposed budgets within each sector. Making changes to each sector will require extensive local government involvement. Consequently, we recommend that the Commission better elaborate the funding tools that will be made available to local government to carry out the changes it proposes.

LGNZ understands the Commission's need to delineate the path to reduced emissions for each sector (i.e. transport, buildings, electricity, natural gas, etc). However, further consideration should be given to how changes to these sectors affect one another as they are interdependent, not independent. We also note that local government will play an important role in each of these sectors and emphasise that this should be further borne out in the Draft Advice to ensure a full picture of the carbon emissions reductions process is captured. We provide various comments on some of the sectors in our answers to questions 14-18 below.

Additionally, under question 12 the Commission identifies that timber can displace emissions intensive materials such as steel and cement in buildings, however it does not expand on this or provide sources for further reading. We suggest that the Commission elaborate on this statement. We also strongly recommend that the Commission engage with councils and industry to determine the extent that timber can be used similarly and carefully consider how it can align any recommendations in this regard with the Building Act and Building Code.

Question 13 - An equitable, inclusive and well-planned climate transition

Any transition must be equitable so far as possible. As per our answers for questions 7 and 8, this will require that central government funds adequately and works closely with local government and iwi/ hapū to understand how changes will affect New Zealand's communities.

The framework spelled out in the Commission's necessary action offers a good start to determine a transition strategy. However, we recommend that the timeframe as contained in the progress indicator - 31 December 2023 - be brought forward to 2022. Failing to do so will likely defer our carbon reduction path and New Zealand will miss the Commission's targets.

To streamline its transition strategy and best account for equitable local considerations, we recommend that the Commission gives weight to the comments from across the local government sector in response to the Draft Advice. From there we recommend both branches of government work with iwi/ hapū to co-design a transition plan that (a) determines communities and regions particularly affected by climate change and the transition to a low emissions society; and (b) how to develop transition planning in those areas.

Questions 14 - Transport

LGNZ notes on the transport sector discussion that the Draft Advice captures the important role that light vehicles will play in decarbonising land transport. However, we submit that there is value in specifying that the vehicles New Zealand uptakes are zero emission rather than hybrid to maximise carbon reductions. Additionally, the extent to which regional councils are able to change their bus fleets to zero emission depends on their scale. Electrifying the national bus fleet will require national funding. It will also need to be targeted time-wise due to councils' procurement obligations.

SUBMISSION



LGNZ supports the bold aspiration in the recommendation by the Commission to transform the light vehicle fleet to electric by 2050. However, these need to be balanced for different types of communities. Rural communities for example travel far greater distances, which will limit the effectiveness of electric vehicles as a transport solution compared with metro communities. We urge the Commission to adopt a flexible approach to ensure that policy aligns to ability to adopt the recommendations where it makes sense to do so.

We are pleased to see that the Draft Advice acknowledges substantive underinvestment in infrastructure and services for public transport, walking and cycling. We support a large increase in funding from the NLTF on public and active mobility, including for the national public transport network. It should be noted that there were no increases of petrol tax (fuel excise duty) and road user charges signalled in the first three years of GPS 2021. This would indicate that a large funding increase across selected activity classes could lead to reductions in other activity classes. This may have unintended consequences such as a continuation of under investment in the ongoing maintenance of New Zealand's roading network. We signalled in our submission on GPS 2021 that higher funding assistance rates (FARs) for some councils will be needed for the next three years. The Commission can access our GPS 2021 submission [here](#).

Road maintenance is an ongoing challenge for both Waka Kotahi and councils. A transformation of the light and heavy vehicle fleet from combustion to electric will need to consider the additional weight and impacts on road surface condition of local roads and state highways. Our concern is there does not appear to be a consideration of the impacts of the weight differential between both light and heavy electric vehicles on the vehicle axle loadings and pavement wear on local roads. Heavier vehicles cause more damage to the New Zealand roading network. A Waka Kotahi [research report](#) affirmed that when you double axle loading it does 16 times more damage to roading networks.

We agree with the proposal to shift freight from road to electric rail by electrifying both the Auckland to Wellington and Hamilton to Tauranga railway lines. However, we would like to see a greater percentage of freight tonne kilometres switched to rail by 2030 to further reduce road use impacts on the roading network. It is also not clear if the money required will come from the NLTF.

Question 15 - Heat, industry and power

In 2020 the Ministry of Business, Innovation and Employment (MBIE) ran a consultation on [building for climate change](#), on which LGNZ submitted. MBIE's consultation sought input on how the building and construction sector can contribute to New Zealand's goal of net zero carbon emissions by 2050. This canvassed how to [transform operational efficiency](#) and [whole of life carbon emissions reduction framework](#). You can find LGNZ's submission [here](#). We encourage the Commission to consider how its Draft Advice aligns with the outcomes of MBIE's building consultation.

Question 16 - Agriculture

We also understand the Commission's approach in pitching reductions in agriculture under current technological conditions. To summarise, we view the Draft Advice as maximising reductions by encouraging farmers to move to current best practice. While we agree with this position in the short term, the role that local government will play in encouraging behavioural shifts should be given more emphasis. This is so as central policy can be imparted most effectively through established relationships at the local level. The Draft Advice should be amended to recognise the importance of using established relationships to generate change.

SUBMISSION**Question 17 - Forestry**

Any adjustments to how forestry is managed should account for appropriate land use to mitigate surrounding risks, e.g. erosion, fire and pest control. This will require significant local government and industry engagement. While engagement presents challenges it also raises opportunities - for instance several councils hold mapping data - the Commission should consider how central government can make use of this to find efficiencies and paint a national mapping picture of forestry options more quickly.

Question 18 - Waste

LGNZ acknowledges that preventing waste at source is the most effective way to reduce emissions. In January 2020 we submitted on the need for an increased and expanded waste landfill levy. This reflects a remit passed by LGNZ's members in 2018 that called for the Government to expand the waste disposal levy and progressively raise the levy rate in order to reduce total waste to landfills. We invite the Commission to review our submission [here](#).

We note that local government is only partially responsible for collecting waste. Therefore, we recommend that the Commission consider how local government can partner with the private sector and community to reduce waste emissions.

Question 19 - Multisector strategy

LGNZ is pleased that the Commission acknowledges the important role that market incentives and the NZETS play to reduce carbon emissions. However, as stated above we recommend that the Draft Advice give more emphasis on how government policy complements the NZETS. In our view, this involves expressing the NZETS in the emissions budgets at the outset of the Draft Advice (i.e. including market mechanisms as one of the principles to guide the Commission's advice). Doing so will recognise behaviour change as one of the fundamental pillars required for New Zealand to meet its carbon reduction targets in line with the Commission's budgets. LGNZ notes that introducing behaviour change policies will require specific actions to support households and business to make changes to reduce their emissions.

We recommend that the Commission incorporate guidance on how any changes to the NZETS will accord with New Zealand's international obligations. We also recommend that any changes to how forestry operates with regard to how exotic and native forests are used in the NZETS reflect technical input in relation to Question 17. It is critical that the Commission's advice creates incentives to invest in carbon sequestration in a sustainable manner.

The Commission correctly identifies the need to establish a sound market governance regime as soon as possible. It notes that this will involve working with an interagency team, include MBIE. This team should also include other agencies including Ministry for the Environment, the Financial Conduct Authority and potentially the Commerce Commission given the risks that the Draft Advice identifies.

Establishing alignment of instruments and building consistency will be challenging. We would encourage early engagement with Regional Tourism Organisations of New Zealand and its members, LGNZ and its members when integrating policy making across climate change and tourism. There needs to be consideration about compliance costs associated with designing and implementing any new requirements to build climate change considerations into new policies, regulations and fiscal proposals. Both local government and the tourism sector are facing unprecedented financial challenges.

SUBMISSION

Any investigations into emissions reduction potential for tourism should consider carefully the economic impacts on local communities reliant on international tourism. For the year ended March 2020 tourism was New Zealand's largest export industry. Expenditure was \$41.9 billion, up 2.45 on previous year. The sector employed 8.4 per cent of New Zealand workforce. It is estimated that there is now a \$12.9 billion gap per annum without international tourists. This economic shock has resulted from the COVID-19 pandemic. It will take a long time for these communities to recover.

We hope that this response is useful in your deliberations. LGNZ staff are happy to continue to work with the Commission in relation to the Draft Advice. If you would like to engage further, please contact John Stewart, Senior Policy Advisor, Advocacy on 04 924 1222 or john.stewart@lgnz.co.nz in the first instance.

7 PUBLIC EXCLUDED**RESOLUTION TO EXCLUDE THE PUBLIC****RECOMMENDATION**

That the public be excluded from the following parts of the proceedings of this meeting.

The general subject matter of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48 of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48 for the passing of this resolution
7.1 - Cyber Security Report	s7(2)(f)(i) - free and frank expression of opinions by or between or to members or officers or employees of any local authority s7(2)(j) - the withholding of the information is necessary to prevent the disclosure or use of official information for improper gain or improper advantage	s48(1)(a)(i) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7

8 DATE OF NEXT MEETING**RECOMMENDATION**

THAT the next meeting of the Central Hawke's Bay District Council Risk and Assurance Committee be held on 16 September 2021.

9 TIME OF CLOSURE