



**CENTRAL
HAWKE'S BAY**
DISTRICT COUNCIL



Risk and Assurance Committee Meeting Agenda

Wednesday, 23 March 2022

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 - 11 November 2021

RECOMMENDATION

That the minutes of the Risk and Assurance Committee Meeting held on 11 November 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 THURSDAY, 11 NOVEMBER 2021 AT 9.00AM**

PRESENT: Chairperson Neil Bain
Mayor Alex Walker
Cr Tim Aitken (Via Zoom)
Cr Gerard Minehan
Cr Brent Muggeridge
Cr Jerry Greer

IN ATTENDANCE: Monique Davidson (Chief Executive)
Joshua Lloyd (Group Manager, Community Infrastructure and Development)
Doug Tate (Group Manager, Customer and Community Partnerships)
Brent Chamberlain (Chief Financial Officer)
Nicola Bousfield (Group Manager, People and Business Enablement)
Caitlyn Dine (Governance and Support Officer)
Bevan Johnstone (Health and Safety Advisor)

EXTERNAL PRESENTERS:
Miles O'Connor – Bancorp (Via Zoom)
Suresh Ranchlod – Bancorp (Via Zoom)

1 KARAKIA

Mayor Walker led the Karakia

2 APOLOGIES

NIL

3 DECLARATIONS OF CONFLICTS OF INTEREST

NIL

4 STANDING ORDERS

COMMITTEE RESOLUTION

Moved: Cr Gerard Minehan
Seconded: Cr Brent Muggeridge

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 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.

CARRIED

5 CONFIRMATION OF MINUTES

COMMITTEE RESOLUTION

Moved: Cr Jerry Greer

Seconded: Cr Brent Muggeridge

That the minutes of the Risk and Assurance Committee Meeting held on 16 September 2021 as circulated, be confirmed as true and correct.

CARRIED

6 REPORT SECTION

Risk and Assurance Committee started with report 6.4.

6.4 REVIEW OF TREASURY MANAGEMENT POLICY
PURPOSE The matter for consideration by the Risk and Assurance is to consider the attached draft Treasury Policy (incorporating Investment and Liability policies) for recommendation to Council for adoption.
COMMITTEE RESOLUTION Moved: Cr Brent Muggeridge Seconded: Cr Gerard Minehan That having considered all matters raised in the report: a) That Risk and Assurance recommend to Council the revised Treasury Policy (incorporating Investment and Liability policies) be recommended to Council for adoption. CARRIED

Suresh Ranchhod and Miles O'Connor from Bancorp joined the meeting.

Mr Chamberlain presented this report and introduced Bancorp who been contracted by the council to provide treasury management consultancy. Bancorp provided an overview of the changes they have recommended for the Treasury Policy review, including revisions in relation to interest rate hedging, counterparty credit limits and treasury. Mr O'Connor advised the recommended changes to strategies and limits were consistent with other councils advised by Bancorp.

The Committee noted a change in wording on page 12 of the Policy where it talks about property investment. The wording will stay in the policy for now as there is some work required and there for Officers can't use that part of the policy when giving Council advise on future decisions.

Risk and Assurance Committee went back to the appropriate report order.

6.1 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.
COMMITTEE RESOLUTION Moved: Cr Gerard Minehan Seconded: Cr Jerry Greer That, having considered all matters raised in the report, the report be noted. CARRIED

6.2 RISK AND ASSURANCE COMMITTEE PRIORITY 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 Jerry Greer

Seconded: Cr Brent Muggeridge

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

CARRIED

Mrs Davidson presented this report.

6.3 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 Brent Muggeridge

Seconded: Cr Gerard Minehan

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

CARRIED

Mr Chamberlain presented this report

6.5 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: Mayor Alex Walker

Seconded: Cr Jerry Greer

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

CARRIED

Mrs Bousfield presented this report alongside Mr Johnstone.

6.6 HEALTH & SAFETY REPORT

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.

COMMITTEE RESOLUTION

Moved: Cr Gerard Minehan

Seconded: Mayor Alex Walker

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

CARRIED

Mrs Bousfield presented this report alongside Mr Johnstone. Mrs Bousfield introduced the new Health and Safety Governance Dashboard which has been developed with the objective to provide a health and safety governance focus for the Committee. Mrs Bousfield advised that the dashboard content will continue to be developed over future meetings.

6.7 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: Mayor Alex Walker

Seconded: Cr Jerry Greer

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

CARRIED

Mr Chamberlain presented this report.

RESOLUTION TO EXCLUDE THE PUBLIC

COMMITTEE RESOLUTION

Moved: Cr Gerard Minehan

Seconded: Cr Brent Muggeridge

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
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7.1 - Public Excluded Resolution Monitoring Report	<p>s7(2)(b)(ii) - the withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information</p> <p>s7(2)(f)(i) - free and frank expression of opinions by or between or to members or officers or employees of any local authority</p> <p>s7(2)(h) - the withholding of the information is necessary to enable Council to carry out, without prejudice or disadvantage, commercial activities</p>	<p>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</p>
CARRIED		

7 DATE OF NEXT MEETING

RECOMMENDATION

THAT the next meeting of the Central Hawke's Bay District Council Risk and Assurance Committee be held in 2022.

8 TIME OF CLOSURE

The Meeting closed at 10:30am.

The minutes of this meeting were confirmed at the Risk and Assurance Committee Meeting held in 2022.

.....
CHAIRPERSON

6 REPORT SECTION

6.1 RISK AND ASSURANCE COMMITTEE RESOLUTION MONITORING REPORT

File Number: COU1-1408

Author: Monique Davidson, Chief Executive

Authoriser: Monique Davidson, Chief Executive

Attachments: 1. Risk and Assurance 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.



Risk and Assurance Committee - Resolution Monitoring Report March 2022

Key					
Completed					
On Track					
Off Track					
Item Number	Item	Council Resolution	Resolution Date	Responsible Officer	Progress Report
6.4	Review of Treasury Management Policy	a) That Risk and Assurance recommend to Council the revised Treasury Policy (incorporating Investment and Liability policies) be recommended to Council for adoption.	11/11/2021	Brent Chamberlain	The revised Treasury Policy was taken to, and approved by the Finance and Infrastructure on the 24th February 2022. A further review of the wider investment strategy and carbon credit policy was requested to be undertaken.

6.2 RISK AND ASSURANCE COMMITTEE PRIORITY 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>Council has recently undertaken a Cyber Security audit and a separate report is coming to the committee on that topic.</p> <p>Crowe is due to undertake a GST/FBT compliance audit shortly.</p>
Review Governance Policy Framework and determine role for Risk and Assurance Committee	Brent Chamberlain	<p>The Risk and Assurance Committee participated in a workshop on the 27 May 2021 on this item. The Committee clarified its role, in recognising that policy sits with Council however agreed that Risk and Assurance Committee will play a role in developing the following policy:</p> <p>Procurement Policy</p> <p>Fraud and Corruption Prevention Policy (Operational)</p> <p>Sensitive Expenditure Policy</p> <p>Treasury Management Policy</p> <p>Protected Disclosures Policy (Operational)</p>
Review Risk Management Policy	Nicola Bousfield	<p>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.</p>
Review Risk Appetite Statement and Governance Risk Register.	Nicola Bousfield & Brent Chamberlain	<p>A risk appetite workshop was held with Elected Members in November as part of the review of the Risk Management Framework, the revised risk appetite statements will be taken to the March 2022 Risk & Assurance Committee meeting to be adopted.</p>
Review Fraud	Brent Chamberlain	<p>The newly developed policy has been adopted and socialised with staff.</p>
Whistle Blowing Policy	Nicola Bousfield	<p>The People and Capability team has updated this policy. This policy will be brought to the next Risk and Assurance Committee to advise the committee on. Noting the policy is an operational policy, but is one of the agreed policies that the committee will have input into.</p>
Review Health, Safety and	Nicola Bousfield	<p>This review was completed and minor changes were adopted in the September 2021 Risk & Assurance meeting.</p>

Key Priority	Responsible Officer	Progress Update
Wellbeing Governance Charter		
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, followed by a report back to the Committee on their findings. AON are developing a proposed work program to address some of the areas identified at this workshop, however Officers are yet to hear from AON.

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 Governor's line of site into Council's critical risks and the controls taken to manage these.
Contractor Performance	Brent Chamberlain	Officers have developed a contract management policy and contract management manual with H&S aspects embedded into it. This was workshopped with the committee in November 2021.
Legal Challenges / Files	Monique Davidson	The Risk and Assurance Committee have been briefed on these. This information does not exist in the public domain given the need for Council to protect legal privilege.

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 in 2022.

RECOMMENDATION

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

6.3 EXTERNAL AUDIT PLAN FOR THE YEAR ENDING 30 JUNE 2022

File Number: COU1-1408

Author: Brent Chamberlain, Chief Financial Officer

Authoriser: Monique Davidson, Chief Executive

Attachments: 1. External Audit Plan 2022 [↓](#)

RECOMMENDATION

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

PURPOSE

The purpose of this report is to receive the proposed External Audit Plan for the Year ending 30 June 2022.

SIGNIFICANCE AND ENGAGEMENT

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

BACKGROUND

Ernst Young have been appointed as Central Hawkes Bay District Council's auditors by the Auditor General.

DISCUSSION

Attached is the proposed Audit Plan for the Year Ending 30 June 2022 Audit as prepared by Ernst Young.

Each year the Auditor General, as well as performing a general audit of Council's financial reporting against New Zealand's accounting standards, will also have particular areas of focus. For the 2021/22 year focus will be on the following:

1. Infrastructure Assets
2. Integrity of rates strike, rates invoicing and collection
3. Non-financial performance reporting
4. Grants and Subsidies
5. Debt
6. Controls over operating expenditure, payroll, procurement and tendering

1. Infrastructure Assets

Infrastructure Assets are revalued every three years, apart from roading which is valued annually. This year Roading assets are due to be revalued, and this will be undertaken by an independent third party – Stantec. Likewise Buildings are also due to be valued, and this will be performed by Telfer Young. While 3 Waters Assets aren't due to be revalued till 2023, the auditors are requested that officers reach out to WSP to test the materiality of price movements in the past 2 years to determine if this revaluation should be brought forward. This revaluation, and the assumptions it is based on, will be tested to ensure that it is in line with best practices and what the auditors are seeing other Councils report.

The additions/deletions to/from the fixed asset register will be tested, along with depreciation rates used and assets expected lives.

Council has chosen to participate in tranche one of the 3 waters reform, and has received some of the associated funding already. The auditors will test how this is being spent, and whether it is in line with agreed funding agreements.

2. Integrity of rates strike, rates invoicing and collection

The Auditors will ensure that the rates set are compliant with the Local Government Rating Act, and test the controls around the invoicing and collection of these rate are best practice.

Auditors will also test the assumptions regarding the provision for doubtful rates debtors to consider whether it is appropriate.

3. Non-financial performance reporting

The Council is required to report its performance against performance measures included in the 2021/31 Long-Term Plan (LTP). These measures are key to the Council providing a “performance story” to the community.

Audit will give an opinion on the service performance report and whether this is in compliance with generally accepted accounting practice and the new accounting standard PBE FRS 48, and whether or not the service performance report fairly reflects the Council’s actual service performance for the period.

4. Grants, Subsidies and Fees for Service

Council receives external funding from NZTA, PGF, and DIA. Audit will review these contracts, review the regular reporting back to these agencies, check the subsidy quantum against the contracts, check the spends are in line with contracts, test the cut off of spend a balance date, and vouch receipts.

Audit will also review the treatment of Carbon Credits Held, and Forward Contracts Held to ensure they are in alignment with the relevant accounting standards.

5. Debt

Council borrows through the Local Government Funding Agency (LGFA). Auditors will test how Council is disclosing this debt, movements in this debt, and Councils compliance with LGFA rules and its own treasury policy.

The Council is responsible for preparing Reporting Certificates to the Trustee in accordance with the requirements of the Trust Deed and audit will be checking these certificates and report findings to the Trustee.

6. Controls over operating expenditure, payroll, procurement and tendering

Appropriateness of expenditure, and Councillor Remuneration is an area of interest to ratepayers. OAG have published two good practice guides “Controlling sensitive expenditure” and “Managing Conflicts of Interest”. Audit will be looking at Councils practices and controls, and comparing this to the best practice guides. Audit is also interested in the migration of payroll from in house to outsourced, and will test the accuracy of data migration and controls established around exchange of data / instructions between Council and Hastings District Council.

At this stage, Ernst & Young plan to undertake there initial testing of system controls and early financial data early June 2022, and then come back again on the early September 2022 to finalise

their testing of post year end data. Following this, it is proposed that final audit clearance, and adoption of the annual report by the Council take place prior to the 22nd September 2022.

Ernst Young have also indicated that they intend to undertake the scheduled partner rotation a year early due to workloads, and David Borrie will be stepping aside to be replaced by Stuart Mutch as the audit partner assigned to the Central Hawkes Bay District Council audit for the next six years.

Attached to this report is a presentation from Ernst & Young. Representatives from Ernst & Young will attend the meeting to present this presentation, and will be available to answer questions on this, the areas of focus of the Auditor General. Councillors will also be able to direct Ernst Young as to any areas of focus they would like to add to that of the Auditor General.

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

Audit Plan for the year ending 30 June 2022



WELCOME



Dear Audit and Risk Committee Members

We are pleased to present our Audit Plan ("Plan") for the audit of the financial statements and performance reporting of Central Hawke's Bay District Council ("CHBDC") for the year ending 30 June 2022. This Plan outlines the scope of our services, identifies Ernst & Young ("EY") professionals that will serve you and presents our understanding of some key considerations that will affect the 30 June 2022 audit.

We conduct our audit in accordance with the Auditor General's auditing standards which incorporate International Standards on Auditing (New Zealand). Our audit will be conducted to provide reasonable assurance that the financial statements and service performance information for the year ending 30 June 2022 are free of material misstatement.

Our Plan has been prepared based on our understanding of CHBDC and the local government sector. We have considered, and will continue to consider, CHBDC's current and emerging operating risks, assess those that could materially affect the financial statements and performance reporting and align our procedures accordingly. The Plan will be responsive to your needs and will maximise audit effectiveness, so we can deliver the high quality audit you expect.

Should you have any questions or comments, please do not hesitate to contact us on 027 489 9378 (Stuart) or 027 293 3110 (Jagdish).

Yours faithfully



Stuart Mutch
Partner
7 March 2022



Jagdish Darji
Manager
7 March 2022

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EXECUTIVE SUMMARY

Central Hawke's Bay District Council

For the year ending 30 June 2022

AREAS OF AUDIT FOCUS

6

Key areas of focus where there are potential risks and exposure

The areas of audit focus and level of complexity or management judgement applied are:

- | | |
|---|--------|
| ▶ Infrastructure Assets | HIGH |
| ▶ Integrity of rates strike, rates invoicing and collection | MEDIUM |
| ▶ Non-financial performance reporting | LOW |
| ▶ Grants and Subsidies | LOW |
| ▶ Debt | LOW |
| ▶ Controls over operating expenditure, payroll, procurement and tendering | LOW |

AUDIT APPROACH

Consistent with previous years, we seek to rely on controls in the key financial statement processes and therefore expect to take a controls-based approach where possible.

We plan to test controls for the following financial statement processes:

- ▶ Rates setting and collection
- ▶ Payroll
- ▶ Accounts Payable and Expenditure

The nature and extent of our controls testing is dependent on, and considers whether, the control environment of CHBDC is operating effectively.

We will continue to take a substantive approach in areas of significant management judgement or where this has been assessed as more efficient or effective. Processes that we audit substantively are:

- | | |
|--|--|
| ▶ Financial Statement close process | ▶ Other revenue (fees, grants and subsidies) |
| ▶ Infrastructure asset management | |
| ▶ Non- Financial performance reporting | |

PLANNING MATERIALITY

\$779K

Our materiality threshold has been set at 2% of Council's operating expenditure as forecast in the 2022 Long Term Plan. This is consistent with how we have set materiality in previous years. We will continue to report to the Risk & Assurance Committee errors of more than \$39k.

Materiality will be set individually for each significant performance measure selected for testing.

INDEPENDENCE

We will confirm our independence throughout the audit and remain in compliance with NZ: NZICA Code of Ethics and the Professional and Ethical Standard 1: International Code of Ethics for Assurance Practitioners (Including International Independence Standards) (New Zealand) independence requirements and the Auditor General's independence requirements.

ENGAGEMENT PARTNER ROTATION

David Borrie has completed five years as the appointed auditor on behalf of the Auditor General of Central Hawkes Bay District Council. Whilst the OAG's rotation rules would allow David to complete a sixth year, in conjunction with the OAG we have agreed that Stuart Mutch should carry out the role of engagement partner for 2022. We introduce Stuart on Page 11 of this document.



EXECUTIVE SUMMARY

AREAS OF AUDIT FOCUS

AUDIT APPROACH

YOUR EY TEAM

ENGAGEMENT EXECUTION



APPENDICES

page 2

Infrastructure assets

Our understanding

Infrastructure assets represent a significant component of the Council's balance sheet with carrying values of the following amounts at 30 June 2021:

 Assets	 \$million
Bridges, roads and footpaths	672
Three waters	110
Other	43
Total value	811

Roading assets are revalued annually by an independent third party, Stantec. Other infrastructure assets are valued triennially and none of these triennial valuations are due this year.

The integrity of the classification of maintenance and/or capital expenditure is important for the perspective of correct classification in the financial statements and in terms of improving asset condition and extending the expected useful life.

As part of the Three Waters Reform Programme, the Government has announced that it will establish four Water Service Entities. The four new entities will replace the services currently managed by the 67 territorial local authorities. Current expectation is that an implementation bill will be introduced during 2022 and an economic regulation bill will be introduced in early 2023. The Government expects the four new entities to be operational from 1 July 2024. There still continues to be a lot of detail to be worked through to determine Council involvement and this will likely require disclosure in the Annual Report and Audit Opinion. This is a matter that we are monitoring on an ongoing basis given the significance of this change upon the sector.

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Planned Audit Approach



- For roading assets that will be revalued this year, we will review the completed valuation for appropriateness and obtain a reliance letter from the independent valuer engaged by CHBDC. In particular, we will review key inputs to the valuation and consider valuation techniques for appropriateness.
- We will review that the information provided to the valuer to assess the appropriateness of data used in the valuation and if this is reflective of the data in Council's registers.
- We will review whether depreciation estimates have been recorded in the current year based on prior period valuations.
- FY22 is not scheduled to be a year in which Council would obtain a valuation for its "Three water assets". However, there is a risk of significant movements in replacement costs due to current supply chain issues, which, potentially in conjunction for new information in relation to asset condition, may require the Council to reassess whether the current carrying values of three water assets approximate their fair values. We will review management's assessment of the assumptions underlying the historical valuation to check that values associated with the assets remain appropriate based on current cost data. We will also discuss with management potential indicators of impairment at balance date.
- We will obtain assurance in relation to the appropriateness of work in progress (WIP) cut-off at balance date and confirm the carrying value of WIP is supportable in relation to both valuation and that the nature of the costs are in line with PBE IPSAS 17.
- We will consider the progress on the Three Water Reform Programme to the extent it impacts the 30 June 2022 Annual Report, including from a disclosure perspective.

Key Judgements :

Relevant accounting standards: PBE IPSAS 17 Properties, Plant and Equipment

Level of complexity or management judgement: **HIGH**





Integrity of rates strike, rates invoicing and collection

Our understanding

Rates income levied represents the Council's primary revenue source. There is specific legislation in place which must be adhered to for the rates strike to be legal. Failure to comply with rating law and the associated consultation requirements can create significant risks to the integrity of rates revenue.

The following table reflects a summary of the rates revenue recognised by the Council at 30 June 2021:

 Rates Revenue	 2021 Annual Report \$million
General Rates	13,982
Targeted Rates	7,422
Rate discounts and remissions	(40)
Total value	21,364

- The accuracy of a rates strike is dependent on the integrity of the rates database. The reliability of the rates billing system is also key to ensure rates are billed appropriately.
- Certain rate paying groups may represent significant collection risk to the Council.

Planned Audit Approach



- We will build on our knowledge of your rating structure and rates strike that we gained as a part of the audit of the 2021 Long Term Plan.
- We will review CHBDC's procedures for ensuring the rates set are compliant with the Local Government Rating Act.
- We will test the controls over the rates levying process to assess whether these are operating effectively.
- We will examine any provision for doubtful rates debtors to consider whether it is appropriate in the circumstances of collectability.
- On a sample basis, we will undertake a review of the billing to specific ratepayers and subsequent collection.

Key Judgements:

Relevant accounting standards: *PBE IPSAS 23 Revenue from Non-Exchange Transactions*

Level of complexity or management judgement:

MEDIUM



Non-financial performance reporting

Our understanding

The Council is required to report its performance against performance measures included in the Long-Term Plan (LTP). These measures are key to the Council providing a "performance story" to the community.

Our audit opinion on the service performance report covers compliance with generally accepted accounting practice, and whether or not the service performance report fairly reflects the Council's actual service performance for the period.

The performance framework set as part of the 2021/31 LTP is applicable for the current financial year.

There is a risk of inadequacy of reporting systems to monitor performance and hence the potential failure to adequately report the provision of core utility services to the public.

There have been changes to the accounting standards in relation to service performance reporting. This has been formalised through PBE FRS 48 *Service performance reporting* which is applicable to all public sector entities. The standard is not effective until periods beginning after 1 January 2022. We have provided more detail in our Focused on the future section within the appendices to our report.

Planned Audit Approach



- We will examine, on a sample basis, service performance measures and check the measures have been accurately reported on and outputs have been achieved where stipulated. For the selected measures, this will include obtaining underlying supporting documentation and re-performing the calculations made by the Council to determine outcomes reported.
- We will assess the completeness and effectiveness of the performance framework utilised.
- We will check whether the mandatory performance measures stipulated by the Non-Financial Performance Measures rules 2013 have been reported appropriately.

Key Judgements:
Selection of measures relevant to reporting non-financial performance:

LOW



Grants, Subsidies and Fees for Services

Our understanding

Council receive a recurring NZTA funding to subsidise costs associated with local roads. The funding assistance rate is typically 61% with higher amounts being available in certain circumstances such as for emergency works.

During 2021/22, council has received additional grants from various government schemes. These grants typically require funding to be spent on a particular project or area of Council's operations with any unspent funds to be returned.

Any unspent amounts at balance date are recorded under a current liability; Income Received in Advance.

Details of significant Grants and Subsidies and their financial statement impact in the year ended 30 June 2021 are noted below:

Grant/Subsidy (\$000's)	Revenue	Revenue in advance
Three water assets reform	3,647	1,899
NZTA	9,681	-
Economic recovery	3,511	1,105
Ngā Ara Tipuna	2,387	-
PGF (NZTA)	6,135	281
Other	548	-
Total value	25,909	3,425

Planned Audit Approach



We will perform the following audit procedures in order to validate the revenue during the year and liability positions recognised as at year end:

- ▶ Obtain and review funding agreements for significant grants and subsidies to understand revenue recognition principles and any clawback obligations implicit in the agreements.
- ▶ For contracts requiring regular progress reporting, we will obtain the most recent communication with the provider to understand project status and whether estimated completion is on schedule.
- ▶ For NZTA claims, we will check claim calculations will be appropriately factor in the funding assistance rates for each type of expenditure.
- ▶ We will check underlying costs on a sample basis, to supporting documentation to verify that Council is claiming expenditure that is relevant to the requirements of the agreement.
- ▶ Review significant expenditure either side of balance date to ensure expenditure and corresponding positions are recognised in the appropriate period.
- ▶ For a sample of grants and subsidies, we will vouch the receipt of funds to Council bank statements.

Landfill Operations

Council are required to purchase NZU's "carbon credits" from the market to meet its emissions obligations as a part of operating its Landfill operations. During 21/22, the spot prices for carbon credits have increased giving rise to a deficit in landfill operations as fees to both District users and Tararua District Council (TDC) have not kept up with market pricing for carbon credits. Council will seek to recover some of this cost from TDC and some by increasing fees for the use of the transfer station which might be achievable from last quarter of the current financial year. We also understand that Council will have carbon credits on hand at balance date, which, being a derivative, will require recognition.

We will review CHBDC's accounting for carbon credits and the position it reaches with TDC at balance date.

Key Judgements: Appropriateness and measurement of costs included in claim, Funding Assistance Rates applied within the claim

Relevant accounting standards: [PBE IPSAS 23 Revenue from Non-Exchange Transactions](#)

Level of complexity or management judgement: LOW



Debt

Our understanding

Council has drawn down approximately \$22m of debt through a facility with the Local Government Funding Agency (LGFA).

The Council is responsible for preparing Reporting Certificates to the Trustee in accordance with the requirements of the Trust Deed and we are required to report to the Trustee with respect to the reporting certificates.

During the previous year, Council obtained a Tier 2 borrowing status with LGFA which allows an increased borrowing capacity of 175% of Revenue.

During our review of the Long-Term Plan 2021-2031, it is clear that Council intends on significantly increasing their borrowing to fund future key capital projects. Council's management of the increasing debt position, interest charges and legislative disclosures will become an increased focus in future audits.

Planned Audit Approach



- We will obtain an understanding of debt facility agreements maintained in the year and review the relevant debt facility agreements including the process for managing drawdowns.
- We will obtain evidence supporting any changes to Council's borrowing obligations and limits with LGFA.
- We will consider the term or current classification of the debt.
- We will obtain LGFA confirmation of the outstanding debt position at year end.
- We will also complete procedures required of us by the debenture trust deed.

Key Judgements:
Relevant accounting standards: [PBE IPSAS 28 Financial Instruments: Presentation](#), [PBE IPSAS 29 Financial Instruments: Recognition and Measurement](#), [PBE IPSAS 30 Financial Instruments: Disclosures](#)

Level of complexity or management judgement **LOW**



Controls over operating expenditure, payroll, procurement and tendering including sensitive expenditure

Our understanding

Appropriateness of Councillor and management expenditure is an area of interest to ratepayers.

Areas of expenditure such as travel, accommodation, training and catering can present opportunities for personal benefit.

The Council's capital works programme involves significant cash spend. The Council has a range of policies that seek to ensure procurement is managed in the best interests of the Council.

- ▶ OAG's controlling sensitive expenditure guidelines for public entities require expenditure decisions to:
 - ▶ Have a justifiable business purpose
 - ▶ Be cost-effective
 - ▶ Preserve impartiality
 - ▶ Be made with integrity
 - ▶ Be moderate and conservative, having regard to circumstances
 - ▶ Be made transparently
 - ▶ Be appropriate in all respects

It is important robust procurement processes are utilised especially for long term, high value contracts. The OAG published another good practice guide in June 2020 called *Managing conflicts of interest: A guide for the public sector which assists public entities in identifying and managing conflicts of interest throughout operations*.

Remuneration of Councillors and those in leadership roles is also an area of interest. Obtain and understanding of any internal audit programmes that have occurred during the financial year and obtain any finalised reports relating to these.

Planned Audit Approach



- We will examine, on a sample basis, the use of credit cards and obtain assurance that expenditure has been incurred for a reasonable Council purpose.
- We will examine the application of the procurement policy across a sample of contracts.
- For a sample of expenses, we will complete testing to check if the expenditure is appropriate against the Council's policy and best practice guidelines issued by the OAG.
- Obtain assurance that appropriate processes and controls over operating expenditure and Councillors' allowances are in place.

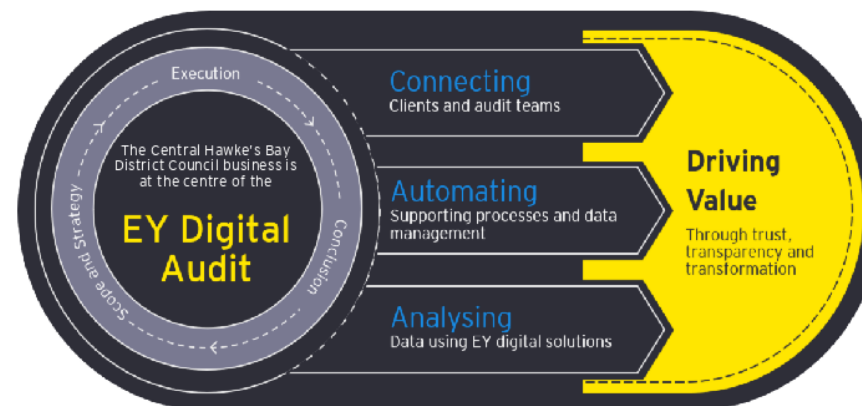
Key Judgements: Appropriateness of the nature of spending.
 Relevant standards: Managing conflicts of interest: A guide for the public sector which assists public entities in identifying and managing conflicts of interest throughout operations
 Level of complexity or management judgement: **LOW**



Digital Audit Approach

Your purpose built digital audit for now, next and beyond

Digitalisation continues to be one of the most important drivers of transformation, especially in these changing times. The effects of the COVID-19 pandemic have disrupted the normal accounting and reporting cycle for many companies and accelerated the digitalisation of working environments. It is even more critical now for companies to share trustworthy and readily available financial information for stakeholders.

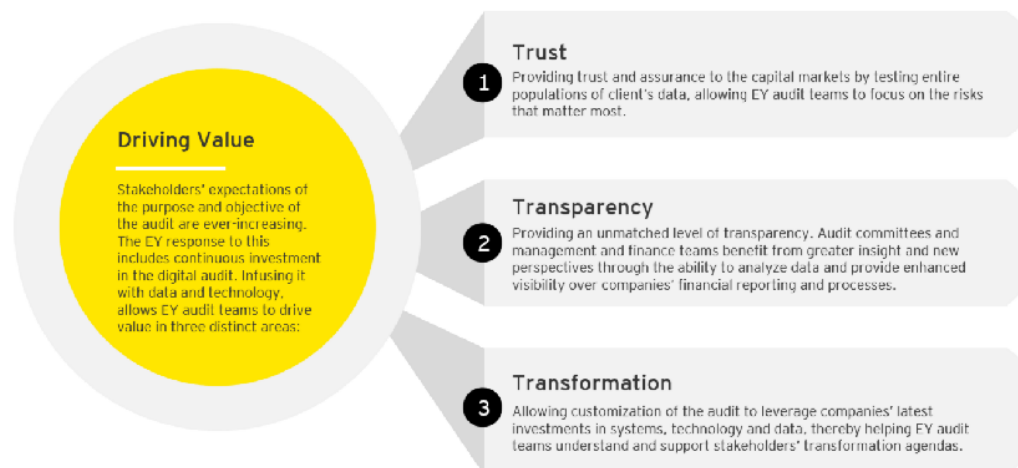


Data-driven Audit

To meet the expectations of stakeholders, regulators and clients of a modern audit, EY has invested over a \$1bn in new technology, revolutionising our professional practice and approach to digital audit.

With the EY Digital Audit analysing large or full sets of data from our clients' data population, we are responsive to the changing risk profiles of our clients.

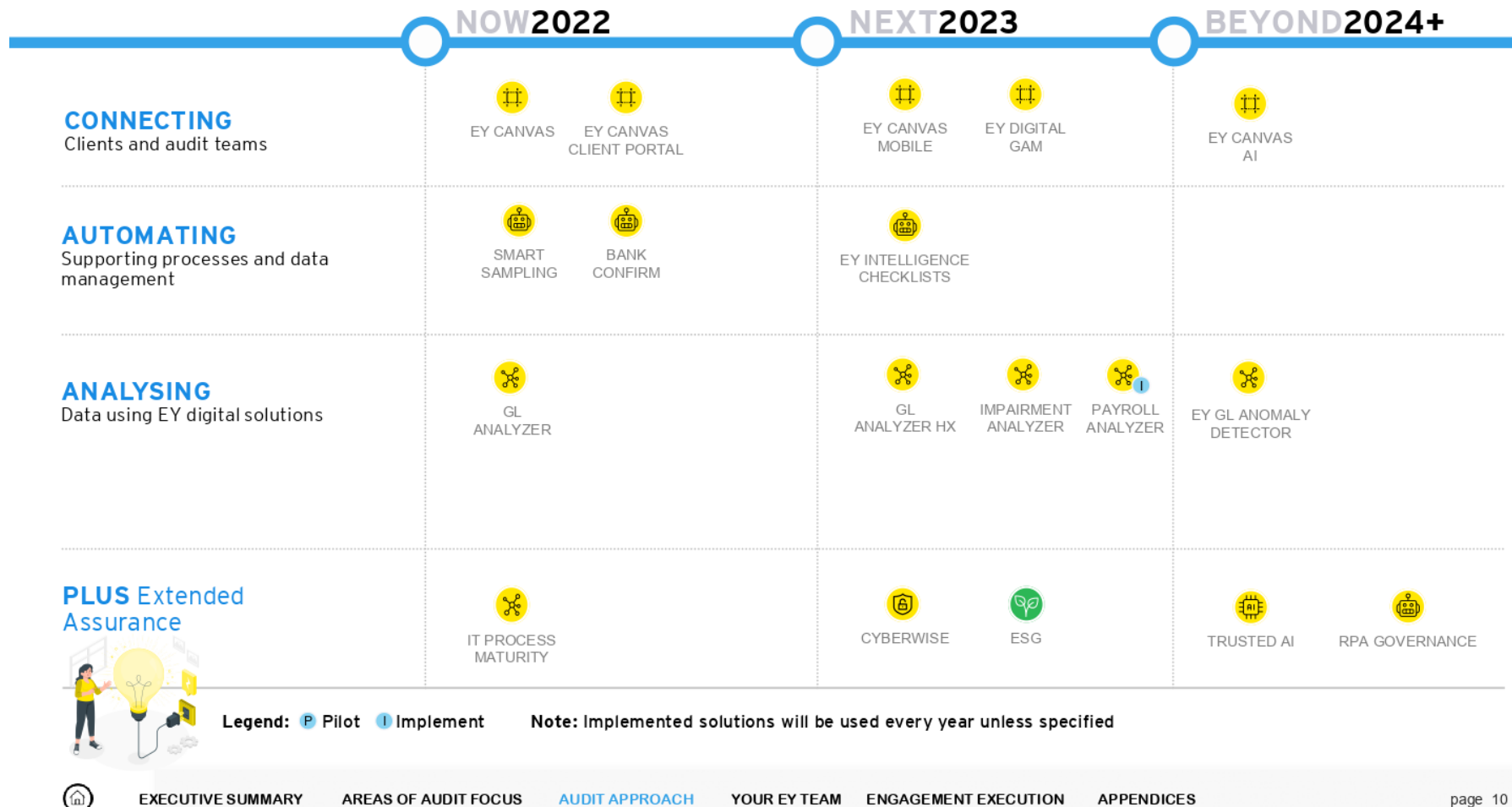
The EY Digital Audit improves the way our auditors look at risk, reduces management burden in supporting the audit and provides new insights to improve Central Hawke's Bay District Council's finance processes.



EY | Central Hawke's Bay District Council | For the year ending 30 June 2022

Digital Audit Roadmap

During our planning for the Central Hawke's Bay District Council audit each year we have collaborated with you to establish the Central Hawke's Bay District Council's Digital Audit Roadmap covering the technologies most applicable to the risks of the business, for the Now, Next and Beyond.



Your EY Team

We understand that our team is the most important element of your relationship with us.

Our team has been involved in the audit of CHBDC or in the local government sector for a number of years. This stability provides CHBDC with continuity, historical knowledge of your business and sector expertise. These combined factors enable us to focus on the significant issues facing your business. In addition, we have incorporated experts from our Financial Accounting Advisory Services ("FAAS") team to assist us in addressing the financial accounting risks.

Introduction of Stuart Mutch as Engagement Partner

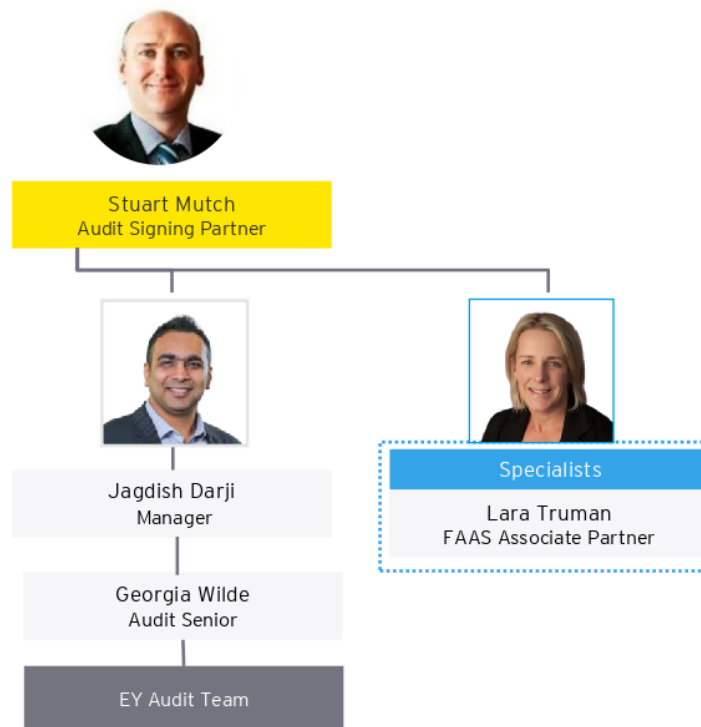
We believe that the periodic rotation of the key decision makers on the audit assists with maintaining our independence and bringing a fresh view. During the course of the current year we have had ongoing dialogue with the Office of the Auditor-General in relation to our work for their office and our range of appointments, including the timing of David Borrie's rotation off the audit of Central Hawkes Bay District Council. Whilst our initial intention was that Stuart Mutch would become the engagement partner for Central Hawkes Bay District Council in 2023 at the end of David's full six year rotation period, we have determined that the best way to ensure a high level of service to our clients is to undertake that rotation to Stuart one year early for the 30 June 2022 balance date.

Stuart is an experience audit partner in the Local Government sector. His initial experience was based upon auditing a number of District Councils in the South Island between 1995 and 2000 before he joined EY in Wellington in 2000. Since then he has managed and then been appointed auditor on behalf of the Auditor-General of a range of Local Authorities. This has included experience with Central Hawke's Bay District Council. Stuart is also the current appointed auditor of Gisborne District Council and Napier Port Holdings Limited. Stuart manages our Wellington audit practices and is responsible for a range of audits including Ministry for Primary Industries, Kainga Ora, Trade Me, Craggy Range Winery and Heritage LifeCare aged care providers.

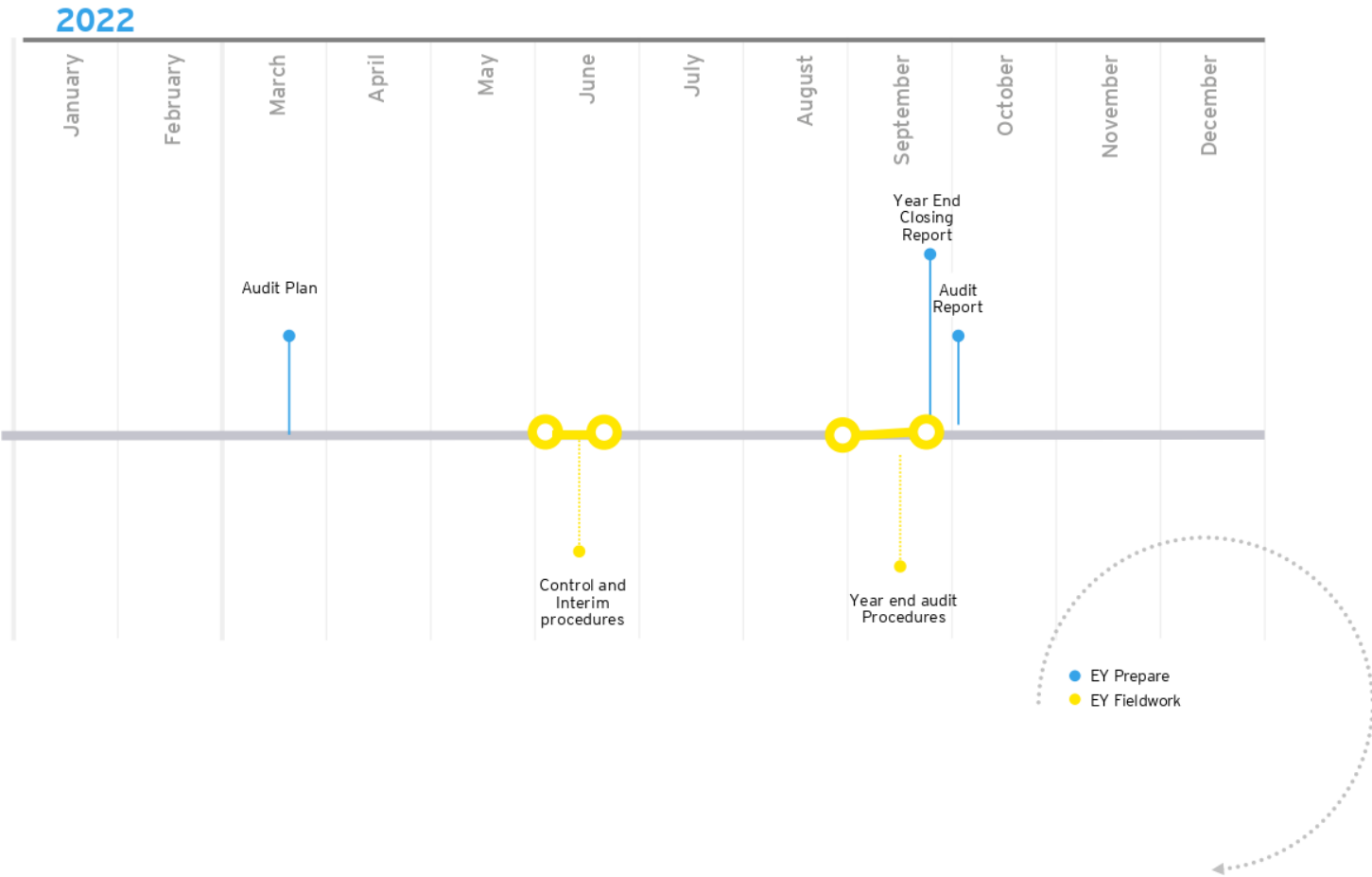
Audit Fee

The audit fee has been agreed in the audit proposal letter dated 22 January 2020 for the 2022 financial year and is set out below.

	\$'000s
Audit fee	100.8
OAG contribution	7.7
Audit fee excluding disbursements	108.5



Engagement Execution



The graphic features a large yellow rectangular background. On the left side, there is a vertical white line with a bracket-like shape at the top. To the right of this line, the word "APPENDICES" is written in a large, bold, black sans-serif font. Further to the right, there is a vertical dotted line. To the right of this dotted line, there are three entries, each consisting of a lettered title, a short blue horizontal line, and a large bold number. The entries are: "A. Independence" with the number "14", "B. Data Security and Privacy" with the number "15", and "C. Focus on Your Future" with the number "16".

APPENDICES	A. Independence	14
	B. Data Security and Privacy	15
	C. Focus on Your Future	16

Appendices

A. Independence

Independence is fundamental to EY as our ongoing reputation and success is connected to our ability to meet independence requirements.

We have consistently complied with all professional regulations relating to auditor independence including those outlined in:

- ▶ PES 1 *Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)*
- ▶ Independence requirements of the Office of the Auditor-General

Accordingly, we ensure that there are controls in place and actions taken on a regular basis that mitigate any risks to our independence.

There are no matters that, in our professional judgement, bear on our independence which need to be disclosed to the Risk & Assurance Committee.

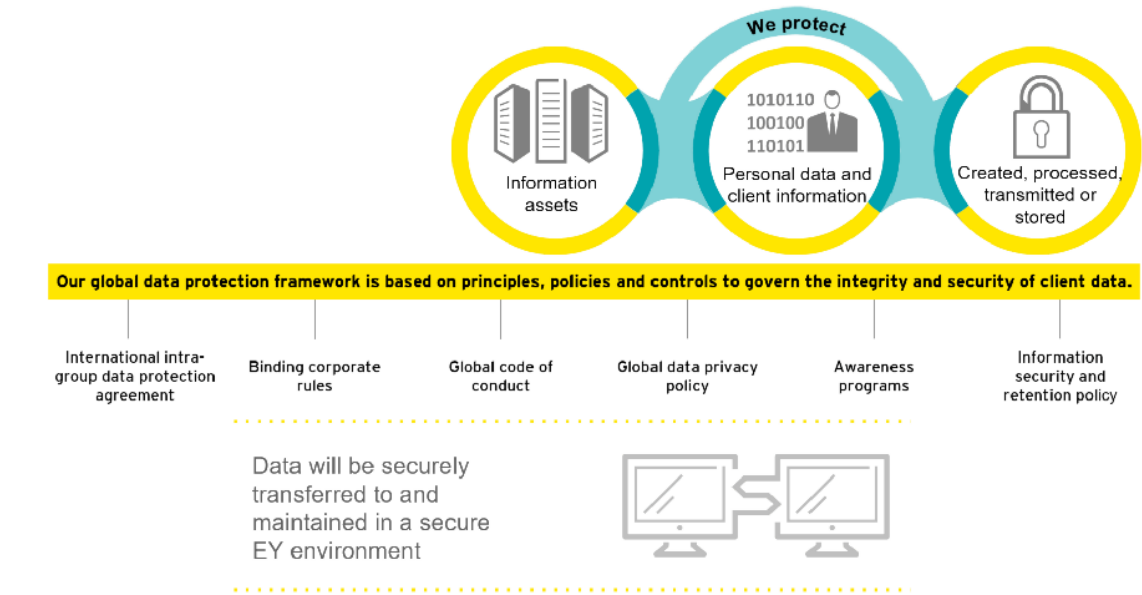


Appendices

B. Data Security and Privacy

Our ability to provide seamless, consistent, high-quality client service worldwide is supported by a well-articulated data privacy and information security strategy. For the audit of Central Hawke’s Bay District Council the following applies:

- ▶ Access to EY Canvas is restricted to members of the engagement team only.
- ▶ Audit relevant information is transferred to EY securely via EY Portal or email.
- ▶ More sensitive personal data is loaded into Helix Subledger Analyzers for each component, access is therefore restricted to the relevant component team only.
- ▶ Less sensitive journal entry data is loaded into Helix GL Analyzer for the whole Group and is accessible by component teams who filter and analyse the data relevant to their component.



Appendices

B. Focused on Your Future

FRS 48 Service Performance Reporting

Background

The NZASB has issued a new accounting standard for PBEs, FRS 48 Service Performance Reporting. This new standard requires the preparation of Statements of Service Performance for PBEs that report in accordance with Tier 1 and Tier 2 PBE standards.

The Standard describes service performance information as information about what an entity has done during the reporting period in working towards its broader aims and objectives, together with supporting contextual information. The standard establishes principles and high-level requirements for the reporting of service performance information rather than specifying detailed reporting requirements. This is due to the standard being applied to a wide range of PBEs.

An explanatory guide to FRS 48, called EG A10, has been issued by the XRB and is published on their website (<https://www.xrb.govt.nz/accounting-standards/not-for-profit/explanatory-guide-eg-a10/>).

PBE IPSAS 41 Financial Instruments

Background

PBE IPSAS 41 introduces a new model for classifying financial assets, whereby financial assets are classified based on the nature of their underlying cash flows and the business model under which the assets are held and managed.

PBE IPSAS 41 introduces a new, forward-looking impairment model based on expected credit loss ("ECL"), which is different to the current "incurred loss" model in PBE IPSAS 29. The new impairment model will impact financial assets recognised at amortised cost (e.g. trade receivables) and debt instruments recognised at fair value through other comprehensive revenue and expense, as well as lease receivables.

Even for those PBEs that are not financial institutions and have simple financial assets, the standard will require consideration of the model an entity uses to assess impairment. It is expected that the new model will bring forward the recognition of impairments.

Recommendations

New Accounting Standards

CHBDC is required to prepare a Statement of Service Performance under legislation and the new standard will primarily result in disclosure changes as opposed to the primary content of the existing Statement of Service Performance changing. Likely disclosure changes include providing the details of the judgements associated with selecting and measuring performance metrics.

CHBDC holds financial instruments, including:

- ▶ Contractual receivables and payables
- ▶ Loans

The new impairment model is unlikely to significantly affect short-term receivables of CHBDC, but may have a significant impact on longer-term financial assets. When applying the new model, CHBDC should consider the following:

- ▶ When assessing assets for impairment under PBE IPSAS 41, CHBDC will need to estimate and recognise credit losses arising from possible future default events, rather than recognising impairment only once indicators of default occurs, as per PBE IPSAS 29.



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ED None

This report is intended solely for the information and use of the Audit and Risk Committee, other members of the Board of Directors and senior management of Central Hawke's Bay District Council, and should not be used for any other purpose nor given to any other party without our prior written consent. We disclaim all responsibility to any other party for any loss or liability that the other party may suffer or incur arising from or relating to or in any way connected with the contents of this report, the provision of this report to the other party or the reliance upon this report by the other party.

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6.4 RISK STATUS REPORT

File Number: COU1-1408

Author: Josh Lloyd, Group Manager - Community Infrastructure and Development

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

Risk Management Improvement Programme

Officers previously reported to the Committee that Council was preparing to undertake a Risk Management improvement programme, including a review of the Risk Management Framework, training for staff on risk management and workshops with Activity Managers on the operational risks.

As part of the review of the Risk Management Framework, Officers workshopped with Elected Members to review the "risk appetite" set by governance for decision making in November 2021 and is now being brought to the Committee in a separate paper for endorsement.

Risk management training was completed in November for activity managers to increase their foundational knowledge of risk and how we manage this at Council.

Workshops were recently completed in March to review all operational risks for Council which will be inputted into Risk Manager, Council's health, safety and risk management system. The input of this information will enable more effective risk reporting, clearer ownership of risk and tracking or risk mitigations.

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
Impact on business operations from Covid	Business interruption	<p>Covid restrictions have impacted aspects of the business through the Orange and Red traffic light settings, as services have been ceased or hampered by changes or delays. There is risk to ongoing programmes of work from the restrictions that have already occurred or may continue to occur.</p> <p>Officers are mitigating this risk through extensive business continuity planning (particularly in the face of the Omicron variant), which among many other actions has seen a reduction of staff numbers in the office and a move to split working pods to separate teams to reduce the likelihood of exposure.</p> <p>Council also continues to observe community fatigue and the wider impact of Covid restrictions. In particular that has been experienced in the drinking water space with increased angst visible regarding issues that would have typically been "business as usual" requests.</p>
Maintaining customer consenting services	Failure to effectively deliver services and projects	<p>This risk has been mitigated within the Resource Consenting area with the successful engagement of external support. Council has continued to see an increase in building consent applications which has added to the existing backlog. This has been coupled with an increase in national processing volumes with external consultants struggling to keep up with demand and meet timeframes.</p> <p>The medium-term mitigation to this risk has seen the on boarding of three Building Consent Cadets internally to increase Council's capacity within the Consenting team.</p>
Provision of engineering inputs to service growth	Failure to effectively deliver services and projects	<p>Recent economic re-forecasting has been completed outlining the district is growing slightly faster than originally thought. The last 3 years have seen a 3.2% growth rate with the whole east coast leading the way. While the district is growing faster, there is still a lot of uncertainty related to Covid and if the land is released for development, there is uncertainty around securing another party to build on it.</p> <p>Council is continuing to support this growth with the engagement last year of a Development Engineer and has built a panel of staff to support the role and make it sustainable.</p> <p>Council also continues to highlight the tension between balancing responding to urgent leaks vs undertaking the planned work of new connections.</p>
Asset condition related failures	Failure of Critical Assets	<p>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 work is undertaken across a number of years to</p>

		<p>replace tired assets, the risk will remain actively managed.</p> <p>Beyond 'physical failure' through wear and deterioration, Council also remains exposed to systems failure through inadequate design or operation of complex systems and plants. This risk is being mitigated through review and improvement of these systems and through training and building expertise in key staff.</p>
Ability to secure resources to complete work (External)	Failure to effectively deliver services and projects	<p>Officers continue to be challenged by the constraints and shortages in the external market with the rapid pace in which pricing estimates can change, including a significant increase in costs that weren't originally anticipated. Council's mitigation to this pressure is to continue to review planned works and prioritise as required.</p> <p>The planned procurement of a contractor panel to deliver a significant portion of the capital programme of pipeline and civil contracts is a mitigation tool to try manage the risk to delivery</p>
Ability to secure resources to complete work (Internal)	Not able to retain or secure key staff	<p>In some areas of Council due to the specialist nature of the positions, Council has found it difficult to source candidates as well as competing against a highly competitive remuneration market nationally.</p> <p>Council's Executive Leadership Team are actively coordinating and supporting a range of recruitments across the organisation.</p>
Supply Chain Delays	Failure to effectively deliver services and projects	<p>Tightened supply chain is resulting in delays in material and product arriving in the country – this is affecting pipe supply and may result in delays in project(s) commencing and/ or cost increases as supply ability aims to keep up with demand.</p>
Infrastructure ability to service development	Failure to effectively deliver services and projects	<p>The influx of development while putting pressure on the consenting team, also puts pressure on the tangible infrastructure to adequately service the development and not have a negative impact on existing levels of service.</p> <p>Council continues to develop modelling of infrastructure networks to best understand impact of development and how to service these, and use the tools available to grow networks to support development.</p> <p>A number of very large subdivisions have recently progressed through consenting processes with a significant amount of input provided by engineering teams. This has given confidence in the ability of the network (with planned upgrades) to meet the needs of those developments.</p>
Increasing economic pressures	Financial Strategy Failure	<p>Council's is facing a number of external challenges and inflationary pressures from the external market. This includes likely increases to interest rates, continued substantial increases to carbon pricing, wage pressures, and general inflationary costs. Officers will continue to closely monitor these pressures and make decisions based on risk.</p>
Responding to 3 Waters Reform	Failure to effectively deliver services and	<p>Recent decisions made and direction given regarding the National 3 Waters Reform Programme create risk for Council in how it responds. There is political risk as decisions made will need to be understood by a range of stakeholders and</p>

	projects	operational risk as Council must manage its networks and teams through any transition phase.
The impact of revaluation	Financial Strategy Failure	The impact of QV revaluation has been identified as a significant strategic risk. Firstly for Council in terms of reputation - not because Council has done anything to impact the revaluation rates, but because customers will directly link the increased value of their property to the increased rates they may have to pay the Council. Secondly the political risk to Council, the impact of the revaluation changes is causing the need for another rating review to rebalance the equality of how rates fall across the district.
Perception of growth in the district	Community perception	The community's perception of growth has been identified as an active risk of Council. This is due to new resource consenting activities (such as solar) that haven't been seen previously within our district and Council's focus is on supporting our customers through this change.
Retention and change	Not able to retain or secure key staff	The resignation of the Chief Executive has identified a risk to Council with the change in the Leadership Team and the potential impact that may have on wider staff and retention. To mitigate this risk, Councillors have been actively communicating with staff to ensure they are fully informed through the recruitment process of the new Chief Executive.
Judicial review of the National Land Transport Programme	Financial Strategy Failure	A judicial review has been brought against Waka Kotahi in relation to the adoption of the 2021-24 National Land Transport Programme and this may have an impact on the funding and delivery of Council's current land transport programme. Officers will monitor the progress of the review and understand what impact this might have on Council's funding strategy for its local land transport programme.
Consenting of Infrastructure Projects	Failure to effectively deliver services and projects	Council currently has a number of consents lodged to allow activities to proceed related to infrastructure projects (some examples are Takapau, Porangahau and Waipawa wastewater discharges, Waipawa water take, silt removal at Taurekaitai stream) – the consenting process and recent changes to NES-Wetlands and FW have brought about further complexity, and can result in delays to the process or increased conditions imposed on the consent holder (Council) in this case that could drive an increase in cost or actions to be taken onsite.

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, the report be noted.

6.5 RISK APPETITE REVIEW

File Number: COU1-1408

Author: Josh Lloyd, Group Manager - Community Infrastructure and Development

Authoriser: Monique Davidson, Chief Executive

Attachments: Nil

PURPOSE

The matter for consideration by the Risk & Assurance Committee is the adoption of the Elected Member's revised Risk Appetite Statements, following the workshop with all Elected Members in November 2021. These Risk Appetite Statements form part of the Risk Management Framework which is an operational document, currently undergoing a review.

RECOMMENDATION FOR CONSIDERATION

That having considered all matters raised in the report:

That the Risk and Assurance Committee adopt the recommended changes to the Risk Appetite Statements held within the Risk Management Framework.

BACKGROUND

The Risk Management Framework (Framework) is an operational document that guides Council's approach to risk management. The Risk Management Framework is currently under review as part of the Risk Management Improvement Programme, outlined in the recent Risk Status reports to the Risk & Assurance Committee. As part of the review of the Framework, Officers worked with Elected Members to review the Risk Appetite Statements which are held within the Framework and set by Elected Members. The Risk Appetite of Elected Members in each area of decision making sets the direction and guides Officers approach to Risk Management.

In October 2021 the Office of the Auditor-General published a report on the findings of a study into local government risk management practices. The key messages are that there is an expectation for local government to develop and implement robust risk management practices. Risk management is concerned with the creation and protection of value. THRIVE is a clear and aspirational articulation of Central Hawke's Bay District Council's values. In essence, robust risk management practices are intended to help deal with an uncertain world, where mitigating threats and taking opportunities in a balanced and considered way is essential for delivering value.

DISCUSSION

Officers are proposing to replace the current Risk Appetite Graph 2019 (no risk appetite statements existed previously) with the below risk appetites statements, developed with Elected Members.

For ease of comparison, Officers have included the info graphic of the previous graph from 2019 and a new infographic to summarise the risk appetites statements proposed to be adopted on the following page. This new 2022 infographic should be reviewed alongside the below Risk Appetite Statements for completeness.

The enterprise risk categories have also been updated and now reflect the operational areas in which the level of risk is considered in decision making.

Proposed Risk Appetite Statements

Leadership and Governance

- Leadership and Governance risks relate to potential events that effect the reputation of the Council or the ability of Council to meet its statutory obligations. CHBDC has a high public profile within its local region. Leadership and Governance must operate within a rapidly

changing legal and policy environment, combined with the uncertainty and division created by the COVID-19 pandemic. Unity and cohesion within Council has never been more important. Given the multiple reform programs underway and significant and statutory obligations, Council has a low appetite for leadership, governance, and reputational risk regarding operational responsibilities. However, at a strategic level, Council is willing to take high risks as it seeks to make the most of opportunities for growth and improvement of the region, and to create and maintain a reputation as a thriving community.

Financial Decision-Making

- Financial Decision-Making risk refers to potential events which cause unplanned financial losses or changes which affect the balance sheet, assets and liabilities, Council funding, income and spending levels. This does not include unforeseen reactive repairs to assets accounted for within normal operating budgets. Given the Central Government reform program, current global financial uncertainty, an increasing reliance on low-cost debt, but also increase to the ratepayer population base and strong current financial position, Council has an appetite for high levels of financial risk involving using debt, but an appetite for medium level of risk relating to ratepayer money.

Service Delivery

- Service Delivery risk are events which may cause denial or impairment or improvement of Council services to the Central Hawke's Bay Community. Council is responsible for providing and maintaining a wide range of lifeline/essential and non-essential services to the community. Council also acknowledges that some levels of service are mandated by regulation, and this does not always overlap with the services most valued by the community. Council has an appetite for low risk to essential service delivery and will tolerate medium levels of risk relating to non-essential/non-regulated services.

Asset and Project Management

- Asset and Project Management risk relates to damage to or enhancement of assets, infrastructure, utilities and ICT systems. There may be flow-on impacts on financial risk and service delivery risk. Council appreciates the legacy of past under-investment in assets and infrastructure and challenge of delivering the aggressive capital works programme in the current Long-Term Plan. Council is willing to accept a high level of risk in pursuit of objectives to sustain key assets and develop new infrastructure. Several risk drivers are out of Council's direct control. The level of uncertainty for delivery of projects in the current environment given the impacts of COVID-19 on the economy, supply chain, labour market, and overall work programme also leads to an acceptance of a high level of residual risk.

Work-related Health, Safety and Wellbeing

- Work-related Health, Safety and Wellbeing risk relates to beneficial and adverse impacts on the health, safety or wellbeing of people working for CHBDC as employees, contractors or volunteers, or others affected by any council work activity such as a service user, neighbour, visitor, bystander, or event participant. Council recognises that CHBDC has control and influence over a wide range of activities, events, services, and assets that contribute to a thriving community. Given the intrinsic value of human life, Council has no appetite for any more than a low level of risk of fatal, life-shortening or permanently disabling impacts on people. However, given the holistic benefits of community events, sports and recreational activities, and key services such as libraries, animal control, grounds maintenance, Council has an appetite for a medium level of risk when harm is recoverable, impacts are short-term, and benefits can be shown to greatly out-weigh the risks of harm.

Public health

- Public health risks include water quality, air quality, and communicable diseases. Given the scale and significance of adverse potential impacts on our community, the changing regulatory frameworks and current global pandemic, Council has an appetite for low risks to public health only. This means in practice Council is committed to investing significantly in

proven resources to reduce public health risks and requires a high degree of assurance that public health risk controls are highly effective and their implementation is effective and sustainable.

Environment

- Environment risks include enhancement or harm to the natural environment or heritage asset or area. Given CHBDC has a range of statutory obligations and the ability to both control and influence the environmental impacts of its own activities and those of others, Council has an appetite no more than a medium level of environmental risk, where impacts are not recoverable or will have lasting impacts for more than 10 years.

Risk Appetite Graph 2019					
High					
Moderate					
Low					
Very Low					
	Leadership and Governance	Financial Decision Making	Service Delivery	Asset and Project Management	Communication and Engagement

Risk Appetite Summary 2022											
(should be viewed alongside the risk appetite statements for completeness)											
High											
Medium											
Low											
	Leadership and Governance – operational responsibilities	Leadership and Governance – strategic opportunities	Financial Decision Making – relating to debt	Financial Decision Making – relating to rate payer money	Service Delivery – essential services	Service Delivery – non-essential services	Asset and Project Management	Health, Safety and Wellbeing (work related) – human life	Health, Safety and Wellbeing (work related) – where harm is recoverable	Public Health	Environment

RISK ASSESSMENT AND MITIGATION

Officers do not consider there to be any risk in adopting the Risk Appetite Statements as proposed. The proposed changes have the ability to be reviewed at any point in time, should the Officers or Elected Members propose to do so and the risk landscapes changes. Regular review of Risk Appetite is recommended as best practice.

FOUR WELLBEINGS

There is no direct link between the Risk Appetite Statements in the Risk Management Framework and the four wellbeings.

DELEGATIONS OR AUTHORITY

The Risk Management Framework was adopted by the Executive Leadership Team (as an operational document) in 2019. Following the adoption of the Risk Appetite Statements held within the Framework, the Executive Leadership Team will finalise and adopt the revised Risk Management Framework.

SIGNIFICANCE AND ENGAGEMENT

In accordance with the Council's Significance and Engagement Policy, this matter has been assessed of low or no significance (e.g. technical and/or minor amendments to a Council policy).

OPTIONS ANALYSIS

The options considered include adopting the proposed Risk Appetite Statements held within the Risk Management Framework, or not adopting them and instead undertaking a further workshop process to finalise these later in 2022.

	<u>Option 1</u>	<u>Option 2</u>
	Risk Appetite Statements are adopted	Risk Appetite Statements are not adopted
Financial and Operational Implications	Financial - NA Operational Implications - the reviewed Risk Appetite statements will set the direction for the Risk Management Framework.	Financial - NA Operational Implications - If changes are not adopted they will be brought back before Committee later in 2022 through a workshop process.
Long Term Plan and Annual Plan Implications	NA	NA
Promotion or Achievement of Community Outcomes	NA	NA

Statutory Requirements	NA	NA
Consistency with Policies and Plans	NA	NA

Recommended Option

This report recommends **option 1, Risk Appetite Statements are adopted**, for addressing the matter.

NEXT STEPS

If the changes are accepted and the Risk Management Framework will updated and adopted by the Executive Leadership Team.

RECOMMENDATION

That having considered all matters raised in the report:

That the Risk and Assurance Committee adopt the recommended changes to the Risk Appetite Statements held within the Risk Management Framework.

6.6 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.

This current policy was adopted on the 24th February 2022, following a review by Bancorp Treasury. This contained minor adjustments to policy used as part of the Long Term Plan, but the changes don't have any financial impact on Council's budgets.

DISCUSSIONInvestments

At the 28th February 2022, Council was holding \$6.6m in funds on call (up \$4.0m from 30 June 2021).

In addition, Council was holding \$2.5m in term deposits (\$13m as at 30 June 2021) due to mature in March 2022, and \$955k (\$955k as at 30 June 2021) in bank bonds.

These investments are listed below:

Cash and Investment Position

	Maturity Date	Int Rate (Face)	Int Rate (Actual)	Amount 30/06/2021	Amount Now	Movement
<u>ANZ Cheque and Call Accounts</u>						
				2,622,814	6,651,796	4,028,982
LGFA Notes	25/08/2025	3.54%	3.54%	32,000	32,000	0
LGFA Notes	15/04/2024	1.79%	1.79%	160,000	160,000	0
LGFA Notes	15/04/2023	1.56%	1.56%	64,000	64,000	0
LGFA Notes	15/04/2027	1.63%	1.63%	64,000	64,000	0
ANZ Bond	1/09/2023	3.71%	3.71%	355,000	355,000	0
ASB Bond	7/09/2023	3.33%	3.33%	600,000	600,000	0
Westpac Term Deposit	31/12/2021	0.94%	0.94%	4,500,000	-	(4,500,000)
Westpac Term Deposit	30/09/2021	0.83%	0.83%	2,500,000	-	(2,500,000)
Westpac Term Deposit	29/10/2021	0.88%	0.88%	3,000,000	-	(3,000,000)
BNZ Term Deposit	19/07/2021	0.55%	0.55%	3,000,000	-	(3,000,000)
Westpac Term Deposit	18/03/2022	1.25%	1.25%		2,500,000	
Total Investments				14,275,000	3,775,000	(13,000,000)
Total Cash and Investments Held				16,897,814	10,426,796	(8,971,018)

Term Deposit Rates have been at an all time low with returns for periods of 3-6 months length returning less than 1% pa earlier in the year. However, with the recent lift in the OCR (Official Cash Rate) these are starting to trend back upwards (as are lending rates).

Council currently has a maximum exposure with a single bank of \$6.6m (its main trading bank) which is under Council's policy limit of \$10m.

Borrowing

At the 28th February 2022 Council had \$22m of external debt drawn (\$20m 30 June 2021).

Council is forecasting it'll need to borrow additional funds in April 2022 to continue to deliver its capital program. Council also has a \$2m debt maturity in July 2022 to refinance. Officers are working with Bancorp Treasury to get advice on how to structure this new debt.

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





<u>Debt Position</u>	Draw Date	Maturity Date	Interest Rate	Amount 30/06/2021	Amount Now	Movement
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	-
LGFA - Fixed Rate	19/07/2021	18/07/2022	1.25%		2,000,000	
ANZ Seasonal Facility (\$1,500,000)				-	-	-
Total Debt			2.19%	20,000,000	22,000,000	-

The latest revision of the Treasury Policy introduced a benchmark for Council's average cost of funds. The resultant benchmark calculations are detailed below:

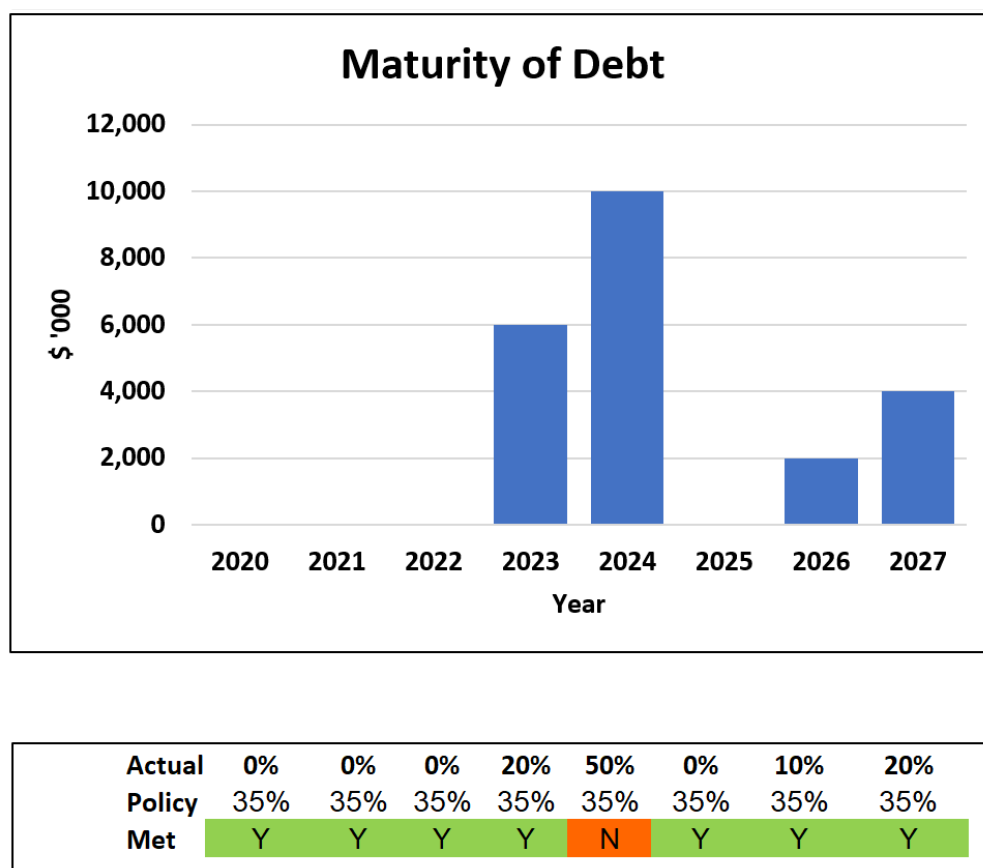
	Rate	Weighting	Weighted Rate		
Average 90 day bill rate for reporting month	1.21%	30%	0.36%		
2 Year Swap Rate at end of reporting month	2.75%	10%	0.28%		
2 Year Swap Rate, 2 years ago	0.86%	10%	0.09%		
4 Year Swap Rate at end of reporting month	2.96%	10%	0.30%		
4 Year Swap Rate, 4 years ago	2.56%	10%	0.26%		
7 Year Swap Rate at end of reporting month *	3.01%	15%	0.45%		
7 Year Swap Rate, 4 years ago *	3.71%	15%	0.56%		
Benchmark Targeted Rate			2.28%		
Council Achieved Weighted Average Cost of Funds			2.19%		
* 7 Year Swap rate was used instead of 8 Year rate due to the 8 year rate not being reported on by RBNZ					

This shows that Council is achieving slightly better than the expected benchmark.

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

Treasury Compliance with Policy		
<u>Liquidity (Liquid Assets + Debt / Debt)</u>		
	Policy Limit >115%	Actual 137%
<u>Finance Costs / Total Revenue</u>		
	Policy Limit <20%	Actual 0.8%
<u>Finance Costs / Total Rates Revenue</u>		
	Policy Limit <25%	Actual 1.8%
<u>Debt to Operating Revenue</u>		
	Policy Limit <150%	Actual 37.5%

As at 28th February 2022, 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 28th February 2022 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.

OCR Rate forecasts

On the 23rd February 2022 the Reserve Bank of NZ raised its OCR (Official Cash Rate) from 0.75% pa to 1.00% pa. This was in reaction to higher inflation numbers and is the main mechanism the reserve bank has to control this.

The Reserve Bank uses the OCR to stimulate or cool the economy with the objective of keeping New Zealand's inflation between 1-3%. Any changes in the OCR have an impact on the banks costs of funds and typically flow through to term deposit rates and mortgage rates. Council borrows through the LGFA which is funded through the wholesale markets so is less impacted by OCR changes but is impacted by general directions of interest rates.

The Reserve Bank has indicated it expects to continue to raise interest rates into the future as the world come out of Covid restrictions with a forecast OCR peak of 3.35% pa. It also intends to start reducing its bond holdings that it built up from its Large Scale Asset Purchase programme it implemented during its Covid response (quantitative tightening).

Below is the LGFA's latest fixed rate lending offerings:

Fixed rate long term	Base yield	Borrowing yield AA+/AA rated councils	Borrowing yield AA- rated councils	Borrowing yield A+ rated councils	Borrowing yield Unrated guarantors	Borrowing yield Non-guarantors
Apr-23	2.17%	2.32%	2.37%	2.42%	2.52%	2.62%
Apr-24	2.61%	2.76%	2.81%	2.86%	2.96%	3.06%
Apr-25	2.82%	2.97%	3.02%	3.07%	3.17%	3.27%
Apr-26	2.99%	3.14%	3.19%	3.24%	3.34%	3.44%
Apr-27	3.06%	3.21%	3.26%	3.31%	3.41%	3.51%
May-28	3.16%	3.31%	3.36%	3.41%	3.51%	3.61%
Apr-29	3.21%	3.36%	3.41%	3.46%	3.56%	3.66%
May-31	3.28%	3.43%	3.48%	3.53%	3.63%	3.73%
Apr-33	3.39%	3.54%	3.59%	3.64%	3.74%	3.84%
May-35	3.52%	3.67%	3.72%	3.77%	3.87%	3.97%
Apr-37	3.60%	3.75%	3.80%	3.85%	3.95%	4.05%

Built into these rates are market expectations regarding future interest rates. As you can see longer dated maturities have interest rates for unrated guarantors as high as 3.95% pa and shorter term rates starting at 2.52% pa. This indicates the markets are pricing in a further 1.5% of future rate rises.

Council's existing debt is all at fixed rates, but rising interest rates will impact any future borrowings are refinancing existing debt as it matures.

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.

6.7 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.

DISCUSSION

Council has a GST/FBT compliance internal audit scheduled to occur shortly.

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 sample to check how the decision to procure was made, how the supplier was selected, what</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 working with MBIE staff (Wellington based) who have offered to run training sessions for Hawkes Bay Staff, and this will be progress once Covid levels decline.</p>

<p>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>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 are not appropriate then a Procurement Plan that recommends another approach must be prepared</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>(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>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 Management's 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>Councils has recently appointed 0.5 FTE to be Council's Procurement Lead.</p> <p>The person appointed to this role was internal and undertook some procurement training in June 2021.</p> <p>This person existing role as been recruited for with the backfilled candidate due to commence in April 2022. This will allow the remaining actions for this audit to gain some traction with a dedicated resource.</p>

External Audit: Year End (Undertaken August/September 2021)

Observation	Recommendation	Actions Taken
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 previous years. Sensitive Expenditure was again retested in 2021 with five minor breaches identified so it remains an audit point. Staff have been reminded of their responsibilities.
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 previous years. 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 previous years. While EY acknowledge that many policies were update leading in the LTP, a few policies still need reviewing and governance staff are working on getting all policies up to date.

Internal Audit: Fraud Health Check (Undertaken April 2021)

Observation	Recommendation	Actions Taken
Fraud-related policies and procedures The Council does not have a Fraud Policy in place. We also noted the following regarding other fraud related policies: • The Staff Conduct Policy is out of date and was due for renewal in 2018.	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.	A Fraud and Corruption Prevention Policy has been written and adopted. Staff Conduct Policy and Protected Disclosures Policy scheduled as been reviewed in February 2022 by People and

<ul style="list-style-type: none"> • 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>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 oversee fraud risk by: <ul style="list-style-type: none"> - Providing direction and 	<p>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 – February 2022</p>
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	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>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 October 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 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>Council has undertaken training and socialization on the new 'Fraud and Corruption Prevention Policy' with staff and the refreshed Staff Conduct Policy and Protected Disclosures Policy.</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 – February 2022</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. 	<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 	<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>The financial delegation register has been reviewed in August 2021, and these have been updated in Magiq as part of the move to Magiq Cloud in August 2021.</p> <p>Data Analytics – This was last undertaken by Crowe in October 2018.</p> <p>Responsible person CFO</p> <p>Date of implementation</p>

<ul style="list-style-type: none"> 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>individual authorisations remain up to date and appropriate.</p> <ul style="list-style-type: none"> 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. 	July 2021
<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 has been reviewed in 2022 by People and Capability Advisor.</p> <p>Responsible person People and Capability Advisor</p> <p>Date of implementation February 2022</p>

External Audit: Waka Kotahi Investment Audit Report (Undertaken March 2021)

Observation	Recommendation	Actions Taken
<p>Rural road delineation strategy</p> <p>Council doesn't have a rural road delineation strategy.</p>	<p>Develops and implements a rural road delineation strategy, based on ONRC classifications and including a strong focus on curve warning.</p>	<p>A rural road delineation strategy is under development with the 2 highest class roads (Arterials and Primary Collectors) already complete.</p> <p>Work is now being undertaken on identifying gaps on the secondary</p>

Resolve Data Gaps Council has data gaps and data issues as identified in the REG Data Quality report.	Assigns resources to investigate and resolve data gaps and the data issues identified in the REG Data Quality report to provide long term assurance of data quality.	collectors. Data gaps are continuing to be addressed. Stantec is steadily ensuring that the data in the RAMM database accurately reflects what is in the field. As it is a large database the work will be ongoing.
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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 HEALTH & SAFETY REPORT

File Number: COU1-1408

Author: Josh Lloyd, Group Manager - Community Infrastructure and Development

Authoriser: Monique Davidson, Chief Executive

Attachments: Nil

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 initiatives.

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.

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 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 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

Gap Analysis Review

The original Gap Analysis for Central Hawkes Bay District Council was conducted in September 2019 by IMPAC as a baseline assessment of Council's performance in health, safety and wellbeing. This baseline assessment identified areas for improvement and prioritised actions and recommendations which were developed into the work programme referred to as the Health & Safety Action Plan.

Officers have completed a planned review of the original Gap Analysis to assess progress made in the last two years and to reprioritise the work programme ahead of the on boarding of the incoming Health & Safety Advisor.

Please note: At the time of writing this report, due to the recent timing of this review coinciding with the time of this report, the Governance Health & Safety Dashboard has not been included. Officers will include the Governance Dashboard in the next Risk & Assurance Committee meeting which will be updated to show the work programme following the update from the key recommendations below.

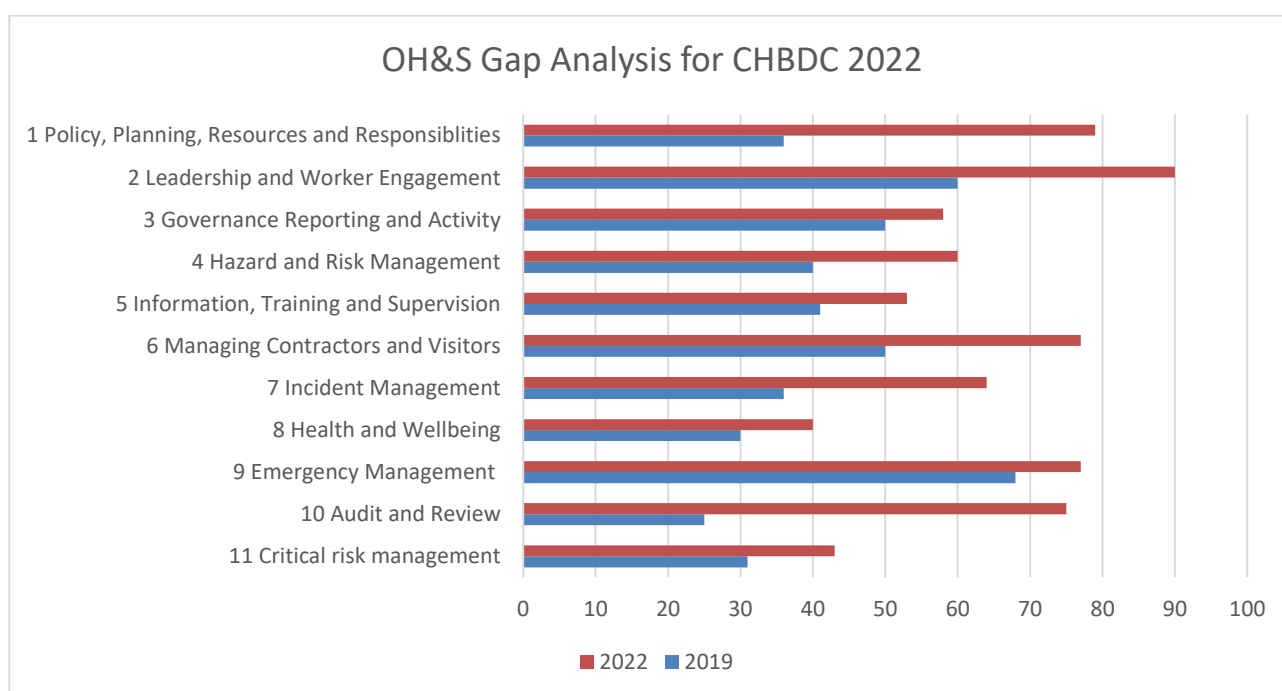
IMPAC noted in undertaking the review, there is much to be celebrated. All 11 areas covered by the gap analysis have seen improvement in the last two years. Notable significant improvements are in the areas of policy, planning, responsibilities and resources, leadership and worker engagement, incident management and audit and review. Of note, achieving a score of 100 within each area in the infographic below is where Council would be meeting the industry standard. To take a step further and achieve "best practice" within Council's health and safety approach will require a continued focus on improvement which is the intent of officers.

The recent external CouncilMARK assessment included a key recommendation for improvement relevant to the governance of health and safety. This is reflected also in the results of the Gap Analysis Review. The recommendations for Governance are included below in the following section of this report.

Key recommendations of the Gap Analysis Review include:

1. A continued focus on improving the approach to Risk Management through education, collective ownership of risk and utilisation of systems
2. Develop a work programme for Elected Members in line with CouncilMARK recommendations, to improve the governance approach to health, safety and risk management.
3. Lead the operationalisation of the recommendations developed for Contractor Management
4. Complete the critical risk programme of work. Progress has been made in identification, but continued focus is required to complete identification and implementation of controls.
5. Complete and implement the Health, Safety and Wellbeing Framework which sets out Council's overarching approaching to health, safety and wellbeing.

The following graph indicates the relative effectiveness of the Council as measured against each of the key elements IMPAC would expect to see in a robust Health & Safety Management System. The Gap Analysis Review displays the relative effectiveness for each element as a percentage based on scoring applied within each activity.



Recommendations for the Governance approach to Health & Safety

As outlined above, the Gap Analysis Review identified areas for improvement within Governance, which were also identified as a key recommendation in the recent external CouncilMARK assessment. The CouncilMARK recommendation can be summarised as a challenge, not to have more detailed reporting at the governance level, but rather a team of Elected Members who are

more meaningfully exposed to “work as done” vs “work as imagined”. This experience then enables a richer appreciation of the governance of the organisation and its critical risks in the context of health, safety and risk management.

Following the recommendations from both the Gap Analysis Review and the CouncilMARK assessment, Officers have identified the below opportunities to make improvements and the implementation of these actions will be coordinated by the incoming Health & Safety Advisor as part of the wider Health & Safety Action Plan (the work programme):

- Develop and implement a health, safety and wellbeing education program for Elected Members in line with their role as “officers” in the Health & Safety at Work Act 2015.
- Elected Members to consider the reporting of Health & Safety with the upcoming new triennium and how this information is made available to the wider Council table, rather than exclusively the Risk & Assurance Committee.
- Implementation of Leaders Walks for Elected Members following the principals of inquisitive enquiry to close the gap between “work as imagined” vs “work as done”
- Following the finalisation of critical risk work by Officers later in the year:
 - Introduce a sampling of critical risk controls as part of Leaders Walks and tools developed for Elected Members to increase their understanding of operations.
 - Improved reporting of critical risk assurance and any new relevant information

Covid-19 Internal Health Response

The Health & Safety Advisor and the Health, Safety & Wellbeing Committee have continued to support Council's internal response for the organisation in relation to Covid-19.

There has been significant focus put into Business Continuity Planning which has been led by the internal Covid Response Manager and focuses on upskilling staff to add additional resource into our essential service teams that are critical in keeping Council services operational as the pandemic spreads.

Since the November 2021 report to the Risk & Assurance Committee, there have been a number of activities undertaken. This includes the adoption of the updated Vaccination Policy for staff following risk assessment for all roles, a policy adopted for contractor interactions, guidance created around event management, the roll-out of air purifiers to Council facilities, the roll-out of P2 (N95 equivalent masks) respirators, a fluid remote working approach in line with the above business continuity planning and the introduction of rapid antigen testing.

Wellbeing Update

The wellbeing of staff continues to be an absolute priority for Officers as it focuses on delivering Council objectives, with the layer of uncertainty that Covid-19 disruption creates.

The Wellbeing Lead has continued to facilitate the “bite size” wellbeing sessions for staff which have kicked off for 2022 and introduced a “day in the life of” initiative to keep the connectedness of the team while remote working.

The Wellbeing Lead has also introduced a “90 day wheel of wellbeing plan” designed to prompt staff to evaluate key focus points such as physical health or spiritual wellbeing and how they might make improvements. This is to provide an individual positive focus for staff to turn too, when the external impact of Covid-19 and other factors are out of their control.

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 implement the updated Gap Analysis review information into the Governance Health & Safety Dashboard for the May 2022 Risk & Assurance Committee report. The Health & Safety Action Plan (the work programme) will be updated and the roll-out of the governance actions as recommended in the CouncilMARK assessment and Gap Analysis Review.

RECOMMENDATION

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

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 Update Report	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
7.2 - Emissions Trading Scheme Liability Update	s7(2)(b)(ii) - the withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information s7(2)(h) - the withholding of the information is necessary to enable Council to carry out, without prejudice or disadvantage, commercial activities	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 26 May 2022.

9 TIME OF CLOSURE