

Rārangi Take o te Kōmiti
Tūraru me te Taurangi

Risk and Assurance Committee Agenda

Wednesday 27 March 2024, 1 pm
Council Chamber, Albion Street, Hāwera



Ngā Mema o te Komiti / Committee Members



Philip Jones
*Chairperson /
External Member*



Phil Nixon
Mayor



Andy Beccard
Councillor



Celine Filbee
Councillor



Te Aroha Hohaia
Councillor



Racquel Cleaver-Pittams
Councillor



Marie Broughton
Iwi Representatives

Apatono / Delegations

The primary purpose of the Risk and Assurance Committee is to:

- Review the quarterly financial and non-financial reports of the Council;
- Oversee the relationship between the Council and its external auditor;
- Consider the Audit Management Report undertaken for the Annual Report and Long Term Plan and monitor progress against that;
- Receive and consider reports on the Council's internal and external borrowing;
- Provide oversight and monitoring of the Council's risk management framework;
- Provide oversight and monitoring of Council's Long Term Investment Fund; and
- Oversee the relationship with the Council's Investment Advisors and Fund Managers.

The Risk and Assurance Committee is made up of the Mayor, an external member, four councillors and an Iwi representative.

Attendance Register

Date	30/11/22	15/02/23	29/03/23	17/05/23	21/06/23	16/08/23	20/09/23	20/11/23	14/02/24
Meeting	O	O	O	O	O	O	O	O	O
Andy Beccard	√	√	√	√	√	A	√	√	√
Celine Filbee	√	√	√	√	√	√	√	A	√
Te Aroha Hohaia	√	A	√	√	√	√	√	√	√
Philip Jones	AO	AO	√	√	√	√	√	√	√
Phil Nixon	√	√	√	√	√	√	√	√	√
Racquel Cleaver-Pittams	-	-	-	√	√	√	√	√	√
Marie Broughton	-	-	-	√	√	√	√	√	√

Key

- √ Attended
- AO Attended Online
- Was not required to attend
- A Apology
- Y Attended but didn't have to attend
- X Did not attend - no apology given

Types of Meetings

- O Ordinary Council Meeting
- E Extraordinary Council Meeting

He Karere Haumaruru / Health and Safety Message

In the event of an emergency, please follow the instructions of Council staff.
If there is an earthquake – drop, cover and hold where possible. Please remain where you are until further instruction is given.

He Pānga Whakararu / Conflicts of Interest

Members are reminded of the need to be vigilant to stand aside from decision making when a conflict arises between their role as an elected member and any private or other external interest they might have.



Rārangi Agenda

Risk and Assurance Committee

Wednesday 27 March 2024 at 1 pm

1. **Karakia**
2. **Matakore / Apologies**
3. **Tauākī Whakarika / Declarations of Interest**
4. **Whakatakoto Kaupapa Whānui, Whakaaturanga hoki / Open Forum and Presentations**
 - 4.1 Long Term Plan Update – Becky Wolland
5. **Whakaaetia ngā Menīti / Confirmation of Minutes**
 - 5.1 [Risk and Assurance Committee held on 14 February 2024](#)..... Page 9
6. **Pūrongo-Whakamārama / Information Reports**
 - 6.1 [Long Term Plan Audit Engagement Letter](#) Page 18
 - 6.2 [Senior Leadership Team Risk Review](#) Page 33
 - 6.3 [Insurance Internal Audit Report](#)..... Page 45
 - 6.4 [Emergency Response Management Internal Audit Report](#)..... Page 65
 - 6.5 [Risk and Assurance Committee – Workplan](#)..... Page 89
 - 6.6 [Strategic Risk Review Report](#)..... Page 93
 - 6.7 [Quarterly Internal Audit Status Report](#)..... Page 100
 - 6.8 [Privacy Breaches Update \(April - December 2023\)](#)..... Page 111
7. **Ngā take kia noho tūmatanui kore / Resolution to Exclude the Public**
 - 7.1 [Confirmation of Minutes](#) Page 115
 - 7.2 [Statement of Investment Policy and Objectives](#)..... Page 118
 - 7.3 [Health and Safety Quarterly Report – September 2023 to February 2024](#) Page 179
 - 7.4 [Quarterly Cyber Security Report](#) Page 186
8. **Karakia**

Next Meeting Date: Wednesday 15 May 2024 – Council Chamber, Albion Street, Hāwera
Elected Members’ Deadline: Wednesday 1 May 2024



Karakia

1. Karakia

Ruruku Timata – Opening Prayer

(Kia ururu mai ā-hauora,
ā-haukaha, ā-hau māia)

Ki runga

Ki raro

Ki roto

Ki waho

Rire rire hau

Paimārire

*(Fill me with vitality)
strength and bravery)*

Above

Below

Inwards

Outwards

The winds blow & bind us

Peace be with us.



Matakore Apologies

2. Matakore / Apologies

Leave of Absence: *The Board may grant a member leave of absence following an application from that member. Leave of absences will be held in the Public Excluded section of the meeting.*



Ngā Whakaputanga Declarations of Interest

3. Tauākī Whakarika / Declarations of Interest

Notification from elected members of:

- a) Any interests that may create a conflict with their role as an elected member relating to the items of business for this meeting; and
- b) Any interests in items in which they have a direct or indirect pecuniary interest as provided for in the Local Authorities (Members' Interests) Act 1968.

Declarations of Interest: Notification from elected members of: Any interests that may create a conflict with their role as an elected member relating to the items of business for this meeting; and Any interests in items in which they have a direct or indirect pecuniary interest as provided for in the Local Authorities (Members' Interests) Act 1968



Whakatakoto Kaupapa Whānui, Whakaaturanga hoki **Open Forum and Presentations**

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4. Whakatakoto Kaupapa Whānui, Whakaaturanga hoki / Open Forum and Presentations

4.1 Long Term Plan Update – Becky Wolland

The Board has set aside time for members of the public to speak in the public forum at the commencement of each Council, Committee and Community Board meeting (up to 10 minutes per person/organisation) when these meetings are open to the public. Permission of the Mayor or Chairperson is required for any person wishing to speak at the public forum.



Ngā Menīti Komiti

Committee Minutes

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To	Risk and Assurance Committee
Date	27 March 2024
Subject	Risk and Assurance Committee – 14 February 2024

(This report shall not be construed as policy until adopted by full Council)

Whakarāpopoto Kāhui Kahika / Executive Summary

1. The Risk and Assurance Committee met on 14 February 2024. The Risk and Assurance Committee are being asked to adopt the minutes from 14 February 2024 as a true and correct record.
2. There were no recommendations within the minutes for the Council to consider.

Taunakitanga / Recommendation(s)

THAT the Risk and Assurance Committee adopt the minutes of their meeting held on 14 February 2024 as a true and correct record.



Menīti Minutes

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Ngā Menīti take o te Komiti Tūraru me te Taurangi Risk and Assurance Committee Meeting

Council Chamber, Albion Street, Hāwera on Wednesday 14 February 2024 at 11.00 am

Kanohi Kitea / Present: Philip Jones (Chairperson), Mayor Phil Nixon, Councillors Andy Beccard, Racquel Cleaver-Pittams, Celine Filbee, Te Aroha Hohaia and Marie Broughton (Iwi Representative).

**Ngā Taenga-Ā-Tinana
/ In Attendance:**

Fiona Aitken (Chief Executive), Liam Dagg (Group Manager Environmental Services), Herbert Denton (Group Manager Infrastructure Services), Rob Haveswood (Group Manager Community Services), Claire Bourke (Management Accountant), Sam Greenhill (Governance Officer), Vipul Mehta (Head of Business Enablement) *online*, Garry Morris (Senior Accountant), Becky Wolland (Head of Strategy and Governance), Scott Willson (Business Development Manager), Garth Gregory and Priya Patel (Mercer).

Matakore / Apologies: Nil.

1. Whakaaetia ngā Minitī / Confirmation of Minutes

1.1 Risk and Assurance Committee minutes held on 20 November 2023

RESOLUTION

(Cr Hohaia/Cr Beccard)

01/24 AR **THAT** the Risk and Assurance Committee adopt the minutes of their meeting held on 20 November 2023 as a true and correct record.

CARRIED

2. Pūrongo-Whakamārama / Information Report

2.1 Quarterly Financial and Non Financial Performance Report for period ending 31 December 2023

The report contained the Financial Variance Report and the Non-Financial Performance Measures Report for the second quarter of the financial year to 31 December 2023. The report contained Council officers' commentary on variances for the Council's activities and support centres, and management comments on variances have also been included, where relevant.

It was highlighted that the report included an incorrect date in the covering report however the figure was correct. There had been fluctuations in market valuations of interest rates swaps which had an adverse effect on the Long Term Investment Fund (LTIF). The LTIF did not perform to budget and there had been delays in capital contributions. It was noted that the forecast was still positive.

In response to a query regarding the interest rate it was expected that this would likely remain stable to the end of the calendar year.

It was queried if it was realistic that the Capital Projects Programme would be completed by the end of the financial year. It was noted that a lot of these projects were carried out in the summer months. There were also water and wastewater projects which were significant. These projects had either been started or were getting underway. It was noted that if a project was not completed within the financial year the project would be carried over along with the budget.

It was queried what progress had been made with contributions for the South Taranaki Business Park. It was noted that it was forecast that some contributions would be received before the end of the financial year.

There were concerns raised regarding the over spend for Waimate West meter renewals. Clarification was provided noting that all meters were ordered up front.

In response to a query regarding the over spend on the Manaia wastewater CCTV inspections it was noted that the investigation identified repairs that were required and areas where lining was required.

It was queried if the Interest Rate Risk Profile graph had indicated that the LTIF was outside of policy. It was clarified that the graph showed projections without the inclusion of three waters and would look different moving forward.

It was noted that the water supply non-performance was due to contractors not closing off jobs in time, however this had been rectified.

In response to a query regarding the benefit of the Business Hub it was noted that the analytics that recorded the data had gone down for a quarter which had resulted in inaccurate reporting. It was explained that the Business Hub was a digital space where people could promote their businesses free of charge.

In response to a query regarding dog control it was noted that there was an issue with where the data was being pulled from and the activity manager was not aware of an issue with non response.

In response to a query regarding water consents for bottling water it was noted that these were administered by Taranaki Regional Council.

The financial report was being redesigned and the Committee would have the opportunity to provide feedback through a workshop. It was noted that moving forward the financial statement and non-financial performance measures would be presented in two separate reports moving forward.

RESOLUTION**(Mayor Nixon/Cr Beccard)**

02/24 AR THAT the Risk and Assurance Committee receives the Second Quarter Financial and Non Financial Performance Report for the period ending 31 December 2023.

CARRIED

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2.2 Significant Projects Progress Report

The report provided an update on the 2023/24 Significant Projects Programme to the Risk and Assurance Committee.

It was highlighted that the report had been changed to be the Significant Projects Progress Report due to the inclusion of the Digital Transformation Strategy (DTS) which was not a capital project as it was funded through operational budget. It was already expected that there would be carry over to the next financial year.

There had been recent developments with the Nukumarū Station Road project. The old portion from the State Highway needed to be legally closed before the new portion could be opened. The next portion of the road had been widened. It was noted that the portion from the intersection from the State Highway to the railway crossing had been opened to residents, however the section from the railway crossing to the beach remained closed. A post construction safety audit had been carried out which identified that widening of the road was required. An official opening of the road was expected in six weeks' time.

It was noted that in order to meet the conditions of the grant for the combined facility in Manaia the business case needed to be completed by 31 March. The timeframe was not expected to be met and a short extension on the grant was being sought.

The Waimate West Reservoir was close to completion. There had been a few operational issues which had now been largely addressed. There were two occasions where the reservoir water was wasted and this would be claimed from the contractor.

In response to concerns regarding the Digital Transformation Strategy being behind schedule it was noted that TechOne had been asked to prioritise the project and it was expected to be on track within the next month or two.

In response to a request for clarity on tranche one projects it was noted that these were originally the three waters projects. It was noted that it was unlikely the Council would have to give the Better Off tranche one funding back as there were signed funding agreements and the remaining money was being spent on reforestation.

It was queried if the Long Term Plan Capital Works Programme was realistic. It was noted that time had been spent looking at what could be delayed and spreading amounts across a number of years rather than putting the full amount in year one. It was noted that there were unknown factors such as delays that could not be considered. It was important that the Council explain why the programme was not achieved as part of the Annual Report. It was highlighted that the Capital Works Programme was budgeted with an understanding that the programme would not be achieved.

It was highlighted that it was important to have a balance between a stretched target and ensuring work was being done properly.

In response to a query regarding cyber security concerns it was noted that the Council was proactively managing cyber security risks.

RESOLUTION

(Cr Filbee/Mayor Nixon)

03/24 AR THAT the Risk and Assurance Committee receives the Significant Projects Progress Report for Quarter Two of the 2023/24 financial year.

CARRIED

2.3 Outstanding Debt as at 31 December 2023

The report contained financial variance information relating to aged trial balances for all debtors and the variance of outstanding debt for rates up to 31 December 2023.

It was highlighted that the 90 day debt figure had increased by \$1 million due to one outstanding invoice. Legal action had been carried out to recover the money for the invoice. In response to a query regarding how the money would be recovered it was noted that all options were being considered.

In response to a query regarding the increase in overdue amounts it was noted that this was a sign of the current economy and would likely increase. In terms of impact on cash this was something that needed to be looked at realistically moving forward.

It was highlighted that there had been a significant decrease in infringements with the court. It was noted that at times the Ministry of Justice wrote off debt that was not collected.

RESOLUTION

(Mr Jones/Mayor Nixon)

04/24 AR THAT the Risk and Assurance Committee receives the outstanding debt report as at 31 December 2023.

CARRIED

2.4 2024 – 2034 Long Term Plan Update

The report provided the Risk and Assurance Committee with an update on the development of the 2024 – 2034 Long Term Plan (LTP) and asked the Committee to consider the risks associated with delivering the LTP.

It was highlighted that two risks had been removed from the report and two had been added. Council officers had met with auditors several times to mitigate these new risks. A report had been prepared for the Council to consider options for including three waters back into the LTP. It was recommended by Council officers to proceed with the planned adoption date of 24 June with an unaudited document for consultation. It was noted that three waters had been added back into the LTP and the Finance team had finished running the budgets. An update would be provided to the Council on the new figures with three waters included. It was highlighted that there were risks involved with proceeding with an unaudited consultation document, however it was noted that these risks were being mitigated as much as possible.

In response to a query regarding history of previous audited LTP consultation documents it was noted that there had not been concerns in the past and only minor changes were suggested. It was noted that this was the first time Deloitte would be auditing the LTP. It was highlighted that in 2006 another council received an unfavourable significantly modified opinion, however there were no consequences. It was noted that the risk would be the Community and Central Government losing confidence in the Council.

RESOLUTION**(Cr Hohaia/Mr Jones)****05/24 AR THAT the Risk and Assurance Committee;**

- a) **Receives the 2024 – 2034 Long Term Plan Report; and**
- b) **Considers the risks associated with the delivering the 2024 – 2034 Long Term Plan by 30 June 2024.**

CARRIED

2.5 Risk and Assurance Committee - Workplan

The Risk and Assurance Committee Workplan for 2023/24 – 2026/27 included key reports, policies for review and workshops, for the next three years.

The workplan had been reviewed to include all known upcoming items. It was suggested that an update report on the Enterprise Resource Programme (ERP) be provided at the June meeting rather than waiting until September for a full report. It was hoped that the Audit Engagement Letter would be ready for the March meeting. In response to concerns regarding the risks around the Annual Report it was noted that discussions were had with Deloitte and there were no concerns with meeting the deadline of the end of October.

RESOLUTION**(Cr Beccard/Cr Filbee)****06/24 AR THAT the Risk and Assurance Committee receives the Risk and Assurance Committee Workplan for the period 2023/24 – 2026/27.****CARRIED**

2.6 South Taranaki Business Park Update Report

The report provided an update on project progress and outlined risks, consequences, and mitigation for the South Taranaki Business Park project.

In August there had been a number of unknowns regarding the South Taranaki Business Park (STBP) project. Since the last report the Council had gained clarity around what was happening in the next two financial years. In the upcoming weeks work would begin on the 'quadrant' in the project. Little Waihi Road would be the first portion followed by Kerry Lane and then Fitzgerald Lane over the next two summers. Following one on one meetings with stakeholders the Council were encouraged by what was discussed.

It was highlighted that information on the South Taranaki Business Park had been included in the Significant Projects Progress Report, moving forward information would only be

included in the South Taranaki Business Park Update Report. The site blessing for the project was coming up and the final details were being worked out.

In response to a query regarding contributions to recover funds it was noted that the mechanism for recouping costs was through titles which would be formalised through the District Plan. The catalyst for the next phase of titles was the sealing of the road.

It was suggested that another section needed to be included in future reports to identify when contributions were expected. It was requested that this be in terms of explanation without providing any confidential information of business owners.

In response to a query regarding the funding from Powerco it was noted that the portion not funded by Powerco would be covered by development contributions.

RESOLUTION

(Mayor Nixon/Cr Beccard)

07/24 AR THAT the Risk and Assurance Committee receives the South Taranaki Business Park Update Report.

CARRIED

2.7 Update on Insurance Renewal Programme for 2023-24

The report provided an update on the Insurance Renewal Programme for 2023-24.

It was noted that all changes to insurance had gone through and the Council were waiting on the refund for the portion that was paid upfront. The report outlined that the Council had previously approved to self insure a portion of their insurance. However, this was not approved by the insurance provider. An agreement was made to achieve the same level of self insurance.

In response to a query regarding who the change benefitted it was noted that it was designed to benefit the Council. There were concerns raised that the Council did not have control over their insurance. It was noted that a solution had been found however moving forward if the Council were unable to self insure it had been decided the Council would go out to the market for a new insurance provider. The proposed savings had still been realised.

RESOLUTION

(Cr Filbee/Cr Beccard)

08/24 AR THAT the Risk and Assurance Committee receives the information report on Insurance Renewal 2023-24 progress.

CARRIED

2.8 Mercer Quarterly Investment Monitoring Report – December 2023

An update was provided on the December Quarter which had ended on a positive note. The Long Term Investment Fund had an increase of 5.9% which was slightly behind the benchmark. All fund managers delivered positive absolute returns. On 14 December 2023 Mercer Global Listed and Global Equities were liquidated with the funds being invested into ANZ Global Equities.

RESOLUTION

(Cr Hohaia/Cr Beccard)

09/24 AR **THAT** the Risk and Assurance Committee receives the Mercer Quarterly Investment Monitoring Report – December 2023.

CARRIED

Meeting adjourned 12.22 pm.

Meeting reconvened 12.55 pm.

3. Nga Whakataunga kia noho tūmataiti kore/Resolution to Exclude the Public

RESOLUTION

(Cr Cleaver-Pittams/Cr Hohaia)

10/24 AR **THAT** the public be excluded from the following parts of the proceedings of this meeting, namely:

The general subject 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(1) 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(1) for the passing of this resolution
1. Confirmation of minutes held on 20 November 2023.	Good reason to withhold exists under Section 7.	That 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 exists. Section 48(1)(a)
2. Mercer Quarterly Investment Monitoring Report – December 2023.		
3. Mercer – Global Listed Property and Global Bonds.		

This resolution is made in reliance on sections 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by section 7 of that Act, which would be prejudiced by the holding of the relevant part of the proceedings of the meeting in public are as follows:

Item No	Interest
1	Enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations) (Schedule 7(2)(i)).

1, 2	Maintain the effective conduct of public affairs through the protection of members or officers or employees of the Council, and persons to whom Section 2(5) of the Local Government Official Information and Meetings Act 1987 applies in the course of their duty, from improper pressure or harassment (Schedule 7(2)(f)(ii)).
1	To protect the privacy of antural persons, including that of deceased natural persons (S7(2)(a)).
1,3	To prevent the disclosure or use of official information for improper gain or advantage (s. 7(2)(j)).

CARRIED

4. Tuwhera anō te Hui / Resume Open Meeting

RESOLUTION

(Mayor Nixon/Cr Beccard)

14/24 AR THAT the Risk and Assurance Committee resumes in open meeting.

CARRIED

The meeting concluded at 1.71 pm.

Dated this day of 2024.

.....
CHAIRPERSON



Pūrongo-Whakamārama Information Report

To	Risk and Assurance Committee
Date	27 March 2024
Subject	Long Term Plan Audit Engagement Letter

(This report shall not be construed as policy until adopted by full Council)

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Whakarāpopoto Kāhui Kahika / Executive Summary

1. The Long Term Plan Audit Engagement letter outlines the terms of the audit engagement and the respective responsibilities of the Council and the auditors, the audit scope and objectives, the approach taken to complete the audit, the areas of audit emphasis, the audit logistics and the professional fees.
2. The Risk and Assurance Committee are being asked to receive the Long Term Plan Audit Engagement Letter.

Taunakitanga / Recommendation

THAT the Risk and Assurance Committee receives the Long Term Plan Audit Engagement Letter.

Our ref: EN/LCA/03-0034

23 February 2024

Becky Wolland
South Taranaki District Council
Private Bag 902
Hawera 4640

Dear Becky

**AUDIT ENGAGEMENT LETTER: AUDIT OF THE LONG-TERM PLAN FOR THE PERIOD
COMMENCING 1 JULY 2024**

This audit engagement letter is sent to you on behalf of the Auditor-General, who is the auditor of all “public entities”, including South Taranaki District Council (the Council), under section 14 of the Public Audit Act 2001. The Auditor-General has appointed me, Bennie Greyling, using the staff and resources of Deloitte Limited, under section 32 and 33 of the Public Audit Act 2001, to carry out the audit of the Council’s long-term plan (LTP).

This letter outlines:

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

**1. SPECIFIC RESPONSIBILITIES OF THE COUNCIL FOR PREPARING THE
CONSULTATION DOCUMENT AND THE LONG-TERM PLAN**

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

The Council has chosen not to have its 2024 consultation document audited.¹ For clarity, we note the following statutory responsibilities as set out in the Act:

- section 93 of the Act requires the Council to have an LTP at all times, and Part 1 of Schedule 10 prescribes the information that must be included in the LTP;
- section 111 requires all information that is required to be included in the LTP to be prepared in accordance with applicable generally accepted accounting practice standards;
- section 83 (with reference to section 93A) sets out the special consultative procedure that the Council is required to follow to adopt the consultation document and LTP; and
- section 94 requires an audit report on the LTP.

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

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

2. OUR AUDIT SCOPE

The Act requires us to provide a report on:

- whether the LTP gives effect to the purpose in section 93(6); and
- the quality of the information and assumptions underlying the forecast information provided in the LTP.

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

Our focus for the first limb of the LTP audit report will be to assess whether the LTP meets its statutory purposes.

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

Our audit report does not:

- provide a guarantee of absolute accuracy of the information in the LTP;
- provide a guarantee that the Council has complied with all relevant legal obligations;

¹ Section 93C(4) of the Act requires an auditor's report on the consultation document. However, clause 45 of Schedule 1AA of the Act (inserted by the Water Services Acts Repeal Act 2024) provides that, despite section 93C(4), the consultation document for the 2024-2034 LTP of a territorial authority (except the Chatham Islands Council) or the Wellington Regional Council need not contain an auditor's report.

- express an opinion on the merits of any policy content; or
- include an opinion on whether the forecasts will be achieved.

3. OUR APPROACH TO THIS AUDIT

3.1 The content of the consultation document

The Council has elected not to have its Consultation Document audited – in accordance with the option provided to you by the Water Services Acts Repeal Act 2024.

While we will not be issuing an audit opinion on the Consultation Document, we will still need to form a view as to what are the major matters that Council intends to consult on in their Consultation Document – as this will directly inform our audit opinion on whether the LTP meets its purpose in accordance with Section 93(6) of the Local Government Act 2002. Further, the audit of the assumptions, underlying information, financial model, performance framework, infrastructure strategy, and financial strategy still needs to take place at the time the Council is producing its Consultation Document. Delaying this work increases the risk of audit issues arising that are unable to be resolved before Council adopts its Long Term Plan.

We will work with you to ensure sufficient assurance is provided over these fundamental aspects of the LTP in a timely fashion.

3.2 Adopting and auditing the underlying information

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

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

We note that the requirements in the first and third bullet points above continue to apply despite the consultation document not being audited.

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

From a practical perspective, it will be important that the Council is well advanced with the preparation of the full LTP when it issues the consultation document. Otherwise, you may find it difficult to

complete the work and adopt the full LTP before the statutory deadline. The same is true for the audit work. The more audit work that can be completed at the first stage of the process, the less pressure there will be on you and the audit team at the end of the process.

3.3 Control environment

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

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

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

Our review of your self-assessment response (see below) and key controls relating to the underlying information and development of the LTP is useful to our initial assessment of audit risk and so the nature and extent of our overall audit work.²

3.4. Project management, reporting deadlines, and audit progress

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

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

² Delete this paragraph if not using the self-assessment.

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

3.5 Self-assessment³

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

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

4. OUR PARTICULAR AREAS OF AUDIT EMPHASIS⁴

4.1 Financial strategy and infrastructure strategy

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

The purpose of the financial strategy is to:

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

The purpose of the infrastructure strategy is to:

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

For the two strategies to be effective, they must be closely aligned. Section 101B(5) allows for them to be combined into a single document.

³ See [Module 1.2](#) – the self-assessment can be either sent out to the local authority by the auditor or used as a prompt for discussions with council staff and elected representatives during the planning process. How this planning tool is used is at the auditor's discretion. If the audit team plans to send the self-assessment to the local authority, use this section of the text above in the engagement letter. If not, delete this section.

⁴ Use this section to add any local authority-specific relevant risk/focus areas.

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

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

Specifically, we will:⁵

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

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

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

4.2 Assumptions

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

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

⁵ Amend as necessary. We expect auditors to include entity-specific focus areas as they are known.

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

Climate change assumption

We will continue to focus on the assumptions that the Council has made about climate change and the adequacy of other information and disclosures relating to climate change.

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

We do expect the Council to reflect information on the impacts of climate change identified in the last three years in its climate change assumptions and work plans outlined in the LTP.

4.3 Quality of asset-related forecasting information

A significant portion of the Council's operations relates to the management of its infrastructure. These activities typically make up about 43% of operational expenditure and 63% of capital expenditure.

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

In reviewing the reasonableness of the Council's asset-related forecasting information, we will:⁶

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

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

5. OTHER MATTERS

⁶ Amend as necessary, especially to include any specific weaknesses identified previously.

5.1 Our independence

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

5.2 Publication of the consultation document and adopted long-term plan on the Council's website

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

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

6. AUDIT LOGISTICS

6.1 Audit timing⁷

The key dates in the audit timetable are as follows:

Self-assessment provided to Council ⁸	23 November 2023
Self-assessment returned to audit team for consideration ⁹	14 December 2023
First interim visit (initial assessment)	23 January 2024
Second interim visit (see project plan for key dates and number of visits)	11 March 2024
Proposed LTP for adoption available	20 May 2024
Audit report on adopted LTP required	26 June 2024
Draft report to governors on LTP engagement	19 June 2024
Finalised report to governors on LTP engagement	26 June 2024

⁷ Amend as necessary. You may find it useful to include more detail around the timing of key council decisions and the provision of key sources of underlying information you will need to be complete the audit engagement. Note that the methodology expects that a report to governors is issued at the conclusion of the consultation document engagement unless no significant issues were found in the audit work. A report to governors is not required at the conclusion of the LTP engagement if you reported at the end of the consultation document engagement and no significant issues were identified during the LTP engagement.

⁸ Include as appropriate depending on how you plan to use the self-assessment.

⁹ Include as appropriate depending on how you plan to use the self-assessment.

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

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

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

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

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

7. PROFESSIONAL FEES

Our audit fee, covering the LTP for the period commencing 1 July 2024, is \$123,900 (excluding GST and disbursements), as outlined in Appendix 2.

In the unlikely event the actual hours to carry out the audit of the LTP results in the above audit fee being more than \$210 per hour, the fee will be reduced to a maximum \$210 per hour.

This will be the first LTP audit that we will complete for your Council. This is because the Office of the Auditor-General reallocated your annual audit to Deloitte Limited from the financial year ending 30 June 2022. Budgeting for the audit hours for a new engagement is challenging because we don't have our own history or experiences with the organisation to determine the reasonable number of hours required to perform an efficient audit.

The Office of the Auditor-General has provided the estimated fee level for this year's LTP audit. The fee has taken into account the number of hours it took to complete the audits of the past two LTPs. During the LTP audit and following the completion of the audit we will discuss with you the hours and fees, so we both have helpful information for setting audit fees for the next LTP audit in 2027.

The proposed fee is based on the following assumptions:¹⁰

- Information required to conduct the audit is complete and provided in accordance with the agreed timelines. This includes the full draft financial strategy, draft infrastructure strategy and key underlying assumptions and information that supports the LTP.
- There will be an appropriate level of assistance from your staff.
- All documentation provided will be subject to appropriate levels of quality review before submission for audit.

¹⁰ Amend the assumptions as necessary.

- The LTP will include all relevant disclosures.
- We will review, at most, two drafts of the LTP during our audit.
- We will also review one printer’s proof copy of the LTP and one copy of the electronic version of the LTP (for publication on your website).
- There are no significant changes in the structure or level of operations of the Council impacting on the audit, such as the establishment of a CCO to deliver core functions or a major restructuring of groups of activities.
- The local authority is preparing forecast financial statements for the “Council parent” only, rather than including consolidated forecast financial statements for the Council and any controlled entities in the adopted LTP.¹¹

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

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

	\$
January 2024	16,000
March 2024	60,000
May 2024	20,000
June 2024	<u>32,000</u>
	\$128,000

We need to begin our LTP audit work in a timely fashion to ensure that the LTP can be adopted before the statutory deadline.

8. PERSONNEL

Our personnel involved in the management of the audit are:

Bennie Greyling	<i>Partner</i>
Bruno Dente	<i>Engagement Quality Control Review Partner</i>
Ethan Teo	<i>Manager</i>

¹¹ Amend if the local authority is proposing to take an alternative approach.

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

9. AGREEMENT

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

- it is in accordance with your understanding of the arrangements for this audit of the LTP for the period commencing 1 July 2024; and
- you accept the terms of the engagement set out in this letter that apply specifically to the audit of the LTP and supplement the existing audit engagement letter dated 30 May 2023.

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

Yours sincerely

Bennie Greyling
Partner
For Deloitte Limited

On behalf of the Auditor-General

cc Fiona Aitken, Chief Executive
Becky Wolland, LTP project co-ordinator/manager

I acknowledge that this letter is in accordance with my understanding of the arrangements of the audit engagement. I also acknowledge the terms of the engagement that apply specifically to the audit of the LTP, and that supplement the existing audit engagement letter dated 30 May 2023.

Signed: _____ Date: _____

Phil Nixon
Mayor

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

Objectives

The objectives of the audit of the LTP are:

- to provide an independent report on the LTP (under section 94(1) of the Act) about:
 - whether the LTP gives effect to the statutory purpose; and

- the quality of the information and assumptions underlying the information included in the LTP; and
- to report on matters relevant to the Council's planning systems that come to our attention.

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

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

Provision of a report to the governors of the Council

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

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

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

Materiality

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

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

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

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

The standards applied when conducting the audit of the adopted long-term plan

Our audit is carried out in accordance with International Standard on Assurance Engagements (New Zealand) 3000 (Revised): *Assurance Engagements Other Than Audits or Reviews of Historical*

Financial Information. In meeting the requirements of this standard, we consider particular elements of the Auditor-General's Auditing Standards and International Standard on Assurance Engagements 3400: *The Examination of Prospective Financial Information* that are consistent with those requirements.

Responsibilities

General responsibilities

The general responsibilities of the Council for preparing and completing the LTP are consistent with those for the annual report, as set out in the audit engagement letter dated 30 May 2023 – but noting that the LTP includes forecast information.

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

- Appendix 1: Respective specific responsibilities of the Council and the Appointed Auditor:
 - responsibilities for compliance with laws and regulations; and
 - responsibilities to establish and maintain appropriate standards of conduct and personal integrity.

Specific responsibilities

The Council is responsible for:

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

Health and safety of audit staff

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

We expect you to provide a safe work environment for our audit staff that is without risks to their health and safety. This includes providing adequate lighting and ventilation, suitable desks and chairs, and safety equipment, where required. We also expect you to provide them with all information or training necessary to protect them from any risks they may be exposed to at your premises. This includes advising them of emergency evacuation procedures and how to report any health and safety issues.



Pūrongo-Whakamārama Information Report

6

To	Risk and Assurance Committee
From	Kaitātari Pakihi me te Morearea / Business and Risk Analyst, Anna Officer
Date	27 March 2024
Subject	Senior Leadership Team Risk Review

(This report shall not be construed as policy until adopted by full Council)

Kupu Whakamārama / Background

1. Currently the Council has 13 strategic risks. Under the risk framework, these are reviewed by the Senior Leadership Team (SLT) on a quarterly basis, or as new High or Extreme risks are identified.
2. This review included:
 - (a) Deep dive review of one strategic risk; including:
 - A review of risk title and description to ensure they adequately reflect the risk;
 - A review of identified risk treatments to ensure these are still relevant;
 - A discussion of any further treatments that require capturing; and
 - A review of the inherent and residual scoring.
 - (b) A review of related business risks with a particular focus on those that have a residual score higher than the strategic risk; and
 - (c) A review of all risks with a high or extreme residual rating.
3. SLT undertook a review of the Strategic risks on 1 March 2024 and the resulting actions are detailed below.

Taunakitanga / Recommendation

THAT the Risk and Assurance Committee receives the Senior Leadership Team Risk Review report and reviews recent changes made to strategic and business risks.

Whakawhiti Kōrero/Aromātai / Discussion/Evaluation

4. The SLT met to review the strategic risks on 1 March 2024. At this meeting, a report of all Strategic risks and treatments; high business and business risks with higher residual risk ratings than the Strategic Risks they align with were presented ([see appendices](#)). As a result of this review, changes were made to the residual scoring and alignment of the business risks.

5. The SLT undertook a deep dive review of R00273 Failure to Attract and Retain Staff. As a result of this review, additional impacts, causes, and treatments were identified and added to the risk description.

Strategic Risk Changes

R00273 Failure to Attract and Retain Staff

6. A review of R00273 found the inherent and residual scoring to be accurate. The residual score was amended recently at the last review.
7. SLT identified the following additional results/impacts:
 - Increased cost of contractors/consultants
 - Inability to deliver or delay to key projects
 - Reputational damage due to negative perception of high turnover
8. SLT identified the following additional causes:
 - Poor reputation
 - Lack of trust in leadership
 - Poor HR policies and procedures
9. SLT identified the following additional treatments:
 - Relocation packages
 - Flexible working arrangements
 - Leadership training
 - Regular remuneration reviews
10. The additional results and causes were included in the risk description and treatments added.

Business Risk Changes

11. Four of the business risks with residual risk rating “High” have higher residual risk ratings than the Strategic Risks they align with. Details of misalignment with strategic risks are shown in the table below, full details of risks are attached in [Appendix 3](#):

Strategic Risk			Business Risk		
R00266	Failure to deliver on key projects and programmes.	Medium	R00470	Outdated Technology.	High
R00269	Major failure of Health & Safety Policy and procedures in the workplace.	Medium	R00534	Aquatic Injury or Death at District Pools.	High
			R00536	Personal Injury or Death to People Accessing Outdoor Pool Facilities Afterhours.	High
			R00518	Failing to Confirm the Presence of Asbestos in a Facility or Property.	High

12. Following a review of the discrepancies; SLT proposed the following amendments:

R00470 Outdated Technology

13. A review of R00470 found that it predominantly aligned with the strategic risk R00262's failure to manage and protect council information. The most significant impact is security vulnerabilities which may lead to loss of data. R00262 has a high residual rating which aligns with the high scoring of the business risk. SLT determined the business risk of outdated technology should only be aligned with R00262.

R00518 Failure to Confirm the Presence of Asbestos in a Facility or Property

14. A review of R00518 found that it is correctly aligned with the strategic risk R00269. SLT identified the key control/treatment to be conducting asbestos testing before work commences. The current treatment/process is for all council properties that are suspected to have asbestos to be tested. This assessment is usually based on the age of the building or building material specified in the property file. SLT determined that this treatment should be strengthened to require asbestos testing of all council properties before structural work commences unless the Council are certain asbestos is not present ie. previously tested, newly built.
15. Strengthening the existing treatment/process reduces the residual likelihood to unlikely and the residual score from high to moderate. The Business and Risks Analyst will meet with the Risk Owner to implement these changes within the next month.

R00534 Aquatic Injury or Death at District Pools and R00536 Personal Injury or Death to People Accessing Outdoor Pool Facilities Afterhours

16. A review of R00534 and R00536 found that these risks do not directly align with the R00269 as the strategic risk is related to the failure of the Health and Safety policy and procedures in the workplace and the risk of aquatic injury or death can occur without a failure of the procedures.
17. SLT requested a meeting be held with Risk Owners and the Health and Safety Advisor to determine:
- Whether these risks should be treated as Health and Safety risks rather than business risks and recorded in Vault;
 - Whether the risks required amendment to only cover manageable risk and re-scored; and
 - Whether there were additional treatments to add that may reduce the likelihood or impact.
18. This meeting was held on 6 March and the following changes were agreed:
- i) Amending title and description of risk R00534 to focus on drowning or near drowning. The scoring was reviewed, and it was agreed this adequately reflects risk. No changes made to the inherent or residual scoring. This risk remains as a business risk and will continue to align with the strategic risk of 'Major failure of the Health and Safety Policy

and procedures in the workplace'. It was determined that if a drowning or near drowning were to occur it would likely result from a failure of an existing control.

- ii) An additional treatment was captured for first aid training for R00534.
- iii) The Strategic risk of 'Major failure of Health and Safety Policy and procedures in the workplace' will be tagged for review by SLT next quarter to address the remaining discrepancy with residual scoring of this risk and R00534.
- iv) Creation of an additional risk for Injury at recreational facilities. This risk will be an operational risk with a moderate residual rating.
- v) The existing risk R00536 will be considered an operational risk and no longer aligned with a strategic risk. The inherent and residual scores were reviewed and remain.
- vi) The Business and Risk Analyst and the Health and Safety Advisor will meet on 13 March to discuss the capturing of H&S risks such as these in Vault whilst maintaining a link to relevant strategic risk where applicable.
- vii) All agreed will changes are to be implemented within the following month.

Whakakapia / Conclusion

19. The quarterly strategic risk review by SLT resulted in the following changes:
- a) Additional impacts, causes, and treatments for R00273 Failure to Attract and Retain Staff;
 - b) A realignment of R00266;
 - c) A decreased residual score for R00518 from high to moderate due to strengthening treatment; and
 - d) Prompted a further review of risks R00534 and R00536 with Risk Owners and the Health and Safety Advisor.



Anna Officer

**Kaitātari Pakihi me te Morearea /
Business and Risk Analyst**



[Seen by]

Vipul Mehta

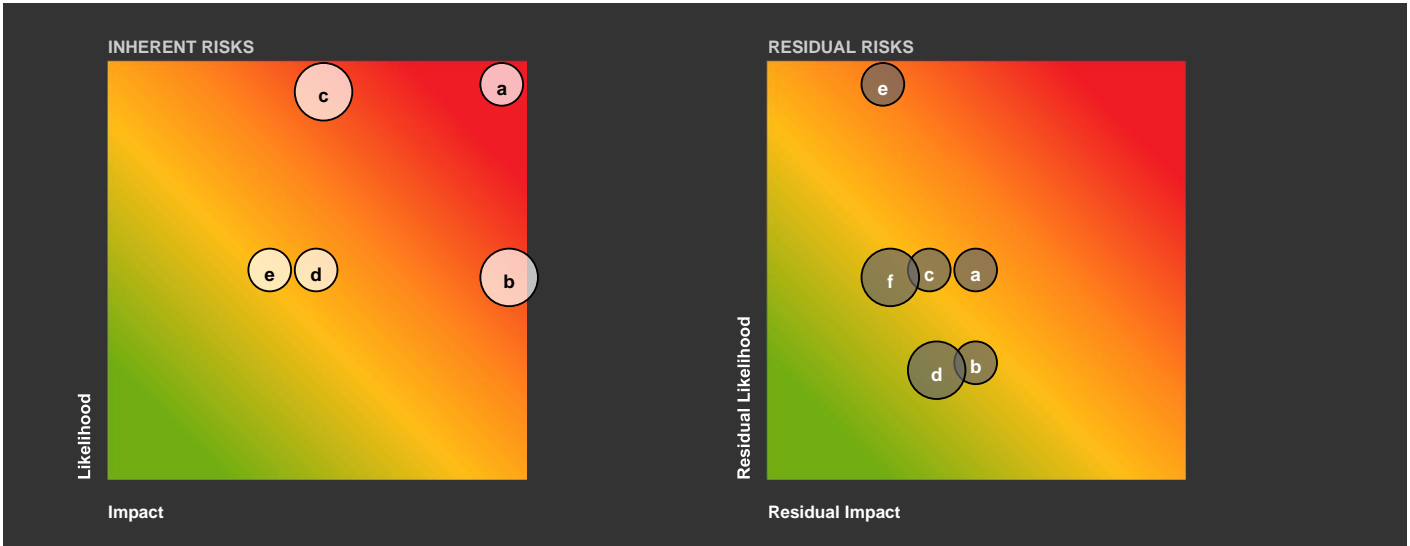
**Te Tumuaki Whakamana Pakihi /
Head of Business Enablement**

Appendix 1: [SLT Report - Strategic Risks - 2024-03-01 - Att A.pdf](#)

Appendix 2: [SLT RM Report - High Business Risks - 2024-03-01 - Att B.pdf](#)

Appendix 3: [Aligned Business Risks with Scoring Discrepancies - 2024-03-01 - Att C.pdf](#)

Strategic Risks



1. Failure to manage and protect Council information

(b) Council function is significantly interrupted and / or suffers legislative breaches, This may result in:
(a) - financial consequences
 - reputational damage,
 - Loss of staff trust in processes and systems
 incorrect information is provided.

- as a result of:
- unauthorised access to Council data
 - unauthorised distribution of Council data
 - cyber-attack
 - unauthorised destruction of Council data
 - System (not people) failure
 - Lack of controls in place
 - Poor planning

Information Services - Business, Senior Leadership Team (SLT), Financial , Information Management, Legislative, Operations and Service Delivery, Reputational / Stakeholders

Owner:Vipul Mehta

RESIDUAL
20.0
 HIGH

INHERENT
50.0
 EXTREME

2.Failure to attract and retain staff.

(c) Council is inability to attract and retain appropriate staff leading to:
(e) - inability to deliver on Council services,
 - poor employee engagement;
 - negative impacts on staff wellbeing
 - Time pressures on current staff
 - Cost of having to go out to the market constantly
 - Poor recruitment decisions because you have to fill a role

- Caused by:
- perception of geographical isolation
 - lack of career and salary progression opportunities
 - skill shortages
 - Cost of housing/lack of rentals
 - Lack of opportunities for families
 - Staff benefits are not meeting expectations / Low remuneration - Competition with other councils for the same service

People & Capability - Business, Senior Leadership Team (SLT), Staff

Owner:Fiona Aitken

RESIDUAL
18.0
 MEDIUM

INHERENT
45.0
 EXTREME

3. Ineffective Partnership relationships / Stakeholder engagement

(c) Not engaging effectively with key stakeholders (e.g. iwi, key industry), leading to:
(c) - an inability to achieve strategic objectives and reputational damage.
 - Relationship damage
 - Lost opportunity to collaborate - Legislative breach

- Caused by:
- not understanding their requirements / expectations,
 - not communicating or operating within Council's values
 - lack of appropriate resources (the right staff / skills / funding)
 - Lack of culture awareness
 - Lack of continuity relationship due to staff turnover

Communications & Iwi - Business, Senior Leadership Team (SLT), Legislative, Operations and Service Delivery, Reputational / Stakeholders

Owner:Fiona Aitken

RESIDUAL
16.0
 MEDIUM

INHERENT
45.0
 EXTREME

4. Significant disruption to Council's Business Continuity and/or Lifeline Utilities disruptions

(b) Council is not adequately prepared or able to continue to provide essential services to the community during a major natural hazard or emergency event, for an extended period of time, leading to:
(b) - The Council fails to meet statutory obligation and lose accreditation/certification. - failure to provide services - reputational damage
 - the disaster event can potentially affect the Council's financial position and cause environmental damage. - earthquake or other event can close the landfill; refuse disposal facility may be unavailable.
 -Risk to health of residents from contaminated drinking water and contaminated flood water - Potential loss of life

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RESIDUAL
10.0
 MEDIUM

INHERENT
50.0
 EXTREME

- Negative economic impact

Caused by:

- damage to Council's property or facility, or power / ICT / systems / telecommunications failure, with no continuity plans - failure of water supply, wastewater, stormwater and roading network (including bridge collapses and chemical leaks).
- Not being prepared for damage caused by catastrophic events
- Supply chain issues due to events not in our control
- Too many staff out of area so in an emergency can't get to work. Lack of suitably qualified staff
- Poor relationship management with TEMO

Emergency Management - Business, Senior Leadership Team (SLT), Environmental, Financial , Health, Safety and Wellbeing, Information Management, Legislative, Operations and Service Delivery, Reputational / Stakeholders, Staff

Owner:Rob Haveswood

RESIDUAL

10.0

MEDIUM

6

5. Failure to deliver on key projects and programmes

b

Non-delivery on key capital works projects / programmes, resulting in:

f

- inadequately informed policy / procedures development,
- failure to deliver on the LTP commitments, and level of services
- Increase deferring of projects,
- over / under spending of budgets and reputational damage (loss of Council's image and credibility).
- downgrading of Council's financial rating (which impacts borrowing) etc.
- Reputation damage
- retaining qualified staff
- Greater oversight from central government

Caused by:

- inadequate project planning or management,
- uncertainty of resource availability,
- lack of ownership,
- change of leadership,
- adverse economic situation
- cost escalation,
- changing contractor/supplier market and externalities (e.g. national increase in demand for infrastructure and contractors) - Lack of focus; too many priorities
- Inadequate designs and plans
- Incorrect budgeting - Weather conditions
- Lack of resources like budget and suitably qualified staff.

Business Development - Business, Projects - Business, Properties & Facilities - Business, Senior Leadership Team (SLT), Financial , Legislative, Operations and Service Delivery, Reputational / Stakeholders

Owner:Herbert Denton

RESIDUAL

8.0

MEDIUM

INHERENT

50.0

EXTREME

6. Major failure of Health & Safety Policy and procedures in the workplace

b

Non-compliance with the Health & Safety legislative requirements (H&S by Work Act) for employees, contractors, volunteers and public in the workplace, public places owned by the Council. resulting in:

d

- injury and / or illness or permanent disability,
- fatalities,
- penalties,
- prosecution,
- jail term(s) and reputational damage.
- Work and programmes not being done due to staff losses.
- Cost/pay-outs compensation.
- Time and cost losses due to legal action

Caused by:

- unsafe work environment,
- unhealthy work environment and facilities,
- not following the Health & Safety Policy and procedures etc
- Not reviewing contractors work to ensure following council procedures.
- Lack of adequate oversight of tenders.
- Policies and procedures are not review and updated regularly.
- Lack of risk assessment of new task or roles.
- Lack of time to plan due to urgency or competing priorities. - Lack of training or on boarding.

People & Capability - Business, Senior Leadership Team (SLT), Health, Safety and Wellbeing

Owner:Fiona Aitken

RESIDUAL

8.0

MEDIUM

INHERENT

50.0

EXTREME

7. Failure to manage critical / strategic assets

b

Failure to manage critical strategic assets over their full life-cycle,

d

- leading to:
- failure to provide sustained delivery of core services,
 - reputational damage,
 - financial loss,
 - damage to public health and environment, - injury, illness and/or death;

Caused by:

- inadequate asset strategy, planning, management and maintenance;
- inadequate knowledge of critical / strategic assets and existing asset condition, - difficulty attracting and retaining appropriately qualified staff.
- effect of change in environment
- Inadequate asset system / inadequate processes
- Inability to complete capital works

Senior Leadership Team (SLT), Strategic Assets - Business, Operations and Service Delivery

Owner:Herbert Denton

RESIDUAL

8.0

MEDIUM

INHERENT

20.0

HIGH

8. Environmental Damage (including Climate Change)

d

Significant environmental damage caused by Council, result in

d

- impacts the community,
- takes unplanned and expensive corrective action
- results in harm to public health,
- negative Council image
- legal and financial consequences.
- Degradation of the environment.

Caused by:

- poor environmental management,
- Failure to take into account environmental considerations
- Infrastructure failure
- Poor or inadequate planning

Environment & Sustainability - Business, Senior Leadership Team (SLT), Environmental, Financial , Health, Safety and Wellbeing, Legislative, Reputational / Stakeholders

Owner:Liam Dagg

9. Government reform programmes adversely impacts service delivery

The Government reform programmes affect how the Council operates and delivers its services. The Council fails to manage and respond appropriately to the impacts of the reforms.

The causes of this are

- Lack of Council planning or response
- Lack of government funding or other funding for reforms.
- Lack of communication from the central government
- Lack of understanding by elected members of impacts of reform on organisation
- Reform does not align with local government budget cycles
- Uninformed elected members, staff and community

The consequences of these are

- Poor Service delivery
- Service cut or lost
- Reputational damage
- unhappy customers
- Continued erosion of Local Government and Central Government relationship
- Loss of staff and experts
- Staff unprepared for the transition
- uninformed elected members, staff and community.

Senior Leadership Team (SLT), Environmental, Financial , Health, Safety and Wellbeing, Legislative, Operations and Service Delivery, Reputational / Stakeholders, Staff

Owner:Fiona Aitken

RESIDUAL
8.0
MEDIUM

INHERENT
45.0
EXTREME

10. Legislative non-compliance

Council fails to comply with its legislative obligations resulting in:

- ineffective strategic plans,
- unlawful action,
- exposure to litigation risk,
- regulatory and / or government sanctions,
- judicial review of Council's decisions and reputational damage (diminished trust and confidence in Council). Impact on staff seen as not good place to work (recruitment) Caused by:
- lack of awareness / knowledge,
- incorrect interpretation,
- disputes with regulatory authorities,
- reliance placed on key staff to ensure compliance etc
- insufficient resources to implement
- Incorrect or insufficient advice or information
- Bad reviewing practises ad plans

Communications & Iwi - Business, Community Development - Business, Customer Service - Business, Emergency Management - Business, Environment & Sustainability - Business, Finance - Business, Information Services - Business, Legal and Procurement - Business, Libraries & Cultural - Business, People & Capability - Business, Planning and Development Business, Policy & Governance - Business, Projects - Business, Properties & Facilities - Business, Quality Assurance - Business, Regulatory Services - Business, Senior Leadership Team (SLT), Strategic Assets - Business, Works Delivery - Business, Legislative

Owner:Becky Wolland

RESIDUAL
8.0
MEDIUM

INHERENT
90.0
EXTREME

11. Failure to meet financial obligations

Council is unable to finance its operations / service delivery leading to reputational damage and reduced ability to meet their financial obligations.

The Council may fail to manage its investments that may lead to loss in the investment value, the Council may also fail to manage the increase cost of borrowings.

Caused by:

- adverse economic conditions,
- increasing expenditures,
- lack of income etc.,
- lack of qualified staff,
- changing geopolitical environment,
- changes or new legislation
- Increase in interest rates for borrowing.

Consequences are

- Reputational damage
- reduced ability to meet their financial obligations
- inability to deliver on LTP/AP
- Decrease in credit rating
- Staff moving on seeking greater opportunities
- Increase cost of finance
- Loss of investment value

Finance - Business, Senior Leadership Team (SLT), Financial

Owner:Vipul Mehta

RESIDUAL
8.0
MEDIUM

INHERENT
50.0
EXTREME

12. Fraud & Unethical Business Practices

One or more member of staff or the public undertake fraud activity which goes undetected in timely manner.

Caused by

- Lack of fraud awareness culture - Poor Fraud detection controls.
- Lack of training - Fraud tree

Consequence

- Loss of council asset - Reputational damage.
- Financial loss
- Delay in meeting deadlines

Business Development - Business, Communications & Iwi - Business, Community Development - Business, Digital Transformation, Emergency Management - Business, Environment & Sustainability - Business, Finance - Business, Information Services - Business, Legal and Procurement - Business, People & Capability - Business, Planning and Development Business, Policy & Governance - Business, Projects - Business, Properties & Facilities - Business, Quality Assurance - Business, Regulatory Services - Business, Senior Leadership Team (SLT), Strategic Assets - Business, Works Delivery - Business, Financial , Operations and Service Delivery, Reputational / Stakeholders

Owner:Vipul Mehta

RESIDUAL
8.0
MEDIUM

INHERENT
50.0
EXTREME

13. Political changes impact strategic direction

There is a risk that a political change in Central or Local Government that may have impact on the Council operations.

This may result in

- Rework and/or delay in project delivery
- Damage stakeholder relationship
- Reputational damage
- Legal challenge / central government intervention

Cause by

- Change in elected members
- No proper induction or informing new elected members
- Lobbying groups

RESIDUAL
8.0
MEDIUM

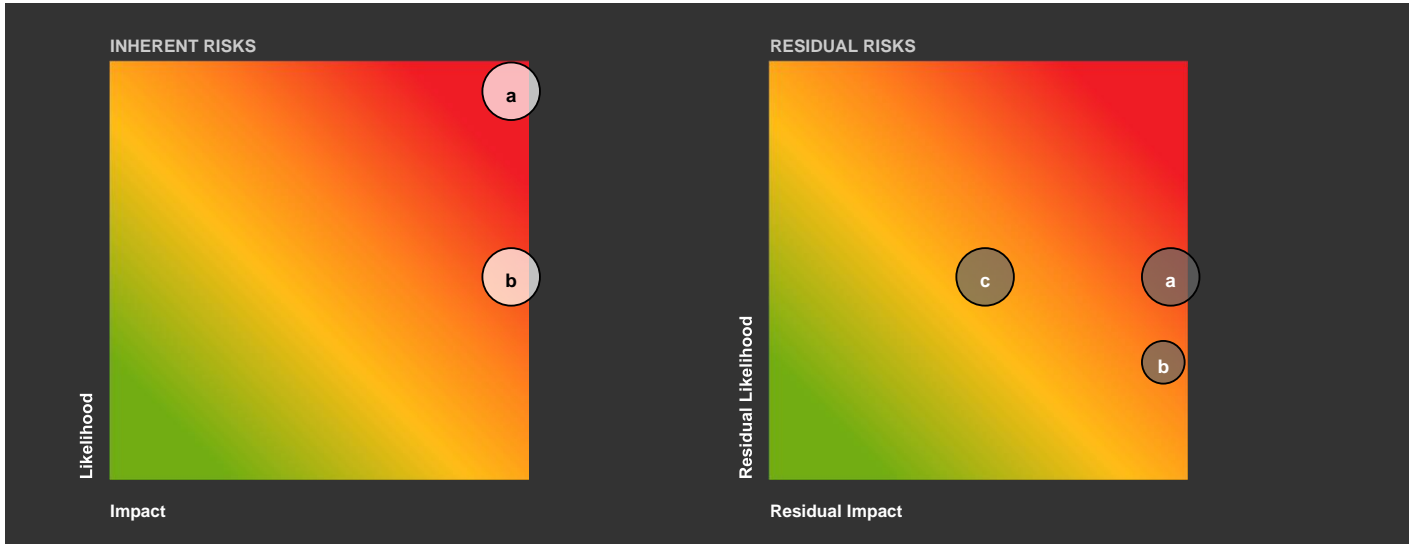
INHERENT
20.0
HIGH

- Change in government

Senior Leadership Team (SLT), Legislative, Operations and Service Delivery, Reputational / Stakeholders

Owner:Fiona Aitken

High Business Risks



6

1. Compromised Data Integrity

a There is a risk of security breach this may result in loss of Council data, Data leak, unauthorised changes/encryption and unable to deliver services to the public caused by systems not being timely updated, staff not trained, lack of cyber awareness, hardware failure, disgruntled employee, malicious act by person or entity and data theft

a Information Services - Business, Financial , Information Management, Operations and Service Delivery, Reputational / Stakeholders

Owner: Vipul Mehta

RESIDUAL
40.0
HIGH

INHERENT
90.0
EXTREME

2. Aquatic Injury or Death at District Pools

b There is a risk of aquatic related personal injury to customers while using the district pool facilities and/or equipment. This may result in serious injury or death, reputational damage and loss of poolsafe accreditation. Caused by drowning, not following safety signs, inadequate signage, or unsafe behaviour, incompetent staff, poorly trained staff, or staff not paying attention to customer behavior.

a Properties & Facilities - Business, Health, Safety and Wellbeing, Operations and Service Delivery, Reputational / Stakeholders

Owner: Phil Waite

RESIDUAL
40.0
HIGH

INHERENT
50.0
EXTREME

3. Outdated Technology

a There is a risk of council not keeping up with evolving technology and operating outdated systems/software/hardware. This may result in unsupported systems, security vulnerabilities, reduced customer service and reduced functionality/performance/reliability, difficulty recruiting and retaining IT staff, increased IT cost. Caused by failure to upgrade software, and failure to recognise business needs.

a Information Services - Business, Financial , Information Management, Operations and Service Delivery, Staff

Owner: Vipul Mehta

RESIDUAL
40.0
HIGH

INHERENT
90.0
EXTREME

4. Personal Injury or Death to People Accessing Outdoor Pool Facilities Afterhours

b There is a risk of personal injury or death to people accessing outdoor pool facilities afterhours. This may result in reputational damage, personal injury or death. Caused by poor security measures, poor behavior, breaking in and/or poor maintenance.

b Properties & Facilities - Business, Health, Safety and Wellbeing, Reputational / Stakeholders

Owner: Phil Waite

RESIDUAL
20.0
HIGH

INHERENT
40.0
HIGH

5. Failing to Confirm the Presence of Asbestos in a Facility or Property.

a There is a risk of the unknown presence of asbestos in a council building. This may result in health concerns for site workers and or tenants, if site work disturbs asbestos. Caused by lack of due diligence/JSA before commencing work and lack of knowledge capture.

c Properties & Facilities - Business, Environmental, Financial , Health, Safety and Wellbeing, Legislative, Reputational / Stakeholders

Owner: Robynne Harford

RESIDUAL
20.0
HIGH

INHERENT
90.0
EXTREME

6. Failure to manage and protect Council information

- b** Council function is significantly interrupted and / or suffers legislative breaches, This may result in:
 - financial consequences
 - reputational damage,
 - Loss of staff trust in processes and systems incorrect information is provided.
- c**

as a result of:

- unauthorised access to Council data
- unauthorised distribution of Council data
- cyber-attack
- unauthorised destruction of Council data
- System (not people) failure
- Lack of controls in place
- Poor planning

Information Services - Business, Senior Leadership Team (SLT), Financial , Information Management, Legislative, Operations and Service Delivery, Reputational / Stakeholders

Owner:Vipul Mehta

RESIDUAL 20.0 HIGH
INHERENT 50.0 EXTREME

6

RESIDUAL
40.0
HIGH

INHERENT
50.0

R00534

PROPERTIES & FACILITIES - BUSINESS, HEALTH, SAFETY AND WELLBEING, OPERATIONS AND SERVICE DELIVERY, REPUTATIONAL / STAKEHOLDERS

Aquatic Injury or Death at District Pools

There is a risk of aquatic related personal injury to customers while using the district pool facilities and/or equipment. This may result in serious injury or death, reputational damage and loss of poolsafe accreditation. Caused by drowning, not following safety signs, inadequate signage or unsafe behaviour, incompetent staff, poorly trained staff, or staff not paying attention to customer behavior.

OWNER Phil Waite

CREATED 1/11/2024 9:26:07 AM

LIKELIHOOD Likely

IMPACT Catastrophic

RESIDUAL LIKELIHOOD Possible

RESIDUAL IMPACT Catastrophic

TREATMENT MC00366

Proper signage in place and visible, reviewed every 12 months

SIGNOFF(S):

Candice Kowalewski
Christina Stieller

16 Apr 2024

FREQUENCY: The first Day of every 12 months

TREATMENT MC00809

All summer lifeguards receive training to industry standard.

SIGNOFF(S):

Candice Kowalewski
Christina Stieller

29 Nov 2024

FREQUENCY: The first Weekday of every 12 months

RESIDUAL
40.0
HIGH

INHERENT
90.0

R00470

INFORMATION SERVICES - BUSINESS, FINANCIAL, INFORMATION MANAGEMENT, OPERATIONS AND SERVICE DELIVERY, STAFF

Outdated Technology

There is a risk of council not keeping up with evolving technology and operating outdated systems/software/hardware. This may result in unsupported systems, security vulnerabilities leading to loss of data, reduced customer service and reduced functionality/performance/reliability, difficulty recruiting and retaining IT staff, increased IT cost. Caused by failure to upgrade software, and failure to recognise business needs.

OWNER Vipul Mehta

CREATED 9/15/2023 2:55:00 PM

LIKELIHOOD Almost certain

IMPACT Catastrophic

RESIDUAL LIKELIHOOD Possible

RESIDUAL IMPACT Catastrophic

TREATMENT MC00816

Isolate outdated systems from council network to reduce security risks where possible

OVERDUE

Stephen Mileham

16 Feb 2024

FREQUENCY: The first Weekday of every 6 months

TREATMENT MC00817

IT Operations Team maintain an awareness of end of life for systems and ensure adequate budgeting is in place for upgrading/replacement.

OVERDUE

Stephen Mileham

16 Feb 2024

FREQUENCY: The first Weekday of every 12 months

TREATMENT MC00818

IS Staff receive notification from vendors when systems require maintenance and/or reach end of life and require upgrading/replacement. This is communicated to IT Operations Team.

OVERDUE

Ray Marange
Joanne Adlam-Veldhuis
Anna Officer

Stephen Mileham

16 Feb 2024

FREQUENCY: The first Day of every 12 months

Stephen Mileham

17 Jul 2024

FREQUENCY: The first Weekday of every 6 months

TREATMENT MC00819

IT Operations Team check current register of systems/software to identify any required updates on a quarterly basis.

SIGNOFF(S):

Stephen Mileham

17 Jul 2024

FREQUENCY: The first Weekday of every 6 months

RESIDUAL
20.0
HIGH

INHERENT
90.0

R00518

PROPERTIES & FACILITIES - BUSINESS, ENVIRONMENTAL, FINANCIAL, HEALTH, SAFETY AND WELLBEING, LEGISLATIVE, REPUTATIONAL / STAKEHOLDERS

Failing to Confirm the Presence of Asbestos in a Facility or Property.

There is a risk of the unknown presence of asbestos in a council building. This may result in health concerns for site workers and or tenants, if site work disturbs asbestos. Caused by lack of due diligence/JSA before commencing work and lack of knowledge capture.

OWNER Robynne Harford
 CREATED 12/4/2023 4:48:22 PM
 LIKELIHOOD Almost certain
 IMPACT Catastrophic
 RESIDUAL LIKELIHOOD Possible
 RESIDUAL IMPACT Major

TREATMENT MC00797
 Asbestos register is maintained for all council properties

SIGNOFF(S): Robynne Harford
 DUE DATE: 04 Jun 2024
 FREQUENCY: The first Weekday of every 12 months

TREATMENT MC00798

All council properties that are suspected to have asbestos are tested if structural work is required

SIGNOFF(S): Robynne Harford
 DUE DATE: 04 Jun 2024
 FREQUENCY: The first Weekday of every 12 months

RESIDUAL
20.0
HIGH

INHERENT
40.0

R00536

PROPERTIES & FACILITIES - BUSINESS, HEALTH, SAFETY AND WELLBEING, REPUTATIONAL / STAKEHOLDERS

Personal Injury or Death to People Accessing Outdoor Pool Facilities Afterhours

There is a risk of personal injury or death to people accessing outdoor pool facilities afterhours. This may result in reputational damage, personal injury or death. Caused by poor security measures, poor behavior, breaking in and/or poor maintenance.

OWNER Phil Waite
 CREATED 1/19/2024 10:12:12 AM
 LIKELIHOOD Possible
 IMPACT Catastrophic
 RESIDUAL LIKELIHOOD Unlikely
 RESIDUAL IMPACT Catastrophic

TREATMENT MC00812
 All pool facilities are fully fenced, higher than that specified in Fencing of Swimming Pools Act 2017 with signs warning against access and gate locked during closing hours

SIGNOFF(S): Phil Waite
 Candice Kowalewski
 Christina Stieller
 DUE DATE: 15 Apr 2024
 FREQUENCY: The first Weekday of every 12 months

TREATMENT MC00814

All pools are equipped with CCTV cameras

SIGNOFF(S): Phil Waite
 Candice Kowalewski
 Christina Stieller
 DUE DATE: 16 Apr 2024
 FREQUENCY: The first Weekday of every 12 months



Pūrongo-Whakamārama Information Report

6

To	Risk and Assurance Committee
From	Kaitātari Pakihi me te Morearea / Business and Risk Analyst, Anna Officer
Date	27 March 2024
Subject	Insurance Internal Audit Report

(This report shall not be construed as policy until adopted by full Council)

Whakarāpopoto Kāhui Kahika / Executive Summary

1. This report provides an overview of the Insurance Internal Audit conducted in September 2023, outlining findings and recommended actions.

Taunakitanga / Recommendation(s)

THAT the Risk and Assurance Committee receives the Insurance Internal Audit Report.

Whakawhiti Kōrero / Discussion

Current Audit Assignment

2. This report includes details of the Insurance Audit. This was scheduled in the Council's 2022/23 Internal Audit Plan and carried forward to the 2023/24 plan, which was approved by the Audit and Risk Committee.
3. The objective of the audit was to assess policies, processes and controls in relation to:
 - The procurement of insurance cover
 - The valuation of assets
 - The risk identification of council assets and evaluation of insurable risks
 - Insurance Renewal
 - Management of Claims

4. The Status of the Insurance Audit Report as at 14 March 2024, is summarised in the table below:

Assignment	Status	Comment
Insurance	Report issued	Appendix 1



Anna Officer
**Kaitātari Pakihi me te Morearea /
 Business and Risk Analyst**



[Seen by]
 Vipul Mehta
**Te Tumuaki Whakamana Pakihi /
 Head of Business Enablement**



Te Kaunihera o Taranaki ki Te Tonga
South Taranaki
District Council

Insurance

Audit

Issued to: Vipul Mehta, Head of Business Enablement

Issued by: Anna Officer, Business and Risk Analyst

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Detailed Findings.....	8
Statement of Responsibility	13
Appendix A – Objective, Scope & Approach.....	14
Appendix B – Findings Rating Classification	20

CONFIDENTIAL

Executive Summary

Introduction

The Insurance Audit was scheduled in the Council's 2022/23 Internal Audit Plan and carried forward to the 2023/2024 plan, which was approved by the Audit and Risk Committee.

The objective of the audit was to assess policies, processes and controls in relation to:

- The procurement of insurance cover
- The valuation of assets
- The risk identification of council assets and evaluation of insurable risks
- Insurance Renewal
- Management of Claims

The audit also assessed whether councils' insurance policies adequately cover their insurable risks.

The scope of this review includes processes and procedures within the Finance Unit.

The Terms of Reference (TOR) are detailed in appendix A

Background

The management of council insurance is governed by the Insurance framework which is reviewed every three years and approved by the RAC.

The Council purchases business and material damage insurance for above ground assets through brokers Marsh as a collective group including the New Plymouth District Council (NPDC), the Stratford District Council and the Taranaki Regional Council.

The Council holds the following insurance policies:

- Material Damage Commercial assets
- Material Damage Residential Assets
- Business Interruption
- Motor Vehicle
- Crime
- Corporate Travel Insurance
- Personal Accident
- Fine Arts and Collections
- Statutory Liability
- Hall Hirers
- Public Liability/Professional Indemnity/Environmental Impairment Liability

Infrastructure Assets (below-the-ground assets) are covered under the Council's membership to the Local Authority Protection Programme Disaster Fund (LAPP). This fund will cover serious disruptive loss of damage to infrastructural assets caused by sudden events or situations which

may or may not involve the declaration of a Civil Defence Emergency. Council is responsible for meeting 40% of costs and the remaining 60% will be met by Central Government.

The Council currently includes \$200k - \$500k per annum in the roading budget for emergency works. If the money remains unspent, it sits in the roading activity as a ring-fenced amount. The fund essentially provides a 'self-insurance' fund for the roading activity that is utilised when uninsured losses are suffered to the roading network i.e., flooding event. The fund seeks to smooth the impact on the community when the Council incurs significantly increased operating costs when recovering from a disaster. Council's roading network is worth around \$792 m; however, the roading network is not insured, as it is likely that Central Government would assist with repairing significant damage to roads caused by a disaster event through Waka Kotahi subsidy

Additionally, Council has a separate "Disaster Recovery Fund" to serve as a "self-insurance fund" for the assets (other than roading) which are either not insured or partly self-insured and can be used for claims below deductibles.

The amount allocated to the reserve will be reviewed as part of the three-yearly review of the framework.

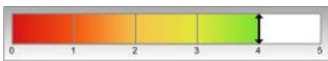
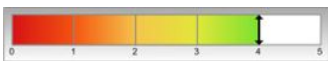
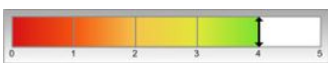

The table below shows, by asset category, what STDC's current approach is to either transferring (through insurance) or retaining (self-insurance) risk. The table does not include the non-asset categories that are part of the Council's insurance programme – Public Liability, Professional Indemnity, Overseas Travel, Personal Accident, Crime, Statutory Liability, Environmental Impairment Liability, Hall Hirers Liability and Fine Arts. Nevertheless, the need for these covers, and any new ones to address emerging risks will be considered each year as part of the renewal process.

Asset category	Insurance status		
	Insured	Self-insured	Mixture of both
Water and Wastes			
Water			✓.
Wastewater			✓.
Stormwater			✓.
Flood protection			✓.
Transport			
Roading network		✓.	
Property			
Council facilities			✓.
Community halls			✓.
Parks			
Structures			✓.
Arts			
Collections	✓.		
Other			
Motor vehicles	✓.		

The Council has two strategic risks associated with Insurance “Failure to Manage critical/Strategic Assets” and “Failure to meet financial obligations”, the residual risk ratings for both are medium.

Conclusion

Overall, the design and effectiveness of controls for the Insurance processes are acceptable. The Finance team provided unrestricted access and assisted promptly with all requests during this audit.

Objective:	Rating
Procurement of Insurance	
Identification of Insurable Assets	
Asset Revaluation	
Renewal	
Claim Management	

• **Procurement**

Council obtains a number of insurance policies through an insurance broker. The broker serves as a crucial conduit between the Council and the insurance market. As such, the procurement and monitoring of the broker’s performance is completed in accordance with the Council and central government’s procurement requirements.

Since 2010 the Council has obtained insurance through a regional collaboration with New Plymouth and Stratford District Councils, and Taranaki Regional Council. The collective uses Marsh (previously JLT) to deliver broking services.

The insurance framework states that the ‘market for broking services will be tested every three to five years using the All of Government process managed by the Ministry of Business, Innovation and Employment’.

The broker market was last tested in 2017. The current broker agreement was reviewed and signed in 2020 for 2 years, and extended for another 3 years in 2022. This will be due for review in 2025.

For Council’s underground Infrastructure Assets, the Council has been a longstanding member of the LAPP mutual fund, which provided cover when commercial alternatives were either unavailable or not cost effective. In 2019 Aon was appointed as the broker for LAPP. The advantages of LAPP include that it is a non-profit and has low overheads, and management of the scheme’s assets is controlled by local government. This arrangement is reviewed 3 yearly upon

framework review. Currently commercial alternatives remain either unavailable or not cost effective.

- **Identification of Insurable assets**

Council assets are recorded in two systems. Infrastructure asset data is held in AssetFinda and Property and facilities asset data including contents, vehicle records and cumulative value of IT Assets are held in TechOne financials. Management Accountant is advised of new CapEx purchases and fleet purchases for insurance consideration. It has been noted that the insurance framework states 'as part of improving its asset management practice the Council is gradually improving the quality of its asset information to facilitate more effective management of its assets.'

When determining what assets to insure, Asset Managers are consulted so an appropriate response to loss can be applied e.g., replacement (like for like), indemnity (no better or no worse), demolition costs only, or no insurance. This is informed by addressing the following questions (included in framework) and insuring buildings on that basis accordingly: Then look at overall council appetite for risk and value of asset, type of asset. When the audit process was underway, the Risk and Assurance Committee agreed for the Council to self-insure up to \$136m worth of assets by utilising Long Term Investment Fund (via internal loan), external borrowings and disaster recovery reserves.

- **Asset Revaluation**

The Council's fixed assets are formally valued at least every three years by an external party. Asset values are then reviewed by Asset Managers to ensure accuracy. The most recent valuation is as of 30 June 2022. The Council started obtaining insurance valuations from the last revaluation date.

- **Renewal**

Insurance is reviewed annually before renewal. A revaluation of all council fixed assets occurs at least every three years and insurance values adjusted upon renewal. On non-revaluation years, inflation is applied to asset values to ensure council is adequately covered. Inflation is calculated as per the Business and Economic Research Inflation Index or current CPI index and checked via sensibility test conducted by broker. SLT are informed of any significant increases and adjustments can made during insurance period if required in alignment with the insurance framework.

Current insurance coverage aligns with asset values held by Council. Insurable asset values are reviewed by Asset Managers, Management Accountant, Head of Business Enablement, and Insurance Brokers to ensure these are accurately captured upon renewal.

- **Claim Management**

Claims are managed by the Management Accountant. Damage or loss to an insured asset less than the deductible are not claimed for. Third party damage and damage or loss exceeding the deductible are claimed for. All claims are emailed to broker to manage with claim form attached. These emails are often retained in the mailbox of the Management Accountant, Senior Accountant, and/or Head of Business Enablement and occasionally saved in Orion.

Key Findings

The number and rating of findings identified in the audit is presented in the table below, with any high or moderate findings further summarised. Further information on findings raised can be found in the Detailed Findings and Observations Section of this report. There are three low findings raised.

Critical	High	Moderate	Low	Improvement Idea
-	-	-	4	2

* The full scale for ratings is provided in Appendix 2.

Improvement Idea

The following findings have been identified as potential areas for improvement. These are provided for Management consideration, no action required.

Improvement Idea	Recommended Action	Management Comment
Record keeping All insurance records should be saved in Orion for ease of access.	Consider saving records regularly and create claims register in Orion to record claim history and trends.	<i>Agree with the idea. We will ensure we save all the documentations in Orion going forward.</i>
Asset Information That Assets staff continue to improve the quality of asset information held in Assetfinda	That Assets staff continue to improve the quality of asset information held in Assetfinda	<i>This work is in progress on continuous basis. However, due to staff turnover this results in low priority sometimes.</i>

Recommendations and Agreed Actions

The recommendations from the Audit were discussed with the following stakeholder:

- Vipul Mehta, Head of Business Enablement

Agreed actions are set out below:

Finding recommendation	Actions	Due Date
1- Insurance Processes - Complete drafted insurance processes in Promapp	Complete draft processes	30/06/2024
2- Revaluation Process - Map end-to-end asset revaluation process in Promapp	Process mapped by relevant stakeholders; Senior Accountant, Assets Manager and Assets Engineer	30/06/2024

Finding recommendation	Actions	Due Date
3- Risks - Update relevant risks to include Insurance as a treatment and/or cause.	Risks to be updated	31/03/2024
4- Broker Review - Council is not compliant with Insurance Framework and is at risk of paying higher premiums and obtaining inadequate coverage.	Review to be undertaken before next renewal	30/06/2025

Acknowledgement

We would like to take this opportunity to thank the following staff for their assistance during the engagement.

- Claire Bourke – Management Accountant
- Vipul Mehta – Head of Business Enablement

Detailed Findings

1 Insurance Processes		Rating	Low
		Ease of Fix	Medium
Observation	<p>In order to undertake this audit, the following processes were drafted to gain an understanding of how Council manages Insurance:</p> <ul style="list-style-type: none"> Managing Business Insurance Managing Insurance Claims Managing below ground asset Insurance Managing Above Ground Asset insurance <p>It has been noted that currently, insurance knowledge is limited to the Head of Business Enablement and Management Accountant.</p>		
Cause	The processes are not completed and published		
Risk	Having documented processes ensures a consistent approach, transparency and accountability and captures knowledge to provide guidance if key staff are unavailable.		
Recommendations	Complete drafted insurance processes in Promapp		
Agreed Management Actions	We agree with this recommendation and the process will be mapped in Promapp by 30/06/2024.		
	Responsibility	Head of Business Enablement	Due Date 30/06/2024

2 Revaluation Process		Rating	Low
		Ease of Fix	Medium
Observation	There is currently one revaluation process published in Promapp. This relates solely to Infrastructure Assets. There is no end-to-end process that incorporates all assets and the finance/insurance activities. An end-to-end process would enable asset managers to understand their responsibilities and the impact of financial/insurance activities.		
Cause	Processes are not mapped		
Risk	Having documented processes ensures a consistent approach, transparency and accountability and provides guidance if key staff are unavailable.		
Recommendations	Map end-to-end asset revaluation process in Promapp		
Agreed Management Actions	We agree with this recommendation and the process will be mapped in Promapp by 30/06/2024.		
	Responsibility	Head of Business Enablement	Due Date 30/06/2024

3 Risks		Rating	Low
		Ease of Fix	Simple
Observation	<p>There are two strategic risks associated with insurance:</p> <ol style="list-style-type: none"> 1. Failure to manage critical / strategic assets 2. Failure to meet financial obligations <p>Neither of these risks have reference to insurance as either a cause or treatment. The obtaining of insurance minimises the financial impact of damage/loss of critical assets as a result of natural disaster, vandalism, theft or accidental damage. This also minimises the likelihood of council failing to meet financial obligations.</p>		

	Identifying insurable assets and their values benefits the management of strategic assets and if done incorrectly could cause a failure to manage assets and a failure to meet financial obligations.		
Cause	Insurance not included in associated strategic risks		
Risk	Completeness of the risk and treatments		
Recommendations	Update relevant risks to include Insurance as a treatment and/or cause.		
Agreed Management Actions	We agree with this recommendation.		
	Responsibility	Head of Business Enablement	Due Date 31/03/2024

4 Broker Review	Rating	Low
	Ease of Fix	Medium
Observation	<p>The insurance framework states that the 'market for broking services will be tested every three to five years using the All of Government process managed by the Ministry of Business, Innovation and Employment'.</p> <p>The broker market was last tested in 2017. As a result of the tender JLT (now Marsh) was awarded the contract for the Taranaki Councils' insurance broker services.</p>	
Cause	Review not conducted in timeframe	
Risk	Council is not compliant with Insurance Framework and is at risk of paying higher premiums and obtaining inadequate coverage.	
Recommendations	Conduct review of broker market	

Agreed Management Actions	The Council procure insurance through a regional collaboration with other Taranaki councils and due to uncertainty with regards to the three waters reform, the current arrangement with Marsh was extended until June 2025.		
	Responsibility	Head of Business Enablement	Due Date

Statement of Responsibility

This report has been prepared in accordance with the terms and conditions of the Human Resources Audit TOR. The audit review is subject to the following limitations:

- The assessments are based on observations from the Audit undertaken in the time allocated. Assessments made by the team are matched against the expectations and good practice guidelines.
- The scope of work was designed to provide a report specifically in accordance with the Terms of Reference (ToR) and our Supply of Internal Audit Services Agreement. The procedures that were performed did not constitute an assurance engagement in accordance with the New Zealand Standards for Assurance Engagements, nor do they represent any form of audit under New Zealand Standards on Auditing, and consequently, no assurance or audit opinion is provided.
- Because of the inherent limitations of any internal control structure, it is possible that errors or irregularities may occur and not be detected. The procedures were not designed to detect all weaknesses in control procedures as they were not performed continuously throughout the period and the tests performed are on a sample basis.
- Any projection of the evaluation of the control procedures to future periods is subject to the risk that the systems may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.
- The matters raised in this report are only those which came to our attention during the course of performing our procedures and are not necessarily a comprehensive statement of all the weaknesses that exist or improvements that might be made. The Audit cannot, in practice, examine every activity and procedure, nor can it be a substitute for management's responsibility to maintain adequate controls over all levels of operations and their responsibility to prevent and detect irregularities, including fraud. Accordingly, management should not rely on the report to identify all weaknesses that may exist in the systems and procedures under examination, or potential instances of non-compliance that may exist.
- This report has been prepared for distribution to the Council for the purpose of providing information on an audit of the Council's consents. No responsibility will be taken for any reliance on this report to any other persons or users, or for any purpose other than that for which it was prepared.

Suggestions for improvement should be assessed by management for their full commercial impact before they are implemented.

Appendices

Appendix A



Insurance Audit Terms of Reference





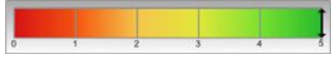
Objective & Scope	<p>Objective</p> <p>Assess policies and processes in relation to the valuation, identification, including risk identification of council assets and evaluation of insurable risks. The audit also assessed whether councils' insurance policies adequately cover their insurable risks.</p> <p>The scope of this review includes processes and procedures within the Finance and Governance Units</p> <p>The review will exclude any IT cyber security control assessment or testing.</p>
Sponsor	Head of Business Enablement
Key Risks	<ol style="list-style-type: none"> 1. Failure to manage critical / strategic assets 2. Failure to meet financial obligations
Approach	<p>Our approach in completing this audit will include:</p> <ul style="list-style-type: none"> • Review key documentation, including policies, applicable risk registers, relevant legislation, prior reviews, procedures / processes and any relevant team / staff updates. • Identify key staff and their roles responsibilities • Understand and document any key processes / systems via interviews with staff • Assess and understand internal reporting and controls • Test controls effectiveness through various means as required • Validate any control / process gaps and identify any effectiveness issues • Discuss and recommend appropriate and practical solutions with key personnel • Complete and distribute a draft and final report
Deliverables	The findings, format and presentation of this report will be discussed in draft with stakeholders, before the final report is issued. The report will outline findings and recommendations and will contain suggestions for process / control improvements where appropriate.
Timing	<p>Planning: July/August 2023</p> <p>Fieldwork: August 2023</p>

	Reporting: August/September 2023, final draft report ready for the SLT
Staffing	Business and Risk Analyst
Engagement terms	<p>This review will be performed in accordance with ethical and professional standards of the New Zealand Institute of Internal Auditors and Chartered Accountants Australia and New Zealand.</p> <p>The procedures performed will comprise an advisory engagement and will not constitute an assurance engagement in accordance with the New Zealand Standards for Assurance Engagement, nor will it represent any form of audit under Auditing, and consequently, no assurance conclusion or audit opinion will be provided.</p>

Appendix B: Rating Scale

Control Objective

The assessment of control objectives is based on our assessment of the processes as presented and the results of judgemental sample testing. The consolidated results of testing together with the appropriateness of control mitigations form this assessment.

	Description	Rating Scale Indicator
1	<p>Significant Weakness</p> <p>The control environment either does not exist or is inadequate to manage risk related to process under review and is significantly below good practice and does not compare favourably to other models. The business is exposed to control failure and potential financial, operational, and strategic impacts. The impact of these negative outcomes or opportunities lost is significant and very likely to occur.</p>	
2	<p>Informal / Inadequate Controls</p> <p>The control environment exists but is informal or has important gaps and certain elements are below good practice or do not compare favourably to other models. The business is exposed to control failure and potential financial, operational, and strategic impacts. The impact of these negative outcomes or opportunities lost might be significant and likely to occur.</p>	
3	<p>Adequate Controls</p> <p>The control environment exists and some gaps and / or areas for improvement have been detected. The environment compares to other models with room for improvement. Gaps identified could expose the business to control failure and potential financial and operational impacts. The impact of these negative outcomes or opportunities lost might be of moderate impact and could occur.</p>	
4	<p>Well Controlled</p> <p>The control environment exists and minimal gaps and / or areas for improvement have been detected. The environment compares favourably to other models. The business may be exposed to control failure and potential financial and operational impacts. The impact of these negative outcomes or opportunities lost might be of low to moderate impact and unlikely to occur.</p>	
5	<p>Best Practice Controls</p> <p>The control environment exists, and no gaps have been detected. Control applications and processes in existence exceeded better practice and are better than other models. The business is unlikely to be exposed to control failure and potential financial and operational impacts. The impact of these negative outcomes or opportunities lost might be of low impact and unlikely to occur.</p>	

Findings Classification

Internal Audit use the following classification framework to prioritise and define the significance of reported findings. This is based on the understanding of the incurred or potential impact to the Council, and the likelihood of occurrence.

Rating	Definition	Action required
Critical	Issue represents a severe control weakness. This could cause or is causing severe disruption to process/service, or severe adverse effect on the ability to achieve objectives.	Requires immediate notification to the audit sponsor and Chief Executive. Included and highlighted within the executive summary of report. Requires significant involvement by the audit sponsor/Senior Management to manage/resolve. Requires interim action within 7-10 days , followed by a detailed plan of action to be put in place, with an expected resolution date and a substantial improvement within 30 days . Note that for Health and Safety hazards or activities that pose immediate harm to a person immediate action must be taken to eliminate the risk (i.e., stop work). The ability to accept this risk as observed or without additional mitigation requires Audit and Risk Management Committee approval.
High	Issue represents a significant control weakness. This could cause or is causing significant disruption to process/service, or significant adverse effect on the ability to achieve objectives.	Requires notification to audit sponsor. Included within the executive summary of report. Requires senior management involvement to manage/resolve. May require interim action within 30 days, with an expected resolution date and substantial improvement within 1-3 months . The ability to accept this risk as observed or without additional mitigation requires CEO approval with notification to the Audit and Risk Management Committee.
Moderate	Issue represents a moderate control weakness. This could cause or is causing some disruption to process/service. There may be a level of short-term tolerance due to compensating	Requires notification to relevant manager with disclosure to Senior Management. Summarised within the executive summary of report. Requires management involvement with senior management oversight to manage/resolve. Requires expected resolution date and a substantial improvement within 3-6 months. The ability to accept this risk as observed or without additional mitigation requires audit sponsor approval with disclosure to the Audit and Risk Management Committee.

	controls or remedial plans underway.	
Low	Issue represents a minor control weakness. This could cause or is causing inefficiencies in process or is a lack of formality in documentation or process.	Requires disclosure to process owner. Reported in detailed findings of the report. Requires management action within a reasonable time period. Timeframe for action is subject to competing priorities and cost/benefit analysis e.g., 6-9 months. The ability to accept this risk as observed or without additional mitigation requires Senior Management approval with disclosure to the audit sponsor.
Improvement Idea	Observation represents an identified opportunity to improve process / service efficiency.	Requires disclosure to process owner and audit sponsor. Included within detailed findings of report. Provided for management consideration, no action required.

Findings Ease of Fix

Internal Audit uses the following classification to define the effort required to resolve issues raised, based on our understanding of the issue and experiences with resolving similar issues. This is intended as a guide only; management should undertake its' own assessment to determine the actual level of effort required.

Rating	Definition
Complex	The solution is complex and may involve substantial time to develop, implement and test, substantial monetary cost to resolve, or substantial changes to system design or business processes. Estimated timeframe for fix to be implemented is up to but may extend for longer than six months.
Medium	There is a moderately complex fix for this finding, which may involve some time to develop, implement and test, some cost to resolve, or some changes to system design or business processes. Estimated timeframe for fix to be implemented is within three months.
Simple	There is a simple fix for this finding, which may involve minor system changes that require limited effort to implement or test, minor costs to resolve, or minor changes to system design or business processes. Estimated timeframe for fix to be implemented is within one month.



Pūrongo-Whakamārama Information Report

6

To	Risk and Assurance Committee
From	Kaitātari Pakihi me te Morearea / Business and Risk Analyst, Anna Officer
Date	27 March 2024
Subject	Emergency Response Management Internal Audit Report

(This report shall not be construed as policy until adopted by full Council)

Whakarāpopoto Kāhui Kahika / Executive Summary

1. This report provides an overview of the Emergency Response Management Internal Audit conducted in November 2023, outlining findings and recommended actions.

Taunakitanga / Recommendation(s)

THAT the Risk and Assurance Committee receives the Emergency Response Management Internal Audit Report.

Whakawhiti Kōrero / Discussion

Current Audit Assignment

2. This report includes details of the Emergency Response Management Audit. This was scheduled in the Council's 2023-26 Internal Audit Plan, which was approved by the Risk and Assurance Committee in 2023.
3. The objective of the audit was to assess policies, processes, plans and controls in relation to council's emergency response management.
4. The status of the Emergency Response Management Report as at 14 March 2024, is summarised in the table below:

Assignment	Status	Comment
Emergency Response Management	Report issued	Appendix 1

Anna Officer
Kaitātari Pakihi me te Morearea /
Business and Risk Analyst

[Seen by]
Vipul Mehta
Te Tumuaki Whakamana Pakihi /
Head of Business Enablement



Te Kaunihera o Taranaki ki Te Tonga
South Taranaki
District Council

Emergency Response Management Audit

Issued to: Cath Sheard, Libraries and Cultural Services Manager

Issued by: Anna Officer, Business and Risk Analyst

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Executive Summary

Introduction

The Emergency Response Management (ERM) Audit was scheduled in the Council's 2023/2024 internal audit plan, which was approved by the Audit and Risk Committee.

The objective of the audit was to assess policies, processes, plans and controls in relation to council's emergency response management.

The scope of this review includes:

- Policies, Workplans, Agreements and Procedures
- Response plans
- Response documentation

The Terms of Reference (TOR) are detailed in appendix A

Background

Governance

Council's emergency response management is governed and guided by three primary sources: The Civil Defence Emergency Management (CDEM) Act 2002, The National Disaster Resilience Strategy 2019 and New Zealand's Coordinated Incident Management System (CIMS).

The Civil Defence Emergency Management (CDEM) Act 2022(The Act) defines CDEM as the 'application of knowledge, measures and practices that – (i) are necessary or desirable for the safety of the public or property; and (ii) are designed to guard against, prevent, reduce, or overcome any hazard or harm or loss that may be associated with any emergency; and includes without limitation the planning, organisation, coordination and implementation of those measures, knowledge and practices' .

The Act:

- promotes the sustainable management of hazards in a way that contributes to safety and wellbeing;
- encourages wide participation, including communities, in the process to manage risk;
- provides for planning and preparation for emergencies, and for response and recovery;
- requires local authorities to co-ordinate reduction, readiness, response and recovery activities through regional groups;
- provides a basis for the integration of national and local planning and activity through a national strategy and plan; and
- encourages coordination across a wide range of agencies, recognising that emergencies are multi-agency events affecting all parts of society

Section 12 of the Act requires every regional council in New Zealand to unite with the territorial authorities within its region to establish a CDEM Group who have the functions, duties and powers to undertake CDEM in their area. This includes preparing a coordinated CDEM Group Plan for managing

their area’s hazards and risks in accordance with the 4Rs – reduction, readiness, response and recovery.

Every local authority must be a member of a CDEM Group, and each member of the Group is represented by the mayor or chairperson of that local authority. An elected person with the delegated authority may act on behalf of the mayor/chairperson.

The National Disaster Resilience Strategy 2019 delivers on the intent and purpose of the Act by setting the goals and objectives for New Zealand civil defence emergency management over the next ten years. Under this strategy the three priorities are managing risk, effective response to and recovery from emergencies and enabling, empowering and supporting community resilience.

Central government, local government, iwi, businesses, and organisations should use the Strategy to guide them in building resilience both for their own organisation, and for the people and communities they support or provide services for.

New Zealand’s Coordinated Incident Management System (CIMS) establishes a framework of consistent principles, structures, functions, processes and terminology for response and the transition to recovery. The National Civil Defence Emergency Management Plan Order 2015 provides guiding principles and roles and responsibilities for CDEM across the 4 Rs and expects emergency services to use the CIMS framework to guide the coordination of each emergency service’s operations, and for those fulfilling key roles at the national, CDEM Group, and local levels during response to be trained and practised in its use.

Structure

The Act and CIMS define the governance structure for the Taranaki CDEM Group:

Joint Committee: Under the Act the territorial authorities (the district councils) and the regional council are responsible for ensuring that there is provision for Civil Defence Emergency Management in Taranaki. To ensure this takes place each council nominates a representative to sit on the joint committee. The representative is the Mayor of each District Council and the chair of the Regional Council, but they may delegate this to another elected member of the Council. The Joint Committee is ultimately responsible for governing the Taranaki CDEM Group

Coordinating Executive Group (CEG): Reporting to the CDEM Group is the Coordinating Executive Group (CEG), which is a committee of the Chief Executive of the Councils and the District Health Board, and senior officers from Police, Fire and St John Ambulance. The chairs of the different advisory groups also sit on the CEG. The members of the CEG elect a chair each year.

CEG provides strategic level operational oversight, ensuring that the decisions and direction of the CDEM Group are progressed.



Advisory Groups: There are several advisory groups which meet regularly to discuss CDEM issues and advise the CEG on their areas of expertise. The members of each advisory group elect their own chair from the membership in accordance with their terms of reference.

Advisory groups are a source of interested, trained, experienced personnel who provide specialist advice on operational planning across the 4Rs and expertise to assist in the running of the Emergency Operations Centre (EOC). Advisory groups ensure effective liaison between CDEM and key stakeholders in the community and are a key pathway to sector networks.

Regional Emergency Coordination Centre ECC (TEMO): The Coordination Centre (ECC) is led by a Regional Controller, supported by personnel to perform CIMS functions and other relevant personnel. The ECC links with the local level EOCs and, when applicable, with their associated national level Coordination Centre. Staff fulfilling functions in ECCs usually communicate with staff in EOCs, who in turn communicate with staff in ICPs. Support agency representatives are included in the lead agency’s ECC structure. Support agencies at the regional level decide whether to activate their own Coordination Centres. Some organisations combine local and regional level arrangements.

Local Emergency Operations Centre EOC (STDC): The Operations Centre (EOC) is led by a Local Controller, supported by personnel to perform CIMS functions and other relevant personnel. The EOC links with the incident level ICPs and, when applicable, with their associated regional or national level Coordination Centre.

Alignment with Governing Documentation

An assessment of STDC’s emergency management capability has been undertaken by the Emergency Management Officer to identify areas for improvement.

The Taranaki Civil Defence Emergency Management Plan 2018-2023 is reviewed 5 yearly and includes 6 key goals to enable Taranaki CDEM to follow the principles of the Act, CIMS and the National Strategy:

Goal		Strategic measures	Responsibility
1	Governance Our expectations from CDEM partners is clear and met through strong governance arrangements and accountability for delivery	Performance monitoring	CDEM Joint Committee Coordinating Executive Group
2	Disaster risk reduction The risks from hazards, their likelihood and impacts, are understood and managed to reduce our risk exposure	Risk priorities and reduction activities	Group Office Local Councils
3	Organisational resilience <i>Readiness</i> We build resilience into organisations and plan for the impacts from disaster and ensure our systems and arrangements are fit for purpose	Capability assessment	Group Office Local Councils CDEM Partners
4	Community resilience <i>Readiness</i> Community resilience is strengthened so that the impacts from disasters are reduced	Community engagement	Group Office Local Councils Community
5	Capability development <i>Readiness, response and recovery</i> We develop the capability of staff and volunteers to effectively carry out their roles in a disaster	Training completion	Group Office Local Councils
6	Response and recovery We enable well managed effective responses, and we support the community's journey of moving on from the impacts of disasters	Activity performance	Group Office Local Councils Emergency Services Community

Actions to ensure STDC’s emergency management response aligns with the group plan are captured in the STDC workplan included in the TEMO work programme and the STDC work plan to manage all operational tasks. These plans are reviewed annually and updated regularly with progress updates.

In 2020 an external consultant was engaged to undertake a capability assessment on the Taranaki Civil Defence Emergency Management Group. This assessment was conducted using the goals and measures outlined in the CDEM Capability assessment tool provided by the National Emergency Management Agency (NEMA). The assessment score of 67.8% identifies the Taranaki CDEM Group as having an advancing capability with organisational commitment to CDEM with considerable progress made. The following outstanding recommendations require action from STDC:




- Undertake exercise programme to be developed by TEMO including business continuity exercises to test business continuity plans.
- Review and clarification of CDEM roles and responsibilities, defining ‘lead, support and coordination’ at TEMO and local authority level.
- Development of a Group-wide GIS capability.
- Development of Group level guidance on core CDEM information to be include on CDEM webpages as part of Council websites.
- Taranaki wide consolidation of PIM resources and development of support material
- Ensure that local authority volunteer recruitment and management processes are linked to the Group level guidance and processes.
- Testing of alternate EOC locations
- Prioritisation of Recovery Managers (Group and local) on the Response and Recovery Leadership programme.
- Ensure ongoing CDEM education and development opportunities for elected officials are scheduled.
- Review of local level CDEM budgets to ensure appropriate budgets are in place.




The Council has three relevant strategic risks “Significant disruption to Council’s Business Continuity and/or Lifeline Utilities disruptions”, “Major failure of Health & Safety Policy and procedures in the workplace” and “Ineffective Partnership relationships / Stakeholder engagement”. Residual risk ratings for all are medium.

Investigation

Summary

Overall, the design and effectiveness of controls for a compliant emergency management response are acceptable.

Objective:	Rating
Resourcing	
Planning	
Relationships/Engagement	

Objective:	Rating
Response activities	
Managing risk	
Resilience	

Resourcing

CIMS specifies the following functions in a response team:

- Control (and Controller’s Support)
- Safety
- Intelligence
- Planning
- Operations
- Logistics
- Public Information Management (PIM)
- Welfare
- Iwi Representative
- Safety
- Recovery (during response)

The Act section 17 (9) (b) states that a civil defence emergence management group must ‘take all steps necessary on an ongoing basis to maintain and provide, or to arrange the provision of, or to otherwise make available suitably trained and competent personnel, including volunteers, and an appropriate organisational structure for those personnel, for effective civil defence emergency management in its area’.

The STDC workplan include in the TEMO work program includes having a minimum of 50% of permanent staff complete foundation training and to have a full complement of functional leads and alternates. Staff training is tracked in CDEM training plan for STDC spreadsheet. Training statistics last updated 15/09/2023 states 56% of staff have completed foundation level training or higher.

Tracking of functional leads and alternates training shows both controllers requiring national controllers’ qualification, two alternates requiring foundation training and 3 functions without an alternate. (See table below)

Functional leads

Function	Alternative	Training
Controller	Yes	Both Require National Controllers Qualification
Response Manager	Yes	Alternate requires foundation training
Planning and Intelligence Manager	Yes	Alternate requires foundation training
Lifeline Utilities Manager	Yes	Training completed
Logistics Manager	Yes	Training completed

Operations Manager	Yes	Training completed
Welfare Manager	No	Training completed
Public Information Manager	Yes	Training completed
Recovery Manager	Yes	Training completed
Safety	No	Training completed
Iwi Representative/Liaison	No	Training completed

When looking at potential roles from trained staff; STDC currently has 2 or more staff assigned to each function except for GIS (see table below).

STDC currently has only one GIS person trained. The Emergency Management Officer has advised that if required the EOC can use other GIS resources as they are performing functions requiring GIS skillset rather than an emergency management function.

Trained Staff Function Assignment

Total Potential Roles from trained staff	
PIMS	2
Intelligence/Planning	10
Welfare	12
Logistics	9
GIS	1
No role	6
Operations/BAU	26
TOTAL	66

To support competency building, the Libraries and Cultural Services Manager holds monthly meetings with all function Manager and alternates to reinforce training and ensure staff maintain knowledge and are prepared for activation in the event of an emergency response. These meetings began in June 2023

Additionally, there is a process mapped for activating the EOC to assist staff.

CIMS details the importance of elected members as a key stakeholder in an emergency management response. Their influence and knowledge of communities and local government can support resilience and readiness initiatives to reduce the impact of an event or enable faster recovery. They can also serve as a key communicator during response, ensuring information is correctly relayed to communities and champion for the needs of the communities.

Currently, STDC elected members do not receive any emergency management training. It is recommended that elected members are aware of their responsibilities in a response and actively involved.

Planning

The Act section 17 (h) states a civil defence emergency management group must 'monitor and report on compliance within its area with this Act and legislative provisions relevant to the purpose of this Act' and 'develop, approve, implement, and monitor a civil defence emergency management group plan and regularly review the plan.'

An emergency management capability assessment has last been undertaken in June 2023 by the Emergency Management Officer. This appears to be based off the CDEM Capability Assessment Tool provided by the National Emergency Management Agency (NEMA) however, it does not include all criteria.

The tool provided by NEMA provides standardized assessment criteria that can be used by all agencies or CDEM groups in NZ for self-assessment and will support agencies and CDEM groups to provide the necessary data to the periodic national assessment used to document and understand New Zealand's collective CDEM capability. This tool has also been used for the previous external assessment of Taranaki Emergency management undertaken in 2020.

It is recommended that STDC use the standardized assessment tool to measure capability.

In compliance with the Act, The Taranaki Civil Defence Emergency Management Group has a plan for 2018-2023. is reviewed 5 yearly and includes 6 key goals to enable Taranaki CDEM to follow the principles of the Act, CIMS and the National Strategy. STDC has an individual work plan to document and track actions required to support the group plan.

The STDC workplan does not show a clear direct alignment with the goals of the The Taranaki Civil Defence Emergency Management Plan 2018-2023. Tracking of progress is also difficult to measure with current format. STDC should consider adding column to show alignment with specified goals, a column to record progress and include clear specific tasks/goals with a defined due date.

CIMS states that local Authorities should undertake regular training exercises. These are critically important to ensure that skills learned through training courses can be applied in practice, that knowledge of response protocols remain current, and that policies and processes can be tested and improved on an ongoing basis.

Currently STDC does not undertake training exercises, but an annual program has been approved with the first desktop exercise scheduled for December.

To ensure knowledge of response protocols remains current, this content is covered in monthly meetings for function leads and alternates.

All EOC devices are maintained by Taranaki Emergency Management Office (TEMO) and are checked monthly to ensure they are fit for purpose.

The Act specifies that Local authorities are responsible for the development, monitoring and implementation of a Local Welfare Plan and any supporting plans and to form a local welfare committee.

A Taranaki Local Welfare Committee has been formed as an advisory group along side numerous others. These Groups are a source of interested, trained, experienced personnel who provide specialist advice on operational planning across the 4 Rs, and expertise to assist in the running of the ECC and EOCs. A STDC representative sits on each committee.

Advisory Groups meet quarterly to ensure effective liaison between CDEM and key stakeholders in the community and are a key pathway to sector networks. Advisory group personnel receive training and take part in exercises to the extent possible.

The groups are as follows:

- Rural Advisory Group
- Lifelines Advisory Group
- Welfare Coordination Group
- Area HAZMAT Coordination Committee
- Taranaki Seismic and Volcanic Advisory Group
- Risk Reduction Advisory Group
- Readiness and Response Advisory Group

Taranaki Emergency Management has also drafted a welfare plan to guide welfare response for the region. This is yet to be finalized.

Relationships/Engagement

One key objective of the National Disaster Resilience strategy 2019 is to ‘Build the relationship between emergency management organisations and iwi/groups representing Māori, to ensure greater recognition, understanding, and integration of iwi/ Māori perspectives and tikanga in emergency management’.

CIMS framework also highlights the importance of the inclusion of iwi/Māori in response and recovery. The need to build relationships with and engage with local community groups and support agencies is also included to ensure availability of all community resources for assistance in response and recovery.

STDC’s Iwi Liaison Manager fulfils the role of Iwi Representative for the EOC. There is currently no alternate for this role.

When speaking to the Iwi Liaison Manager and reviewing recent response reports there is evidence of STDC’s engagement with Iwi, Hapu/Marae, community groups, critical council functions and support agencies.

Iwi Liaison Manager identified an opportunity for supporting Marae to become pre-arranged emergency centres due to the existing resources often on site. This has been identified in the STDC workplan. It has also been noted that there has been difficulty regionally engaging external Iwi representatives for emergency management and there is a risk of EOC not understanding the welfare needs of Māori that are not affiliated or communicating with a local Iwi or Marae as many will contact EOC staff directly without knowledge of the Iwi representative.

STDC has a close relationship with Taranaki Emergency Management with regular communications and through attendance at advisory group meetings. During a response, communications are through email, but a project is underway to implement a centralised system (D4H Live) for all Taranaki EOC’s to share information regionally between themselves, The ECC and relevant organisations e.g., FENZ. This will improve knowledge sharing and ensure a holistic approach to response management.

A centralised welfare system is in use (RANA). This allows for sharing of welfare details and responses regionally and is only accessible by welfare staff to protect the privacy of personal information.

Response activities

STDC has no history of a full EOC mobilization in the last 3-5 years. It was deemed that response older than 5 years are out of scope as considerable change has taken place in the Emergency Management function since then and it would not accurately reflect the current situation.

Two recent events were reviewed during audit: Cyclone Dovi and Cyclone Gabrielle. In both instances the response was a regional response level and led by ECC with STDC mobilizing an incident management team led by controller with one representative from each function. Each response was audited to ensure compliance with the CIMS framework.

Cyclone Dovi response

Required Action	Finding
All functions represented	Yes – small team consistent with regional response classification
Classification clearly stated on situation report.	Yes, included on situation report from ECC – R2
Situation reports completed	3 status reports saved from STDC to TEMO, Situation report #3 from TEMO saved. Missing #1 and #2
Briefings undertaken	Yes, IMT briefings undertaken, minutes saved
Decisions documented and saved	Decision regarding wastewater actions documented and saved in response folder
Correspondence saved	<ul style="list-style-type: none"> - Email with GIS files of closed roads – no record of these being sent anywhere? - Communications regarding weather updates saved.
Transition plan	Completed by ECC and saved in response folder

Cyclone Gabrielle response

Required Action	Finding
All functions represented	Yes – small team consistent with regional response classification
Classification clearly stated on situation report.	STDC situation reports state R3. TEMO situation reports state R3 and L3
Situation reports completed	2x situation reports completed by both STDC and TEMO. Status reports created by IMT for TEMO.

Briefings undertaken	No briefings saved
Decisions documented and saved	Action plan #2 from TEMO saved, missing #1
Correspondence saved	Communications for staff saved.
Transition plan	Not required, recovery managed as part of response

Resilience

Building resilience is a key objective of both The National Disaster and Resilience Strategy 2019 and the Taranaki Emergency Management Plan 2018-2023. The goal being to 'cultivate an environment for social connectedness which promotes a culture of mutual help; and embed a collective impact approach to building community resilience with new approaches; meaning that communities are more knowledgeable about risks, are empowered to problem-solve, and can participate in decision-making about their future. Community plans – shift away from response plans to community focus emergency plans.

Community Plans have been drafted for Eltham, Hawera and Normanby, Kaponga, Manaia, Opunake, Patea, Rahotu, Waitotara and Waverley. These replace previous response plans that focused on event type and have been created in consultation with the communities. These plans focus on community specific risks and available resources.

The Act states that a local authority must both 'plan and provide for civil defence emergency management within its district and ensure that it is able to function to the fullest possible extent, even though this may be at a reduced level, during and after an emergency'.

The ability for STDC to deliver critical services in the event of an emergency are detailed in the business continuity plans for each activity. These plans specify the steps taken, and planned, to prepare for an emergency, and to function during it as well as after it occurs.

An internal audit of BCP's was completed in 2018 and the improvement actions are ongoing. A review of the BCP's has been excluded from the scope of this audit.

Managing Risk

The Act section 17 (a) states that a civil defence emergency management group must 'identify, assess, and manage hazards and risks, consult and communicate about risks and identify and implement cost-effective risk reduction'.

New Zealand Emergency Management risk management should cover improved understanding of local hazards, risks, emergency management practices (across the 4Rs) and relevant vulnerability and resilience factors within local communities across the four environments (natural, social, economic, and built).

In the Taranaki Emergency Management Group plan natural hazards and biological risks are extensively detailed and scored using the Sendai framework. This includes identification of priority hazards and the risk implications.

The group plan also details key statistical information and risk implications for social, natural, built, economic and rural environments.

STDC has identified community specific hazards and included these in the community plans.

STDC Business Continuity Plans and Asset Management Plans include asset and activity specific risks in relation to natural hazards.

The STDC risk register captures the strategic, business and operational risks in relation to Emergency Management. These risks cover the operation of the EOC and Council’s ability to maintain critical services.

There is currently no reference to the risk of poor relationship/engagement in the operation of the EOC and its ability to respond effectively. The legislative requirement of the Act for Local authorities to ‘plan and provide for civil defence emergency management within its district’ should also be referenced in the emergency management risks.

Key Findings

The number and rating of findings identified in the audit is presented in the table below, with any high or moderate findings further summarised. Further information on findings raised can be found in the Detailed Findings and Observations Section of this report. There are three low findings raised.

Critical	High	Moderate	Low	Improvement Idea
-	-	1	5	3

* The full scale for ratings is provided in Appendix 2.

Improvement Idea

The following findings have been identified as potential areas for improvement. These are provided for Management consideration, no action required.

Improvement Idea	Recommended Action	Management Comment
Formally document actions from 2020 external assessment	Include actions from external assessment in workplan.	
Retain final approved documentation	Obtain and save signed copy of group plan and work program in orion.	
Ensure all documentation is saved during event response and recovery	Reinforce importance of saving all records in event folder – this is included in mapped process	

Recommendations and Agreed Actions

The recommendations from the Audit were discussed with the following stakeholders:

- Cath Sheard – Libraries and Cultural Services Manager
- Glenn Hansen – Emergency Management Officer

Agreed actions are set out below:

Finding recommendation	Actions	Due Date
Resource Capacity - Function Lead and Alternates Address training gaps in existing function leads and no alternatives appointed for some functions	<ul style="list-style-type: none"> - Controllers to complete National Controllers Qualification - Alternate response and P&I to complete foundation training. - Appoint alternate for welfare manager, safety and iwi representative. 	TBA
Elected Members Training Train Elected members in Emergency Management	<ul style="list-style-type: none"> - Include EM responsibilities in elected members induction 	May 2024
Assessment Alignment Align Internal assessments with the CDEM capability assessment tool provided by the National Emergency Management Agency (NEMA)	<ul style="list-style-type: none"> - Use CDEM capability assessment tool provided by the National Emergency Management Agency (NEMA) to conduct annual internal assessments. 	April 2024
Workplan Changes Include specific, measurable tasks in workplan with clear alignment with group plan goals.	<ul style="list-style-type: none"> - Include additional columns in workplan for plan goal, due date and progress update. Also update to ensure includes clear and specific tasks. 	February 2024
Iwi Representation Address potential shortfalls in supporting needs of Māori during a response	<ul style="list-style-type: none"> - Work towards growing capability across all functions for understanding of Māori/iwi and Pacifica needs. - Investigate process for delivering a culturally inclusive service to Māori and Pacifica community members. 	February 2024
Risk Management Include the impact poor relationships/engagement with Iwi and community groups can have on the effective operation of the EOC and the legislative responsibilities council must comply with in risk register.	<ul style="list-style-type: none"> - Include risk in risk register for poor relationship/engagement in the operation of the EOC and its ability to respond effectively. - Include risk in register referencing the legislative requirement of the Act for Local authorities to 'plan and provide for civil defence emergency management within its district'. 	January 2024

Acknowledgement

We would like to take this opportunity to thank the following staff for their assistance during the engagement.

- Cath Sheard – Libraries and Cultural Services Manager
- Glenn Hansen – Emergency Management Officer
- Becky Wolland – Head of Strategy and Governance
- Reg Korau – Iwi Liaison Manager

Detailed Findings

1 Resource Capacity - Function Lead and Alternates		Rating	Moderate
		Ease of Fix	Medium
Observation	There are training gaps in existing function leads and no alternatives appointed for some functions		
Cause	Staff turnover and specialised skill set requirements		
Risk	There is a risk of EOC not responding to community needs effectively due to lack of trained resources		
Recommendations	Address training gaps in existing function leads and no alternatives appointed for some functions		
Agreed Management Actions	<ul style="list-style-type: none"> - Controllers to complete National Controllers Qualification - Alternate response and P&I to complete foundation training. - Appoint alternate for welfare manager, safety and iwi representative. 		
	Responsibility	Cath Sheard	Due Date TBA

2 Elected Members Training		Rating	Low
		Ease of Fix	Medium
Observation	Elected members are not currently trained in Emergency Management		
Cause	Lack of awareness of training need		
Risk	Elected members are unable to support emergency management response, compromising EOC's ability to meet the needs of the community		
Recommendations	Train Elected members in Emergency Management		
Agreed Management Actions	Include EM responsibilities in elected members induction materials. Circulate regular EM communications to elected members.		
	Responsibility	Cath Sheard	Due Date May 2024

3 Assessment Alignment		Rating	Low
		Ease of Fix	Medium
Observation	Internal assessments are not aligned with the CDEM capability assessment tool provided by the National Emergency Management Agency (NEMA)		
Cause	Incorrect tool used		
Risk	Lack of consistency between external and internal assessments for transparency		
Recommendations	Align Internal assessments with the CDEM capability assessment tool provided by the National Emergency Management Agency (NEMA)		
Agreed Management Actions	<ul style="list-style-type: none"> - Use CDEM capability assessment tool provided by the National Emergency Management Agency (NEMA) to conduct annual internal assessments. 		
	Responsibility	Glenn Hansen	Due Date April 2024

4 Workplan Changes		Rating	Low
		Ease of Fix	Simple
Observation	Tasks in workplan are not specific, alignment with group plan goals unclear and progress is difficult to measure.		
Cause	Workplan is unclear		
Risk	Unable to easily track goals for auditing progress		
Recommendations	Include specific tasks with clear due dates and progress		
Agreed Management Actions	<ul style="list-style-type: none"> - Include additional columns in workplan for plan goal, due date and progress update. Also update to ensure includes clear and specific tasks. 		
	Responsibility	Glenn Hansen/Cath Sheard/Becky Wolland	Due Date February 2024

5 Iwi Representation		Rating	Low
		Ease of Fix	Medium
Observation	<p>There is reliance on the Iwi and iwi representative to recognise Māori requirements and provide appropriate service.</p> <p>This approach excludes Māori, not affiliated with an Iwi (e.g., visiting from outer region) who contact the EOC team directly.</p>		
Cause	Lack of resourcing		
Risk	EOC is not effectively meeting needs of Māori not affiliated with an Iwi		
Recommendations	Address potential shortfalls in supporting needs of Māori during a response		
Agreed Management Actions	<ul style="list-style-type: none"> - Work towards growing capability across all functions for understanding of Māori/iwi and Pacifica needs. - Investigate process for delivering a culturally inclusive service to Māori and Pacifica community members. 		
	Responsibility	Cath Sheard	Due Date February 2024

6 Risk Management		Rating	Low
		Ease of Fix	Simple
Observation	<p>The risks captured do not include the impact poor relationships/engagement with Iwi and community groups can have on the effective operation of the EOC and the legislative responsibilities council must comply with.</p>		
Cause	Missing information in risk register		
Risk	That the impact of engagement and legislative responsibilities are not adequately considered		
Recommendations	Include the impact poor relationships/engagement with Iwi and community groups can have on the effective operation of the EOC and the legislative responsibilities council must comply with in risk register.		
Agreed Management Actions	<ul style="list-style-type: none"> - Include risk in risk register for poor relationship/engagement in the operation of the EOC and its ability to respond effectively. - Include risk in register referencing the legislative requirement of the Act for Local authorities to 'plan and provide for civil defence emergency management within its district'. 		
	Responsibility	Cath Sheard	Due Date January 2024

Statement of Responsibility

This report has been prepared in accordance with the terms and conditions of the Human Resources Audit TOR. The audit review is subject to the following limitations:

- The assessments are based on observations from the Audit undertaken in the time allocated. Assessments made by the team are matched against the expectations and good practice guidelines.
- The scope of work was designed to provide a report specifically in accordance with the Terms of Reference (ToR) and our Supply of Internal Audit Services Agreement. The procedures that were performed did not constitute an assurance engagement in accordance with the New Zealand Standards for Assurance Engagements, nor do they represent any form of audit under New Zealand Standards on Auditing, and consequently, no assurance or audit opinion is provided.
- Because of the inherent limitations of any internal control structure, it is possible that errors or irregularities may occur and not be detected. The procedures were not designed to detect all weaknesses in control procedures as they were not performed continuously throughout the period and the tests performed are on a sample basis.
- Any projection of the evaluation of the control procedures to future periods is subject to the risk that the systems may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.
- The matters raised in this report are only those which came to our attention during the course of performing our procedures and are not necessarily a comprehensive statement of all the weaknesses that exist or improvements that might be made. The Audit cannot, in practice, examine every activity and procedure, nor can it be a substitute for management's responsibility to maintain adequate controls over all levels of operations and their responsibility to prevent and detect irregularities, including fraud. Accordingly, management should not rely on the report to identify all weaknesses that may exist in the systems and procedures under examination, or potential instances of non-compliance that may exist.
- This report has been prepared for distribution to the Council for the purpose of providing information on an audit of the Council's consents. No responsibility will be taken for any reliance on this report to any other persons or users, or for any purpose other than that for which it was prepared.

Suggestions for improvement should be assessed by management for their full commercial impact before they are implemented.

Appendices

Appendix A: Emergency Response Management Audit Terms of Reference

6






Objective & Scope	<p>Objective</p> <p>Assess policies, plans and processes in relation to the emergency response management.</p> <p>The scope of this review includes processes and procedures in relation to Councils actions in an emergency.</p>
Sponsor	Libraries and Cultural Services Manager
Key Risks	<ol style="list-style-type: none"> 1. Significant disruption to Council's Business Continuity and/or Lifeline Utilities disruptions 2. Major failure of Health & Safety Policy and procedures in the workplace 3. Ineffective Partnership relationships / Stakeholder engagement
Approach	<p>Our approach in completing this audit will include:</p> <ul style="list-style-type: none"> • Review key documentation, including policies, applicable risk registers, relevant legislation, prior reviews, procedures / processes and any relevant team / staff updates. • Identify key staff and their roles responsibilities. • Understand and document any key processes / systems via interviews with staff. • Assess and understand internal reporting and controls. • Test controls effectiveness through various means as required. • Validate any control / process gaps and identify any effectiveness issues. • Discuss and recommend appropriate and practical solutions with key personnel. • Complete and distribute a draft and final report
Deliverables	The findings, format and presentation of this report will be discussed in draft with stakeholders, before the final report is issued. The report will outline findings and recommendations and will contain suggestions for process / control improvements where appropriate.
Timing	<p>Planning: October 2023</p> <p>Fieldwork: October/November 2023</p> <p>Reporting: November/December 2023</p>
Staffing	Anna Officer, Business and Risk Analyst

<p>Engagement terms</p>	<p>This review will be performed in accordance with ethical and professional standards of the New Zealand Institute of Internal Auditors and Chartered Accountants Australia and New Zealand.</p> <p>The procedures performed will comprise an advisory engagement and will not constitute an assurance engagement in accordance with the New Zealand Standards for Assurance Engagement, nor will it represent any form of audit under Auditing, and consequently, no assurance conclusion or audit opinion will be provided.</p>
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Appendix B: Rating Scale

Control Objective

The assessment of control objectives is based on our assessment of the processes as presented and the results of judgemental sample testing. The consolidated results of testing together with the appropriateness of control mitigations form this assessment.

	Description	Rating Scale Indicator
1	<p>Significant Weakness</p> <p>The control environment either does not exist or is inadequate to manage risk related to process under review and is significantly below good practice and does not compare favourably to other models. The business is exposed to control failure and potential financial, operational, and strategic impacts. The impact of these negative outcomes or opportunities lost is significant and very likely to occur.</p>	
2	<p>Informal / Inadequate Controls</p> <p>The control environment exists but is informal or has important gaps and certain elements are below good practice or do not compare favourably to other models. The business is exposed to control failure and potential financial, operational, and strategic impacts. The impact of these negative outcomes or opportunities lost might be significant and likely to occur.</p>	
3	<p>Adequate Controls</p> <p>The control environment exists and some gaps and / or areas for improvement have been detected. The environment compares to other models with room for improvement. Gaps identified could expose the business to control failure and potential financial and operational impacts. The impact of these negative outcomes or opportunities lost might be of moderate impact and could occur.</p>	
4	<p>Well Controlled</p> <p>The control environment exists and minimal gaps and / or areas for improvement have been detected. The environment compares favourably to other models. The business may be exposed to control failure and potential financial and operational impacts. The impact of these negative outcomes or opportunities lost might be of low to moderate impact and unlikely to occur.</p>	
5	<p>Best Practice Controls</p> <p>The control environment exists, and no gaps have been detected. Control applications and processes in existence exceeded better practice and are better than other models. The business is unlikely to be exposed to control failure and potential financial and operational impacts. The impact of these negative outcomes or opportunities lost might be of low impact and unlikely to occur.</p>	

Findings Classification

Internal Audit use the following classification framework to prioritise and define the significance of reported findings. This is based on the understanding of the incurred or potential impact to the Council, and the likelihood of occurrence.

Rating	Definition	Action required
Critical	Issue represents a severe control weakness. This could cause or is causing severe disruption to process/service, or severe adverse effect on the ability to achieve objectives.	Requires immediate notification to the audit sponsor and Chief Executive. Included and highlighted within the executive summary of report. Requires significant involvement by the audit sponsor/Senior Management to manage/resolve. Requires interim action within 7-10 days , followed by a detailed plan of action to be put in place, with an expected resolution date and a substantial improvement within 30 days . Note that for Health and Safety hazards or activities that pose immediate harm to a person immediate action must be taken to eliminate the risk (i.e., stop work). The ability to accept this risk as observed or without additional mitigation requires Audit and Risk Management Committee approval.
High	Issue represents a significant control weakness. This could cause or is causing significant disruption to process/service, or significant adverse effect on the ability to achieve objectives.	Requires notification to audit sponsor. Included within the executive summary of report. Requires senior management involvement to manage/resolve. May require interim action within 30 days, with an expected resolution date and substantial improvement within 1-3 months . The ability to accept this risk as observed or without additional mitigation requires CEO approval with notification to the Audit and Risk Management Committee.
Moderate	Issue represents a moderate control weakness. This could cause or is causing some disruption to process/service. There may be a level of short-term tolerance due to compensating	Requires notification to relevant manager with disclosure to Senior Management. Summarised within the executive summary of report. Requires management involvement with senior management oversight to manage/resolve. Requires expected resolution date and a substantial improvement within 3-6 months. The ability to accept this risk as observed or without additional mitigation requires audit sponsor approval with disclosure to the Audit and Risk Management Committee.

	controls or remedial plans underway.	
Low	Issue represents a minor control weakness. This could cause or is causing inefficiencies in process or is a lack of formality in documentation or process.	Requires disclosure to process owner. Reported in detailed findings of the report. Requires management action within a reasonable time period. Timeframe for action is subject to competing priorities and cost/benefit analysis e.g., 6-9 months. The ability to accept this risk as observed or without additional mitigation requires Senior Management approval with disclosure to the audit sponsor.
Improvement Idea	Observation represents an identified opportunity to improve process / service efficiency.	Requires disclosure to process owner and audit sponsor. Included within detailed findings of report. Provided for management consideration, no action required.

Findings Ease of Fix

Internal Audit uses the following classification to define the effort required to resolve issues raised, based on our understanding of the issue and experiences with resolving similar issues. This is intended as a guide only; management should undertake its' own assessment to determine the actual level of effort required.

Rating	Definition
Complex	The solution is complex and may involve substantial time to develop, implement and test, substantial monetary cost to resolve, or substantial changes to system design or business processes. Estimated timeframe for fix to be implemented is up to but may extend for longer than six months.
Medium	There is a moderately complex fix for this finding, which may involve some time to develop, implement and test, some cost to resolve, or some changes to system design or business processes. Estimated timeframe for fix to be implemented is within three months.
Simple	There is a simple fix for this finding, which may involve minor system changes that require limited effort to implement or test, minor costs to resolve, or minor changes to system design or business processes. Estimated timeframe for fix to be implemented is within one month.



Pūrongo-Whakamārama Information Report

6

To	Risk and Assurance Committee
From	Kaitātari Pakihi me te Whakararu / Business and Risk Analyst, Anna Officer
Date	27 March 2024
Subject	Risk and Assurance Committee - Workplan

(This report shall not be construed as policy until adopted by full Council)

Whakarāpopoto Kāhui Kahika / Executive Summary

1. The Risk and Assurance Committee Workplan (the Workplan) for 2023/24 - 2026/27 includes key reports, policies for review and workshops, for the next three years.

Taunakitanga / Recommendation

THAT the Risk and Assurance Committee receives the Risk and Assurance Committee Workplan for the period 2023/24 – 2026/27.

Whakawhiti Kōrero / Discussion

2. The Workplan includes key policies for review, regular reports, and upcoming workshops. The Risk and Assurance Committee (the Committee) may review the Workplan at any stage and add or remove items.

Whakakapia / Conclusion

3. The Workplan for 2023/24 - 2026/27 is attached in [appendix 1](#) and includes key Council work that the Committee will review.

Anna Officer

**Kaitātari Pakihi me te Whakararu /
Business and Risk Analyst**

[Seen by]

Vipul Mehta

**Pouhautū Āheinga Pakihi /
Head of Business Enablement**

Appendix 1. [Risk and Assurance Committee Work plan 2023-2026 2023-06-12.docx](#)

Focus Areas	2024					
Meeting dates TBC	March	May	June	August	September	November
LTIF	SIPO Adoption	Mercer		Mercer		Mercer
Quarterly Reporting		Quarterly Report Capital Works Project Process Report		Quarterly Report Capital Works Project Process Report		Quarterly Report Capital Works Project Process Report
Annual Report 2023/24		2023-24 Annual Report Audit Arrangement Letter		Interim Annual Report 2023/24		Deloitte Audit Management Report
Risk Management	Risk Management Status Report SLT Strategic Risk Review Report		Risk Management Status Report Strategic Risk deep dive	Insurance Renewal 2024-25	Risk Management Status Report Strategic Risk deep dive	
Internal Audit	Internal Audit Status Report Insurance Internal Audit Report Emergency Management Internal Audit Report		Internal Audit Status Report Privacy Compliance Internal Audit Report		Internal Audit Status Report	
Regular Update Reports	Committee Workplan Health and Safety Cybersecurity Report ERP Update	Committee Workplan Debtors report	Committee Workplan Health and Safety Cybersecurity Report Privacy Breach Report Insurance Report	Committee Workplan Debtors Report	Committee Workplan Health and Safety Cybersecurity Report ERP Update	Committee Workplan Debtors report
Additional Committee Sessions	Quarterly Reporting Templates	To be confirmed	To be confirmed	To be confirmed	To be confirmed	
2024-2034 Long-Term Plan	2024-2034 LTP Audit Arrangement Letter		2024-2034 LTP Update Three Waters Update			

Workshops	SIPO Workshop						SIPO review workshop
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Focus Areas	2025						
Meeting dates TBC	February	March	May	June	August	September	November
LTIF	Mercer & SIPO Adoption		Mercer		Mercer		Mercer
Quarterly Reporting	Quarterly Report Capital Works Project Process Report		Quarterly Report Capital Works Project Process Report		Quarterly Report Capital Works Project Process Report		Quarterly Report Capital Works Project Process Report
Annual Report 2024/25		2024-25 Annual Report Audit Arrangement Report			Interim Annual Report 2024/25		Deloitte Audit Management Report
Risk Management		Risk Management Status Report		Risk Management Status Report	Insurance Renewal 2025-26	Risk Management Status Report	
Internal Audit		Internal Audit Status Report		Internal Audit Status Report		Internal Audit Status Report	
Regular Update Reports	Committee Workplan Debtors report SIPO Report	Committee Workplan Health and Safety Cybersecurity Report ERP Update	Committee Workplan Debtors report	Committee Workplan Health and Safety Cybersecurity Report Privacy Breach Report Insurance Report	Committee Workplan Debtors Report	Committee Workplan Health and Safety Cybersecurity Report ERP Update	Committee Workplan Debtors report
Additional Committee Sessions	To be confirmed	To be confirmed	To be confirmed	To be confirmed	To be confirmed	To be confirmed	
Annual Plan	Annual Plan 2025/26 Update		Annual Plan 2025/26 Update				
Workshops							

FOCUS AREAS		2026					
Meeting dates TBC	February	March	May	June	August	September	November
LTIF	Mercer & SIPO Adoption		Mercer		Mercer		Mercer
Quarterly Reporting	Quarterly Report		Quarterly Report		Quarterly Report		Quarterly Report
	Capital Works Project Process Report		Capital Works Project Process Report		Capital Works Project Process Report		Capital Works Project Process Report
Annual Report 2025/26		2025-26 Annual Report Audit Arrangement Report			Interim Annual Report 2025/26		Deloitte Audit Management Report
Risk Management		Risk Management Report		Risk Management Report	Insurance Renewal 2026-27	Risk Management Report	
Internal Audit		Internal Audit Report		Internal Audit Report		Internal Audit Report	
Regular Update Reports	Committee Workplan	Committee Workplan	Committee Workplan	Committee Workplan	Committee Workplan	Committee Workplan	Committee Workplan
	Sipo Report	Health and Safety Cybersecurity Report		Health and Safety Privacy Breach Report Three Waters Update		Health and Safety Cybersecurity Report	
Additional Committee Sessions	To be confirmed	To be confirmed	To be confirmed	To be confirmed	To be confirmed	To be confirmed	
LTP 2027-37		LTP 2027/37 Timeline		LTP 2027/37 Pre-consultation timeline		2027/37 LTP Update	
Workshops			Mercer Investment workshop for new committee members				SIPO Review



Pūrongo-Whakamārama Information Report

6

To	Risk and Assurance Committee
From	Kaitātari Pakihi me te Morearea / Business and Risk Analyst, Anna Officer
Date	27 March 2024
Subject	Strategic Risk Review Report

(This report shall not be construed as policy until adopted by full Council)

Whakarāpopoto Kāhui Kahika / Executive Summary

1. At the 29 March 2023 Risk and Assurance Committee (the Committee) meeting the Chair requested that details of one strategic risk be presented six monthly to the Committee meeting. This report presents details of the strategic risk “Failure to manage and protect council information”, which covers a failure to manage and protect information; leading to significant interruption of Council services or a legislative breach. The risk has an extreme inherent risk rating and a high residual risk rating (after treatments).
2. This strategic risk has ten associated business risks.

Taunakitanga / Recommendation

THAT the Risk and Assurance Committee receives the Strategic Risk Review Report.

Kupu Whakamārama / Background

3. The Council has a risk register that includes strategic risks, business risks, operational risks and project risks. There are 13 strategic risks, and the Senior Leadership Team is responsible for and regularly reviews these risks. The Committee asked officers to provide details of one strategic risk at each meeting.

Whakawhiti Kōrero / Discussion

4. Below are the details of the strategic risk, the risk owner, risk rating, and a heat map showing the inherent risk and residual risk.

Strategic Risk

5. **Risk title:** Failure to manage and protect Council information:

Risk Owner: Head of Business Enablement	Inherent risk rating: Extreme	Residual risk rating: High
Significant interruption of Council services or a legislative breach. This may result in:	<ul style="list-style-type: none"> - Financial consequences - Reputational damage - Loss of staff trust in processes and systems incorrect information is provided 	
Caused by:	<ul style="list-style-type: none"> - Unauthorised access to Council data - Unauthorised distribution of Council data - Cyber-attack - Unauthorised destruction of Council data - System (not people) failure - Lack of controls in place - Poor planning 	

6. Heat Map:

		Likelihood				
		Very unlikely	Unlikely	Possible	Likely	Almost Certain
Impact	Catastrophic	Medium	High	High	Extreme	Extreme
	Major	Medium	Medium	High	High	Extreme
	Moderate	Low	Medium	Medium	High	High
	Minor	Low	Low	Medium	Medium	Medium
	Insignificant	Low	Low	Low	Medium	Medium

7. Treatments

MC00293	
Training for staff on record management. Fine tuning of EDRMS to help teams manage information. Record management policy, monitoring, reporting with consequences, linking record management with processes.	
Signoff: Information Management Team Leader	Signoff: The first day of every 3 months

MC00372	
Clean files that contain unnecessary information that council should not hold - for example, bank accounts or other financial information.	
Signoff: Information Management Team Leader or Head of Business Enablement	Signoff: The first day of every 3 months

MC00373	
Educating staff on the privacy breach policy.	
Signoff: Privacy and Purchasing Advisor	Signoff: The first day of every 3 months
MC00374	
Review the LGOIMA process and follow a continuous improvement approach to the process. Take extra care to ensure privacy issues are addressed to ensure no private information is accidentally included in LGOIMAs.	
Signoff: Head of Strategy and Governance, Privacy and Purchasing Advisor or Legal and Procurement Manager	Signoff: The first Monday of every 3 months
MC00390	
Include Information Management responsibilities in appropriate individual job descriptions to ensure staff are aware of these and accountable.	
Signoff: People and Capability Manager or Information Management Team Leader	Signoff: The first day of every 3 months
MC00407	
A continuous improvement program (SAM for compliance from ALGIM) is in place to report on cybersecurity posture and provides a benchmark to score our posture. This is supported by a framework which is applied to daily work. Regular audits conducted by Tony K.	
Signoff: Head of Business Enablement or IT Operations Team Leader	Signoff: The first Monday of every 3 months
MC00674	
Review the LIM process and follow a continuous improvement approach to the process. Take extra care to ensure privacy issues are addressed to ensure no private information is accidentally included in LIMS.	
Signoff: Quality Assurance Manager	Signoff: The first Weekday of every 3 months
MC00759	
Develop a plan for a continuous improvement approach for the collection, storage, and dissemination of personal information by the Council.	
Signoff: Information Management Team Leader or Head of Business Enablement	Signoff: Once on 24 October 2023

8. Associated Business Risks

Risk No.	Risk Title	Description	Risk Owner	Inherent Risk Rating	Residual Risk Rating
R00248	Compromised Data Integrity	There is a risk of a security breach, this may result in loss of Council data, data leak, unauthorised changes/encryption and unable to deliver services to the public caused	Head of Business Enablement	Extreme	High

		by systems not being timely updated, staff not trained, lack of cyber awareness, hardware failure, disgruntled employee, malicious act by person or entity and data theft			
R00333	Property Records not up to date	Records are not updated when usage changes, lease expiry, properties acquired or disposed of. This may result in loss of income and unnecessary ongoing costs. Caused by a lack of effective processes for property management. Ineffective management of leases and licenses	Operations Manager Property and Facilities	High	Moderate
R00311	Lack of consultation around decision that affects Information Services	The Council makes decisions that affect the Information Services without proper consultation with the IS/IM departments. This will result in, sub-optimal systems that are hard to integrate with other Council systems, excess cost, weak cyber security measures, and risk duplicating of the functionality with other existing systems	Head of Business Enablement	Extreme	Moderate
R00519	Breaching LGOIMA/OIA	There is a risk of the Council breaching the Local Government Official Information and Meetings Act 1987 (LGOIMA) requirements. This may result in an investigation by the Office of the Ombudsman resulting in a decision being overturned. This may result in reputational damage, caused by withholding information without just cause under LGOIMA or disclosing incorrect information.	Legal and Procurement Manager	Moderate	Moderate

Risk No.	Risk Title	Description	Risk Owner	Inherent Risk Rating	Residual Risk Rating
R00308	Compliance with Records Management Legislation	<p>Failure to comply with the Public Records Act 2005</p> <p>There is a risk of failure to capture/create and deletion of record.</p> <p>This may result in loss of records: bad decision making (inability to explain why a decision or course of action was taken), lack of ability to improve (history repeats itself), none compliance with the RMA 2015 (Bad press and investigations launched by DIA)</p> <p>Caused by staff lack of understanding of what constitutes a record; lack of identification of records management requirements during system upgrades/changes; lack of resources; failure to capture/create or deletion of record (loss of Information), lack of interest/motivation, procurement of shadow IT</p>	Head of Business Enablement	Extreme	Moderate
R00199	Issuing LIMs (Land Information Memorandum) with Incorrect Information	<p>Providing incorrect LIMs to customers due to inaccurate information being sourced and inadequate checking and finalising of LIM.</p> <p>The consequences include customers seeking financial compensation; the final LIM not being produced within the statutory timeframes set out in legislation; Ombudsmen undertakes audit; reputation of the Council in disrepute.</p> <p>Causes; inaccurate data available on Council systems i.e. P&R, Orion; unqualified or trained staff/managers signing off LIMs; insufficient checking process.</p>	Quality Assurance Manager	High	Moderate

Risk No.	Risk Title	Description	Risk Owner	Inherent Risk Rating	Residual Risk Rating
R00443	Data Confidentiality Breach in a Digital Transformation Project	Data is released that breaches the Privacy Act or customer confidentiality which leads to a review by the Privacy Commission, reputational damage, loss of customer trust, this can be caused by lack of training or knowledge of the system, staff lack of knowledge of legislation, poor cyber security	Digital Transformation Project Manager	High	Moderate
R00328	Response to media requests	Inaccurate information/statements or private information being given to the media. This could result in further negative media coverage, reputational damage, legal challenge (e.g. breach of Privacy Act). Caused by inaccurate information being provided to Communication Manager, poor record keeping.	Head of Communication and Customer Services	High	Medium
R00414	Failure to Capture Records Correctly	There is a risk of records not being saved correctly in SharePoint. This may result in difficulty finding these records and failing to comply with the Public Records Act 2005 and requirements under the Local Government Official Information and Meetings Act 1987. Caused by human error or lack of understanding of folder structure.	Head of Business Enablement	High	Moderate
R00470	Outdated Technology	There is a risk of council not keeping up with evolving technology and operating outdated systems/software/hardware. This may result in unsupported systems, security vulnerabilities, reduced customer service and reduced functionality/performance/reliability, difficulty recruiting and retaining IT staff, increased IT cost. Caused by failure to upgrade software, and failure to recognise business needs.	Head of Business Enablement	Extreme	High

Whakakapia / Conclusion

9. Each strategic risk includes a title, description, owner, causes, treatments and regular reviews and sign offs. The strategic risk “Failure to Manage and protect Council Information” covers significant interruption to council function or legislative breaches due to a failure to protect and manage Council information. The risk has an extreme inherent risk rating and a high residual risk rating (after treatments). Strategic risks are regularly reviewed by the Senior Leadership Team.



Anna Officer

**Kaitātari Pakihi me te Morearea /
Business and Risk Analyst**



[Seen by]

Vipul Mehta

**Te Tumuaki Whakamana Pakihi /
Head of Business Enablement**



Pūrongo-Whakamārama Information Report

6

To	Risk and Assurance Committee
From	Kaitātari Pakihi me te Morearea / Business and Risk Analyst, Anna Officer
Date	27 March 2024
Subject	Quarterly Internal Audit Status Report

(This report shall not be construed as policy until adopted by full Council)

Whakarāpopoto Kāhui Kahika / Executive Summary

1. This report provides the Risk and Assurance Committee (the Committee) with an update on the status of the Internal Audit activity since the last Internal Audit Status Report. This report also includes an update on the open recommendations from previous internal audits.

Taunakitanga / Recommendation

THAT the Risk and Assurance Committee receives the Quarterly Internal Audit Status Report.

Kupu Whakamārama / Background

2. This report includes details of the Council's Internal Audit activities undertaken since the last Internal Audit Status Report was presented to the Committee on 20 September 2023.

Whakawhiti Kōrero / Discussion

Current Audit Assignment

3. The status of the Internal Audit assignments, as of 29 February 2024, is summarised in the below table.

Assignment	Status	Comment
Insurance	Report issued	With SLT for approval
Emergency Response Management	Report issued	With SLT for approval
Privacy Compliance	Report Issued	With Legal and Procurement Manager and Privacy and Purchasing Advisor

Open Audit Recommendation Actions

4. Total number of open recommendations as of February 2023 is twenty five, nine recommendations were closed since the last report. Eight recommendations are dependent on the implementation of TechOne SaaS solution. The below table shows the number of recommendations for each group.

Group/Rating	High	Moderate	Low	N/A	Closed	Total Open
Office of Chief Executive	2	2	-	-	-	4
Environmental Services Group		1		-	4	1
Infrastructure Services Group	-	1	1			2
Corporate Service Group	6	8	4	-	4	18
Total	8	12	5		8	25

5. The actions for audit recommendations that have not yet been implemented, along with estimated completion dates and management comments are attached as [Appendix 1](#) and are as of 29 February 2024.

Internal Audit Plan

6. The Internal Audit Plan 2023/24 is attached as [Appendix 2](#).



Anna Officer

**Kaitātari Pakihi me te Morearea /
Business and Risk Analyst**



[Seen by]
Vipul Mehta

**Te Tumuaki Whakamana Pakihi /
Head of Business Enablement**

Appendix 1: Agreed actions for audit recommendations that have not yet been implemented (in order of expected completion date)

Recommendation	Responsible Group	Estimated completion date	Management action plan / comments
Water Connections Audit (March 2017)			
<p>1. That a report is developed to capture all Building Consent applications that have had a drainage inspection/memo. The report would also show the date the drainage inspection/memo was completed and the date the Code of Compliance Certificate was issued.</p> <p>The proposed report could replace the 'BC CCC issued' report. Currently, Tasha needs to pick out properties that may have a water connection and the current process has the potential to miss charging some properties the water connected levy.</p> <p>It is a requirement of the property owner or contractor to apply for a Code of Compliance Certificate which in some cases it is not followed up hence it is missed off the current report.</p> <p>With the introduction of 'Go Get' the inspections may not show as an event in Property and Rating and therefore the memos created from Go Get in Property and Rating may form the basis of the report, this is something that will require further investigation.</p>	Environmental Services	31/03/2023 90%	<p>This action may be incorporated into the above process however needs further discussion with the Building Control Team.</p> <p>Update: March 2024: Fees and charges have been updated to standardise cost of consultant services 2023/2024</p>
Business Continuity Plan (BCP) Audit (December 2018)			
<p>1. That the Master BCP is rewritten so that the most urgent activities and processes of the Council are identified, and a detailed plan is specified to restore these activities or processes after a disruptive event.</p>	Community Services	30/04/2024 90%	<p>SLT agrees with the steps to be taken here. There should be one BCP with sections for critical business activities.</p> <p>BCPs were reviewed as part of the Council's response to COVID-19. A further review will be undertaken to ensure essential services are identified and a detailed plan for restoration is developed.</p> <p>Update: March 2024: There is now a requirement to add a CATPLAN (Catastrophic Event Plan) to the BCP, so this will be completed by 30/5/24</p>

Recommendation	Responsible Group	Estimated completion date	Management action plan / comments
2. That all STDC staff are trained on the BCPs and emergency management.	Community Services	30/06/2024 90%	SLT agrees with the recommendation. Once the BCP's are finalised, training should occur – scenario exercises would be useful in this instance. Training is to be implemented once the plans have been finalised. Update: March 2024: All units will receive training on the BCP, with CATPLAN, by 30/6/24
Payroll Audit (March 2020)			
1. Leave Policy Prepare a Leave Policy that covers various types of leave.	Office of Chief Executive (CE)	30/03/2024 80%	Management will investigate the appropriate format for this document. Update: March 2024: was due 28 February. It will be this month; March.
Rates audit (Feb 2021)			
1. Change in Rateable Information Database (RID); Each change in the RID is to have a second reviewer before processing into the system.	Corporate Services	30/06/2024	Agree to review the yearly reconciliation going forward. Update: March 2024: we are still hoping to achieve this by the end of June 2024
2. Confirmation of remission status: Carry on periodic reviews (for example every five years) on the remission status of the property, this can be done by sending confirmation to the owners.	Corporate Services	05/07/2024 0%	Properties currently with a remission status will be reviewed on a five yearly basis to confirm the ongoing validity of that status. The mechanism for confirming that status is to be determined. Update: March 2024: We aim to achieve this before the remissions are applied to the new rating cycle.
Procurement (Sep 2021)			
1- Procurement processes in Promapp. 1.1- Set up a centre of excellence for major and complex procurement for staff to send through their questions or enquiries. The centre can review tender documents and contracts when needed. 1.2- Establish a procurement champion in each Group. Champions to have thorough training and experience. They will cover routine procurements support to staff. 1.3- The centre of excellence champion can create and document in Promapp the procurement process in compliance with the Procurement Policy and Manual. These processes should cover all the various Council procurement activities.	Corporate Services	30/06/2024 70%	Employ a Procurement Officer to undertake these tasks, including reviewing policies and manuals, and mapping procurement processes. Update: February 2024: Capital Projects Manager helping provide Promapp detail, arrangements made for Legal and Procurement Manager to be a part of the tender evaluation panel for the Projects team.

Recommendation	Responsible Group	Estimated completion date	Management action plan / comments
1.4- Train staff on the procurement process once it is created.			
HR (Feb 2022)			
1- The staff evaluation system. - Update and align the two processes of the performance evaluation system with each other. - Align the performance evaluation system with the Council values. - Issue staff with a letter advising them of their performance outcome and any salary increase.	Office of CE	30/06/2024 80%	1. Provide more details in the PDP templates to align performance management with the Council's values. 2. The staff evaluation system improvement will be discussed with the CE and SLT. Update: March 2024: Draft revised performance management system in consultation phase with expected release to align with the 2023/24 review cycle.
H&S (Feb 2022)			
1- Contractors' pre-qualification register. Send the expiry email one month before the expiry date of the pre-qualification. Set a time limit for contractors to have a status of "in progress" after a second reminder is sent and finally to be removed from the register.	Office of CE	30/08/2024 20%	This will be included in the move to the Vault Contractor Management module. Currently waiting on Damstra to respond re module purchase and roll out. Update: March 2024: Damstra has made the decision to discontinue with the Vault Contractor Management module. The implications of this decision is that STDC will continue in the interim with the existing system. A review of the contractor management system is part of the P&C workplan commencing March 2024.
2- Vault software. Utilise Vault to its full capabilities. Transfer the administration of Vault to the IS Unit.	Office of CE	30/08/2024 0%	The P&C Manager and CIO to discuss ownership and administration of the system. Update: March 2024: HOBE focus on budgets and LTP and delayed this conversation occurring.
Borrowing (May 2022)			
1. Liability Management Policy: Update the Liability Management Policy to include the following points: i. Responsibility section for the Council, CE, and CFO. ii. Definition of the risks and consequences and causes in addition to assessing these risks. iii. Update the procedures manuals to align with these changes.	Corporate Services	30/06/2024 90%	To update the Liability Management Policy with the recommendations. Update: March 2024: The LMP was reviewed in November 2023. Need to confirm if the changes were picked up.
LGOIMA (Mar2023)			

Recommendation	Responsible Group	Estimated completion date	Management action plan / comments
<p>1- LGOIMA Request Decision timeframe. Update the process to count the days till the decision is made for any LGOIMA request.</p>	<p>Corporate Services</p>	<p>31/06/2024 80%</p>	<p>Develop Guidelines for processing a LGOIMA. All documentation throughout the request processing to be included under “memos” within P&R and record the date and times in the events tab of P&R, which will count the required 20 days. A Promapp process is to be created from the Guidelines and directing anyone having to process a LGOIMA to the templates for responses. Update: February 2024: We are following the process as a result of the findings from the audit. Templates are in place in Orion. Information and responses etc are added into P&R as memos and a separate file in Orion has been set up for each LGOIMA request. The promapp process is still to be updated.</p>
<p>2- LGOIMA Request Records. - Look into the recording process and make sure that all correct records are kept. - Include in the LGOIMA Policy threshold for recording a request, for example, request for information already published in other sources, like the Council website, will not be required to be recorded as a request while other will be treated so. - Consider using the digital flow of documents and incorporating in the digital transformation strategy (DTS).</p>	<p>Corporate Services</p>	<p>31/09/2024 80%</p>	<p>Work to be undertaken with Corporate Planning to review the Council’s Policy on LGOIMAs. Create a document that contains information on what should be recorded throughout the LGOIMA process. Investigate the content of other Council’s LGOIMA policies to gauge a robust process. Update: Feb 2024: Register for LGOIMAs is completed and ongoing. Separate files are created for each LGOIMA with documents kept throughout the process ie. Emails with approvals, reviews, information to collate responses - review of policy still to be undertaken</p>
<p>3- LGOIMA Training. - Create training programmes and materials for all staff about LGOIMA requirements, with special training for staff dealing with the requests. - Create training records and make sure there is follow up training for staff on a regular basis.</p>	<p>Corporate Services</p>	<p>30/06/2024 60%</p>	<ul style="list-style-type: none"> • Create a training programme that is delivered to existing and new employees/councillors as part of the induction process. • Work with the Office of the Ombudsman to ensure that there is a training programme created for subject matter experts dealing with LGOIMA requests and those responding to requests. • Ongoing staff training to be undertaken annually on a number of topics, as well as keeping an up-to-date register to record staff training. <p>Update: Feb 2024: Currently creating video clips with animaker for training sessions. Have communicated with the Office of the Ombudsman last year and they</p>

Recommendation	Responsible Group	Estimated completion date	Management action plan / comments
			have advised that they will be releasing LGOIMA training modules by June 2024. They have sent me a power point.
4- LGOIMA policy. - Review and update the current policy. - Review and update other policies that deal with customer requests which may be treated as LGOIMA requests. - Create a manual/guide for detailed steps.	Corporate Services	31/06/2024 50%	<ul style="list-style-type: none"> As noted in the actions for recommendation 2 above, a detailed manual containing guidance on the LGOIMA process is to be created. In this case one has been started and needs to be updated / continued. The Council's Policy is to be reviewed and include some of the additional sections suggested above for better control of the LGOIMA process. Update the Media Policy to include references to the LGOIMA process for responding to media requests. <p>Update: Feb 2024: The Process Manual LGOIMAs is still being updated and the Policy is to be reviewed (Gordon has sent through to me for review). As for the Media Policy I will need to catch up with Gerard.</p>
5- LGOIMA performance measure and reporting. Create records, KPI and analysis which to be reported to proper governance level.	Corporate Services	30/06/2024 80%	<ul style="list-style-type: none"> Reporting regularly to SLT and the Audit and Risk Assurance Committee. Reviewing and analysing LGOIMA requests to identify any trends that may need to be published online to our community. Create a register to assist with the reviewing and analysis reporting, and to assist with the process for record keeping. Update the process in P&R with a checklist and prompts for recording purposes throughout the LGOIMA process. <p>Update: Feb 2024: A checklist is done, still working on a document to have the changes for the events in P&R.</p>
Fraud Audit (June 2023)			
1- Fraud controls - Perform credit risk to all staff dealing with assets or funds and finance team upon hiring and throughout their employment (once every three years). - Consider implementing a detection programme to the finance system - Develop a fraud training program for staff.	Corporate Services	TBC 30%	<ol style="list-style-type: none"> The Council will check the credit check for key financial roles. This feature will be added to the DTS. Training materials to be prepared. <p>Update: Feb 2024: Fraud training delivered annually to all staff during fraud awareness week, action 2 is awaiting implementation of Techone.</p>

Audit Recommendations Dependent on ERP Replacement:

Recommendation	Responsible Group	Estimated completion date	Management action plan / comments
Accounts Payable Audit (August 2020)			
1. Invoice Splitting: Implement appropriate preapproval for invoice splitting by the CFO or GM Corporate Services which is to be attached to the invoice. Include in the future finance system, the ability to have multiple approval from the same level on different components of an invoice.	Corporate Services	TBC (awaiting TechOne) 25%	Currently, this can only be done manually. It is preferred that this recommendation be carried out once the new financial system is in place.
Rates audit (Feb 2021)			
1. The Finance IT system: Some points are noted to be taken into consideration with the new finance system.	Corporate Services	TBC (awaiting TechOne) 15%	These points are noted with a view to incorporating them into any new system development through the Digital Transformation Strategy.
Procurement (Sep 2021)			
1- Project funds. 1.1- Prepare a guide for projects to be carried forward, it can include points like: i- The limit of how much (expressed as a percentage of the project budget) of a project budget that can be carried forward and for how long. ii- Ensure approval to carry forward projects is requested from SLT and the Councillors. iii- Set acceptable criteria and justification of carrying forward projects. 1.2- Ensure the use of contracts as per the Procurement Policy. Centre of excellence and champion can implement these points.	Corporate Services	TBC (awaiting TechOne) 0%	Procurement officer to work with the finance team and the Group Manager Corporate Services to implement the recommendation.
2- Project document archiving. 2.1- Update the Procurement Manual setting out minimum documents required for each procurement type (project, PO). 2.2- Set up Orion with a structure that can be used across all Council Units, for example, set a separate case (or sub-folder) for	Corporate Services	TBC (awaiting TechOne) 10%	Procurement Officer to work with Audit and Risk Manager and Information Management Team to implement the recommendation.

Recommendation	Responsible Group	Estimated completion date	Management action plan / comments
correspondence and other supporting documents relating to a project.			
<p>3- Contract management.</p> <p>3.1- Create contract management procedures for the whole Council. This could be incorporated with the Digital Transformation Strategy to have a system that supports contract management.</p> <p>3.2- Set minimum terms and criteria that every contract must include. Develop general terms that should be used for any type of contract with any deviation/cancelation of any of its terms to be approved by the level above the appropriate financial delegate who can sign the contract.</p> <p>3.3- A copy of all contracts to be submitted to Information Management for archiving.</p> <p>3.4- Continue updating and training staff on the archiving rules. Continue to train staff on using Orion to file documents.</p>	Corporate Services	TBC (awaiting TechOne) 5%	Procurement Officer to look at contract and digital transformation roadmap to include contract and project management considerations.
<p>4- Aged open Purchase Order (PO).</p> <p>4.1- Close all open POs that are no longer needed.</p> <p>4.2- When staff leave the Council, if there is an open PO under their name, this is to be moved to their manager before the staff member leaves.</p> <p>4.3- Any open PO over a defined number of years (3 years for example) to be closed by the Finance team.</p> <p>4.4- Include closing open PO as part of the financial year end process.</p> <p>4.5- These points can be included as a requirement of the new ERP system.</p>	Corporate Services	TBC (awaiting TechOne) 5%	Procurement Officer to work with the finance team on closing POs, - Finance team to work on closing off POs older than three years. - Finance team to ask staff to close open POs as part of year end process. - New ERP system research to include this point.
<p>5- Consistency in using PO by all units.</p> <p>5.1- Investigate the current work scenarios faced by Council and update the Procurement Policy to reflect them.</p> <p>5.2- Ensure the new ERP system supports the needs of the Procurement process.</p> <p>5.3- Establish documentation receiving goods or services and introduce a three-way matching system as noted above.</p>	Corporate Services	TBC (awaiting TechOne) 0%	Procurement Officer to work with finance to investigate and implement the matching system.

Recommendation	Responsible Group	Estimated completion date	Management action plan / comments
6- Project brief information. To include such information in the project brief.	Corporate Services	TBC (awaiting TechOne) 0%	Procurement Officer to work with the project team to update the template.

Appendix 2:

2023/24 Assurance Plan Detail

The table below provides more detail of proposed engagements for FY2023/24, including indicative objectives, scope and timing.

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

#	Review	Q1	Q2	Q3	Q4
1.	Carry forward: Insurance. Assess the processes in place in relation to management and control for insurance including, authorisation, policy, and legislation, claims management and risk management.	√			
2	Emergency response management Assess the processes and controls in place in relation to emergency response management.		√		
3	Privacy compliance Assess the processes in place for management and controls of compliance with the Privacy Act.			√	
4	Property lease management Assess the processes and key controls for managing Council lease properties, including lease contracts, maintenance, and compliance with relevant acts.				√
5	Consultation: Ad-hoc assignments.	√	√	√	√
6	Internal Audit Administration: This involves managing stakeholder relations, reporting, ad-hoc advice, and the follow-up of open audit issues.	√	√	√	√

Notations:

√ Review/engagement is scheduled in the period indicated



Pūrongo-Whakamārama Information Report

6

To	Risk and Assurance Committee
From	Kaitātari Matatapu me te Hoko / Privacy and Purchasing Advisor, Darleena Christie
Date	27 March 2024
Subject	Privacy Breaches Update (April – December 2023)

Whakarāpopoto Kāhui Kahika / Executive Summary

1. This report provides an update to the Risk and Assurance Committee (the Committee) regarding the Council's response under the Privacy Act 2020 (the Act).
2. This report provides the Committee with a list of breaches (the privacy breach log) that have occurred between April to December 2023 and any requests for Information Privacy Principle 6 (IPP6) and Information Privacy Principle 7 (IPP7) which have been reported to the Council's Privacy and Purchasing Advisor. For this period, four breaches were reported which were non-notifiable. The reasons for recording this information are to use the data to identify areas in the Council which have a higher risk of a significant (notifiable) breach occurring, where the Council can target privacy training and to document the Council's response to any privacy breaches.

Taunakitanga / Recommendation

THAT the Risk and Assurance Committee receives the Privacy Breaches Update (April to December 2023) Information Report.

Kupu Whakamārama / Background

3. This Privacy Breaches Update report is a standing annual agenda item as per the Risk and Assurance Committee Workplan.

Whakawhiti Kōrero / Discussion

Breach identifications

4. The following information is a summary of the reported breaches for the period April to December 2023:
 - a) Rates Assessment Notice provided incorrectly

Council Officer provided a rates assessment notice of a property which did not belong to the customer. Another Council Officer was advised of the error when contacted by the customer's lawyer. The correct information was sent to the customer's lawyer, and the original document was destroyed. This breach was not notifiable under the Act due to factors outlined in the privacy breach guidelines .

b) Rates Assessment Notice provided incorrectly

A letter was sent to a customer with the wrong property rating information. The customer has then passed the information onto the residents at the address on the letter. It was noted that Intramaps software required updating so that it did not happen again for that property. This breach was not notifiable under the Act due to factors outlined in the privacy breach guidelines.

c) Individual Contact Details incorrectly provided

A Council Officer provided an address of an individual to a customer where the individual's details were suppressed in the TechOne system. This breach was not notifiable under the Act due to factors outlined in the privacy breach guidelines.

d) Individual Contact Details for Dog Registration incorrectly provided

A new process was being implemented whereby registration notices were to be emailed to Registered Dog Owners that had an email address. A customer was incorrectly provided with an infringement notice for a dog that did not belong to them. This breach was not notifiable under the Act due to factors outlined in the privacy breach guidelines.

Privacy Act requests

5. The Council received two requests under IPP6 or IPP7 within this reporting period. Note that IPP6 relates to an individual who may request access to their personal information that Council holds about them. An IPP7 is to request correction of that personal information, of which none of the two requests received sought correction of their personal information.

Whakakapia / Conclusion

6. This report provides an update to the Risk and Assurance Committee regarding the reported breaches which occurred between April to December 2023 and any requests for IPP6 and IPP7.



Darleena Christie

**Kaitātari Matatapu me te Hoko /
Privacy and Purchasing Advisor**


[Seen by]
Andrew Ritson

**Kaihautū Ture me te Rironga /
Legal and Procurement Manager**

Risk and Assurance Committee - Information Reports

Date advised of breach	Time advised of breach	Mechanism of breach	Description	Immediate action when breach was identified	Remedial action/resolution	Department	Assessment criteria	Notifiable breach?	Did officer advise Manager?	Date	Advised GM	Date
23/06/2023	12.45PM	Email	Rates Assessment Notice provided to a customer and it had the details of another rate assessment customer printed on the notice. This effected 2 customers and included the name, address and the amount of the rates outstanding.	Another Officer within the Council was advised of the error from the customers lawyer and provided correct information.	The correct information was resent to the Customers lawyer.	Corporate Services	A discussion was held with the Officer to look at ways to prevent from happening in the future. A training session on Privacy to be booked in with the Customer Services Team.	No	Yes	26/06/2023	Yes – advised CE	27/06/2023
26/07/2023	5.25pm	Letter	Letter sent to customer with wrong property rating information. The customer has then passed the information onto the residents at the address on the letter.	Finance team responded to the query from the customer regarding the incorrect address and rating information.	The customer responded on 27 July 2023, requesting further investigation of the mishap.	Corporate Services	Following up with the assessment of the data, it was noted that IntraMaps details need to be updated so that it doesn't happen again for the property.	No	Yes	27/07/2023	Yes	27/07/2023
14/08/2023	2.30pm	Phone	Officer verbally provided an address of an individual to a customer and the individuals details were suppressed in the P&R system.	The Privacy and Purchasing Advisor rang the customer whose details were suppressed and advised what had happened and apologised.	Sought permission from the customer to receive contact details for the person trying to reach them.	Corporate Services	A discussion was held with the Officer to look at ways to prevent from happening in the future. A training session on Privacy was held with the Customer Services Team on 29 August 2023 at 4.30pm.	No	Yes	14/08/2023	Yes	15/08/2023
08/11/2023	3.47pm	Email	Officer provided dog owner registration notice and infringement notice information to an incorrect individual.	The Legal and Procurement Manager assessed the breach as non-notifiable to the Privacy Commissioner. A discussion was had with the Quality Assurance Manager.	Emailed the customer.	Environmental Services	Incident further investigated and an apology was provided to the customer, also thanking them for informing Council of the error.	No	Yes	10/11/2023	Yes	10/11/2023

7. Whakataunga kia noho tūmatanui kore / Resolution to Exclude the Public

THAT the public be excluded from the following parts of the proceedings of this meeting, namely:

The general subject 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(1) 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(1) for the passing of this resolution
1. Confirmation of minutes held on 14 February 2024. 2. Statement of Investment Policy and Objectives 3. Health and Safety Quarterly Report – September 2023 to February 2024 4. Quarterly Cyber Security Report	Good reason to withhold exists under Section 7.	That 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 exists. Section 48(1)(a)

This resolution is made in reliance on sections 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by section 7 of that Act, which would be prejudiced by the holding of the relevant part of the proceedings of the meeting in public are as follows:

Item No	Interest
1	Enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations) (Schedule 7(2)(i)).
1, 3	Maintain the effective conduct of public affairs through the protection of members or officers or employees of the Council, and persons to whom Section 2(5) of the Local Government Official Information and Meetings Act 1987 applies in the course of their duty, from improper pressure or harassment (Schedule 7(2)(f)(ii)).
1	To protect the privacy of natural persons, including that of deceased natural persons (S7(2)(a)).
1, 2, 4	To prevent the disclosure or use of official information for improper gain or advantage (s. 7(2)(j)).



Ngā Menīti Komiti

Committee Minutes

To	Risk and Assurance Committee
Date	27 March 2024
Subject	Public Excluded Risk and Assurance Committee – 14 February 2024

(This report shall not be construed as policy until adopted by full Council)

Whakarāpopoto Kāhui Kahika / Executive Summary

1. The Risk and Assurance Committee met on 14 February 2024. The Committee is being asked to confirm their public excluded minutes from 14 February 2024 as a true and correct record.
2. There were no recommendations passed in the public excluded meeting.

Taunakitanga / Recommendation

THAT the Risk and Assurance Committee confirms the public excluded minutes from the meeting held on 14 February 2024 as a true and correct record.



Menīti Minutes

Ngā Menīti take o te Komiti Tūraru me te Taurangi Risk and Assurance Committee Meeting

Held with the public excluded on Wednesday 14 February 2024

7

1. Whakaaetia ngā Minitī / Confirmation of Minutes

1.1 Confirmation of Minutes 20 November 2023.

RESOLUTION

(Mr Jones/Cr Beccard)

11/24 AR **THAT the Risk and Assurance Committee confirms the public excluded minutes from the meeting held on 20 November 2023 as a true and correct record.**

CARRIED

2. Pūrongo-Whakamārama / Information Reports

2.1 Mercer Quarterly Investment Monitoring Report – December 2023

An update was provided on the current market including information on predictions around inflation. Despite interest rates peaking in the United States of America their economy had not gone into a recession. The process for rating managers had been reviewed to remove B+ ratings from the system. The rating was based on the manager's ability to out perform the index. A watch rating had been applied to Harbour due to a consortium being set up. It was noted that many changes were not expected however there was a level of uncertainty.

It was highlighted that the report included a statement noting that the Long Term Investment Fund (the Fund) was currently outside of policy. There were no concerns in the short term being outside of policy however once the Statement of Investment Policy and Objectives (SIPO) was reviewed this would be looked at. It was suggested that there needed to be a clause in the SIPO for compliance and how long the Fund could be outside of policy. In response to a query regarding delegations for the Committee it was noted that they could make recommendations to the Council for approval.

In response to a query regarding cash assets it was noted that traditionally people had cash however cash was not needed for liquidity. It was noted that the Council could manage cash assets in house and would possibly get a better return.

RESOLUTION

(Cr Beccard/Mayor Nixon)

12/24 AR **THAT the Risk and Assurance Committee receives the public excluded Mercer Quarterly Investment Monitoring Report – December 2023.**

CARRIED

2.2 Mercer – Global Listed Property and Global Bonds

The report included recommendations from Mercer regarding Global Listed Property and Global Bonds. It was noted that Mercer still advised clients to have an allocation to Global Listed Property. It was noted that office spaces were a small portion of the index.

In response to a query regarding changes at this time it was noted that decisions could be made following a review of the SIPO.

RECOMMENDATION

(Cr Beccard/Mayor Nixon)

13/24 AR **THAT** the Risk and Assurance Committee receives the Mercer – Global Listed Property and Global Bonds report.

CARRIED

3. Tuwhera anō te Hui / Resume Open Meeting

RESOLUTION

(Mayor Nixon/Cr Beccard)

14/24 AR **THAT** the Risk and Assurance Committee resumes in open meeting.

CARRIED

The meeting concluded at 1.17 pm

Dated this day of 2024.

.....
CHAIRPERSON

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Pūrongo Report

To	Risk and Assurance Committee
From	Pouhautū Āheinga Pakihi / Head of Business Enablement, Vipul Mehta
Date	27 March 2024
Subject	Statement of Investment Policy and Objectives

(This report shall not be construed as policy until adopted by full Council)

Public Excluded

The general subject of the matter to be considered while the public is excluded, and the specific grounds for excluding the public, as specified by s 48(1) of the Local Government Official Information and Meetings Act 1987, to prevent the disclosure or use of official information for improper gain or advantage (s. 7(2)(j)).

Whakarāpopoto Kāhui Kahika / Executive Summary

1. The Council has a Long Term Investment Fund (LTIF) which represents the proceeds from the sale of Egmont Electricity Limited in 1997. The fund started in 1997 with \$88 million and at the end of January 2024 the was valued at \$147.6 million. This represents a total return of \$201 million, total subsidies to the ratepayers of \$133 million and fees of \$9 million. The LTIF is protected under South Taranaki District Council (Egmont Electricity Limited Sale Proceeds) Act 1999.
2. The LTIF is managed through the Council's Statement of Investment Policy and Objectives (SIPO). The SIPO is reviewed annually and the Strategic Asset Allocation (SAA) has been reviewed as part of the development of the 2024-2034 Long Term Plan (LTP). The SIPO sets out the Council's investment priorities and objective, such as the overall real net return of the LTIF and how the funds will be used.
3. The prudent management of the Fund promotes the social and economic well-beings of the community in the present and for the future. This report proposes changes to the LTIF's priorities and objective to enable higher returns over the long-term. However, this will also increase the volatility of the LITF. This report asks the Committee to review the proposed changes to the priorities, objective and SAA allocation and to recommend their preferred approach to the Council for approval.
4. The report is being considered in public excluded as there is information within the report on the returns expected by fund managers. This information is commercially sensitive. Any decisions relating to this report can be released to the public at the conclusion of the meeting.

Taunakitanga / Recommendation(s)

THAT the Risk and Assurance Committee recommends the Council;

- a) Approves the amended Statement of Investment Policy and Objectives (SIPO) as per Mercer's recommendations.
- b) Notes that approving the amended SIPO will change the Council's priorities and objective of the Long Term Investment Fund (the Fund):
 - Acknowledge Council's proposal to consult on increasing the rates subsidy from \$3.87 million each year to \$4.22 million each year;
 - Reduce the drawdown of \$0.96 million to \$0.76 million for the Hāwera Town Centre Upgrade;
 - Increase the overall net real return of 4% per year to 4.75% per year;
 - Adjust the allocation to growth assets from 60% to 75% and reduce allocation to income generating from 40% to 25%;
 - Adjust the LTIF strategy to align with the above.
- c) Notes that the Council is consulting with the community on the proposed increase in the rates subsidy. Once the 2024-2034 Long Term Plan is adopted the SIPO will need to be presented back to the Council to confirm the rates subsidy.

Kupu Whakamārama / Background

5. As part of the development of the 2024-2034 LTP a number of financial related policies are reviewed. The SIPO is one of these policies which includes the review of the SAA. The SIPO sets out the Council's investment priorities and objective, such as the overall real net return of the LTIF and how the funds will be used.
6. The current SIPO priorities include a drawdown of \$3.87 million each year to subsidise general rates; and a drawdown of \$0.96 million to fund the Hāwera Town Centre Upgrade. The performance objective is to earn an overall net real return of 4% per year. However, in the last two Risk and Assurance Committee (the Committee) meetings, the Committee considered increasing this to 4.25%. This was before the consideration of changing the SAA.
7. As part of the LTP consultation document the Council is proposing to increase the rates subsidy from \$3.87 million each year to \$4.22 million. The rates subsidy has been \$3.87 million each year since the Fund's inception in 1997. Due to the significant cost increases that the Council and the community are experiencing the Council has proposed to increase the subsidy. Once the 2024-2034 LTP is adopted the SIPO will need to be presented back to the Council to confirm the rates subsidy.
8. As a result of external funding, the drawdown for the Hāwera Town Centre Upgrade will be reduced from \$0.96 million to \$0.76 million on average.
9. Mercer (as the Council's independent advisers for the LTIF) has provided information on the Council's SAA, which currently sits at 60% growth assets and 40% income generating assets. Given the LTIF is a long-term investment fund for the benefit of the District's ratepayers, Mercer suggests an adjustment to both growth and income generating assets. An adjustment to these assets will increase the expected return over time, with similar current

probabilities. This will also increase the volatility of the LTIF, again not significantly different from the current probabilities.

10. Mercer recommends the growth assets are adjusted to 75% and income generating assets are adjusted to 25%. This will result in achieving a higher overall net real return over time with similar current probabilities. If there was an appetite for the Committee to support Mercer's recommendations, the performance objective in the SIPO could be increased alongside these changes. This report recommends an increase from a net return of 4% to 4.75%.
11. Over the years, the Council's SAA allocation has remained unchanged at 60% in growth assets and 40% in income generating assets. While the LTIF has performed well since the inception, the SAA mix has remained the same. In comparison to similar funds for private and government institutions, our SAA seems to be on the lower range of the growth portfolio.
12. The LTIF is a perpetual fund, meaning it will benefit the current and future generations of the District. Given the long term nature of the LTIF, the SAA needs to be aligned with the true growth portfolio.
13. Mercer has provided their recommendations (as per the attached report) to increase the allocation of growth assets from 60% to 75%. The recommendations also include adding new asset classes.

Local Government Purpose

14. The purpose of local government is to enable local decision-making by and on behalf of the community. The Council are consulting on the proposal to increase the rates subsidy as part of the 2024-2034 Long Term Plan.
15. The proposed change in priorities and objective of the Fund promotes the social and economic well-beings of the community in the present and for the future. The proposed changes will support the growth of the Fund and will continue to financially support the South Taranaki community for future generations.

Ngā Kōwhiringa / Options – Identification and analysis

Option 1 – Recommend to Council to approve the amended SIPO as proposed.

16. An amended SIPO will change the Council's priorities and objective of the LTIF by: reducing the drawdown to \$0.76 million for the Hāwera Town Centre Upgrade; increasing the overall net real return to 4.75% per year; adjusting the growth assets to 75% and income generating assets to 25%; and adjusting the LTIF's strategies to reflect these changes.
17. The probability of achieving a net real return of 4.25% will increase from 63.1% to 68.4% by making the above change and the probability of achieving a net real return of 4.75% will increase from 53.0% to 60.5%. This is based solely on the current mix of investments within the growth and income generating assets portfolio. In other words, not adding any other investment asset classes.

- 18. The probability of achieving a net real return of 4.75% will increase with the addition of other asset classes to 62.7%.
- 19. Adjusting the Council’s objective and strategy will generate higher returns for the LTIF over time, however this will also increase the volatility of the LTIF. The Committee need to consider this risk while taking into account that the LTIF is a long-term investment fund that will benefit future generations. This is the preferred option.

Option 2 – Recommend to Council to retain the current priorities and objective of the SIPO (status-quo).

- 20. The Committee can recommend the Council retain their current priorities and objective for the LTIF. The LTIF will continue to deliver similar returns as it does currently.

Option 3 – Recommend to Council to approve the amended SIPO with different priorities and objective.

- 21. The Committee could consider recommending different priorities and objective for the LTIF. For example, the overall net return could be adjusted to a different percentage based on the Committee’s discussions.

Whaiwhakaaro me ngā aromatawai / Considerations and Assessments

Assessment of Significance and Engagement

- 22. South Taranaki District Council’s general approach to determining the level of “significance” will be to consider:

Criteria	Measure	Assessment
Degree	The number of residents and ratepayers affected and the degree to which they are affected by the decision or proposal.	Low - All ratepayers and residents are affected by the prudent management of the LTIF. However by adjusting the long-term strategy of the LTIF from the current strategy will have minor impact on current and future residents and ratepayers. This could be both positive or negative.
LOS	The achievement of, or ability to achieve, the Council’s stated levels of service as set out in the Long Term Plan.	Low - The LTIF performance has been strong over the years. The proposal to amend the priorities and objective will not impact the Council’s ability to achieve the stated levels of service.

Criteria	Measure	Assessment
Decision	Whether this type of decision, proposal or issue has a history of generating wide public interest within South Taranaki.	Low - There is no evidence that a proposal of this nature has generated wide public interest.
Financial	The impact of the decision or proposal on the Council's overall budget or included in an approved Long Term Plan and its ability to carry out its existing or proposed functions and activities now and in the future.	Medium - The proposal to amend the priorities and objective of the LTIF can have positive or negative impacts on investment returns. However, to ensure the impact remain positive, the review of SIPO on an annual basis is critical.
Reversible	The degree to which the decision or proposal is reversible.	Low - The Committee can recommend to Council at any time to amend the SIPO. However, frequent changes will have an impact on how the LTIF performs.
Environment	The degree of impact the decision will have on the environment.	There are no impacts on the environment as a result of this proposal. As part of the management of the LTIF the environment, social and governance (ESG) framework is considered.

23. In terms of the Council's Significance and Engagement Policy this matter is of low significance. However the Council has decided to ask for the community's feedback on the proposal to increase the rates subsidy. The Council will inform submitters through the formal consultation process. All other decisions will be released to the public through minutes, once the Committee has released the decision from public excluded.

Legislative Considerations

24. There are no statutory obligations around the management of the Fund, however it is in the Council's interest to manage the Fund in a prudent manner to support the social and economic well-beings of the community. The management and performance of the Fund is audited each year as part of the annual report process required under the Local Government Act.

Financial/Budget Considerations

25. The proposal has minor impacts on operating budgets from 1 July 2024. However, the total value of the LTIF would have an implication of around \$10 million over the next ten years if the status quo was to be approved.

Consistency with Plans/Policies/Community Outcomes

26. This matter contributes to the Together South Taranaki (social well-being) and Prosperous South Taranaki (economic well-being) community outcomes. The proposed amendments to the LTIF's priorities and objective aligns with the Council's draft Financial Strategy in the 2024-2034 Long Term Plan.

Consideration for Iwi/Māori

27. The proposal to amend the priorities and objective of the LTIF will have a positive impact on Māori and the South Taranaki community. The prudent management of the LTIF will ensure that the returns can be used in the community to enable projects and subsidise rates for the benefit of ratepayers and residents.

Whakakapia / Conclusion

28. This report asks the Committee to consider the priorities and objective outlined in the SIPO for the management of the Long Term Investment Fund. The preferred option is to accept the amendments as proposed; reduce the drawdown to \$0.76 million for the Hāwera Town Centre Upgrade; increase the overall net real return to 4.75% per year; adjust the growth assets to 75% and income generating to 25%; and adjust the Fund's strategies to reflect these changes.



Vipul Mehta

**Pouhautū Āheinga Pakihi /
Head of Business Enablement**



[Seen by]

Fiona Aitken

**Tumu Whakahaere /
Chief Executive**

Appendix 1: [Mercer's Report](#)

Appendix 2: [Proposed SIPO](#)



welcome to brighter

2024 SAA Review

South Taranaki District Council: Long Term Investment Fund

March 2024

A business of Marsh McLennan



1. Executive Summary
2. Long-term Investment Funds and the Modelling Process
3. Increasing the Allocation to Growth Assets
4. Adding Different Asset Classes

Agenda

Executive Summary



Overview

- The South Taranaki District Council (STDC) review their strategic asset allocation (SAA) every three years, in line with best practice.
- The SAA is important because it drives over 80% - 90% of the portfolio's risk and return outcomes.
- Mercer completed a full SAA review in August 2020, looking at the probability of the Long Term Investment Fund Scheme ("Fund") achieving its 4.0% net real return objective.
- Mercer initially recommended that the Fund reduce its net real return objective from **4.0% p.a. to 3.5% p.a.** Following subsequent modelling (including the Internal Loan), we settled on the current **4.0% p.a.** net real return objective.
- The STDC recently agreed to increase their net real return objective from **4.0% p.a. to 4.25% p.a.**

Summary: Increasing the Allocation to Growth Assets

- The modelling demonstrates that increasing the allocation to growth assets increases the expected return of the Fund.
- Correspondingly it also increases the volatility of the Fund, meaning that in the event of a financial crisis, the Fund will be more significantly impacted.
- A higher allocation to growth assets also increases the probability of the Fund meeting its net real return objective. This also allows the Fund to aim for a higher net real return.
- Looking at comparable Funds, it is worth noting that Funds with higher allocations to growth assets (up to 80%) tend to have some exposure to unlisted assets. This characteristic has the effect of dialling down the overall volatility the Fund, without sacrificing the expected return.
- For example, your neighbouring Council has a 80% allocation to growth assets, with 17.5% allocated to Private Equity (unlisted)
- **Subject to the above constraint we recommend the Council increase its allocation to growth assets to 75%**

Long-term Investment Funds & the Modelling Process



Foundations and Long-term Investment Funds

We believe the following guidelines are relevant when considering the Fund's SAA:

- **Taking a long-term approach to investment policy design**
 - The expected operating life/time horizon of foundations and long-term investment funds is very long-term (perpetual). Investment policies and risk tolerance levels should be reflective of this
- **Meeting the real return need is the key objective**
 - The focus of portfolio construction should be on meeting return/spending needs and the biggest risk is the failure to meet the long-term return objective. It is also important to preserve the purchasing power of the portfolio and spending. This suggests a tilt toward growth assets and lower exposure to defensive assets
- **Worst-case outcomes still matter**
 - While foundations and long-term investment funds have a long-term time horizon and the key focus is on meeting the return objective, short-term downside risk is still important, due to sensitivity to spending volatility and other liquidity needs. However, in general, the long-term time horizon should increase the ability to accept short-term volatility in order to earn higher returns
- **Investment policies should be set according to risk tolerance and time horizon**
 - Institutions with a longer time horizon, lower spending needs and/or higher spending flexibility (absolute and relative to operating budgets and contributions) can take on more risk

Foundations & Long-term Investment Funds

- **Diversification is essential**
 - The long-term horizon of foundations and long-term investment funds may increase the ability to accept illiquidity and utilise alternatives, although governance structures may limit the willingness to accept illiquidity. Portfolios should seek to reduce reliance on the equity risk premium and incorporate multiple drivers of return in order to enhance the probability of meeting long-term return objectives, appropriately manage short-term downside risk, and help protect against inflation
- **Flexibility can produce better results**
 - Foundations and Long-term Investment Funds are long-term investors and often have limited investment constraints, allowing them to take advantage of market mispricings. Having the investment and governance bandwidth to capitalise on investment opportunities when they arise can help produce better risk-adjusted outcomes over a full market cycle
- **The governance bandwidth must be considered**
 - Foundations and long-term investment funds are typically overseen by investment committees. Differing viewpoints and objectives, as well as council turnover, can influence the decision making process and have potential to lead to sub-optimal outcomes. Committees should seek to ensure a consistent, institution-specific approach to portfolio management.

Modelling using Steady State Assumptions

- The modelling outcomes are generated using Mercer's Capital Market Simulator which employs a stochastic model to generate returns, risk and correlations. 2000 sets of 20 year serially-correlated and mean-reverting data points are generated, which incorporate a range of different macro scenarios and asset class outcomes.
- This helps us assess the impact of the current market conditions on the probability of success in achieving investment objectives.
- The modelling results include the following necessary data points to determine the preferred portfolios for the LTIF:
 1. The probability of achieving the CPI plus objective over the specified time horizon
 2. The expected risk and return profile
 3. The conditional value at risk (CVaR) under the worst 5% of expected outcomes

Increasing the Allocation to Growth Assets

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Increasing the Allocation to Growth Assets

- The Fund has a 60% allocation to growth assets. If the Council is interested in generating a higher expected return, consideration could be given to increasing the allocation to growth assets.
- The following modelling shows the return/risk metrics as we push out the allocation to growth assets; from the current 60% through to 65%, 70%, 75% and 80% respectively.
- As we push out on the risk spectrum, the expected return increases. Correspondingly the risk measures also creep up. The additional increase in growth assets inevitably raises the volatility of the Fund.
- Although there is no magic number in regards to the allocation to growth assets, institutions with genuine longer time horizons can take on more risk as they have more time to ride out financial drawdowns (market selloffs).

Increasing the Allocation to Growth Assets

Sector	60% Growth	65% Growth	70% Growth	75% Growth	80% Growth
TT Equities	12.5%	13.5%	14.6%	15.6%	16.6%
Global Equities	37.5%	40.7%	43.8%	46.8%	50%
Global Listed Property	5%	5.4%	5.8%	6.3%	6.7%
Global Listed Infrastructure	5%	5.4%	5.8%	6.3%	6.7%
Growth Assets	60%	65%	70%	75%	80%
NZ Bonds	9%	7.8%	6.8%	5.6%	4.5%
Internal Loan	10%	10%	10%	10%	10%
Global Bonds	16%	12.8%	9.5%	6.3%	3%
Cash	5%	4.4%	3.7%	3.1%	2.5%
Defensive Assets	40%	35%	30%	25%	20%

Modelling Outcomes: Return/Risk Characteristics

10 Year Steady State Analysis	60% Growth	65% Growth	70% Growth	75% Growth	80% Growth
Expected Return (per annum)	7.0%	7.1%	7.3%	7.4%	7.6%
Expected Volatility (per annum)	9.5%	10.2%	11.0%	11.7%	12.5%
Probability of Annual Loss	17.4%	18.2%	18.8%	19.5%	20.1%
Number of Negative Years in 10 year period	1.7	1.8	1.9	1.9	2.0
VaR: 5 th Percentile	-8.4%	-9.5%	-10.6%	-11.7%	-12.9%
CVaR: Expected Annual Loss over 10 Years from worst 5% of outcomes	-17.3%	-19.1%	-20.9%	-22.7%	-24.6%

As you add to the overall allocation to growth assets, the expected return (per annum) of the Fund increases. However, we correspondingly see an increase in the risk metrics. For example, the VaR (a crisis event) increases from a negative return of -8.4% to a -12.9% (80% growth assets).

Modelling Outcomes: Meeting Net Real Return Objectives

10 Year Steady State Analysis	60% Growth	65% Growth	70% Growth	75% Growth	80% Growth
Probability of achieving net real return objective of 4.0% per annum	67.9%	69.6%	71.0%	72.1%	73.0%
Probability of achieving net real return objective of 4.25% per annum	63.1%	65.5%	67.0%	68.4%	69.4%
Probability of achieving net real return objective of 4.5% per annum	58.1%	60.7%	62.9%	64.4%	65.6%
Probability of achieving net real return objective of 4.75% per annum	53.0%	55.8%	58.4%	60.5%	61.8%
Probability of achieving net real return objective of 5.0% per annum	48.1%	51.0%	53.6%	56.1%	58.2%

We typically for at least a two-thirds probability of achieving the Fund's net real return objective. However, that figure is not set in stone, so STDC may be willing to accept a lower probability of success.

Summary

- The modelling demonstrates that increasing the allocation to growth assets increases the expected return of the Fund.
- Correspondingly it also increases the volatility of the Fund, meaning that in the event of a financial crisis, the Fund will be more significantly impacted.
- A higher allocation to growth assets also increases the probability of the Fund meeting its net real return objective. This also allows the Fund to aim for a higher net real return.
- Looking at comparable Funds, it is worth noting that Funds with higher allocations to growth assets (up to 80%) tend to have some exposure to unlisted assets. This characteristic has the effect of dialling down the overall volatility the Fund, without sacrificing the expected return.
- For example, your neighbouring Council has a 80% allocation to growth assets, with 17.5% allocated to Private Equity (unlisted)
- **Subject to the above constraint we recommend the Council increase its allocation to growth assets to 75%**

Adding Additional Asset Classes

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Adding Additional Asset Classes

The following analysis considers some additional asset classes that the Fund does not currently use.

- **Some of the asset classes aim to enhance performance** e.g. Emerging Market Equities, Venture Capital/Private Equity and Private Debt. Venture Capital is a subset of Private Equity.

Implementation Constraints

- Some of the asset classes are relatively straight-forward to implement e.g. Emerging Market Equities (via Australian Unitised Trusts) and Private Debt (via NZ PIEs). Mercer will recommend a highly rated (A rating) strategy based on our proprietary research and discussions/meetings with managers.
- Some of the asset classes are more challenging to implement e.g. Venture Capital or Private Equity. Mercer do not assign ratings to Private Equity managers or perform due diligence in the normal course of business. Where clients do express interest in Private Equity, we would typically steer them towards our own managed globally focused Private Investors Partners (PIP) funds.

1. Adding Different Asset Classes to Enhance Performance

Sector	75% Growth	With Emerging Markets (EM)	With EM & Private Debt (PD)	With EM, PD & Venture Capital
TT Equities	15.6%	15.6%	15.6%	15.6%
Global Equities	46.8%	40.8%	40.8%	38.3%
Venture Capital	-	-	-	2.5%
Emerging Markets	-	6.0%	6.0%	6.0%
GLP	6.3%	6.3%	6.3%	6.3%
GLI	6.3%	6.3%	6.3%	6.3%
Growth Assets	75%	75%	75%	75%
NZ Bonds	5.6%	5.6%	5.6%	5.6%
Internal Loan	10.0%	10.0%	10.0%	10.0%
Global Bonds	6.3%	6.3%	1.3%	1.3%
Private Debt	-	-	5.0%	5.0%
Cash	3.1%	3.1%	3.1%	3.1%
Defensive Assets	25%	25%	25%	25%

Adding Different Asset Classes to Enhance Performance: Return/Risk Characteristics

10 Year Steady State Analysis	75% Growth	With Emerging Markets (EM)	With EM & Private Debt (PD)	With EM, PD & Venture Capital
Expected Return (per annum)	7.4%	7.5%	7.5%	7.6%
Expected Volatility (per annum)	11.7%	11.7%	11.9%	12.0%
Probability of Annual Loss	19.5%	19.6%	19.5%	19.6%
Number of Negative Years in 10 year period	1.9	2.0	2.0	2.0
VaR: 5 th Percentile	-11.7%	-12.0%	-12.3%	-12.5%
CVaR: Expected Annual Loss over 10 Years from worst 5% of outcomes	-22.7%	-22.7%	-23.2%	-23.4%

Adding in asset classes with higher expected returns drives up the overall expected Fund return.

There is also a marginal increase in the risk outcomes.

Adding Different Asset Classes to Enhance Performance: Meeting Net Real Return Objectives

10 Year Steady State Analysis	75% Growth	With Emerging Markets (EM)	With EM & Private Debt (PD)	With EM, PD & Venture Capital
Probability of achieving net real return objective of 4.0% per annum	72.1%	72.5%	72.9%	73.8%
Probability of achieving net real return objective of 4.25% per annum	68.4%	69.0%	69.2%	70.3%
Probability of achieving net real return objective of 4.5% per annum	64.4%	65.0%	65.4%	66.8%
Probability of achieving net real return objective of 4.75% per annum	60.5%	61.0%	61.5%	62.7%
Probability of achieving net real return objective of 5.0% per annum	56.1%	56.8%	57.3%	58.8%

Similar to the analysis on the previous slide, the addition of these asset classes drives up the probability of achieving the net real return objective.

Summary

- **There are some opportunities to consider the addition of some new asset classes to enhance performance within the Fund**
- Emerging Market Equities, Venture Capital (Private Equity) and Private Debt all increase the overall expected return of the Fund. Emerging Market Equities and Private Debt are reasonably straightforward to implement.
- It is worth noting that Emerging Markets has endured a recent run of relatively poor performance relative to Developed Markets. This is partly attributable to the dominance of the “Magnificent Seven” in the global equity index. China represents around 25% of the Emerging Market Index, which has weighed on the Emerging Market Index.
- However, Emerging Market managers are very active versus the Index, with Skerryvore particularly underweight China and overweight India and Mexico
- Mercer has recently met with Icehouse Ventures, which are currently raising funds for a late-stage venture Fund that invests in emerging, privately held, NZ tech companies (Growth Fund II).



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Māori Translation

Statement of Investment Priorities and Objectives (SIPO)

Person Responsible:
Date Adopted:
Status:

Date Last Reviewed:
Next Review Date:
Review Period:
Revision Number:

www.southtaranaki.com



Māori Translation

SIPO

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 3. Priorities
 4. Allocation of Responsibilities
 5. Investment Policy
 6. Investment Strategy
 7. Investment Performance Monitoring
 8. Distributions and Reserves
 9. Environmental, Social and Governance (ESG) Investment Policy
- Appendix 1: Key Risks
- Appendix 2: Manager Mandates
- Appendix 3: Currency Hedging Implementation
- Appendix 4: Investment Guidelines and Constraints



Māori Translation

SIPO

Executive Summary

Introduction

The Fund represents the proceeds from the sale of Egmont Electricity Limited and the resulting assets are held in a separate fund for the long-term benefit of the district's ratepayers.

Investment Priorities

The Investment Priorities of the Fund include:

- A drawdown of \$3.87 million will be withdrawn from the Fund each year to subsidise general rates. This amount will be reviewed every three years to coincide with a new Long Term Plan.
- A drawdown of \$1.73 million each year will be withdrawn to service loans for specified community projects.
- A drawdown of \$0.76 million each year will be withdrawn to fund the Hāwera Town Centre Upgrade and Earthquake Prone Building Projects expenses and to service loans.
- Maintain the real value (as opposed to face value) of the capital of the LTIF with regards to inflation.
- An investment fluctuation reserve will be established at a level appropriate for the level of risk.

Performance Objectives

The Fund aims to earn an overall net real return (i.e. after fees and inflation – and tax, where applicable) of 4.75% pa over the longer term (rolling 10 year periods).

Council

The South Taranaki District Council ("Council") will be responsible for the following:

- Setting the Fund's investment strategy, including the level of risk and investment performance objectives, and investment policies.
- Determining the appropriate number of investment managers, and selecting and changing those managers as appropriate after having taken advice from the Investment Consultant.
- Reviewing this SIPO annually, including the investment strategy, policies and manager configuration, and instructions to Manager and the Investment Consultant.
- Ensuring that the level of redemptions from the Fund is consistent with the Fund's objective to maintain equity, in terms of amounts available for distribution, between present and future generations.
- Providing cash flow information to the Investment Consultant with respect to future deposits and redemptions.
- Appointing the Investment Consultant.



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Strategic Asset Allocation

After seeking advice from its Investment Consultant, the Council has determined a Strategic Asset Allocation (“SAA”) or Benchmark Portfolio that, in its view, best reflects the Council’s risk preference and that is appropriate given the Council’s investment objectives, as follows:

Current Mix:

Sector	Benchmark %	Ranges %
Trans-Tasman Equities	12.5	7.5% - 17.5
Global Equities*	31.0	21.0 – 41.0
Global Equities – Low Volatility*	6.5	0.0 – 13.0
Total Equities	50.0	
Global Listed Property (hedged)	5.0	0.0 – 10.0
Global Listed Infrastructure (hedged)	5.0	0.0 – 10.0
Total Real Assets	10.0	
Total Growth Assets	60.0	50.0 – 66.0
NZ Fixed Interest	9.0	6.0 – 12.0
International Fixed Interest (hedged)**	26.0	18.0 – 34.0
Cash and Short Term Securities	5.0	0.0 – 15.0
Total Income Assets	40.0	34.0 – 50.0

The portfolio profile that is outside above ranges but self corrects within 90 days is not in breach of this policy. However, maintaining a portfolio profile outside of above ranges beyond 90 days requires specific approval by Council.

Across Global Equities and Global Equities, the hedging ratio will be 50% across the sector. Some of this hedging is implemented via the Global Listed Property sector.

**The International Fixed Interest Fund include “Internal Borrowings” which the Council has the ability to fund internally by the way of borrowings from the LTIF, up to 30% of the principal value at the commencement of the LTIF as per the Investment Policy.



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SAA mix from 1 July 2024 options:

Sector	75% Growth	With Emerging Markets (EM)	With EM & Private Debt (PD)	With EM, PD & Venture Capital
TT Equities	15.6%	15.6%	15.6%	15.6%
Global Equities	46.8%	40.8%	40.8%	38.3%
Venture Capital	-	-	-	2.5%
Emerging Markets	-	6.0%	6.0%	6.0%
GLP	6.3%	6.3%	6.3%	6.3%
GLI	6.3%	6.3%	6.3%	6.3%
Growth Assets	75%	75%	75%	75%
NZ Bonds	5.6%	5.6%	5.6%	5.6%
Internal Loan	10.0%	10.0%	10.0%	10.0%
Global Bonds	6.3%	6.3%	1.3%	1.3%
Private Debt	-	-	5.0%	5.0%
Cash	3.1%	3.1%	3.1%	3.1%
Defensive Assets	25%	25%	25%	25%

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Investment Structure

The selection of assets within an asset class is typically delegated to external investment managers. The Council has determined that the Fund's assets will be managed under an active multi-manager, sector specialist structure.

Capital Base

In terms of the assets of the Fund, the Capital Base is \$91,440,000 as at 30 June 2005.

Distribution Policy

Specifically, the annual returns in any year will be distributed as follows:

- The amount required to meet the Council's rates subsidy needs (currently \$3.87m). This amount could increase subject to outcome of the consultation process.
- Next, the amount required to meet the Council's loan servicing for specified community projects (currently \$1.73m).
- Next, the amount required to meet the Council's expenses and loans servicing for the Hawera Town Centre Upgrade and Earthquake Prone Buildings Projects (currently \$0.76m).
- An amount equal to the New Zealand Consumer Price Index ("CPI") for the year will be credited to the Inflation Reserve.
- Lastly, to the Investment Fluctuation Reserve.



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Taxation

The Fund is exempt from taxation on both capital gains and income. Ongoing investment management of the Fund is to be carried out in a manner consistent with the Fund's tax-exempt status.

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Review Date

The date of the next SIPO review is to be February 2025 or sooner if market conditions warrant or the investment structure is altered.



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Introduction

Purpose

This document establishes the framework set by the Council for the governance and investment of the Council's Long Term Investment Fund ("Fund") investment assets by providing a clear statement of the investment policies and objectives that must be adhered to when investing the Fund.

Establishment

The Fund represents the proceeds from the sale of Egmont Electricity Limited and the resulting assets are held in a separate fund for the long term benefit of the district's ratepayers.

Effective Date

This Statement of Investment Policy and Objectives ("SIPO") takes effect from 1 July 2024.

Review Date

The date of the next SIPO review is to be February 2025 or sooner if market conditions warrant or the investment structure is altered.

The SIPO should be formally reviewed on an annual basis or as market conditions warrant.



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Priorities

Aim

The Fund has as its principal aim the long term benefit of the district's ratepayers.

Investment Priorities

The Investment Priorities of the Fund include:

- A drawdown of \$3.87 million will be withdrawn from the Fund each year to subsidise general rates. The Council is currently consulting on increasing this to \$4.22 million This amount will be reviewed every three years to coincide with a new Long Term Plan.
- A drawdown of \$1.73 million each year will be withdrawn to service loans for specified community projects.
- A drawdown of \$0.76 million each year will be withdrawn to fund the Hawera Town Centre Upgrade and Earthquake Prone Building Projects expenses and to service loans.
- Maintain the real value (as opposed to face value) of the capital of the LTIF with regards to inflation.
- An investment fluctuation reserve will be established at a level appropriate for the level of risk.

Performance Objectives

The Fund aims to earn an overall net real return (i.e. after fees and inflation – and tax, where applicable) of 4.75% pa over the longer term (rolling 10 year periods).

In addition, outperformance will be sought where appropriate (i.e. where management is active as opposed to passive) relative to the notional return on a benchmark portfolio designed to reflect the risk profile according to which the assets are invested at the time.

Risk Profile

The risk profile of the investment strategy of the Fund will be set to maximise the long-term return within the context of the market environment and risk levels.

- The long term performance objective of a real return after investment expenses of at least 4.75% per annum is expected to be achieved with a 60.5% to 62.7% probability¹ over a ten year period.
- The probability of the Fund's investment strategy generating a negative return in any one year is 19.5%, which equates to an annual loss on average every 5.0 years.



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Allocation of Responsibilities

Council

The South Taranaki District Council (“Council”) will be responsible for the following:

- Setting the Fund’s investment strategy, including the level of risk and investment performance objectives, and investment policies.
- Determining the appropriate number of investment managers, and selecting and changing those managers as appropriate after having taken advice from the Investment Consultant.
- Reviewing this SIPO annually, including the investment strategy, policies and manager configuration, and instructions to Managers and the Investment Consultant.
- Ensuring that the level of redemptions from the Fund is consistent with the Fund’s objective to maintain equity, in terms of amounts available for distribution, between present and future generations.
- Providing cash flow information to the Investment Consultant with respect to future deposits and redemptions.
- Appointing the Investment Consultant.

Investment Consultant

The Investment Consultant will assist the Council to develop the Fund’s investment strategy and policies, advise on investment manager selection, help evaluate the performance of the Fund’s investments and its investment managers, and provide strategic research and market information.

The Investment Consultant is responsible for the following:

- Advising the Council of events and changes that may affect the manner in which the Fund's assets should be invested.
- Advising the Council which are the most appropriate investment managers for each asset class within the Fund.
- Monitoring each Investment Manager's performance and the Fund's total performance relative to the Council’s adopted investment performance objectives.
- Evaluating the appropriateness over time of the long term asset allocation policy (Benchmark Portfolio).
- Participating with the Council in the annual review of this SIPO.



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- Monitoring the split of assets between the Investment Managers on a monthly basis and advising the Council when rebalancing is required.
- Carrying out other projects as required in line with the provisions of the Letter of Engagement between the Council and Investment Consultant.



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Investment Policy

General

In taking decisions on investment strategy, the Council will have regard to the overall circumstances of the Fund, and will comply with all applicable legislative requirements.

Investment risk will be limited by appropriate diversification both within and between asset classes.

Investments in assets other than those contemplated by this SIPO are not permitted.

Risk Management

It is noted that the Fund's assets are exposed to different investment risks that will lead to variations between the actual and expected returns. To reduce the potential negative effects of these risks on the Fund's purposes, the Council has management policies and principles.

Key risks and mitigating factors are set out in the Council's Treasury Risk Management Policy and more specifically for the Fund, in Appendix 1. In addition:

- The Council meets regularly, and investment performance and outlook is a specific agenda item.
- A comprehensive investment reporting process applies.
- An independent investment consultant is used.
- The investment policies are subject to an annual review.

The risk management policies will be reviewed each year in light of the Fund's overall strategies to confirm their ongoing appropriateness.

Taxation

The Fund is exempt from taxation on both capital gains and income. Ongoing investment management of the Fund is to be carried out in a manner consistent with the Fund's tax-exempt status. It is noted that on certain overseas assets it may not be possible to claim back withholding tax paid to overseas authorities.

The Fund does not need to use Portfolio Investment Entity ("PIE") vehicles, but where the Fund does elect to invest into a PIE vehicle a 0% Prescribed Investor Rate ("PIR") will be elected in accordance with the Fund's tax exempt status.



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Investment Strategy

Investments can generally be divided into broad asset classes within which investments share common characteristics. The performances of the various asset classes tend to differ from each other. Broad diversification among asset classes is the cornerstone of modern portfolio management. The differing characteristic of the varying asset classes provides risk-reducing benefits from diversification when they are aggregated into a total portfolio.

Asset Classes

The Fund can be invested in the following general asset classes:

- Global equities, focusing on large capitalisation stocks from developed markets, but may also include **emerging market and small capitalisation equities (Venture Capital).**
- New Zealand equities, incorporating a constrained allocation (up to 17.5%) to Australian equities (recognising the close economic relationship with Australia).
- Real Assets, which can be sub-categorised into listed infrastructure, direct property and listed property, in turn incorporating trans-Tasman (listed on either the New Zealand or Australian stock exchanges) and global.
- New Zealand fixed interest, which can be sub-categorised into sovereign and investment grade.
- Global fixed interest, which can be sub-categorised into sovereign and non-sovereign, and may include emerging market debt.
- Alternative Assets, including high yield fixed interest, **private equity and private debt.**
- Cash or short term securities.

Internal Borrowing

The Council has determined to include Internal Borrowing as part of its investment strategy.

With respect to Internal Borrowing:

- Infrastructure funding related borrowings are backed by rates and the return rates are variable, based on weighted average interest rates for external debt plus 50 basis points. The internal borrowing terms are set at maximum of 25 years as per Council's investment policy.
- Interest rates are variable and are set annually by the Council according to prevailing market conditions. The level of returns is less than that expected from equity investments.
- The borrowings are illiquid, i.e. the holdings can not be traded in full or in part.

Strategic Asset Allocation

After seeking advice from its Investment Consultant, the Council has determined a Strategic Asset Allocation (“SAA”) or Benchmark Portfolio that, in its view, best reflects the Council’s risk preference and that is appropriate given the Trustee’s investment objectives, as follows:

Sector	Benchmark %	Ranges %
Trans-Tasman Equities	12.5	7.5 – 17.5
Global Equities	31.0	21.0 – 41.0
Global Equities – Low Volatility	6.5	0.0 – 13.0
Total Equities	50.0	
Global Listed Property (hedged)	5.0	0.0 – 10.0
Global Listed Infrastructure (hedged)	5.0	0.0 – 10.0
Total Real Assets and Alternatives	10.0	
Total Growth Assets	60.0	50.0 – 66.0
NZ Fixed Interest	9.0	6.0 – 12.0
International Fixed Interest (hedged)	26.0	18.0 – 34.0
Cash and Short Term Securities	5.0	0.0 – 15.0
Total Income Assets	40.0	34.0 – 50.0

*To be updated as per the summary.

Currency Policy

Currency risk is the risk that foreign currency denominated assets will lose value as the result of an adverse exchange rate movement. Unmanaged currency movements can have a material impact on investment returns over the short term.

Currency hedging is essentially protection against changes in currency exchange rates. Those assets which are not hedged will have exposure to currency exchange rate movements, resulting in a benefit when the New Zealand dollar goes down and a decrease in value when the New Zealand dollar goes up.

The currency policy is to hedge total Global Shares investments at 50% (after tax if any). Australian currency exposure within the Trans-Tasman Shares portfolio will be hedged at the discretion of the Investment Managers. The benchmark hedging target for Real Assets and Global Bonds portfolios is 100% (after tax if any).

The Currency Policy is developed and reviewed with the assistance of the Investment Consultant as part of the investment strategy.



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Where appropriate, currency hedging will be implemented by the relevant Investment Manager(s) (and consideration of their ability to do so will form part of the selection process). Where this is not appropriate, the Trustees may appoint an Investment Manager to implement Currency Hedging.

Monitoring of currency exposure in accordance with this Policy will occur as per Section 7 of this SIPO.

Currency Hedging

After seeking advice from its Investment Consultant, the Council has determined that a benchmark foreign exchange position as follows:

Asset Class	Benchmark (%) ¹	Range (%)
Tran-Tasman Shares ²	n/a	n/a
Global Equities (including Low Volatility) ³	50	45 – 55
Real Assets ³	100	95 – 105
International Fixed Interest	100	95 – 105

1 The Benchmark position is after tax, if any. LTIF is not currently a tax paying entity.

2 Australian currency exposure within the Trans-Tasman Shares portfolio will be hedged at the discretion of the Investment Manager(s).

3 The Benchmark position may be achieved across sectors, i.e. over-hedging (due to tax structures) in Real Assets may supplement under-hedging in Global Equities.

Investment Structure

The selection of assets within an asset class is typically delegated to external investment managers. This is subject to investment guidelines that control risk, and otherwise determine the nature of potential investments for each mandate.

The Council has determined that the Fund's assets will be managed under an active multi-manager, sector specialist structure. Investment Managers are appointed by the Council on the advice of Investment Consultant, after assessing the universe of appropriately skilled managers available for the asset class in question. The Council, at its sole discretion, may change

Investment Managers from time to time as it sees fit.

The current managers and mandates are specified in Appendix 2.



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Rebalancing

- The exposures to the various asset classes, will be monitored monthly, taking into account the underlying exposures in any pooled investment vehicles and the impact of futures and options on an effective exposure basis, by the Investment Consultant.
- If any asset class allocation exceeds the ranges set out above, then sufficient assets will be transferred, on the Council's authority, to bring the weights to benchmark.
- In considering rebalancing, the Council can take into account recent volatility and the likelihood market movements may result in asset classes moving back to within the specified ranges, along with transactions costs likely to be incurred in any transition.
- The regular cashflow requirements of the Council provide an opportunity to assist in rebalancing the Fund towards target weights, by directing the outflows to the overweight asset class(es) and any inflows to underweight asset class(es). Rebalancing can also be undertaken by selling overweight asset classes to fund underweight asset classes.
- From time to time the Council may deviate from the long term asset allocation strategy in order to preserve capital in extreme market conditions. Such positions are to be taken after consideration of advice from the Investment Consultant with input from the fund managers in the appropriate investment sector.

Liquidity Policy

The Council requires liquidity to meet payment obligations that include:

- Rates subsidies
- Investment commitments, such as forward foreign exchange cover, and calls on committed capital.

The Council requires a high degree of confidence that during any periods of extreme market volatility, liquidity demands can be met. The Fund's primary source of liquidity is its Cash investment. In principle, around **one** years worth of rates subsidy **may** be held in Cash. Cash investments also play a role in the Fund's investment strategy, providing a stable return with low volatility. The Fund's investment strategy supports its liquidity requirements by predominantly investing in listed securities.

Illiquid Investments

However, as a genuine long-term investor, the Fund is in a position to benefit from the illiquidity premium, that is, the return premium derived from the Council's willingness to commit to an investment for a fixed period.



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Illiquid investments can take many forms, including direct property, private equity, private debt, unlisted funds (such as infrastructure) and timber. In addition to offering a (possible) return premium, these assets possess different risks to liquid or listed investments, typically have higher fees, present valuation challenges and require more intensive governance.

As a result, the Fund's exposure to illiquid investments is restricted, in the first instance, to its allocation to Real Assets, being 10%.

In principle, the Fund may hold up to half this allocation in illiquid investments, although from time to time (as opportunities arise), it may elect to hold either nothing, or the whole amount, in illiquid investments.

Review

The appropriateness of the Benchmark Portfolios will be formally reviewed at least once every three years, but kept under constant monitoring to reflect any fundamental changes in the investment environment and changes to the Council's investment policy.



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Investment Performance Monitoring

The principal goals of performance monitoring are to:

- Assess the extent to which the Fund's investment objectives are being achieved;
- Compare the performance of the Fund's appointed Investment Managers against the performance of other relevant professional managers and market indices;
- Ascertain the existence of any particular weakness in the Investment Manager or the investment product(s) utilised; and
- Allow the Council to continually assess the ability of each Investment Manager(s) to successfully meet the Fund's priorities.

Benchmarks

Benchmarks are a tool against which to measure the effectiveness of investment strategy either at a whole of Fund level, at an asset class or at the manager level. The general principle of benchmarks at an asset class or manager level is they should be replicable – that is, it should be possible to create a portfolio of securities which mirrors (or at least very closely resembles) that used within the benchmark.

At the asset class level, benchmarks provide an effective way of measuring the skill with which the manager selects securities within the portfolio being managed.

The risk and return characteristics of the benchmarks used for the Fund as a whole and for individual asset classes must be broadly consistent with those considered in the analysis used to construct the SAA.

Performance (before tax and fees) for individual asset classes will be measured against suitable indices such as those indicated in the following table:



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Asset Class	Index
Trans-Tasman Equities	S&P/NZX50 Index (without imputation credits)
Global Equities	MSCI All Country World Index ex Australia – Total Return Net Dividends (54% hedged to NZD*)
Global Listed Infrastructure	FTSE Global Core Infrastructure Capped 50/50 Index (100% hedged to NZD)
Global Listed Property	FTSE EPRA/NAREIT Developed Real Estate Index (139% hedged into NZD*)
New Zealand Fixed Interest	Bloomberg NZBond Composite 0+ Yr Index
Overseas Fixed Interest	Bloomberg Global Aggregate Index (100% hedged into NZD)
NZ Cash	S&P/NZX 90-Day Bank Bill Index

Notes:

- *Pre-tax returns will be monitored against gross hedging ratios*
- *S&P = Standard and Poors*
- *NZX = New Zealand Stock Exchange*
- *MSCI = Morgan Stanley Capital International*
- *FTSE = Financial Times Stock Exchange*
- *FTSE EPRA NAREIT = Financial Times Stock Exchange, European Public Real Estate Association, National Association of Real Estate Investment Trusts (US)*

Fund Performance

Returns on the Fund will be monitored by the Council in relation to the Benchmark Portfolio nominated in this SIPO. The Benchmark Portfolio is a performance monitoring tool intended to reflect the Council's adopted investment policy objective.

Manager Performance

- Returns achieved by the appointed Investment Managers will be assessed by the Council in relation to their stated objectives and the objectives of the Fund. Returns will also be compared with returns earned by a suitable peer group, such as a group of other professional fund managers.
- The Investment Managers will report at least quarterly in accordance with a format agreed with the Council.
- Investment Managers' performance will be monitored quarterly with a view to an annual evaluation of rolling three year results.
- Investment Managers' roles will be reviewed by the Council on a regular basis. Factors taken into account in these reviews will include investment style, resources,



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organisational strength, investment performance relative to objectives, and any other factors considered relevant to the Investment Managers' continuing ability to meet the applicable investment objective.

Investment Advisor Performance

- The investment advisor's performance will be reviewed on an annual basis.
- The performance will be reviewed on the following criteria;
 - Return against the objective of 4.75% net real return
 - Each asset class performance against benchmark
 - Fees charged
 - Retention of clients
 - Average assets under management
- Investment Advisor's allocated "Senior Investment Consultant" or similar will be rotated on 3-5 yearly basis.



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Distributions and Reserves

Volatility of Returns

The Council notes that the investment policy objective is a long term goal, but that its investment strategy contemplates an asset allocation which is likely to generate returns that demonstrate volatility over the short term. The Council recognises that asset values over shorter time periods may fall due to negative returns and the total Fund value may fall below the Real Capital Value in the shorter term. The Council acknowledges that exposing the Fund to this volatility is necessary to pursue higher long term returns and thereby maximize the level of annual distributions from the Fund.

In order to account for investment risk or volatility, the assets of the Fund are to be invested in such a manner as to achieve a level of return in order to:

1. The amount required to meet the Council's rates subsidy needs (currently \$4.22m).
2. Next, the amount required to meet the Council's loan servicing for specified community projects (currently \$1.73m).
3. Next, the amount required to meet the Council's expenses and loans servicing for the Hawera Town Centre Upgrade and Earthquake Prone Buildings Projects (currently \$0.76m).
4. An amount equal to the New Zealand Consumer Price Index ("CPI") for the year will be credited to the Inflation Reserve.
5. Lastly, to the Investment Fluctuation Reserve.

Capital Base

In terms of the assets of the Fund, the Capital Base is \$91,440,000 as at 30 June 2005.

Real Capital Value

For the purposes of this SIPO, the Real Capital Value is the Capital Value expressed in current dollars – i.e. the Capital Value as calculated above as at June 2005 adjusted for movements in the CPI since that time.

The value of the Fund may fall below the Capital Base.

Distribution Policy

Specifically, the annual returns in any year will be distributed as follows:

- The amount required to meet the Council's rates subsidy needs (currently \$4.22m).



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- Next, the amount required to meet the Council's loan servicing for specified community projects (currently \$1.73m).
- Next, the amount required to meet the Council's expenses and loans servicing for the Hawera Town Centre Upgrade and Earthquake Prone Buildings Projects (currently \$0.76m).
- An amount equal to the New Zealand Consumer Price Index ("CPI") for the year will be credited to the Inflation Reserve.
- Lastly, to the Investment Fluctuation Reserve.

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Reserving Policy

The Risk and Assurance Committee/Council will establish the following Reserves to facilitate the achievement of its Distribution Policy:

Inflation Reserve

Each quarter the Inflation Reserve shall be adjusted by the increase in the Real Capital Value based on the quarterly change in the New Zealand Consumers Price Index. This ensures the Fund retains its purchasing power over time. If there are insufficient returns available to make this adjustment, the Investment Fluctuation Reserve should be adjusted accordingly.

Investment Fluctuation Reserve

Each year any excess Income after the adjustment to the Inflation Reserve and distributions shall be credited to the Investment Fluctuation Reserve. This Reserve will help offset income fluctuations in future periods. In particular, this Reserve can be used to meet distribution requirements during years with low or negative investment returns without recourse to the Capital Base.

A consistently significant positive balance (equal to 3-4 year's distribution sustained for one year or more) in this Reserve is a signal to the Council that it may be appropriate (but it is not necessary) to review the investment objectives or the priorities (or both).



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Environmental, Social and Governance (ESG) Investment Policy

The Council acknowledges that the Council's key fiduciary duty to beneficiaries of the Fund, when setting the Council's investment policy, is to focus on achieving maximum returns while maintaining an appropriate level of risk.

The Council encourage their external fund managers to build environmental, social and governance (ESG) considerations into their investment decision-making processes.

The Council recognise that the Fund will mostly be invested in pooled funds and only occasionally (with the exception of Cash) holding investments directly. The Council, therefore, (via their Investment Advisor), will primarily encourage and engage with its Investment Managers on the application and adoption of environmental, social and corporate governance (ESG) principles – the Council recognising this as a component of best practice in responsible investing. In addition, the Council believe that, in most instances engagement and dialogue in conjunction with others will have a greater impact on ESG and SRI (Socially Responsible Investment) practices than divestment.

The Council will incorporate ESG issues into investment analysis and decision-making processes' by:

- Incorporating and addressing ESG issues in the Council's SIPO.
- Engaging with and evaluating the competency of our Investment Adviser and Investment Managers to ensure ESG issues are addressed and incorporated in future decision making.
- Requesting our Investment Adviser report to the Council on an as required basis their internal (in-house) ESG ratings.



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Appendix One:

Key Risks

The table below describes the key risks associated with the different assets the Fund may invest in.

Asset	Example	Key risks
Cash and fixed interest	On call and term deposits, bonds and fixed interest assets both in New Zealand and overseas.	<ul style="list-style-type: none"> ➤ There may be delays or failure to repay principal and/or interest. ➤ The return on cash and fixed interest investments may be less than inflation. ➤ Numerous issuer-specific issues may arise, and investors' attitudes to the issuer's future may change. ➤ Investors' attitudes to fixed interest markets as a whole may change rapidly and frequently, with a corresponding effect on asset values. ➤ There may be fluctuations in interest rates which can result in capital losses.



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Asset	Example	Key risks
Shares, Property and Infrastructure	Shares in New Zealand or international companies, commercial property and infrastructure investments in New Zealand and overseas.	<ul style="list-style-type: none"> ➤ The company or investment fund performs poorly. ➤ Dividends are not paid. ➤ As an investor’s ownership interest in shares and similar investments is ranked lower than the money owed to the company’s creditors and fixed interest holders, a higher degree of risk attaches to these investments. ➤ The share or fund price may drop below the purchase price or even to zero. ➤ There may be delays or failure to repay investments owing to liquidity constraints. ➤ Numerous company-specific issues may arise, and investors’ attitudes to the company’s future may change. ➤ Investors’ attitudes to share markets as a whole may change rapidly and frequently with a corresponding effect on asset values.

The Council mitigates the risks set out in the above table by spreading the investments held across markets and diversifying investment across a range of investment types.

The Council mitigates the risks of an individual asset type by investing in several asset types. This helps reduce risk because if one asset type performs poorly, this is usually offset by other asset types performing better.

Management risks

The Council appoints investment managers, who, in consultation with the Consultant, have been deemed to possess the skills, resources and determination needed to produce superior investment returns.



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The following table describes the key risks associated with the way the Council's investment approach and the external investment managers manage the Fund's investment assets:

Item	Key risks	How the Council mitigates these risks
Investment approach	<ul style="list-style-type: none"> ➤ The Fund's active investment management approach may lead to choosing investment managers or investments that underperform, or it may mis-time market changes resulting in lower returns. 	<ul style="list-style-type: none"> ➤ The Council, with the Consultant's advice, sources investment managers it considers to have the capability, skill and conviction to produce superior returns. ➤ The Council continuously monitor the performance of the selected investment managers to ensure they are adhering to the guidelines and objectives set.
Market risk (among the components of market risk are such risks as currency risk, derivatives risk and interest rate risk)	<ul style="list-style-type: none"> ➤ Economic, business, technological, political, tax or regulatory conditions and even market sentiment can (and do) change affecting overall markets as well as the investment options and individual investments. 	<ul style="list-style-type: none"> ➤ The Council seeks advice from its Consultant to form a view on these matters. ➤ Some managers have been selected for their ability to protect asset values in times of adverse market conditions.
Currency risk	<ul style="list-style-type: none"> ➤ When investing in international assets that are denominated in foreign currencies there is a risk that those foreign currencies fall in value or rise in value, affecting the value of those assets 	<ul style="list-style-type: none"> ➤ The Council has a currency exposure policy whereby the Fund fully hedges all asset classes, with the exception of Global Equities, which are 50% hedged.



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Item	Key risks	How the Council mitigates these risks
	from a New Zealand perspective.	
Derivatives	<ul style="list-style-type: none"> ➤ Employing derivative transactions involves speculation as to how the value of an underlying asset will rise and fall over time. Employing derivatives can potentially leave the Fund open to large scale losses. 	<ul style="list-style-type: none"> ➤ This SIPO describes how derivatives are to be used, and when.
Interest rate risk	<ul style="list-style-type: none"> ➤ Movements in interest rates may adversely affect the price of the investment option's investments and impact returns (for example, the value of a bond will typically decline if interest rates rise). 	<ul style="list-style-type: none"> ➤ The investment managers engaged use derivatives and duration of fixed interest investments to manage risk. ➤ Internal Borrowing provides some protection from changes in interest rates (in part because it is not marked to market).
Credit Risk	<ul style="list-style-type: none"> ➤ A counterparty to a transaction may fail to perform its contractual obligations or suffer a credit ratings downgrade affecting the value of a particular investment. 	<ul style="list-style-type: none"> ➤ Investments are diversified over a wide range of asset classes, companies, industries and maturities. ➤ Exposure to sub-investment grade is limited to 10% of the externally managed Global Bonds allocation. ➤ Exposure to any one issuer is restricted.



Māori Translation

SIPO

Item	Key risks	How the Council mitigates these risks
Liquidity risk	<ul style="list-style-type: none"> ➤ Liquidity risk has two components. Firstly, the risk of the Fund having difficulty in meeting its obligations to ratepayers when due e.g. where there is a mismatch between when investments are maturing and the amounts required for Fund withdrawals. Secondly, the risk of investment managers acquiring investments that cannot be sold or otherwise hedged. 	<ul style="list-style-type: none"> ➤ This SIPO sets out a liquidity policy whereby the investment options are predominantly invested in liquid assets (able to be traded on a recognised market). ➤ The Fund includes an allocation to Cash. ➤ Where pooled vehicles are used, those using daily pricing are preferred.

7



Māori Translation

SIPO

Appendix Two:

Asset Class	Manager	Allocation (%)	Outperformance (%)*
Trans-Tasman Equities	Nikko Asset Management	100	3.0
Global Equities	MFS, LSV, Franklin and Vontobel via ANZ Investments	100	2.0
Global Equities – Low Volatility	Acadian (via Mercer)	100.0	1.0
Global Listed Infrastructure (100% hedged to NZD)	First Sentiers Investors	100	2.0
Global Listed Property (hedged)	Principal Global Investments and Resolution Capital (via Mercer)	100	2.0
Global Fixed Interest (hedged)	PIMCo via Fisher Institutional	50	1.0
	Wellington via Fisher Institutional	50	1.0
NZ Fixed Interest	Harbour Asset Management	100	1.0
Cash	ANZ Investments	100	0.25

Currency Hedging Implementation

The Council aims to be 50% hedged across the Global Equities sector. The Global Equities sector invests via two products, ANZ Investments Global Equities and Acadian Low Volatility Equities (via Mercer).

The Council also invests into the Mercer Global Listed Property Fund, which is taxed at 139%.



Māori Translation

SIPO

Since the Mercer Global Listed Property has a higher level of hedging (139%) than that is desired by the Council (100%), the additional hedging (39%) is counted towards the total hedging of the Global Equities sector. This is detailed below:

Fund	Hedging Level (%)	Benchmark Weight	Contribution to total Global Shares hedging
ANZ Global Equities	54.0	31.0	45.0
Acadian Low Volatility Equities (via Mercer)	0.0	6.5	0.0
Mercer Global Listed Property Fund (managed by Principal Global Investors and Resolution Capital)	39.0	5.0	5.0
Global Equities Sector Total Hedging			50.0



Māori Translation

SIPO

Appendix Three:

Investment Guidelines and Constraints

The guidelines and constraints required by the Council to be observed by each Investment Manager, as applicable are set out below. For the purposes of these constraints, “Portfolio” shall relate to the portion of the Fund’s assets under the management of the Investment Manager.

Where the Council has an investment management agreement with the Investment Manager, these guidelines and constraints should, so far as relevant, be incorporated into that agreement. Where the Fund is invested into a pooled product the Council recognises that the strict application of these guidelines and constraints may not be possible. The Council expect the Investment Managers to inform the Trustees of any investment or management practice that materially falls outside the guidelines and constraints so that the Council can continually reassess the overall suitability of such an investment vehicle.

- Investment of the Portfolio shall be made in compliance with all laws and regulations governing investments and Local Authority bodies.
- Each Manager is entitled to make use of derivative contracts for the following purposes:
 - strategies relating to yield curve and modified duration for cash and fixed interest portfolios within the given exposure ranges;
 - to alter the Portfolio’s asset allocation (including country and/or currency allocations) within the given exposure ranges;
 - as a hedge to manage exposure to foreign currency or other investment risks; and
 - to reduce transaction costs and improve liquidity by using derivative contracts to take a position which would otherwise have been taken by buying or selling physical stock.
- The Manager must not use derivatives, physical securities or any combination of the two to produce financial exposures that would result in the leverage of the Portfolio. That is, the Portfolio’s net exposure to investment markets exceeding the value of the Portfolio’s physical assets. Derivatives should only be used to produce financial exposures which would be otherwise obtained through the use of physical securities in the absence of leverage.
- The Manager must not use derivatives, physical securities or any combination of the two to produce financial exposures that would be effectively net short positions. A net short position is considered to be the taking and maintenance of a position in respect of one asset whereby the value of the Portfolio will be enhanced if the price of that asset falls without a corresponding effective long position on the same or a highly correlated asset. Where a short position is effectively taken over more than one asset, as in the case of a basket of index derivatives, the corresponding long exposure may be a basket of physical or derivative securities which could reasonably be considered as a proxy for those assets.
- Not more than 10% of the Fund's assets may be invested in any one investment without specific consideration and approval by the Council.



Māori Translation

SIPO

7

- The Fund's interest in any externally managed pooled fund domiciled offshore shall not exceed 10% of the assets of that pool, unless a larger investment is specifically authorised by the Council.
- All mandates should be actively managed (except for passive currency hedging where required).
- Investment in assets other than those contemplated by this policy statement (including antiques, art, stamps, gold, silver, commodities or venture capital investments) are not permitted without the prior approval of the Council.
- Investment in Fund of Hedge Funds are excluded from the above.

Fixed interest

- All non-Government guaranteed investments and Government guaranteed investments of Governments with a credit rating below that of the NZ Government, as measured by the Standard and Poors or equivalent rating measure, must be well diversified.
- No more than 10% of the externally managed Global Bonds portfolio shall be invested in securities below investment grade as measured by Standard & Poors or equivalent.
- New Zealand Fixed Interest investments are expected to be a minimum of investment grade as measured by Standard & Poors or equivalent.
- No more than 5% of the market value of the assets held by the fixed interest manager should be invested in non-benchmark markets.
- No more than 5% of the asset held by the fixed interest manager is to be held in any one security or with one single issuer, other than a fund or a security representing a collective investment of other securities, unless the security represents an OECD sovereign borrower, issuer, or agency of an OECD government and supranational borrowers.
- No more than 10% of the asset held by the manager should be invested in the obligations of a single issuer in the case of sovereign or supranational borrowers with an AA rating by Standard & Poors' or equivalent.
- There shall be no restrictions on the obligations of a central bank or an equivalent agency of a country with long term credit rating of AA as measured by Standard & Poors' or equivalent.
- No investments in direct mortgages should be made.

Cash

- Cash and cash equivalent instruments should be invested with a high level of security equal or better than a Moody's Prime 1 rating.

Shares, Listed Property and Listed Infrastructure

- Investments must be confined to publicly listed widely held securities trading in recognised markets. Unlisted shares and shares in companies about to be listed may be held provided these holdings are disclosed to the Council.
- The Fund should not hold more than 5% of the equity of any one company.



Māori Translation

SIPO

- No direct holding in a single company should equate to over 7.5% of the market value of the assets held by the manager.
- A maximum of 35% of the Trans-Tasman shares portfolio is permitted to be invested in companies listed on the Australian Stock Exchange. It is understood this is to be on an opportunistic basis where the manager perceives added value and will continue to be measured against the S&P/NZX50 Index.
- Investment managers are delegated full discretion to exercise all voting rights, including but not limited to voting proxies. Investment managers must exercise these voting rights in the best interests of the Fund.



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Pūrongo-Whakamārama Information Report

To	Risk and Assurance Committee
Date	27 March 2024
Subject	Health and Safety Quarterly Report – September 2023 to February 2024

7

Public Excluded

Maintain the effective conduct of public affairs through the protection of members or officers or employees of the Council, and persons to whom Section 2(5) of the Local Government Official Information and Meetings Act 1987 applies in the course of their duty, from improper pressure or harassment (Schedule 7(2)(f)(ii)).

Whakarāpopoto Kāhui Kahika / Executive Summary

1. The Health and Safety report is attached to provide the Risk and Assurance Committee with information on health and safety matters for the South Taranaki District Council.

Taunakitanga / Recommendation(s)

THAT the Risk and Assurance committee receives the Health and Safety Quarterly Report period 1 September 2023 – 29 February 2024.



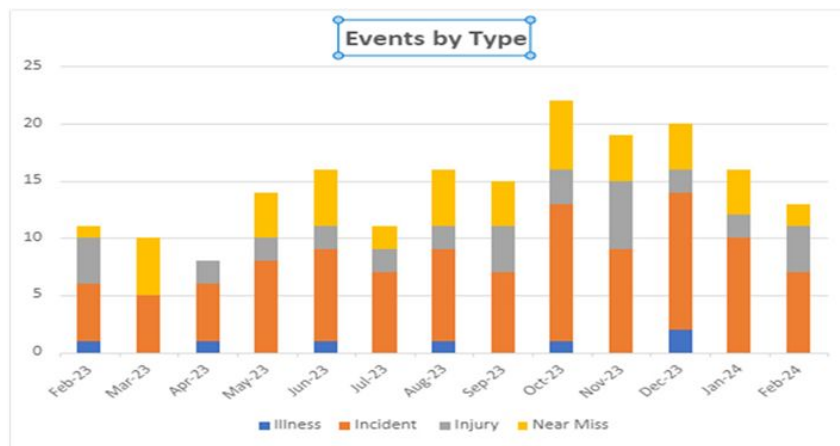
**Risk and Assurance Committee
Health and Safety Report
Reporting Period:
1 September 2023 – 29 February 2024**

Incidents 1 Sept 23 – 29 Feb 2024 and (Business year beginning 1 July 2023)

Illness 3 (4)	Incidents 65 (72)	Injury 21(25)
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ACC Claims 3 (4)	Near Miss 24 (31)	Notifiable 0 (0)
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Events Graph



Incidents and Treatment – Critical Risk

Critical Risk	
Negative interactions	39
Hazardous work	1
Security/Property Damage	5
Asbestos	1
Lone work	0
Driving and vehicle use	11
Chemical use	2
Manual Handling / Ergonomics/Slips	16
Biological (mostly pool contamination)	12
Other	21

Classification of incident/injury	
No Treatment/First Aid	15
Medical Treatment	5
Lost Time	1
Hospital	0

Formal Investigation	0
WorkSafe Investigation	0

Critical Events or Potentially Critical Events 1 Sept – 29 Feb 2023				
Event	Critical Risk	Potential Consequence	Actual Consequence	Controls and Status
Two instances of after hours entry to pools	Security /drowning	High	Low	Review of fencing. Included in camera review.
EnviroNZ contractor attacked by six dogs at Waitōtara Transfer Station	Animal attack	High	Moderate	Dogs uplifted and euthanised. Review of communication at single staffed transfer stations.
Prolonged verbal abuse, trapped in office by patron at Pātea Transfer Station	Aggressive customer behaviour	Moderate	Low	Customer trespassed from Pātea, Waverley and Waitōtara transfer stations.
Three Water Treatment staff members suffering from chemical sensitivity symptoms	Chemical	High	Moderate	Review of fluorine levels in air (negative). Review of ventilation in plant room and offices. Damaged chemical silo identified and repaired. Defects in room air containment identified and repaired. More work to be done to increase ventilation in both plant room and offices.
Multiple instances of aggressive behaviour from patrons across all services	Aggressive customer behaviour	High	Low	Support offered to staff. De-escalation training at induction. Two trespass orders issued in addition to above. Awareness and support training prior to Long Term Plan release.
Falling concrete in Waverley clock tower	Hazardous work	High	Low	Near miss. Regular inspections scheduled of interior. Loose concrete removed. PPE standard introduced.

Health, Safety and Wellbeing Risk Management

Health and Wellbeing

Return to work – 1 Sept – 29 February 2023
 Nine cases requiring active management – two long covid and three non work injury, one work injury.

Vaccinations
 Influenza vaccination programme for 2024 is being organised.
 Hepatitis vaccination for relevant new staff completed.

Wellbeing initiatives
 September very popular. 100+ entrants, 17 teams.
 21222.45 km walked – 29,404,410 steps.
 October Wellbeing Week extremely successful- 349 attendees to sessions and 23 water tower climb participants.

Wellbeing Programme
 Review of current state wellbeing benefits through Wellbeing committee. Structure for volunteer days and Ebike support being worked on.

Health and Safety Work Plan

[HS Workplan timeline D1 2023-2026 - 2023-03-24.xlsx](#)

Key Organisational Health and Safety Risk Related Activities				
Risk	Potential Risk Score	Key Activity Planned	Actions and Status	Desired Risk level outcome (as per risk matrix)
Health and Safety Risk Management Programme		Planned work: <ul style="list-style-type: none"> Critical risk controls – identification and documentation processes Ongoing procedure and policy review Induction of managers and team leaders around H&S responsibilities Rollout of permit to work Promapp and risk register review 	<ul style="list-style-type: none"> Policies due for review updated. Schedule drawn up for all policies due for review over next year. Incorporated into H&S Workplan. Permit to work training undertaken. Roll out in April. Unreasonable Conduct Policy and Critical Incident Response Guidance reviewed, presented to managers and published. Promapp of this policy actions and trespass process compiled. Review of Critical Risk Register in Vault and document. (attached) Alignment of Critical Risk entries across Vault and Promapp. Joint annual risk management discussions with teams scheduled with Business and Risk Analyst. New risks: Drowning including after-hours access to aquatic facilities. Animal related harm. Incorporated into critical risks post review and incidents. 	
Negative Interaction with community members	High	<ul style="list-style-type: none"> Nil scheduled. 	<ul style="list-style-type: none"> Follow up to all incidents notified. Very good level of reporting from teams including aquatic centres and libraries. Waste collection and transfer station processes experiencing increased levels of aggression from members of public. Two addresses included in Hazard/risk tag on Intramaps. Two people referred to Vitae Critical Incident services. Reported positive outcomes from this. Proactive information and support programme for public facing staff around long-term plan release and submission process. 	Moderate

Manual handling / Ergonomics	High	<ul style="list-style-type: none"> • Nil planned initiative 	<ul style="list-style-type: none"> • Incidents followed up. Most minor slips or twisting while lifting or walking. No emergent themes for concern. 	Moderate
Control of hazardous work	High	<ul style="list-style-type: none"> • Key planned initiative Permit to Work Implementation. 	<ul style="list-style-type: none"> • Permit to Work training carried out. • Rollout in April. • Increased level of site visits and auditing on contractor work sites including roading, projects and waste collection. • All waste water facilities have been assessed around the risk of unauthorised entry by the public. Factors such as location (rural/urban), recreational activities in the area, proximity to any residences and current fencing state were included in the risk assessment. Application for capital to complete fencing improvements to the Kaponga, Eltham and Hawera waste water facilities were made. Fencing improvements are underway in all cases. 	Moderate
Biological /Physical and Mental Health	High	<ul style="list-style-type: none"> • Planned initiatives – annual personal health monitoring • Ongoing wellbeing initiatives • Vaccination updates 	<ul style="list-style-type: none"> • Annual personal health monitoring carried out Horticulture, Aquatic respirator wearers, Maintenance, Water Treatment, Wastewater. • Ongoing programme of wellbeing initiatives and support. • September initiative- over 100 staff participated, 22 million steps • Wellbeing week for staff was received positively. High participation including community based staff. Shifting to October enabled more outside activity and practical skills sessions which proved popular. • Vaccinations for new staff with body fluid exposure completed. Influenza vaccines planned April 2024. Unable to offer Covid vaccine boosters on site. 	Moderate
Driving and vehicle use	High	<ul style="list-style-type: none"> • Traffic Management plan implementation for mobile work 	<ul style="list-style-type: none"> • Signage introduced for speed monitored vehicles. Also incorporated in new signwritten car transfers which are in the process of design. • Regular publicity articles around speed and driving. • 90% of drivers are 4 or 5 star driving standard. 	Moderate

		<ul style="list-style-type: none"> Onward review of overspeed trends 	<ul style="list-style-type: none"> Disciplinary discussions with team members who are regular exceeders of speed limits. Working with Roading and Horticulture to develop up to date and more fit for purpose Temporary Traffic Management Plans for Horticulture work. This is complex in the changing Waka Kotahi initiative to roll out a risk based temporary traffic management control programme replacing the previous Code of Practice. 	
Lone Working	High	<ul style="list-style-type: none"> 6 monthly audit of units. 	<ul style="list-style-type: none"> Audit of devices carried out. 	Moderate

Chemical Use	Moderate	<ul style="list-style-type: none"> All chemical inventories meet Hazardous Substance Regulations requirements. 	<ul style="list-style-type: none"> Chemical inventories all current. Presentation to Water Treatment team around potential dangers of fluoride, antidote and monitoring programme. Air borne fluoride levels negative. Work with Compliance Certifier and WorkSafe on specified exemption for chemical silo spacing. Exemption lifted. Work to identify potential sources of chemical irritants that were producing symptoms for Water Treatment staff at Kapuni. Repair of identified tank, increase in passive ventilation (doors and windows), blocking leaks from process to office area. Assessment of ventilation has been carried out by engineer- more permanent active ventilation controls proposed. 	Low
Asbestos	High	<ul style="list-style-type: none"> Asbestos awareness training. Asbestos response guideline development 	<ul style="list-style-type: none"> Asbestos training completed for relevant staff. Asbestos response guidelines completed. After incident involving contractor potential asbestos exposure HS advisor following up current awareness training, PPE and processes with maintenance contractor companies. 	Moderate



Pūrongo-Whakamārama Information Report

To	Risk and Assurance Committee
From	Te Tumuaki Whakamana Pakihi / Head of Business Enablement, Vipul Mehta
Date	27 March 2024
Subject	Quarterly Cyber Security Report

(This report shall not be construed as policy until adopted by full Council)

Public Excluded

The general subject of the matter to be considered while the public is excluded, and the specific grounds for excluding the public, as specified by s 48(1) of the Local Government Official Information and Meetings Act 1987, to prevent the disclosure or use of official information for improper gain or advantage (s. 7(2)(j)).

Whakarāpopoto Kāhui Kahika / Executive Summary

1. The Risk and Assurance Committee requested a Quarterly Cyber Security update report from Security Specialists (SSS).
2. The report shows the Council's ongoing efforts in managing Cyber Security vulnerabilities. SSS provided training to all the Council staff in February 2024 and training for elected members is scheduled within the coming months.
3. We are considering regular education and awareness programmes for all staff and elected members going forward. It is important to note that new vulnerabilities are identified almost daily, so a zero vulnerabilities state is not achievable.

Taunakitanga / Recommendation

THAT the Risk and Assurance Committee receives the Security Specialists (SSS) Cyber Security report.



**IT SECURITY
SPECIALISTS**



Audit and Risk Committee Cybersecurity Quarterly Report 2024 Q1

South Taranaki District Council



Te Kaunihera o Taranaki ki Te Tonga
**South Taranaki
District Council**

31 January 2024



1 Executive Summary

This quarterly report, covering the period 24 October 2023 to 15 January 2024, summarises key cybersecurity material for South Taranaki District Councils' (STDC) Audit and Risk Committee (ARC). It includes four parts:

- This Executive Summary.
- General cybersecurity threat trends.
- Non-technical summary of the SSS Shared Managed Detection and Response service (SMDRS) technical reporting (five reports).
- Progress of STDC cybersecurity status measured within the SAM for Compliance (SAM4C) tool.

Any recommendations made within this report will mostly be for the IT team to consider and implement, for SLT to support, and for the ARC to monitor. These will include only items requiring information or escalation to the ARC.

The SMDRS service supports the detection of, and response to, threats and abnormalities within systems, and continues to disrupt (stop) active attacks on STDC systems, with **15** active attacks disrupted during the reporting period. **This is a significant decrease as compared with the previous reporting period.**

STDC IT staff have continued to impress the author having far fewer vulnerabilities than most Councils. This team should be commended for their ongoing vulnerability management efforts. It is important to note that new vulnerabilities are identified almost daily, so a zero vulnerability state is not achievable.

SAM4C is a cloud based service used to simplify compliance management to any selected standard or controls framework. A controls framework, based on the internationally recognised Center for Internet Security (CIS) controls, has been developed for New Zealand based councils under the ALGIM umbrella, with over 60% of councils participating. Progress of remediation activities are recorded in the final section of this report, demonstrating an improvement in STDC's cybersecurity posture.

2 General cybersecurity threat trends

The Computer Emergency Response Team New Zealand (CERT NZ) reports "The number of cyber security incidents reported has risen again towards the end of 2023". The data that CERT NZ collects and publishes is based on the incidents that are reported to them by the affected parties. However, many New Zealanders are not aware of the existence or role of CERT NZ and may not report their cyber security issues to them. SSS assess that the actual number and impact of cyber incidents in New Zealand is very likely to be much higher than what CERT NZ estimates based on reporting to them.

The increase was mainly driven by a surge in scams and fraud, which accounted for more than half of the incidents. Scams and fraud also caused the most financial harm, with a total loss of \$4.7 million reported in Q3, up by 11% from Q2. Among the costliest incidents were 11 cases where individuals lost over \$100,000 each, and five cases where people fell victim to job, business, or investment scams. These types of scams have become more prevalent in 2023, as scammers exploit the economic uncertainty and the increased use of online platforms.

Financial scams have overtaken state-sponsored attacks in the New Zealand threat landscape, according to the National Cyber Security Centre (NCSC). In 2023, NCSC recorded 316 cyber security incidents it disrupted, detected, or advised on and analysis of these showed financially motivated activity exceeded state-sponsored threats for the first time. These also had a greater potential impact, the agency warned. "We see heightened determination from cyber-criminal actors attempting to extort payment from organisations that are increasingly aware of – and resilient to – extortion and manipulation tactics."

The Ministry of Business and Innovation (MBIE) chairs a group of agencies that work together to protect consumers from scams, including the Banking Ombudsman Scheme, the Financial Markets Authority (FMA), and others. According to 11 of the largest financial institutions, nearly \$200 million was lost to scams in the first nine months of 2023, with scammers mostly targeting savers and investors.

Globally in 2023, cyber threat actors exploited older software vulnerabilities in common applications. In many cases, the vulnerabilities were more than 10 years old, consistent with the US Cybersecurity and Infrastructure Security Agency (CISA) finding that adversaries have targeted old security flaws more than newly disclosed ones in recent years. In fact, four of the top five most targeted vulnerabilities we observed were also cited by CISA as being frequently exploited in prior years, further highlighting this point. This underscores the need for entities to regularly install software updates, as many of these systems were likely unpatched



given the age of the targeted vulnerabilities. The top targeted vulnerabilities are found in common applications, such as Microsoft Office.

This finding is also substantiated by CISA, which noted that actors in 2022 prioritised Common Vulnerabilities and Exposures (CVE) that are more prevalent in their targets' networks. Adversaries likely prioritise targeting widespread vulnerabilities because the exploits developed for such CVEs can have long-term use and high impact. Lastly, most of the vulnerabilities listed would cause substantial impact if exploited, with seven receiving the highest "critical" score from the Common Vulnerability Scoring System (CVSS). The high frequency of targeting attempts against these CVEs, paired with their severity, underscores the risk to unpatched systems.

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3 Non-technical summary of technical Shared Managed Detection and Response service (SMDRS) reporting

3.1 Vulnerabilities

The continued efforts that began late 2022 have resulted in the **overall vulnerability status of South Taranaki District Council to be among the best observed by the author**. This means that the Council is significantly better protected against known vulnerabilities than many of our clients.

3.1.1 Vulnerabilities that were first identified prior to 2020

The previous quarterly report saw mention of vulnerabilities pre-dating 2020. The older a vulnerability is, the longer exploits have existed and been used by threat actors.

The following table shows the data relating to these pre-2020 vulnerabilities, with the columns explained.

- **Distinct vulnerabilities:** This means a single vulnerability that has been identified, reported to the vendor, and a patch released to 'fix' the vulnerability.
- **Total instances:** This is the total number of instances that a distinct vulnerability is present on STDC systems, with many vulnerabilities existing on multiple devices.
- **Most prolific (distinct):** This is the number of distinct vulnerabilities that exist on 30 or more devices within STDC.
- **Most prolific (total instances):** This is the total number of instances of the most prolific vulnerabilities present on STDC systems.

	Distinct vulnerabilities	Total instances		Most prolific (distinct)	Most prolific (total instances)
2023 Q1 report	40	462		11 of 40	385
Q2 report	36	296		7 of 36	244
Q3 report	26	270		6 of 26	209
Q4 report	19	197		5 of 26	165
2024 Q1 report	52	295		1 of 52	59

*There was a slight increase in Total instances in the table above due to SMDRS scanning more devices.

3.1.2 Overall vulnerabilities

At the end of the reporting period, STDC had a total **465** distinct vulnerabilities, totalling **1300** instances (the previous reporting period with 236 distinct vulnerabilities, totalling 547 instances). **This increase is a direct result of SMDRS increasing the scope of devices scanned and is expected for this reason.** Additionally, 26 vulnerability instances have been classified as critical (CVSS score of 9.0 and above), predominantly associated with Adobe products. This is a significant decrease from November 2023 where the total



vulnerability instances numbered 1,448 classified as critical (CVSS score of 9.0 and above) due to council's patching efforts. STDC should be commended on this effort.

The following was reported in 2023 Q4 "In this case two devices are responsible for 131 distinct new vulnerabilities; it is expected these will have been patched before this report is tabled for the ARC." **It is confirmed by the author that these devices were patched as expected.**

Notwithstanding, STDC maintains the best vulnerability maintenance regime the author has seen of any council and the ARC should have confidence in this.

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3.2 Malware Free Networks

The National Cyber Security Centre (NCSC) at the Government Communications Security Bureau (GCSB) have partnered with SSS to protect agencies. STDC consumes this as part of the SMDRS. During the reporting period, a total of **15 active attacks against STDC were disrupted** at the boundary as a direct result of this service, which looks for known active targeted attacks against NZ and Pacific organisations, and therefore potentially not on the radar for traditional US based services. At this stage the reason for this decrease is unknown.

4 SAM for Compliance (SAM4C)

Over 60% of all ALGIM member councils use the SAM4C tool to assess and monitor their cybersecurity status. External assessments were conducted at STDC in November 2020 and again with the updated framework in May 2023. The 2023 Q2 results recorded are from the 2023 assessment. SSS is working with STDC to prioritise remediation activities, and reassess safeguards as remediation occurs. The council is committed to improving its cybersecurity posture and addressing the gaps identified by the SAM4C tool. **The council has planned proactive work for 2024 to reassess safeguards based on recent remediation activities so that SAM4C more accurately reflects the current state, which will be reported next quarter.**

The below table summarises the STDC current level of compliance.

Function	2023 - Q2	2023 - Q3	2023 - Q4	2024 - Q1
Identify	51%	55%	58%	58%
Manage	49%	61%	61%	61%
Protect	59%	69%	69%	69%
Detect	61%	62%	64%	64%
Respond	48%	49%	58%	58%
Recover	54%	60%	67%	67%
Overall	52%	61%	62%	62%

5 Contact

The Cybersecurity Consultant should be contacted to discuss any matters regarding this report:

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