



Hastings District Council

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OPEN A G E N D A

RISK AND AUDIT SUBCOMMITTEE MEETING

Meeting Date: **Tuesday, 2 July 2019**

Time: **1.00pm**

Venue: **Council Chamber
Ground Floor
Civic Administration Building
Lyndon Road East
Hastings**

| | |
|-----------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------|
| Subcommittee Members | Chair: Mr J Nichols <i>Ex Officio: Mayor Hazlehurst</i> Deputy Mayor Kerr (Deputy Chair) Councillors Nixon and Travers <i>(Quorum=3)</i> |
| Officer Responsible | Chief Financial Officer, Bruce Allan |
| Committee Secretary | Christine Hilton (Ext 5633) |

Risk and Audit Subcommittee – Terms of Reference

A subcommittee of the Finance and Risk Committee

Fields of Activity

The Risk and Audit Subcommittee is responsible for assisting Council in its general overview of financial management, risk management and internal control systems that provide:

- Effective management of potential risks, opportunities and adverse effects; and
- Reasonable assurance as to the integrity and reliability of the financial reporting of Council; and
- Monitoring of the Council's requirements under the Treasury Policy

Membership (4 Members)

Chairman appointed by the Council

The Mayor

Deputy Mayor

2 Councillors

An independent member appointed by the Council.

Quorum – 3 members

DELEGATED POWERS

Authority to consider and make recommendations on all matters detailed in the Fields of Activity and such other matters referred to it by the Council or the Finance and Risk Committee

The subcommittee reports to the Finance and Risk Committee.

HASTINGS DISTRICT COUNCIL

RISK AND AUDIT SUBCOMMITTEE MEETING

TUESDAY, 2 JULY 2019

VENUE: Council Chamber
Ground Floor
Civic Administration Building
Lyndon Road East
Hastings

TIME: 1.00pm

A G E N D A

1. Apologies

At the close of the agenda no apologies had been received.

At the close of the agenda no requests for leave of absence had been received.

2. Conflict of Interest

Members need to be vigilant to stand aside from decision-making when a conflict arises between their role as a Member of the Council and any private or other external interest they might have. This note is provided as a reminder to Members to scan the agenda and assess their own private interests and identify where they may have a pecuniary or other conflict of interest, or where there may be perceptions of conflict of interest.

If a Member feels they do have a conflict of interest, they should publicly declare that at the start of the relevant item of business and withdraw from participating in the meeting. If a Member thinks they may have a conflict of interest, they can seek advice from the General Counsel or the Democratic Support Manager (preferably before the meeting).

It is noted that while Members can seek advice and discuss these matters, the final decision as to whether a conflict exists rests with the member.

3. Confirmation of Minutes

Minutes of the Risk and Audit Subcommittee Meeting held Monday 6 May 2019.
(Previously circulated)

4. Chairman's Strategic Risk and Audit Overview

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| 12. | Additional Business Items | |
| 13. | Extraordinary Business Items | |
| 14. | Recommendation to Exclude the Public from Items 15, 16 and 17 | 57 |
| 15. | Building Control Liability Risk Update | |
| 16. | Update on Delegated Financial Authorities review and implementation | |
| 17. | 2019/20 Insurance Renewal Programme | |

REPORT TO: RISK AND AUDIT SUBCOMMITTEE

MEETING DATE: TUESDAY 2 JULY 2019

FROM: CHIEF FINANCIAL OFFICER
BRUCE ALLAN

SUBJECT: CHAIRMAN'S STRATEGIC RISK AND AUDIT OVERVIEW

1.0 SUMMARY

- 1.1 The purpose of this report is to provide the Chair of the Risk and Audit Subcommittee with the chance to discuss with Subcommittee members the strategic opportunities that may be present.
- 1.2 The Council is required to give effect to the purpose of local government as set out in section 10 of the Local Government Act 2002. That purpose is to enable democratic local decision-making and action by (and on behalf of) communities, and to promote the social, economic, environmental, and cultural well-being of communities in the present and for the future.
- 1.3 This report concludes by recommending that the report be received.

2.0 CURRENT SITUATION

- 2.1 The Terms of Reference for the Risk & Audit Subcommittee are as follows and are included on the inside front cover of each Subcommittee agenda:

Risk and Audit Subcommittee – Terms of Reference

A subcommittee of the Finance and Risk Committee

Fields of Activity

The Risk and Audit Subcommittee is responsible for assisting Council in its general overview of financial management, risk management and internal control systems that provide:

- *Effective management of potential risks, opportunities and adverse effects; and*
- *Reasonable assurance as to the integrity and reliability of the financial reporting of Council; and*
- *Monitoring of the Council's requirements under the Treasury Policy*

Membership (4 Members)

Chairman appointed by the Council

The Mayor

Deputy Mayor

2 Councillors

An independent member appointed by the Council.

Quorum – 3 members

DELEGATED POWERS

Authority to consider and make recommendations on all matters detailed in the Fields of Activity and such other matters referred to it by the Council or the Finance and Risk Committee.

The subcommittee reports to the Finance and Risk Committee.

- 2.2 Over the course of this triennium the scope of activities that the Subcommittee has provided oversight to has grown. The Chair would like to take this opportunity to cast an eye ahead to see what other activities could benefit from this oversight.

3.0 RECOMMENDATIONS AND REASONS

- A) That the report of the Chief Financial Officer titled “Chairman's Strategic Risk and Audit Overview” dated 2/07/2019 be received.**

Attachments:

There are no attachments for this report.

REPORT TO: RISK AND AUDIT SUBCOMMITTEE

MEETING DATE: TUESDAY 2 JULY 2019

FROM: RISK AND CORPORATE SERVICES MANAGER
REGAN SMITH
RISK ASSURANCE ADVISOR
DEAN FERGUSON

SUBJECT: RISK ASSURANCE REVIEW

1.0 SUMMARY

- 1.1 The purpose of this report is to inform the Sub-committee about the outcome of the first planned Risk Assurance Review undertaken on the Aquatics area.
- 1.2 This issue arises from the planned Risk Assurance Review programme to support the HDC Enterprise Risk Management framework.
- 1.3 The Council is required to give effect to the purpose of local government as set out in section 10 of the Local Government Act 2002. That purpose is to enable democratic local decision-making and action by (and on behalf of) communities, and to promote the social, economic, environmental, and cultural well-being of communities in the present and for the future.
- 1.4 This report concludes by recommending that the report be received.

2.0 BACKGROUND

- 2.1 Risk Assurance Reviews are part of Hastings District Council's Enterprise Risk Management programme.
- 2.2 The purpose of Risk Assurance Reviews is to assess the integrity of critical controls identified for Council's strategic risks in order to provide confidence in the level of risk mitigation achieved.
- 2.3 Risk Assurance Reviews also provide the opportunity to strengthen existing controls and identify additional risk controls for consideration.
- 2.4 Through the review programme Council seeks to ensure mandatory obligations are met, provide assurance regarding management of significant risk and the efficiency and effectiveness of core processes.

3.0 CURRENT SITUATION

Review Programme

- 3.1 The current review is the first in the series planned for 2019. The intended programme of Risk Reviews is attached (**Attachment 1**).

The schedule for the Risk Review programme was adjusted due to the risk assurance role being diverted to other Council matters which took precedence. As a result, the review cycle has been moved back by 3 months. Risk Assurance had scheduled in Transportation for the next review but due to operational and end of financial year obligations, the review will not

commence until August 2019. In the interim, a review of a number of critical controls has been added to the review plan and will be carried out to provide assurance to Council. The purpose of the critical control review will be to assess the effectiveness of the controls across Council, not just focussing on one particular business unit. The results

Aquatics Review

- 3.2 The review of the Flaxmere Aquatic Centre formed part of the Council Risk Assurance three year review plan and is supported by the Risk Assurance Charter (PMD-9-1-18-12).
- 3.3 The objective of the Aquatics Review was to assess the adequacy of the policies, procedures and controls supporting the management and performance of the Swim Heretaunga Pool – Flaxmere Aquatic Centre, which is owned and operated by Council. In order to do that, a number of Strategic Council Risks and critical controls were identified and tested against the operation.
- 3.4 During the course of the review, the scope was broadened to factor in the other facilities that came under the control of the business unit including Frimley Pool, Clive War Memorial Pool and Village Pool – Havelock North. The key areas of focus during the review were:
 - Corruption and Fraud: financial policies, procedures and controls around general cash handling practices, banking reconciliation, financial operating systems, cash in transit and organisational culture.
 - Procurement and contract management: adequacy of documented contract management policies and procedures, contract register, governance oversight and competency.
 - Health & Safety: incident and hazard reporting, compliance monitoring and education and training of staff.
 - Facility Failure: resilience and planning including business continuity management, Asset Management Plans and incident reporting.
 - Loss of Key Staff: adequacy of key roles and responsibilities, manageable workloads and management of avoiding single points of knowledge.
 - Business Interruption: Business Continuity Planning.
- 3.5 The review resulted in 29 findings against 6 Strategic Risks. The findings have been weighted using a severity scale of very high, high, medium or low, to indicate the priority with which we consider these findings should be treated.

| Strategic Risks Reviewed | Findings summary | | | |
|------------------------------|-----------------------------|---------------------|-------------------------|-----------------|
| | None or largely ineffective | Partially effective | Substantially effective | Fully effective |
| Health and Safety | – | 2 | 2 | 1 |
| Procurement Failure | 1 | 2 | – | – |
| Corruption & Fraud Incidents | 3 | 9 | 1 | – |
| Business Interruption | – | – | – | – |
| Loss of Key Staff | – | 4 | – | – |
| Facility Failure | – | 2 | 2 | – |
| Total | 4 | 19 | 5 | 1 |

3.6 As a result of the review, a number of recommendations have started to be implemented including:

- **Cash Handling Framework (SR13: Corruption & Fraud):** The review identified that improvement was required around Council's Policies and Procedures when it came to handling cash. There were varying standards being applied across the sites, some of which were not as effective as they could be. As a result of the review, a programme of works has been initiated to carry out a gap analysis across all sites that handle cash or have a financial transaction function. A team has been established to review the results and put in place a set of standards for all sites to follow. The standards will be underpinned by a Council wide policy and framework and will be in place by the opening of the pools for the summer season. The framework will factor in the findings from the review including the development of a Policy, Training (both process and system),
- **Contract Management (SR12 Procurement Failure):** The review concentrated on 3 critical controls under the Procurement Failure Strategic Risk. It was identified during the review that there was limited contract management and oversight when it came to the actual managing of contracts. There was no central role providing oversight and support ensuring contracts were managed effectively. The Council Contracts Register was also reviewed and it was established that it was not as effective as it could be. There were contracts under the facilities that had either expired, had no contract manager or had critical information missing. As a result of the review, a working group has been established to address some of the critical gaps in contract management and ensure that it is part of the overarching Procurement and Contract Management Framework. Contract Management training is also being sourced and developed and will be delivered to Council staff (who hold contracts) by the end of 2019.
- **Loss of Key Staff (SR15 Loss of Key Staff):** The review focussed on the support for key staff and avoiding single points of knowledge, manageable workloads, defining roles and responsibilities and separation of duties. The focus of the review was to consider not just the facility but also the managerial support and structure. It was observed that the Aquatics Centre had a good level of experience and knowledge across a number of key staff but the other pools did not have the same level of knowledge at the site. Recommendations were made to consider a competency programme that allows skilled staff move to a different pool as and when

required to ensure there was an adequate level of knowledge and skills to keep the facility operating.

- 3.7 With the draft report only being signed, Officers are still working through the recommendations and how they can be implemented. It is expected that an updated report on the review along with an update on the action plan be prepared and provided to the Risk & Audit Subcommittee in December 2019.

4.0 RECOMMENDATIONS AND REASONS

- A) That the report of the Risk and Corporate Services Manager titled “Risk Assurance Review” dated 2/07/2019 be received.**

Attachments:

1 Risk Review Plan

PMD-9-1-19-16



Risk Assurance Review Plan 2018-21 HDC Risk Assurance

| | |
|-------------------------|---------------------------------------|
| Risk Assurance | Risk Assurance Review Plan 2018- 2021 |
| Owner | Risk & Corporate Services, EGOI |
| Committee | Risk & Audit Subcommittee |
| Date of issue | 4 October 2018 |
| Date of Approval | 5 November 2018 |

Item 5

Attachment 1

Review Plan

1. Executive Summary

1.1. Introduction

Hastings District Council (HDC) recognises that an independent and objective assurance program provided by the Risk Assurance function assists in demonstrating effective governance and oversight within the organisation.

The Risk Assurance role reports to the Risk and Corporate Services Manager, Economic Growth & Organisational Improvement for operational purposes and to the Risk and Audit Subcommittee for providing assurance on risk management activity within the organisation. The Risk Assurance Plan plays a key role in assuring Council, Risk & Audit Subcommittee and Chief Executive (CE) that the internal controls are effective and embedded within the organisation and that continuous organisational improvement forms part of Council's Risk Management maturity journey.

The proposed HDC Review Plan is supported by the Risk Assurance Charter (PMD-9-1-18-2).

1.2. Risk Assurance Objectives

The objective of the Risk Assurance Review Plan, and the ongoing review planning, is to:

- Provide assurance to the Council, the CE, and the Risk and Audit Subcommittee and those who rely on Risk Assurance's work that critical risks and improvement opportunities have been identified.
- Assist management to accomplish their objectives and accountabilities.
- Provide value-adding service to improve Council's operations.
- To identify strengths and weaknesses within the organisation and provide guidance and oversight in ensuring Council address areas for improvement.

1.3. Risk Assurance's Review Planning Approach

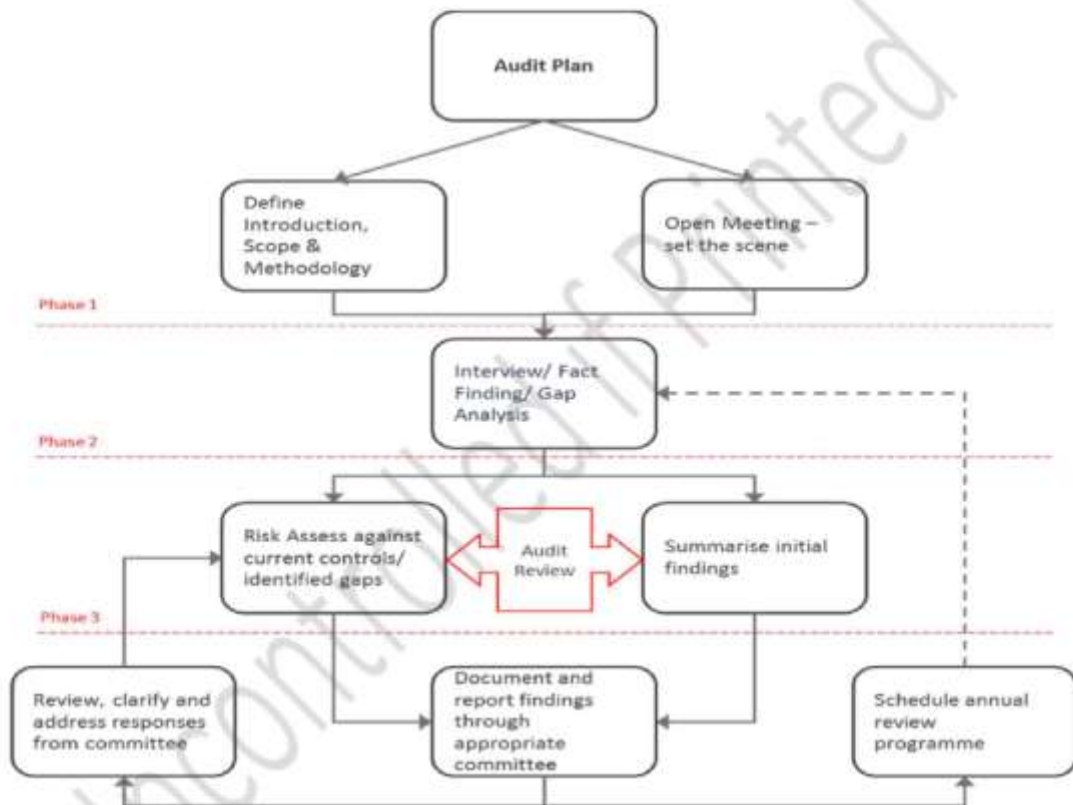
Risk Assurance's planning approach to developing the strategic review planning has included:

- Strategic Risk Register – testing the critical controls underpinning the 20 Strategic Risks adopted by Council.
- Consultation with the CE, General Managers and other key stakeholders within the organisation.
- Items being highlighted and prioritised by management within Council;
- Receiving and reviewing previous and current review/ audit programs provided by contracted external auditors such as Crowe Horwath and Audit New Zealand;

- Reviewing the Hastings District Council's current Operational Risk Register and Rolling Risk review presentations

A timeframe for the reviews will be agreed following discussion with key stakeholders within the organisation and reported to the Risk & Audit Subcommittee.

1.4. Methodology



2. Review Plan

| HDC Review Plan 2018 - 2021 | | | | | | | |
|-----------------------------|----------------------------------------------|----------------------|----------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|---------|---------|
| No. | Reviews and Activities | Inherent Risk Rating | Link to Strategic Risk/ Key Risk Category | Brief Scope/ Description | 18 - 19 | 19 - 20 | 20 - 21 |
| 1 | Solid Waste - Closed Landfills | High | Risk 15 – Loss of Key Staff Key Risk – Loss of key staff impacting on service delivery | A review of the risk, oversight and compliance of the closed landfill sites within the HDC catchment. The review will include: current resources to manage the area, contract management, resource consent compliance and emerging risks to the district. | ✓ | | |
| 2 | Night Security Services | Medium | Risk 12 – Procurement Failure Reputation | A review of the effectiveness of the contract and the way in which the contract and associated KPI's are managed. To include: <ul style="list-style-type: none"> • Providing assurance that there is no fraud or corruption • To give Council assurance around receiving value for money | ✓ | | |
| 3 | Security Invoice Review | Medium | Risk 12 – Procurement Failure Key Risk – Poor procurement practices resulting in poor expenditure decisions | A review of all outsourced security providers over a 12 month period ensuring Council is receiving value for money and suppliers have Council's best interests in mind when offering services. | ✓ | | |
| 4 | Waterworld – Flaxmere Aquatics Centre | Medium | Service Delivery Health & Safety Legal & Compliance Infrastructure Failure | A review of the policies, processes and controls relating to community facilities, in particular, Flaxmere Aquatics Centre. To work in conjunction with H&S and Finance to assess the effectiveness of the operation. | ✓ | | |

| | | | | | | | |
|---|-----------------------------------------------------------------------------|--------|--------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---|--|--|
| 5 | Strategic Risks – Critical Controls Assessment | High | Against all 20 Council Strategic Risks | <p>A review on 3 critical controls across a majority of Councils' 20 Strategic Risks.</p> <p>The purpose of the review will be to look at the effectiveness of critical controls across council and provide assurance to the Risk & Audit Subcommittee.</p> | ✓ | | |
| 6 | Transportation | High | Risk 10 – Economic Downturn Service Delivery | <p>A review of the policies, procedures and controls in place to ensure service levels are achieved through robust management planning and standards.</p> <p>The review will take into consideration the LTP and community demographics.</p> | ✓ | | |
| 7 | Ineffective Regulatory Oversight (in conjunction with Crowe Horwath) | High | Risk 5 – Ineffective Regulatory Oversight People Safety Service Delivery | <p>A review of the effectiveness of regulatory oversight through structured processes for receiving and evaluating applications relating to legislative activities and ensuring the safety of the community.</p> | ✓ | | |
| 8 | Community Programmes - Youth | Medium | Reputation People Safety | <p>A review on the systems and controls on programmes initiated and run by Council.</p> <p>The review will focus on the people and financial controls around running youth based programmes.</p> | ✓ | | |
| 9 | Animal Control/ Environmental Health | Medium | Service Delivery People Safety Reputation Legal & Compliance | <p>A combined review of the management, oversight and reporting for the controlled functions and their regulatory responsibilities including invoicing & collection and enforcement actions.</p> <p>The review will also include an analytical review of both operations.</p> | ✓ | | |

| | | | | | | | |
|----|------------------------------------------------|--------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|---|---|
| 10 | Failure to Meet Regulatory Requirements | High | Risk 17 – Failure to Meet Regulatory Requirements <ul style="list-style-type: none"> Delegations & Warrants LGOIMA | A review of Council's ability to meet regulatory requirements through a system of defined accountabilities delegated to staff for meeting regulatory obligations. The review will focus on Council's responsibilities on Delegations and LGOIMA requests | | ✓ | |
| 11 | IMBT – IT Security | High | Risk 8 – Information Security Failure Key Risks: <ul style="list-style-type: none"> Successful computer virus attack Lack of IT resilience | To review the processes and controls around Council's dependency for firewall protection, moving into a cloud based system and training/ updates around cyber security, internet & email usage, change management and network security | | ✓ | |
| 12 | Parks & Properties | Medium | Service Delivery Legal Compliance | A review of the policies, processes and controls around the management of the Parks and Properties portfolio including the regulatory responsibility and LTP view. | | ✓ | |
| 13 | Fraud & Corruption | High | | Assess the Council's current fraud control program against previous performance measures recommended through 3rd party audit reviews. Identify and test Council's fraud risk profile against global performance metrics. | | | ✓ |
| 14 | Libraries | High | Service Delivery Reputation People Safety | To carry out a review of the effectiveness of the security and cash handling procedures within the 3 public libraries in the district. | | | ✓ |

| | | | | | | | |
|----|----------------------------------|------|-------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|--|---|
| 15 | Building Consent Function | High | | <p>To carry out a review of the regulatory compliance and enforcement within the Building Consent area.</p> <p>A review of the number of complaints and enforcement action taken against resource consent.</p> | | | ✓ |
| 16 | Water Contamination | High | Risk 1 – Water Supply Contamination | <p>To review the policies, procedures and processes in place to actively manage the prevention of water contamination.</p> | | | ✓ |



REPORT TO: RISK AND AUDIT SUBCOMMITTEE

MEETING DATE: TUESDAY 2 JULY 2019

FROM: RISK AND CORPORATE SERVICES MANAGER
REGAN SMITH

SUBJECT: HDC DRAFT RISK APPETITE STATEMENT

1.0 SUMMARY

- 1.1 The purpose of this report is to seek guidance from the Subcommittee on the draft risk appetite statement proposed for Council to adopt.
- 1.2 This proposal arises from development of the Council's Enterprise Risk Management programme.
- 1.3 The Council is required to give effect to the purpose of local government as set out in section 10 of the Local Government Act 2002. That purpose is to enable democratic local decision-making and action by (and on behalf of) communities, and to promote the social, economic, environmental, and cultural well-being of communities in the present and for the future.
- 1.4 This report concludes by recommending the report be received.

2.0 BACKGROUND

- 2.1 It is considered best practice to include a statement of risk appetite as part of a risk management framework. The ISO31000 risk management standard includes defining risk criteria, the equivalent of a risk appetite, before undertaking risk identification and analysis.
- 2.2 Risk appetite is referred to as the amount and type of risk that an organisation is willing to seek or accept in pursuit of objectives. This can be considered the value the organisation is willing to put at risk in order to deliver strategic goals.
- 2.3 A good risk appetite statement should also include the acceptable tolerances for variation in delivery of the organisation's objectives. These tolerances should be measurable so that they can be effectively monitored.
- 2.4 Once defined the organisation's risk appetite and the associated tolerances provide a driver for strategic decision making and act as a regulator or constraint on operational activities (e.g. a Delegated Financial Authority).
- 2.5 Because the organisation's risk appetite is a tool to moderate the organisation's total risk exposure, it is vital that the statement is defined by the organisation's governing body. Consequently Council has embarked on a journey to understand the current risk appetite of the Elected Members and Executive Management.
- 2.6 In order to define a risk appetite for Council, surveys have been undertaken to establish the governance and management views of stakeholder expectations and their relative priorities. The results of these surveys are now available for review.

3.0 CURRENT SITUATION

3.1 A draft Risk Appetite Statement for Hastings District Council based on the survey responses is attached for consideration.

3.2 Overall the survey responses show a consistent pattern between Elected Members and the Executive Management. This alignment is positive as it indicates a similar view on issues between groups, which would be expected due to the nature of the working relationship. This also indicates that the survey results provided a valid profile that can be used to infer decision making preference.

3.3 Interpretation of Survey Results

3.4 Based on the spread of views evident in the survey responses, and the fact that the majority opinion was marginally, but not strongly, on the conservative side of neutral, a cautious risk appetite has been assumed. This implies that Council's preference is for delivering the expected outcome, and the tolerance for accepting options that put objectives at risk is limited to situations where the risks are and heavily out-weighted by the benefits.

3.5 The exceptions to this are outcomes that affect safety or accuracy and reliability of core services, where the tolerance for variation is low. Conversely results indicate that there may be a more flexible approach to reputation risk depending on the circumstances.

3.6 A further observation associated with the majority view being close to neutral is that there could be some flexibility to accepting more risk depending on the circumstances or objective. However, it is not clear from the results the circumstances in which that might occur. Therefore, it is proposed that Council explicitly set a risk appetite for key strategic goals or projects to provide specific guidance on the delivery approach to be taken.

3.7 Areas for Discussion

3.8 The survey results also identified four key areas of difference between Elected Members, Executive Management and Officers that warrant further discussion. Those areas are:

- How much focus should be put on protecting the community when seeking to achieve progress.
- How much focus to apply to compliance when trying to deliver responsive service.
- How much effort to put in to partnership and communication/consultation when that might affect the speed of service or perceived bureaucracy.
- Should speed of service or cost effectiveness be the key service driver.

4.0 OUTCOME

4.1 The attached Draft HDC Risk Appetite Statement is considered to be reflective of the surveys undertaken to understand governance risk attitude.

- 4.2 Discussion and refinement of this draft is recommended in order to reach a final version that the Council is prepared to adopt as a guiding document for strategic planning and operational activity.
- 4.3 In this respect feedback and endorsement from the Risk and Audit Subcommittee is sought on the draft statement.

5.0 RECOMMENDATIONS AND REASONS

- A) That the report of the Risk and Corporate Services Manager titled “HDC Draft Risk Appetite Statement” dated 2/07/2019 be received.**
- B) That the draft Risk Appetite Statement be discussed at a Council Workshop before adoption by Council.**

Attachments:

- | | | |
|---|----------------------------------|------------------|
| 1 | DRAFT Risk Appetite Statement V2 | PMD-03-81-19-189 |
|---|----------------------------------|------------------|



DRAFT Hastings District Council Risk Appetite Statement

The Council's over-arching risk appetite statement is as follows:

In terms of both **Strategic and Operational Risk** the Council has a **cautious appetite** for risk. Resources are aligned to priority outcomes and arrangements are in place to monitor and mitigate risks to acceptable levels.

Whilst appetite may be minimal, tolerance levels need to be higher as Council recognises that it is not possible, or necessarily desirable, to eliminate some of the risks inherent in its activities. In some instances acceptance of risk within the public sector is necessary due to the nature of services, constraints within operating environment and a limited ability to directly influence where risks are shared across sectors.

Hastings District Council has the following **tolerances** for operational losses or events;

- Low tolerance for events resulting in medical attention or short term health impacts on the health and safety of our people or members of the public.
- Limited tolerance for events resulting in a noticeable increase in the financial burden placed on the ratepayer or applicants.
- Limited tolerance for events that negatively affect the accuracy and reliability of our core services.
- Limited tolerance for events that give way to matters of material non-compliance resulting in warning or adverse public exposure.
- Flexible tolerance for events causing high public interest or national media attention damaging to Council reputation.

Hastings District Council has a slightly elevated risk appetite related to **strategic opportunities** that support delivery of the key outcomes sought in the Council Long Term plan (specifically; Water for our Future, Upgrading our Bridges, Enjoying our City Centre, Relaxing in our Reserves, Our People).

Hastings District Council is **cautious** to accepting **medium** risk, providing that on balance of probability, the potential benefits to the community are commensurate with the rated value put at risk.

The level of uncertainty that HDC is willing to accept in pursuit of objectives or delivery of projects can be mapped to the HDC risk levels as follows:

| Risk Category | Low | Medium | High | Extreme |
|------------------|-----|--------|------|---------|
| Safety | ● | | | |
| Financial | | ● | | |
| Service Delivery | | ● | | |
| Compliance | | ● | | |
| Reputation | | | ● | |

In practice this means:

| Risk Category | Tolerances |
|------------------|---------------------------------------------------------------------------------------------------------------------------------------------|
| Safety | Highly prescriptive measures in place to minimise harm. |
| Financial | High level of confidence (greater than 80%) that budgets will cover actual costs. Variance in budget of no more than 10%. |
| Service Delivery | High level of confidence (greater than 80%) that advice is accurate. Variation in service delivery timeframes is normally no more than 10%. |

Ref: PMD-03-81-19-187

V2.0



| | |
|-------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Compliance | Very high level of confidence (greater than 90%) that activities comply with all material legislative requirements. Council is not subject to fines or prosecution for failing to meet a legal obligation. |
| Reputation | Significant regional media or local public interest as a result of safety, financial, service delivery or compliance risks arising can be tolerated. National media exposure adversely affecting Council's image is to be avoided, but positive exposure is desirable. |

Risk Appetite Scale

| Rating | Philosophy | Tolerance for Uncertainty Willingness to accept uncertain outcomes or variations. | Choice Willingness to select an option puts objectives at risk | Trade-off Willingness to trade off against achievement of other objectives. | |
|--------|------------|--------------------------------------------------------------------------------------|-------------------------------------------------------------------|--------------------------------------------------------------------------------|--------------------------------|
| 5 | Open | Will take justified risks | Fully anticipated | Will choose option with highest return; accepting possibility of failure. | Willing |
| 4 | Flexible | Will take strongly justified risks | Expect some | Will choose to put at risk, but will manage impact | Willing under right conditions |
| 3 | Cautious | Preference for delivering expected outcome. | Limited | Will accept if limited and heavily out-weighted by benefits | Prefer to avoid |
| 2 | Minimalist | Extremely conservative | Low | Will accept only if essential, and limited possibility/extent of failure | With extreme reluctance |
| 1 | Averse | "Scared" Avoidance of risk is a core objective | Extremely low | Will always select the lowest risk option. | Never |

Ref: PMD-03-81-19-187

V2.0

Item 6

Attachment 1

REPORT TO: RISK AND AUDIT SUBCOMMITTEE

MEETING DATE: TUESDAY 2 JULY 2019

FROM: RISK AND CORPORATE SERVICES MANAGER
REGAN SMITH

SUBJECT: UPDATED BOW TIE RISK ANALYSIS FOR CIVIL
DEFENCE EMERGENCY STRATEGIC RISK

1.0 SUMMARY

- 1.1 The purpose of this report is to update the Subcommittee on a revised Bow Tie risk analysis undertaken on Strategic Risk Number 2, Civil Defence Emergency.
- 1.2 This issue arises from ongoing review of the Council's strategic risk profile.
- 1.3 The Council is required to give effect to the purpose of local government as set out in section 10 of the Local Government Act 2002. That purpose is to enable democratic local decision-making and action by (and on behalf of) communities, and to promote the social, economic, environmental, and cultural well-being of communities in the present and for the future.
- 1.4 This report concludes by recommending that the revised risk analysis is adopted and reported to Council.

2.0 BACKGROUND

- 2.1 In late 2017 a series of Bow Tie risk analysis were undertaken on all of the strategic risks identified for Council. This included an assessment of the Civil Defence Emergency risk.
- 2.2 This initial assessment focused on the response activities for which the Council is responsible during a Civil Defence event. Therefore, the assessment focused those things Council can control to avoid losing control of an emergency response (Attachment 1).
- 2.3 It should be noted that this risk relates to the impact on Council objectives as a result of a Civil Defence event, and does not include those areas for which the Group Civil Defence Emergency Management team are responsible.

3.0 CURRENT SITUATION

- 3.1 As a result of comparing the Council risk register with other similar agencies it was identified that a wider view of the Civil Defence Emergency risk could be beneficial.
- 3.2 Therefore, another Bow Tie risk assessment of the Civil Defence Emergency risk has been completed using the Hawkes Bay Emergency Management Group's list of top 10 regional hazards as the key threats.
- 3.3 The one-page summary (Attachment 2) and full Bow Tie (Attachment3) are included for reference. The main outcomes of the revised risk analysis are:

- 3.3.1 The central event of concern is described as “People or Property at risk”, which broadens the focus to include impact on the objective of community safety rather than just Council operations.
- 3.3.2 The Bow Tie illustrates how the regular consenting and asset planning activities work to minimise the threat to the community.
- 3.3.3 The relevance of Civil Defence preparedness and Council business continuity planning is clear.
- 3.3.4 The previous central event relating to “Loss of control of a Civil Defence response” can be seen as a key control to mitigate the possible injury or loss of life when the need arises to respond to a Civil Defence event.

4.0 SIGNIFICANCE AND ENGAGEMENT

- 4.1 The risk assessment presented represents activities already undertaken by Council therefore the matter is not significant in terms of Council’s Significance and Engagement Policy and consultation is not required.

5.0 ASSESSMENT OF OPTIONS (INCLUDING FINANCIAL IMPLICATIONS)

- 5.1 The revised Civil Defence Emergency risk analysis provides a more comprehensive view of all the activities Council undertakes to reduce the impact on the community caused by known hazards.
- 5.2 As a result, the revised analysis is considered more useful to understand the critical controls that should be reviewed for effectiveness, and therefore, will be used in place of the original analysis (note; the original loss of control of response risk analysis will be retained as an operational risk to inform Emergency Management planning).
- 5.3 There are no cost implications of the current risk analysis.

6.0 RECOMMENDATIONS AND REASONS

- A) That the report of the Risk and Corporate Services Manager titled “Updated Bow Tie Risk Analysis for Civil Defence Emergency Strategic Risk” dated 2/07/2019 be received.**
- B) That the revised risk analysis for Civil Defence Emergency is reported to Council.**

With the reasons for this decision being that the objective of the decision will contribute to enabling democratic local decision-making and action by (and on behalf of) communities, and to promote the social, economic, environmental, and cultural well-being of communities in the present and for the future by:

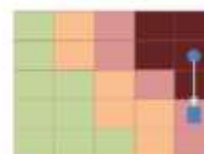
- i) Providing comprehensive understanding of strategic risk.**

Attachments:

| | | |
|---|-------------------------------------------------|------------------|
| 1 | Civil Defence Emergency Response 1 Page Summary | PMD-03-81-19-184 |
| 2 | Revised Strategic Risk 1 Page Summary | PMD-03-81-19-185 |
| 3 | Revised Strategic Risk Bow Tie | PMD-03-81-19-186 |

Operational Risk: Ineffective Civil Defence Emergency Response

Owner: Group Manager: Community Facilities and Programmes
Stakeholders: HDC Staff, contractors and members of the public.



Risk Description

Civil Defence emergency covers major disasters or emergencies due to a natural hazard or other cause affecting community safety or damaging Council assets. A Civil Defence event exists when the safety of the public or property is endangered and a significant and coordinated response under the Civil Defence Emergency Management Act 2002 (CDEM Act) is required.

Risk Type: Hazard (can only have negative impacts). **Timescale:** Rapid onset with long term impacts.
Consequences: Unnecessary loss of life/injuries or property damage, Major on going health/safety and wellbeing issues, Compounding impacts, Delayed move into recovery, Reputational damage, Legal liability.
Previous Event: Snow Storm 2009, Havelock North Campylobacter Outbreak 2016, Ripia Stream Fires 2017, Cyclone Cook 2017.

Inherent Risk

Probable x Severe = Extreme (45)

The Hawkes Bay region is exposed to a range of natural hazards including floods, severe storms or cyclones, snowstorms, earthquakes, volcanic eruptions, tsunamis, coastal hazards, landslide, droughts, wildfires, and infectious human disease pandemics, as well as animal and plant diseases; and non-natural events including lifeline utility failures such as prolonged power outage or telecommunication service disruption. These events have the potential to cause widespread damage and potential for loss of life.

Threats: Lack of readiness of partners and agencies, Poor relationships with other Councils and agencies, Lack of trained staff, Poor commitment of staff, Staff unable to deploy, Loss of response facilities, Loss of systems, Process failure (including intelligence, planning and delivery, Unanticipated events).

Current Risk

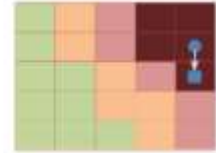
Possible x Severe = High (20)

Due to the nature of these events little can be done to reduce the chance of an event occurring. As a result Council's focus is on preparedness and ensuring an effective response can be mounted. This is achieved through integration with the Hawkes Bay Group CDEM team and training Council staff to manage the response and recovery for a major disaster.

Prevention: For Civil Defence risk, prevention measures aim to ensure a coordinated and managed response is provided, and include; Active participation in Hawkes Bay Civil Defence & Emergency Management Group, Follow CIMS structure, Large range of hazards anticipated and flexible response plans in place, Organisation and contractors have effective Business Continuity Planning, Good contracts and Service Level Agreements in place, Participate in & action initial response plans, Identify and prepare staff, Leadership support for staff development, Regular training and exercises, succession planning, Regular system testing, Multiple back up systems, Document treating and review systems, Regular facility review and maintenance, Maintenance & upgrade ITC & communications equipment, Identify & test alternate facilities, Staff resilience & readiness.

Mitigation: For Civil Defence risk, mitigation refers to bringing a response back under control, and include; Seek external support from Group or National level, Trigger points identified, Effective and proactive communications, Effective leadership, Joined up Government & CDEM management, Professional/specialist advice.

Strategic Risk: Civil Defence Emergency (SR02)



Owner: Group Manager: Community Facilities and Programmes
Stakeholders: HDC Staff, contractors and members of the public.

Risk Description

Civil Defence emergency covers major disasters or emergencies due to a natural hazard or other cause affecting community safety or damaging Council assets. A Civil Defence event exists when the safety of the public or property is endangered and a significant and coordinated response under the Civil Defence Emergency Management Act 2002 (CDEM Act) is required.

Risk Type: Hazard **Timescale:** Short
Consequences: Injury or loss of life, Degraded standard of living, Insanitary living conditions, Property damage, Adverse economic impact, Compromised financial viability, Legal liability/prosecution, Reputation damage, Lack of local incident management input.
Previous Event: Snow Storm 2009, Havelock North Campylobacter Outbreak 2016, Ripia Stream Fires 2017, Cyclone Cook 2017.

Inherent Risk

Probable x **Severe** = **Extreme (45)**

The Hawkes Bay region is exposed to a range of natural hazards and human-made events (including lifeline utility failures such as prolonged power outage or telecommunication service disruption) that have the potential to cause widespread damage and loss of life.

Threats: Earthquake, Tsunami, Storm/Flood/Landslide, Draught, Pandemic, Animal/Plant biohazard, Volcanic Eruption, Hazardous substances, Utilities failure, Fire - urban or rural, Changing legislative requirements.

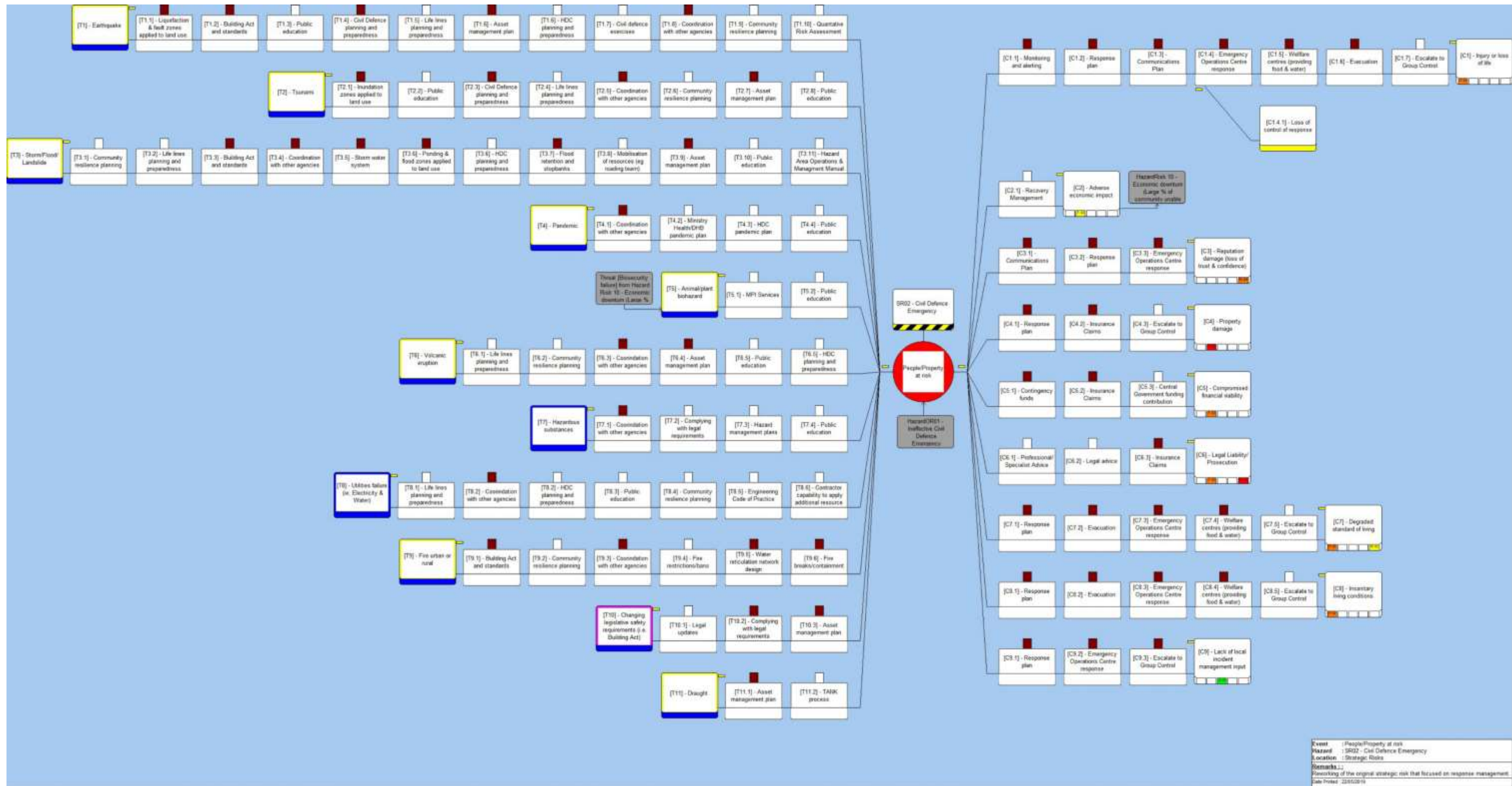
Current Risk

Likely x **Severe** = **Extreme (30)**

For most of these events little can be done to reduce the chance of an event occurring. As a result the focus is on Community and Council preparedness and ability to mount an effective response. This is achieved through effective landuse planning to avoid known hazard zones, implementation of building standards and resilience of lifeline services, combined with robust response plans that are supported by adequate emergency management resources.

| | | | |
|---------------------------|-----------------------------------------------|-----|---|
| Critical Controls: | Liquefaction & fault zones applied to landuse | TBC | ● |
| | Building Act and Standards applied | TBC | ● |
| | Asset Management Plans | TBC | ● |
| | Civil Defence planning & preparedness | TBC | ● |
| | Coordination with other agencies | TBC | ● |
| | Storm water system | TBC | ● |
| | Water reticulation design (for firefighting) | TBC | ● |
| | Fire breaks/containment | TBC | ● |
| | Business Continuity & Response Plans | TBC | ● |
| | Emergency operations centre response | TBC | ● |
| | Insurance | TBC | ● |
| | Contingency funds | TBC | ● |

| Level of confidence | |
|---------------------|--------------|
| ● | High |
| ● | Developing |
| ● | Limited |
| ● | Not assessed |



REPORT TO: RISK AND AUDIT SUBCOMMITTEE

MEETING DATE: TUESDAY 2 JULY 2019

FROM: MANAGER STRATEGIC FINANCE
BRENT CHAMBERLAIN

SUBJECT: TREASURY ACTIVITY AND FUNDING

1.0 SUMMARY

- 1.1 The purpose of this report is to update the Subcommittee on treasury activity and funding issues.
- 1.2 The Council is required to give effect to the purpose of local government as set out in section 10 of the Local Government Act 2002. That purpose is to enable democratic local decision-making and action by (and on behalf of) communities, and to promote the social, economic, environmental, and cultural well-being of communities in the present and for the future.
- 1.3 This report concludes by recommending that the report on treasury activity and funding is received.

2.0 BACKGROUND

- 2.1 The Hastings District Council has a Treasury Policy which forms part of the 2018-28 Long Term Plan and a Treasury Management Policy. Under these policy documents responsibility for monitoring treasury activity is delegated to the Risk and Audit Subcommittee.
- 2.2 Council is provided with independent treasury advice by Stuart Henderson of PricewaterhouseCoopers and receives weekly and monthly updates on market conditions.
- 2.3 Under the Treasury Policy, formal reporting to Council occurs quarterly and regular more in depth treasury reporting is provided for the Risk and Audit Subcommittee.

3.0 CURRENT SITUATION

- 3.1 Council's debt portfolio is managed within the macro limits set out in the Treasury Policy. It is recognised that from time to time Council may fall out of policy due to timing issues as debt moves closer to maturity and shifts from one time band to another. The treasury policy allows for officers to take the necessary steps to move Council's funding profile back within policy in the event that a timing issue causes a policy breach.
- 3.2 **Attachment 1** sets out Council's overall compliance with Treasury Management Policy as at 30 June 2019.
- 3.3 The current total core net external debt is \$106.2m as at 30 June 2019. This is supported by the Treasury Position 30 June 2019 Report in **Attachment 1**.

- 3.4 On 17 June 2019 Council repaid, on maturity, \$2m of Local Government Funding Agency (LGFA) debt. This and Council's ongoing funding needs was financed through a new loan with LGFA for \$4m. This was borrowed fixed at 1.88% with a maturity date of 15 April 2023
- 3.5 Interest rates have fallen further in New Zealand following the Reserve Bank's lowering of the Official Cash Rate on the 8th May 2019. Below is their official statement:

"The Official Cash Rate (OCR) has been reduced to 1.5 percent.

The Monetary Policy Committee decided a lower OCR is necessary to support the outlook for employment and inflation consistent with its policy remit.

Global economic growth has slowed since mid-2018, easing demand for New Zealand's goods and services. This lower global growth has prompted foreign central banks to ease their monetary policy stances, supporting growth prospects.

Domestic growth slowed from the second half of 2018. Reduced population growth through lower net immigration, and continuing house price softness in some areas, has tempered the growth in household spending. Ongoing low business sentiment, tighter profit margins, and competition for resources has restrained investment.

Employment is near its maximum sustainable level. However, the outlook for employment growth is more subdued and capacity pressure is expected to ease slightly in 2019. Consequently, inflationary pressure is projected to rise only slowly.

Given this employment and inflation outlook, a lower OCR now is most consistent with achieving our objectives and provides a more balanced outlook for interest rates."

- 3.6 This was the first OCR rate change since November 2016. Financial markets are now mixed on whether the Reserve Bank will deliver future interest rate cuts. ANZ is currently forecasting 2 further cuts of 25 basis points before June 2020, while Westpac is forecasting none. Westpac argues that the lack of a capital gains tax, and cheaper mortgages will reactivate the housing market. The cheaper mortgages will also support consumer spending, which along with the Wellbeing Budget putting more money into the pockets of those in need and this will provide enough stimulation to the economy so that further OCR rate cuts will not be required.

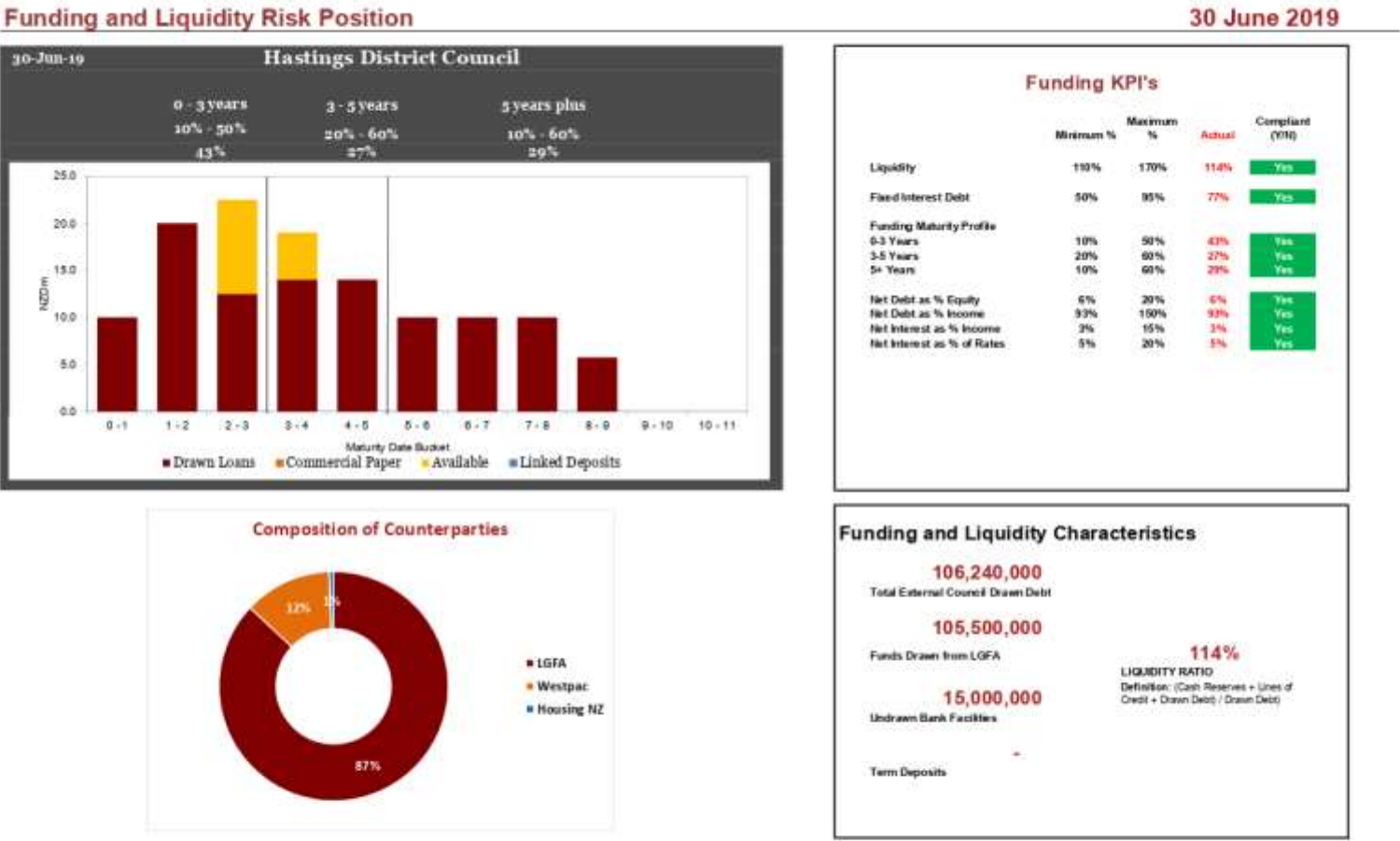
4.0 RECOMMENDATIONS

That the report of the Manager Strategic Finance titled Treasury Activity and Funding dated 2/07/2019 be received.

Attachments:

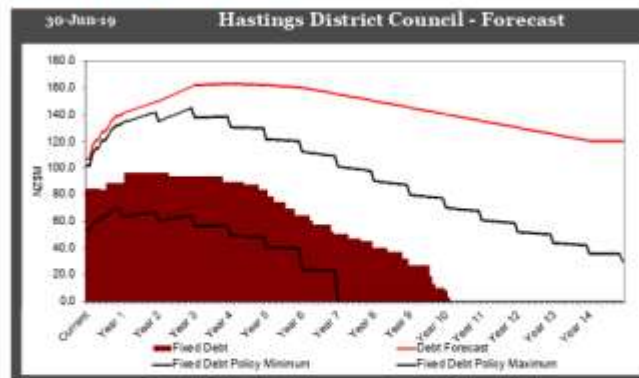
1 Treasury Position 30 June 2109

FIN-15-03-19-192



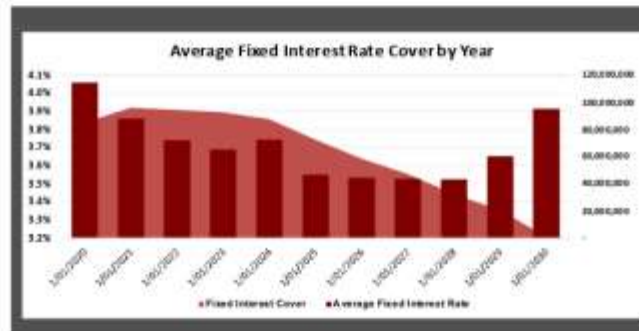
Interest Rate Risk Position

30 June 2019



Debt Interest Rate Policy Parameters
(calculated on rolling monthly basis)

| Debt Period Ending | Debt Forecast | Minimum % | Maximum % | Actual % | Compliant (Y/N) |
|--------------------|---------------|-----------|-----------|----------|-----------------|
| Current | 108 | 50% | 95% | 77% | Yes |
| Year 1 | 141 | 45% | 95% | 63% | Yes |
| Year 2 | 150 | 40% | 95% | 64% | Yes |
| Year 3 | 162 | 35% | 95% | 58% | Yes |
| Year 4 | 163 | 30% | 95% | 53% | Yes |
| Year 5 | 162 | 25% | 75% | 52% | Yes |
| Year 6 | 166 | 15% | 70% | 40% | Yes |
| Year 7 | 155 | 0% | 65% | 33% | Yes |
| Year 8 | 150 | 0% | 60% | 27% | Yes |
| Year 9 | 145 | 0% | 55% | 19% | Yes |
| Year 10 | 140 | 0% | 50% | 0% | Yes |
| Year 11 | 135 | 0% | 45% | 0% | Yes |
| Year 12 | 130 | 0% | 40% | 0% | Yes |
| Year 13 | 125 | 0% | 35% | 0% | Yes |
| Year 14 | 125 | 0% | 30% | 0% | Yes |
| Year 15 | 125 | 0% | 25% | 0% | Yes |



Interest Rate Portfolio Characteristics

77%
Current % of Debt Fixed

4.25%
Weighted Avg Cost of Live Fixed Interest Rate Instruments

71,500,000
Value of Live Interest Rate Swaps

8,000,000
Value of Fixed Loans with LGFA

79,500,000
Total Value of Fixed Rate Instruments

7.14 Years
Weighted Average Length of Fixed Interest Instruments

| Cost of Holding Fixed Interest Position | | | | 30-Jun-18 | | | 17-Jun-19 | | | Movement for Year | | |
|-----------------------------------------|-------------|---------|-------------|-------------|---------|--------------|-------------|---------|-------------|-------------------|---------|-----------|
| | Notional | Avg Int | Valuation | Notional | Avg Int | Valuation | Notional | Avg Int | Valuation | Notional | Avg Int | Valuation |
| Live Interest Rate Swaps | 56,500,000 | 4.95% | (4,094,282) | 71,500,000 | 4.51% | (6,076,578) | 15,000,000 | (0.43%) | (1,982,594) | | | |
| Forward Starting Interest Rate Swaps | 86,500,000 | 3.85% | (2,383,206) | 85,500,000 | 3.74% | (7,299,580) | (1,000,000) | (0.11%) | (4,826,380) | | | |
| Total Interest Rate Swaps | 143,000,000 | 4.28% | (6,477,482) | 157,000,000 | 4.09% | (13,376,158) | 14,000,000 | (0.19%) | (6,806,974) | | | |

| Average Cost of Funds | | | | 30-Jun-18 | | | 17-Jun-19 | | | Movement for Year | | |
|--------------------------------------------------|------------|---------|-----------|-------------|---------|-----------|------------|---------|-----------|-------------------|---------|-----------|
| | Notional | Avg Int | Valuation | Notional | Avg Int | Valuation | Notional | Avg Int | Valuation | Notional | Avg Int | Valuation |
| Fixed Rate Loans with LGFA | 2,000,000 | 2.26% | | 8,000,000 | 2.37% | | 6,000,000 | 0.11% | | | | |
| Floating Rate Loans with LGFA | 75,000,000 | 2.84% | | 97,500,000 | 2.19% | | 22,500,000 | (0.65%) | | | | |
| Live Interest Rate Swaps | 56,500,000 | 4.95% | | 71,500,000 | 4.51% | | 15,000,000 | (0.43%) | | | | |
| Westpac Lines of Credit | 10,000,000 | 0.27% | | 15,000,000 | 0.27% | | 5,000,000 | 0.00% | | | | |
| Fixed Rate Loans with HNZ | 740,000 | 0.00% | | 740,000 | 0.00% | | 0 | 0.00% | | | | |
| Total External Loans / Average Cost of Borrowing | 77,740,000 | 4.97% | | 186,240,000 | 4.21% | | 28,500,000 | (0.76%) | | | | |

REPORT TO: RISK AND AUDIT SUBCOMMITTEE

MEETING DATE: TUESDAY 2 JULY 2019

FROM: CHIEF FINANCIAL OFFICER
BRUCE ALLAN
FINANCIAL CONTROLLER
AARON WILSON

SUBJECT: 2018/19 ANNUAL REPORT UPDATE

1.0 SUMMARY

- 1.1 The purpose of this report is to update the Subcommittee about progress being made on year-end issues.
- 1.2 The Council is required to give effect to the purpose of local government as set out in section 10 of the Local Government Act 2002. That purpose is to enable democratic local decision-making and action by (and on behalf of) communities, and to promote the social, economic, environmental, and cultural well-being of communities in the present and for the future.
- 1.3 This report concludes by recommending that the report be received

2.0 CURRENT SITUATION

2019 Annual Report

- 2.1 Staff have completed the annual year end timetable for the 2019 year end. The timetable is inclusive of all the processes and requirements of the production of the Annual Report and requires a high degree of coordination across Council. The Local Government Act stipulates that the Annual Report must be adopted by Council by 31st October each year, this year the date set down for Council approval is 10th October. Other key dates for the audit process are:
 - Draft financial statements available for audit 21 August
 - Full Annual report available for Audit 21 August
 - Summary Annual Report available for Audit 21 August
 - Final Audit begins – audit on-site 26 August
 - Draft final financial statements available 2 September
- 2.2 Improvements have been made to reporting processes and systems over the past few years and Officers are confident of providing Audit with completed draft financial statements for audit on August 21st prior to them arriving on-site. The Finance team has its full complement of accounting resources this year which should make the year end process more manageable than last year.
- 2.3 Every year there are revaluations of various classes of assets that are performed on a rotating basis on a set schedule. This year it is the Rooding

and Parks assets that will be revalued. Both these valuations have been completed in June and are as at 31st May. This is to allow for the tighter Annual Report scheduling due to the Council elections taking place in October of this year.

- 2.4 There are no significant changes to Public Benefit Entity (PBE) reporting standards that are likely to materially affect the 2018/19 Annual Report.
- 2.5 Hastings District Council entered into the Omarunui Landfill Gas Generation partnership with Pioneer Energy in the 2014/2015 financial year. Its purpose was to generate electricity from gas produced by the Omarunui landfill site.
- 2.6 Council has 40% of the equity in the Limited Partnership with Pioneer having the remaining 60%. Due to ongoing operational issues, generation has been well below expected budgeted levels with the limited partnership sustaining losses over recent years.
- 2.7 In consultation with Pioneer Energy management and their auditors it has been agreed that Council's investment of \$744k should be impaired to more accurately reflect the value of that investment in the partnership. Discussions are still being had on the quantum of that impairment.
- 2.8 Should the future performance of the underlying asset improve, the increased value of the asset will be recognised accordingly.
- 2.9 At this stage of the Annual Report process, Officers are not aware of any additional issues that may give rise to technical discussions with Audit and judgements that will be required by Officers.
- 2.10 With the next Risk and Audit Subcommittee meeting scheduled for September 2nd, Officers will have the preliminary draft financial statements available for the subcommittee to review. Obviously at this time anything presented will be unaudited and subject to change.

3.0 SIGNIFICANCE AND ENGAGEMENT

- 3.1 The matters within this report do not trigger the thresholds within Council's significance and engagement policy.

4.0 RECOMMENDATIONS AND REASONS

- A) That the report of the Chief Financial Officer titled "2018/19 Annual Report Update" dated 2/07/2019 be received.**

Attachments:

There are no attachments for this report.

REPORT TO: RISK AND AUDIT SUBCOMMITTEE

MEETING DATE: TUESDAY 2 JULY 2019

FROM: CHIEF FINANCIAL OFFICER
BRUCE ALLAN
FINANCIAL CONTROLLER
AARON WILSON

SUBJECT: INTERNAL AUDIT

1.0 SUMMARY

- 1.1 The purpose of this report is to update the Subcommittee about Internal Audit activity during 2018/19 and provide the draft 2019/20 Internal Audit Plan.
- 1.2 The Council is required to give effect to the purpose of local government as set out in section 10 of the Local Government Act 2002. That purpose is to enable democratic local decision-making and action by (and on behalf of) communities, and to promote the social, economic, environmental, and cultural well-being of communities in the present and for the future.
- 1.3 This report concludes by recommending that the Internal Audit reports be received.

2.0 BACKGROUND

- 2.1 Since July 2017 the Risk and Audit Subcommittee has received internal audit reports on the following:

2017/18

Fraud risk gap analysis
Accounts Payable and Payroll data analytics
Enforcement and Inspection Activities
Review of previous reviews and recommendations

2018/19

Accounts Payable and Payroll data analytics
Contract Management
Staff training and upskilling
Review of previous reviews and recommendations

- 2.2 The last phase of the 2018/19 Internal Audit programme was for Crowe Horwath to do a follow up to previous reports to check progress on recommendations made. The previous reports will include recommendations made by PwC prior to Crowe Horwath being appointed. The draft review report has been received but management have not yet had the opportunity to respond, but have included an extract from the executive summary in paragraph 3.2.

3.0 CURRENT SITUATION

3.1 Internal Audits

- 3.2 Internal Audit work undertaken recently has been to review whether management actions relating to previous audit recommendations have been effectively implemented in line with agreed implementation dates or that senior management has accepted the risk of not taking action. The draft audit report details the recommendations made and the actions that have been taken to remedy those recommendations. The report states:

“A significant amount of work is currently underway with regard to contract management and wider procurement planning. We note that with changes in procurement management staff in recent months, a number of activities relating to procurement and contract management have been delayed and alternative strategies considered. We note that, based on the current plans and strategies for contract management, the full implementation of the plans that are currently in progress would meet the requirements of our recommendations.

Based on the level of implementation, we have reassessed the risk of the outstanding recommendations to provide a current risk level. In some cases, full implementation is required to reduce the level of risk below medium.

A summary of the risk ratings we have applied to our recommendations is detailed below:”

| Indicator | Risk rating | Original risk ratings | Current risk ratings |
|-----------|-------------|-----------------------|----------------------|
| | High | 2 | 0 |
| | Medium | 14 | 8 |
| | Low | 0 | 0 |

- 3.3 Officers are pleased with the progress that has been made in addressing the recommendations made through the respective audits over the past 24 months.
- 3.4 2019/20 Internal Audit Plan
- 3.5 Since reactivating the Internal Audit function Council has now completed three years of the internal audits planned through the engagement of PwC and more recently Crowe Horwath.
- 3.6 The priority areas identified for 2019/20 include:
- Payroll compliance
 - Revenue processes at remote locations
 - Building and Resource consent income processes

4.0 SIGNIFICANCE AND ENGAGEMENT

- 4.1 The matter raised in this report are not considered significant in line with Councils Significance and Engagement Policy.

5.0 RECOMMENDATIONS AND REASONS

- A) That the report of the Chief Financial Officer titled “Internal Audit” dated 2/07/2019 be received.**
- B) That the 2019/20 Draft Internal Audit Plan from Crowe Horwath be received.**

Attachments:

- | | | |
|---|----------------------------------------------------------------------------------------------|----------------|
| 1 | Financial Management - Audits - Internal audit - HDC Proposed Internal Audit Plan 2019-20 | CG-14-25-00096 |
|---|----------------------------------------------------------------------------------------------|----------------|



Hastings District Council
Proposed Internal Audit Plan 2019/20
23 May 2019

Draft for Discussion

Commercial in Confidence

Audit | Tax | Advisory

Item 10

Attachment 1



Commercial in Confidence

Contents

| | | |
|---|---------------------------------------------------------------|---|
| 1 | Executive summary | 3 |
| 2 | Proposed Audit Plan for July 2019 to June 2020 | 4 |
| 3 | Indicative 3 Year Internal Audit Plan (2017/18-2019/20) | 5 |

Draft for Discussion



Commercial in Confidence

1 Executive summary

We have prepared a proposed internal audit plan to be undertaken during the 2019-20 Financial Year for discussion and approval based on the following factors:

- Meetings held with the CFO, Financial Controller, Group Manager Human Resources and the Business Services Manager and Risk Assurance Adviser held in May 2019.
- A review of previous internal audit activities undertaken.
- Review of the Council's Strategic Risk Register.
- Current issues noted by us as items of risk prevalent in the local government sector.
- Coverage of financial, operational and IT related activities and functions.

The proposed annual audit plan is indicative only and is submitted to the Risk & Audit Subcommittee for consideration and approval. The plan is intended to be dynamic and further changes may be made as needed throughout the period included in the review.

A timeframe for the audits will be undertaken following discussion and approval at the Risk & Audit Subcommittee Meeting on 17 June 2019.



Commercial in Confidence

2 Proposed Audit Plan for July 2019 to June 2020

| No. | Audit Project/ Activity | Start Date | Planned hours | Risk Rating* | Brief Scope |
|-----|-----------------------------------------------------------|------------|------------------|-----------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1 | Payroll | TBC | 70 | Medium | Review of the payroll procedures and practices to assess whether the controls and processes ensure complete, accurate and timely processing of payroll information. |
| 2 | Revenue processes at remote locations | TBC | 30 | High | Review of policies, procedures and controls over invoicing, collection of revenues and credit management at remote Council locations. Specific locations to be agreed with Management. Following training provided in May 2019, fieldwork will be undertaken by HDC staff. |
| 3 | Building Control and Resource Consents | TBC | 70 | High | A review of the policies, procedures and controls in place to ensure the completeness of fee setting, invoicing and collection, enforcement actions and integrity of information systems for the following functions: <ul style="list-style-type: none"> • Building Control • Resource Consents |
| 4 | Follow up | TBC | 20 | High | An effective risk management framework requires the monitoring of the implementation of action plans to resolve issues identified in audits and other control reviews. This assignment will perform a follow up of the implementation of prior audit recommendations. |
| 5 | Management reporting, preparation, attendance at meetings | Ongoing | 30 | N/A | Ongoing preparation for and attendance at Audit & Risk Subcommittee meetings and meetings with the HDC Internal Audit Sponsor and Audit New Zealand. |
| | TOTAL | | 220 | | |

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Item 10

Attachment 1



Commercial in Confidence

3 Indicative 3 Year Internal Audit Plan (2017/18-2019/20)

We have indicated below the range of audit projects we would typically see in a strategic internal audit plan for a local authority. Currently the options detailed in Section 3 above are shown for the 2017/18 plan. Following the determination of the 2017/18 Audit Plan a strategic 3 year plan of internal audits to be undertaken in subsequent years can be drawn up. In putting the proposed audit activities together, we have reviewed the Council's Proposed Strategic Risk Register and taken consideration of areas where the risk register notes that external audits or peer reviews are already undertaken.

| | | | | |
|------|------------|---|---------|---|
| Key: | Undertaken | ✓ | Planned | X |
|------|------------|---|---------|---|

| Audit Project / Activity and Brief Scope | | Strategic Risk Rating | Prior Years | 2017/18 Actual | 2018/19 Actual | 2019/20 Plan |
|------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|-------------|----------------|----------------|--------------|
| Governance | | | | | | |
| 1 | Risk Management Process Review: Review of Risk Management policies and procedures | N/A | | | | |
| 2 | Development of Risk Policy and Framework: Facilitation of Strategic and Operational Risk Assessment processes. | N/A | ✓ | | | |
| 3 | Development of Assurance Map: Identify the assurance processes in place over the high rated risks to allow the Audit & Risk Committee to determine areas where further internal audit activity may be required. | N/A | ✓ | | | |
| 4 | Ethics: Review of the Council's ethical standards and procedures including codes of conduct, protected disclosures policies, conflicts of interest policies and programmes | Medium | ✓ | | | |

5

Item 10

Attachment 1



Commercial in Confidence

| Audit Project / Activity and Brief Scope | | Strategic Risk Rating | Prior Years | 2017/18 Actual | 2018/19 Actual | 2019/20 Plan |
|--------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|-------------|----------------|----------------|--------------|
| 5 | Strategic Planning Process (Annual Plan/Long-Term Plan): <ul style="list-style-type: none"> Review the adequacy of the procedures and practices with respect to the annual and long term planning processes covering Consultation/engagement with the community, Council staff and Councillors in developing the Annual Plan. Degree to which the Council Plan and annual plan reflects Council and community priorities The timeliness of development of the Annual Plan and coordination / resourcing through the Annual Budget and Capital Works Program The process for monitoring and reporting on achievement of Annual Plan actions. | High | | | | |
| 6 | Decision-Making Processes: Review of delegated authorities to ensure clear principles and guidelines for the delegation of authority are documented, promote timely, efficient and appropriate decision-making and are adhered to. | Medium | | | | |
| Statutory and Regulatory Compliance | | | | | | |
| 1 | Rates Management: Review of the policies, procedures and controls in place over the calculation and collection of rates. | Low | | | | |
| 2 | Regulatory Revenue: Review of the policies, procedures and controls in place to ensure the completeness of fee setting, invoicing and collection, enforcement actions and integrity of information systems for the following functions: <ul style="list-style-type: none"> Parking Animal Control Environmental Health Other bylaws | High | | ✓ | | |

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Item 10

Attachment 1



Commercial in Confidence

| Audit Project / Activity and Brief Scope | | Strategic Risk Rating | Prior Years | 2017/18 Actual | 2018/19 Actual | 2019/20 Plan |
|------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|-------------|----------------|----------------|--------------|
| 3 | Resource and Building Consents Review of the policies, procedures and controls in place to ensure completeness of fee setting, invoicing and collection, enforcement actions and integrity of information systems for: <ul style="list-style-type: none"> • Building Control • Resource Consents | High | | | | X |
| Finance | | | | | | |
| 1 | Fraud Risk Gap Analysis: Assess the Council's performance against key attributes of a better practice fraud control program (drawn from AS 8001:2008 Fraud and Corruption Control). | Medium | | ✓ | | |
| 2 | Cash Handling: Review the of the cash handling procedures in place at selected Council locations such museums, libraries, waste and recycling centres, car parks and swimming pools. | Medium | ✓ | | | |
| 3 | Procurement and Purchasing: Review procurement strategies and procedures, identify potential improvements to the efficiency and effectiveness of procurement activities and Review of controls over purchasing activities (purchase order and invoice approvals) and expenditures. | Medium | ✓ | | | |
| 4 | Data Analytics: Annual Data Analytics exercise over payroll and payables master and transactional data to identify potentially suspicious relationships, trends and transactions. | Medium | | ✓ | ✓ | |

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Item 10

Attachment 1



Commercial in Confidence

| Audit Project / Activity and Brief Scope | | Strategic Risk Rating | Prior Years | 2017/18 Actual | 2018/19 Actual | 2019/20 Plan |
|------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|-------------|----------------|----------------|--------------|
| 5 | Investments and Treasury Review of policies and procedures relating to treasury management and management of the Council's investment portfolio. | Low | ✓ | | | |
| 6 | Accounts Receivable and Credit Control: Review of policies, procedures and controls over invoicing, collection of revenues and credit management across remote locations of the Council. | Medium | | | ✓ | |
| 7 | Sensitive Expenditure Review of policies, procedures and controls over purchasing activities (purchase order and invoice approvals) and expenditures to meet OAG expectations for Sensitive expenditure. | Medium | | | | |
| 8 | Fixed Asset Management: Review of policies, procedures and controls in place for safeguarding and verifying the existence of fixed assets including disposal procedures and procedures for monitoring the existence of assets. | Medium | | | | |
| 9 | Grants Review of policies, procedures and controls over the awarding of grants including criteria for awarding grants, consistency, transparency and management of conflicts of interest and monitoring of use of grants. | Medium | | | | |
| Operations and Infrastructure | | | | | | |
| 1 | Buildings Management: Review of the policies, delegated authorities, procedures and controls in place over condition and usage of council-owned properties. | N/A | | | | |

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Item 10

Attachment 1



Commercial in Confidence

| Audit Project / Activity and Brief Scope | | Strategic Risk Rating | Prior Years | 2017/18 Actual | 2018/19 Actual | 2019/20 Plan |
|------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|-------------|----------------|----------------|--------------|
| 2 | Contract Management: Review of policies, procedures and controls in place over contracts including delegated authorities, tender procedures, monitoring of contractual terms (SLAs, renewal and termination clauses) and monitoring performance of contracted parties. | Medium | | | ✓ | |
| 3 | Project Management Methodology: Review of the Council's project management methodology against better practice standards. | Low | | | | |
| 4 | Water Supply/Waste Water Management: Review of policies, procedures and controls in place over key water and waste risks including quality performance monitoring, monitoring of key supply and maintenance contracts, emergency response plans and fee setting and invoicing procedures. | High | | | | |
| 5 | Asset Management: Review of processes and controls to ensure alignment between Asset Management Plans, Activity Management Plans and Long Term Plans. | High | | | | |
| 6 | Events Management: Review of the policies, procedures and controls in place over the planning and management of major events and festivals. | N/A | | | | |
| Information Services | | | | | | |

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Item 10

Attachment 1



Commercial in Confidence

| Audit Project / Activity and Brief Scope | | Strategic Risk Rating | Prior Years | 2017/18 Actual | 2018/19 Actual | 2019/20 Plan |
|------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|-------------|----------------|----------------|--------------|
| 1 | Business Continuity and Disaster Recovery Planning: Review the adequacy of the various processes that have been put in place within the Council to manage and control Business Continuity Planning (BCP) and the effectiveness of the Council's business continuity procedures in place to respond to a disaster. | High | | | | |
| 2 | External IT Network Vulnerability Assessment/Cyber Security Assessment of the Council's corporate perimeter systems for any potential vulnerability which would allow an unauthorised user to gain access to those systems. | High | | | | |
| 3 | Records Management: Review of the policies, procedures and controls in place over the retention, destruction and confidentiality of Council documents and records. | Medium | | | | |
| 4 | IT Security Management: Review of the design and operation of the Council's IT Security policies and procedures to protect sensitive data and systems from unauthorised access or alteration. | High | | | | |
| Human Resources | | | | | | |
| 1 | HR Practices: Review of key HR policies and procedures including recruitment, training, performance appraisal, staff retention and succession plans, disciplinary procedures and security of personal information. | Medium | | | | |
| 2 | Payroll: Review of the payroll procedures and practices to assess whether the controls and processes ensure complete, accurate and timely processing of payroll information. | Medium | | | | X |

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Item 10

Attachment 1



Commercial in Confidence

| Audit Project / Activity and Brief Scope | | Strategic Risk Rating | Prior Years | 2017/18 Actual | 2018/19 Actual | 2019/20 Plan |
|------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|-------------|----------------|----------------|--------------|
| 3 | Health and Safety: Review of the extent to which the Health & Safety-related policies and procedures in place at the Council meet the requirements of the Health and Safety at Work Act (2015) | High | | | | |

* The Strategic Risk Rating applied is the residual risk rating provided in the Council's Tier 1 Strategic Risk Register dated 07/06/2018.

Draft for Discussion



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Draft for Discussion

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REPORT TO: RISK AND AUDIT SUBCOMMITTEE

MEETING DATE: TUESDAY 2 JULY 2019

**FROM: MANAGER STRATEGIC FINANCE
BRENT CHAMBERLAIN**

SUBJECT: GENERAL UPDATE REPORT AND STATUS OF ACTIONS

1.0 CURRENT SITUATION SUMMARY

- 1.1 The purpose of this report is to update the Risk & Audit Subcommittee on various matters including actions raised at previous meetings.
- 1.2 The Council is required to give effect to the purpose of local government as set out in section 10 of the Local Government Act 2002. That purpose is to enable democratic local decision-making and action by (and on behalf of) communities, and to promote the social, economic, environmental, and cultural well-being of communities in the present and for the future.
- 1.3 This report concludes by recommending that the report titled "General Update Report and Status of Actions" from the Manager Strategic Finance be received.

2.0 BACKGROUND

- 2.1 The Risk & Audit Subcommittee members requested that officer's report back at each meeting with progress that has been made on actions that have arisen from the Risk & Audit Subcommittee meetings. Attached as **Attachment 1** is the Risk & Audit Subcommittee Action Schedule as at 31 May 2019.

3.0 CURRENT SITUATION

3.1 Treasury Advisory Services

Officers have conducted an invited RFP for its Treasury Advisory Services in May/June 2019. Both our incumbent provider, PricewaterhouseCoopers, and Bancorp Treasury were invited to tender. These firms were chosen as they are the two main participants in the New Zealand market.

- 3.2 Bancorp were evaluated as the preferred supplier of Treasury Advisory Services and have been advised accordingly.

4.0 SIGNIFICANCE AND ENGAGEMENT

- 4.1 This report does not trigger Council's Significance and Engagement Policy and no consultation is required.

5.0 RECOMMENDATIONS AND REASONS

- A) That the report of the Manager Strategic Finance titled "General Update Report and Status of Actions" dated 2/07/2019 be received.

Attachments:

1 Status of Actions 31 May 2019

FIN-09-01-19-171



**Hastings District Council
Risk and Audit Subcommittee
Status of Actions Sheet – 31 May 2019**

| Item No. | Meeting Date | Action | Reporting Officer | Progress as at 31 May 2019 |
|----------|--------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|---------------------------------------------------------------------------------------------|
| 1 | 6/9/16 | <u>Local Authority Protection Programme</u> <ul style="list-style-type: none"> Officers to keep a watching brief on the matter of the Local Government/Central Government split of LAPP premiums. | CFO | Announcement by Treasury delayed No further announcements since change of Government |
| 2 | 19/6/17 | <u>Building Control Liability Issues</u> <ul style="list-style-type: none"> The Subcommittee would take a watching brief and Officers would report back regularly in order to update the Subcommittee. | Building Control Manager | Update included in Agenda |
| 3 | 28/11/17 | <u>Treasury Management Advisory Service</u> <ul style="list-style-type: none"> Review the terms of the existing PWC treasury management advisory service contract | MSF | Update included in Agenda |
| 4 | 15/11/18 | <u>Performance of Contract Post Tender</u> <ul style="list-style-type: none"> Need to develop a mechanism to monitor contract performance post implementation | Chair/CFO | Chair to supply CFO an example of how this monitored in other industries |



| | | | | |
|----|----------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|------------------------------------------------------------------------------------------------------------------------------------------------|
| 5 | 15/11/18 | <u>Internal Audit</u> • A Internal Audit Program for 2019 to be tabled at the first Risk & Audit meeting of 2019 | FC | Update provided in agenda, program to be provided at June meeting |
| 6 | 15/11/18 | <u>Funding of Depreciation</u> • A one page report to be tabled showing what depreciation was charged, budgeted for, and what asset replacement expenditure occurred for the 2017/18 year | CFO | C/fwd |
| 7 | 18/02/19 | <u>Forecasting</u> • Budgets need to be dynamic rather than reactive – forecasting and accountability aspects to be developed | FC | Budget managers have updated predicted actuals and identified carry forwards. Results discussed by Lead Team, and requires further refinement. |
| 8 | 18/02/19 | <u>Annual Plan Submission Process</u> • Officers to look at how public submissions are considered and addressed with a view to improving robust decision making and report back | Strategy Manager | Complete & Implemented at Submission Hearings earlier in the month |
| 9 | 18/02/19 | <u>Top 20 Risks</u> • Risk & Corporate Services Manager to think about auditing the mitigations from a selected number of the top 20 risks | RCSM | To be considered |
| 10 | 06/05/19 | <u>Risk of Defferal</u> • Mayor has requested regular meetings between Mayor and Key Officers to talk about current project issues/delays and to ensure project priorities align with Councils priorities | CFO | Actioned |
| 11 | 06/05/19 | <u>Review of Aquatics delivery model</u> • Mayor asked for a review of service delivery model | GM CF&P | Review of Resourcing and Management Structure underway. |
| 12 | 06/05/19 | <u>Electronic Purchase Order Project</u> | FC | C/fwd |



| | | | | |
|----|----------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|---------------------------------------------------------------------|
| | | <ul style="list-style-type: none"> FC to take Jon Nichols, Crs Kerr and Travers through the P2P process once it is ready to be implemented | | |
| 13 | 06/05/19 | <u>Review of Financial Delegations Policy</u> <ul style="list-style-type: none"> CFO and Jon Nichols to discuss the proposed policy changes and the correct process to be undertaken for ratification and adoption | CFO | Actioned, update provided in agenda |
| 14 | 06/05/19 | <u>MBIE Review of Bella Vista Development</u> <ul style="list-style-type: none"> Requested that the N Speir presentation be repeated for the full Council. | GM P&R | Booked for 18 June 2019 – cancelled. New date/time to be confirmed. |

HASTINGS DISTRICT COUNCIL

RISK AND AUDIT SUBCOMMITTEE MEETING

TUESDAY, 2 JULY 2019

RECOMMENDATION TO EXCLUDE THE PUBLIC

SECTION 48, LOCAL GOVERNMENT OFFICIAL INFORMATION AND MEETINGS ACT 1987

THAT the public now be excluded from the following part of the meeting, namely:

- 15. Building Control Liability Risk Update**
- 16. Update on Delegated Financial Authorities review and implementation**
- 17. 2019/20 Insurance Renewal Programme**

The general subject of the matter to be considered while the public is excluded, the reason for passing this Resolution in relation to the 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 is as follows:

| GENERAL SUBJECT OF EACH MATTER TO BE CONSIDERED | REASON FOR PASSING THIS RESOLUTION IN RELATION TO EACH MATTER, AND PARTICULAR INTERESTS PROTECTED | GROUND(S) UNDER SECTION 48(1) FOR THE PASSING OF EACH RESOLUTION |
|--------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 15. Building Control Liability Risk Update | Section 7 (2) (g) The withholding of the information is necessary to maintain legal professional privilege. Legal advice received is legally privileged. | Section 48(1)(a)(i) Where the Local Authority is named or specified in the First Schedule to this Act under Section 6 or 7 (except Section 7(2)(f)(i)) of this Act. |
| 16. Update on Delegated Financial Authorities review and implementation | Section 7 (2) (a) The withholding of the information is necessary to protect the privacy of natural persons, including that of a deceased person. To protect named persons. | Section 48(1)(a)(i) Where the Local Authority is named or specified in the First Schedule to this Act under Section 6 or 7 (except Section 7(2)(f)(i)) of this Act. |
| 17. 2019/20 Insurance Renewal Programme | Section 7 (2) (h) The withholding of the information is necessary to enable the local authority to carry out, without prejudice or disadvantage, commercial activities. Commercial Sensitivity. | Section 48(1)(a)(i) Where the Local Authority is named or specified in the First Schedule to this Act under Section 6 or 7 (except Section 7(2)(f)(i)) of this Act. |