

Audit, Finance & Risk Committee

11 June 2024

Report for Agenda Item | Rīpoata moto e Rāraki take [1]

Department: Property & Infrastructure

Title | Taitara: Risk and Compliance Update June 2024

Purpose of the Report | Te Take mō te Pūroko

The purpose of this report is to provide a governance update regarding the status of the Queenstown Lakes District Council (QLDC) risk and Compliance context, an update on the development of QLDC's insurance strategy, and the overall programme of works being undertaken within the Risk and Compliance Team.

Executive Summary | Whakarāpopototaka Matua

During the reporting period, the Risk and Compliance Team continued to meet with Tier 3 Managers to identify emerging risks, review existing risks, and document treatment plans. The development of treatment plans for Tier 2 risks has been prioritised based on risk level. The Risk and Compliance Team will continue to meet regularly (approximately every 3 monthly) with Tier 3 Managers and Organisation Units to update risks and develop treatment plans based on priority. Currently, the TechOne Risk Register has 35 Tier 1 Risks and 360 Tier 2 Risks.

In early May, the Risk & Compliance Manager briefed the Leadership Group (The Chief Executive, General Manager's and Tier 3 Managers), on Compliance Management and QLDC's register of mandatory external (Legal) obligations. Compliance Planning will be reviewed during regular risk review meetings with organisation units.

In April, the Chief Executive approved the Internal Assurance Plan January 2024 - June 2025 (**Attachment A**). In accordance with that plan, an audit of the direct appointment of suppliers of goods, services and works against the requirements of the Procurement Policy, has been reported to the Chief Executive. Findings from this audit are provided in the Internal Audit Report June 2024 (this Agenda). The Internal Assurance Lead is currently conducting an audit of the accounts payable processes and associated controls. The findings of that audit will be reported to the Audit, Finance & Risk Committee at the appropriate time.

At the 4 April 2024 Council meeting, Council resolved that the draft QLDC Fraud Policy 2024 would come into effect on 4 April 2024. The Fraud Policy 2024 introduced a Fraud Control Plan. The proposed Fraud Control Plan is attached as **Attachment B**.

The Risk and Compliance Team has also taken ownership of the Protected Disclosures (Protection of Whistleblowers) Policy from People & Capability. The policy is currently being reviewed and updated to ensure it is fit for purpose and to reflect the Protected Disclosures (Protection of Whistleblowers) Act 2022, which has come into force since the previous version of the Policy was adopted.

During the reporting period, several insurance policies were due for renewal, including material damage and business interruption and motor vehicle policies. While there were no significant changes in the general approach to cover, a detailed review of line by line cover enabled QLDC to limit its exposure to the increased cost of insurance. Overall, the insurance premiums increased by 8.7% from last year.

An open market tender for insurance brokerage services (commencing 1 July 2024) closed on 16 May 2024. At the time of writing, the tenders have not been evaluated. Officers will bring a recommendation to Council to enter into an agreement with the preferred supplier for Insurance Brokerage Services at the appropriate time.

Recommendation | Kā Tūtohuka

That the Audit, Finance & Risk Committee:

1. **Note** the contents of this report

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20 May 2024

Reviewed and Authorised by:



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Title: Assurance, Finance & Risk GM
18 May 2024

Context | Horopaki

1. This report seeks to support the governance role of the Audit, Finance & Risk Committee by providing updates on the following topics:
 - A. QLDC Risk Management Framework - Risk Register, dashboard, and associated changes
 - B. Significant Changes to Council Risk Context
 - C. Compliance Obligation Register
 - D. Internal Assurance Plan 2024-2025
 - E. Fraud Control Plan and Protected Disclosures (Protection of Whistleblowers) Policy
 - F. Insurance Strategy
 - G. Risk and Compliance Team work programme
 - H. Procurement Team work programme.

Analysis and Advice | Tatāritaka me kā Tohutohu

A. QLDC Risk Management Framework - Risk Register, dashboard, and associated changes

2. Since the last report, the Risk and Compliance Team has continued to work with Tier 3 managers to identify emerging risks, review existing risks, and document treatment plans. At the time of writing, 19 (of 28) organisational units have obtained approval from the relevant General Managers for Tier 2 risks to become 'live' on the Risk Dashboard (up from 7 in the last reporting period). The Risk and Compliance Team are following up remaining approvals to ensure all Tier 2 risks are added to the dashboard and are therefore visible to the wider organisation. Currently, the TechOne Risk Register has 35 Tier 1 Risks and 360 Tier 2 Risks, of which all Tier 1 Risks and 155 Tier 2 Risks are visible on the Risk Register Dashboard.
3. Further upgrades to the Risk Register are due to be implemented later this year. These upgrades will provide for better workflow, enabling risk owners and responsible officers to better manage their own risks and associated documentation of treatment planning.

B. Significant Changes to Council Risk Context

4. There have been no significant changes to the Council Risk Context this reporting period.

C. Compliance Obligation Register

5. QLDC engaged Wynn Williams (Legal panel member) to develop a compliance register of mandatory external (Legal) obligations. The register contains obligations that apply to QLDC because of its 'ordinary operations' as well as 'situational obligations' that are contingent on

certain circumstances, where those circumstances occur relatively frequently. The register contains a total of 1086 obligations within 103 statutes and bylaws. In early May, the Risk & Compliance Manager briefed the Leadership Group (The Chief Executive, General Manager's and Tier 3 Managers), on Compliance Management and QLDC's register of mandatory external (Legal) obligations. Following that briefing the obligation register was circulated to Tier 3 Managers. Compliance planning will be reviewed during regular risk review meetings with organisation units, and controls and business processes will be reviewed and documented, based on risk priority. In some cases, mandatory obligations, business processes and controls are already documented in existing systems and the Risk and Compliance team will determine the most appropriate approach to managing any associated potential duplication.

6. A Compliance Management Framework and associated Compliance Management Policy are intended to be implemented in 2024, once system requirements have been determined (building on the upgrades to the Risk Register and associated dashboard).

D. Internal Assurance Plan 2024-2025

7. In April, the Chief Executive approved the Proposed Internal Assurance Plan January 2024 - June 2025 (**Attachment A**). In accordance with that plan, an audit of the direct appointment of suppliers of goods, services and works against the requirements of the Procurement Policy, has been reported to the Chief Executive. Findings from this audit are provided in the Internal Audit Report June 2024 (this Agenda). The Internal Assurance Lead is currently conducting an audit of the accounts payable processes and associated controls. The findings of that audit will be reported to the Audit, Finance & Risk Committee at the appropriate time.

E. Fraud Control Plan and Protected Disclosures (Protection of Whistleblowers) Policy

8. At the 4 April Council meeting, Council resolved that the updated Fraud Policy (2024) would come into effect on 4 April 2024. The Fraud Policy introduced a Fraud Control Plan, *'an operational document that supports the principles outlined in the Fraud Policy by establishing key activities to mitigate fraud and corruption risk. The Fraud Control Plan details Council's controls to prevent fraud through promotion, training, monitoring, vigilant practices, and clear expectations of behaviour.* The proposed Fraud Control Plan is attached as **Attachment B**.
9. The Risk and Compliance Team have also taken ownership of the Protected Disclosures (Protection of Whistleblowers) Policy from People & Capability. The policy is currently being reviewed and updated to ensure it is fit for purpose and to reflect the Protected Disclosures (Protection of Whistleblowers) Act 2022, which has come into force since the previous version of the Policy was adopted. Consideration is being given to additional reporting channels for making disclosures of serious wrongdoing. This is likely to include:
 - Email protected.disclosure@qldc.govt.nz. Designated for the Internal Assurance Lead, or in their absence, the Risk and Compliance Manager.
 - Email mike.theelen@qldc.govt.nz, the QLDC Chief Executive.

- Email afrcchair@qldc.govt.nz, the Independent Chair of the Audit, Finance & Risk Committee, or in their absence, the Deputy Independent Chair.

10. Once a final draft of the Policy is available, a recommendation will be sought from the Audit, Finance & Risk Committee in relation to the adoption of the updated Policy.

F. Insurance Strategy

11. During the reporting period, several insurance policies were due for renewal, including material damage and business interruption and motor vehicle policies.

12. While there were no significant changes in the general approach to cover, a detailed review of line by line cover enabled QLDC to limit its exposure to the increased cost of insurance. Overall, the insurance premiums increased by 8.7% from last year. A summary of the approach taken for each of the main policy types is outlined below.

Material Damage

13. In preparation for the April renewal, Council, supported by its broker Aon, completed a review of asset selection, along with obtaining valuations from Aon Valuation Services. Throughout 2023 QLDC obtained risk surveys of five of its facilities (as reported to the Audit, Finance & Risk Committee in March 2024). This has provided clean and accurate data for the insurer with 100% capacity confirmed. Consideration was given to accepting higher deductible levels to offset any increase in premium level, but the options provided minimal reduction in overall costs and therefore did not proceed.

Motor Vehicle

14. QLDC provided an updated schedule to Aon to allow Aon to remarket this risk. With an overall good five-year claim history and favourable policy terms from New Zealand Insurance (NZI), QLDC was able to secure a significant saving for the fleet, along with access to NZI Fleet Fit programme for ongoing employee training.

G. Risk and Compliance Team work programme

Current Activity

15. Current activities of the Risk and Compliance Team are outlined in paragraphs 1 to 14 of this report.

Proposed Activity During Financial Year 23/24 (to end June 2024)

16. Prior to any further amendments to the Risk Management Policy, further improvements will be required to the TechOne Risk Register. The development of a new user interface functionality is currently underway and once those updates have been implemented, the Risk and Compliance Manager will seek guidance from the Risk Strategy Group and Executive Leadership Team on the

following, before seeking recommendations from the Audit, Finance & Risk Committee on updates to the Risk Management Policy to:

- Reflect risk hierarchy and the interrelationships between risks
- Incorporate a 'three lines of defence model/three lines model' into the Risk Management Framework
- Provide a renewed understanding of risk appetite and its definition and representation (activity currently underway).

17. The Risk and Compliance Manager will seek guidance from the Risk Strategy Group and Executive Leadership Team on the following, before seeking recommendations from the Audit, Finance & Risk Committee:

- the development and implementation of an appropriate Compliance Framework and associated Compliance Policy. Within the broader risk management framework, a compliance framework would establish the elements of a compliance management programme defining responsibilities for external mandatory (legal) obligations, external voluntary obligations that QLDC has chosen to comply with, and internally imposed obligations including, but not limited to QLDC policies
- the development and implementation of an appropriate Assurance Framework and associated Internal Audit/Assurance Policy and Audit Plan.

18. A Council Workshop considered an update on the risk and compliance policies and associated frameworks on Tuesday, 5 March 2024. Feedback from this workshop will be considered in the development of the associated frameworks and policies.

H. Procurement Team work programme

19. QLDC have completed recruitment and are expecting a Procurement Manager to commence in July 2024. During recruitment, the Risk and Compliance Manager has been acting in the capacity of the Procurement Manager and is overseeing the implementation of several recommendations of the Procurement Technology Roadmap.
20. A 'Procurement Hub' is currently being developed to support the business in understanding the requirements of each stage of the procurement lifecycle, and to collate and update procurement and contract templates. A review is also underway of procurement forms, incorporating recommendations of audits of the Direct Appointment of suppliers (reported to the Audit, Finance & Risk Committee in July 2023, and a further audit as reported at this meeting). The proposed amendments will be reviewed by the incoming Procurement Manager, before being released to the business.
21. To provide improved support and guidance to the business on the requirements of the Procurement Policy and associated Guide, a procurement advisory service ('Procurement Paul').

has also been established and is responding to a number of requests for advice and guidance regarding procurement activities. The Procurement Paul service has, or is currently supporting a number of significant procurement activities including:

- Legal panel agreements
- Insurance brokerage services
- Fleet management services
- Optimal visitation model

At the time of writing all of the above tenders are still in the evaluation stage.

22. The incoming Procurement Manager will be responsible for a review of the Procurement Policy and Guide, considering recommendations of procurement audits (reported July 2023 and at this meeting).

Consultation Process | Hātepe Matapaki

Significance and Engagement | Te Whakamahi I kā Whakaaro Hiraka

23. This matter is of low significance, as determined by reference to the Council's Significance and Engagement Policy 2021 because it will not:

- significantly impact on the environment, culture, and people of the District
- significantly affect individuals, organisations, groups, and sectors in the community
- be inconsistent with existing policy and strategy
- significantly impact the objectives set out in the Financial Strategy, Long Term Plan and Annual Plan.

Māori Consultation | Iwi Rūnaka

24. As the significance of this matter is low, no consultation with the community or local iwi is required.

Risk and Mitigations | Kā Raru Tūpono me kā Whakamaurutaka

25. This matter relates to the management of all Strategic and Operational risks that are documented within the QLDC Risk Register. The QLDC Risk Management Framework and risk management maturity work programme helps to support the development of a more engaged and capable resilience culture across the Council, leading to more effective risk identification, evaluation, and mitigation outcomes.

Financial Implications | Kā Riteka ā-Pūtea

26. There are no financial implications associated with this matter.

Council Effects and Views | Kā Whakaaweawe me kā Tirohaka a te Kaunihera

27. The following Council policies, strategies and bylaws were considered:

- Vision Beyond 2050
- QLDC Risk Management Policy
- Climate and Biodiversity Plan 2022-2025
- QLDC Long Term Plan
- QLDC Spatial Plan
- 30 Year Infrastructure Strategy.

12. This matter supports the Long Term/Annual Plans through ensuring that effective mitigations are in place that support risks that could impact plan objectives.

Local Government Act 2002 Purpose Provisions | Te Whakatureture 2002 o te Kāwanataka ā-Kiaka

28. Section 10 of the Local Government Act 2002 states the purpose of local government is (a) to enable democratic local decision-making and action by, and on behalf of, communities; and (b) to promote the social, economic, environmental, and cultural well-being of communities in the present and for the future. This report supports the purpose of local government by providing a governance update regarding the status of the Queenstown Lakes District Council (QLDC) risk and Compliance context that supports QLDC in achieving its strategic and operational objectives. As such, the recommendation in this report is appropriate and within the ambit of Section 10 of the Act.

29. The recommended option:

- Can be implemented through current funding under the Long Term Plan and Annual Plan;
- Is consistent with the Council's plans and policies; and
- Would not significantly alter the intended level of service provision for any significant activity undertaken by or on behalf of the Council or transfer the ownership or control of a strategic asset to or from the Council.

Attachments | Kā Tāpirihaka

A	Internal Assurance Plan January 2024 - June 2025
B	Fraud Control Plan