

**Audit, Finance & Risk Committee**

7 March 2024

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

**Department: Assurance, Finance & Risk**

**Title | Taitara: Risk and Compliance Update March 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 Organisational Unit.

**Executive Summary | Whakarāpopototaka Matua**

---

During the reporting period, the Risk and Compliance Team completed workshops with most Tier 3 Managers to identify emerging risks, review existing risks, and document treatment plans. Currently, the TechOne risk register has 34 Tier 1 risks and 369 Tier 2 risks.

In the above workshops, a new risk was identified regarding Customer Relationship Management. This risk has been entered into the Risk Register and the Risk and Compliance Team is now working with the organisation on treatment planning for this risk. In addition, a number of changes were proposed to Tier 1 risks associated with Knowledge Management.

Significant updates associated with 3 Waters Reform and Wildfire have resulted in context changes to these identified risks. This includes the first reserve closure of Mount Iron in which previously identified mitigations were implemented.

The Compliance Register of mandatory external (Legal) obligations for QLDC received from legal firm Wynn Williams has been considered by the Executive Leadership Team (ELT) who requested time for further consideration of the approach to rolling out the register to the business. ELT is due to consider the proposed Compliance Management Framework in early March prior to providing direction on the approach to releasing the mandatory obligations register to the business.

During September 2023, QLDC's insurance brokers, Aon, visited six of QLDC's main assets to carry out Risk Management surveys on all sites. After the draft reports were shared with asset managers, the final reports have been produced and asset managers have provided a progress update for each recommendation outlined in the reports. In many cases, the recommendations have already been implemented.

The Risk and Compliance Team has taken ownership of the Fraud Policy from People and Capability. The policy has been reviewed and updated to ensure it is fit for purpose. The team is also working on

developing a Fraud Control Plan which will be brought back to the Audit, Finance & Risk Committee for consideration at the appropriate time. The Risk and Compliance Team also initiated a review of the Whistleblower Policy.

At the time of writing, an audit of the direct appointment of suppliers of goods, services and works against the requirements of the Procurement Policy, is underway. Findings from this audit will be reported to the Audit, Finance & Risk Committee at the appropriate time.

A Council workshop considered an update on the risk and compliance policies and associated frameworks on Tuesday, 5 March.

QLDC is currently recruiting a Procurement Manager. During recruitment, the Risk and Compliance Manager is acting in the capacity of the Procurement Manager, and is overseeing the implementation of several recommendation of the Procurement Technology Roadmap. A procurement advisory service has also been established to provided guidance and advice on the requirements of the Procurement Policy.

#### Recommendation | Kā Tūtohuka

---

That the Audit, Finance & Risk Committee:

1. **Note** the contents of this report;
2. **Recommend to Council** that it adopts the proposed Fraud Policy

**Prepared by:**



**Name:** Gareth Noble  
**Title:** Risk & Compliance Manager

15 February 2024

**Reviewed and Authorised by:**



**Name:** Stewart Burns  
**Title:** General Manager, Assurance, Finance & Risk

22 February 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. Fraud Policy
  - e. Insurance Strategy – An update on Asset Risk Management Survey Recommendations
  - f. Risk and Compliance Organisation Unit work programme
  - g. Procurement Organisation Unit 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 completed workshops with most Tier 3 Managers to identify emerging risks, review existing risks, and document treatment plans. At the time of writing, 7 (of 28) organisational units have obtained approval from the relevant General Managers for their Tier 2 risks to become 'live' on the Risk Dashboard. The Risk and Compliance Team is following up remaining approvals to ensure all Tier 2 risks are available to the wider organisation. At the time of writing, Tier 2 risks have increased from 360 to 369. This increase is mostly an outcome of the planned sessions with Tier 3 Managers where risk conversations have led to emerging risks being recorded.

On review with the business, it was determined that amendments and additions were needed to Tier 1 risks to more accurately reflect and articulate the risks facing QLDC. The changes are outlined below:

- RISK10001 'Insufficient or inadequate Information and communications technology provision' has been amended to state 'Insufficient, inadequate or failure of digital and technology systems'
- RISK10024 'IT systems failure' has been deemed inactive as this is now superseded by the updated RISK10001
- A new Tier 1 risk has been created RISK10060 'Insufficient, inadequate or failure of information governance'
- RISK10025 'Loss of integrity or theft of personal, commercially sensitive, confidential data (cyber security breach)' is more appropriately a Tier 2 risk and therefore will now be identified under RISK20423 linked to RISK10060

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**

##### **RISK20418 Lack of ‘Customer Relationship Management System’ (CRM) results in a diminished customer experience by not managing customer relationships efficiently and effectively.**

4. This newly identified risk has been added to the Risk Register as it has been identified across multiple organisation units. It has been linked to 3 Tier 1 risks, including technology provisions, ineffective communication, and business processes. The Risk and Compliance Team is working with the organisation on understanding the required treatment plan and controls for this risk.

##### **RISK20329 Wildfire Spreads on Council Administered Land**

5. On Wednesday, 10 January, QLDC implemented a recorded mitigation measure in response to the above risk of Wildfire. QLDC notified the public that Mount Iron Reserve was to be closed for 3 days from Thursday, 11 January to Saturday, 13 January, due to an extreme wildfire risk. The closure was initiated by trigger points being met, which are outlined in the Wildfire Reserve Closure Plan.
6. A workshop with Parks and Open Spaces Planning Manager is scheduled to talk through the process and identify any ‘lessons learnt’ from the implementation of the mitigation measures.

#### **3 Waters Reform (change in legislation)– Affects Long term Plan**

7. On 15 February 2024, Council agreed to defer the adoption of the Queenstown Lakes District Council Long Term Plan 2024-2034 by up to three months, (no later than 30 September 2024) and the Annual Report 2023-2024 by up to two months, (no later than 31 December 2024).
8. Council had planned to adopt its Long Term Plan 2024-2034 no later than 30 June 2024. The Long Term Plan had been prepared in the current legislative context for water service delivery set out by the former Labour Government.
9. On 14 December 2023 Minister of Local Government Hon Simeon Brown wrote to all New Zealand local government authorities confirming the National Government’s intentions to repeal existing water service delivery legislation. This included the consequential need for Long Term Plans to now include planning and funding for water service delivery throughout their full 10-year timeframe. The Ministerial letter provided councils with the option to defer the adoption of their Long Term Plans by up to three months. This was to enable completion of additional detailed work to ensure that planned water investment met required quality standards and were well-integrated into the overall plan. It also enabled councils to defer the adoption of their Annual Reports for 2023-2024 by up to two months, to account for the knock-on impact of working on Long Term Plans later into the calendar year. Lastly, the letter provided councils with the option to audit their Long Terms Plans later in the process than would normally be the case.

10. There is a risk that in taking this decision the approach is technically a departure from legislation as it currently stands. However, the decision was made under clear Ministerial direction. Whilst it is a unique situation that all local government authorities in New Zealand find themselves in, it is one that requires a degree of pragmatism as the legislative environment shifts over the coming months.

### **C. Compliance Obligation Register**

11. The Compliance Register of mandatory external (Legal) obligations for QLDC was received from legal firm Wynn Williams and reviewed by the Executive Leadership Team (ELT). Following feedback from ELT regarding the approach to communicating obligations to the business, ELT is due to consider the proposed Compliance Management Framework, prior to mandatory obligations being circulated to the business. At the time of writing, ELT is yet to further consider the proposed Compliance Management Framework, although that is scheduled for early March.
12. A Compliance Management Framework and associated Compliance Management Policy are intended to be implemented in 2024.

### **D. Fraud Policy**

13. The current Fraud Policy 2017 was drafted to create a framework and principles for the management of fraud and corruption. The current Fraud Policy applies to QLDC employees. It is owned and administered by the People and Capability Team and was approved by the Chief Executive.
14. In line with best practice, it is proposed to expand the scope of the draft policy to apply to elected members, contractors, and volunteers working for QLDC, as well as officers.
15. Due to the widened remit of the draft policy, it is proposed that ownership of the policy sits with the Risk and Compliance Team.
16. The draft policy is a high level, principles-based instrument. A key purpose of the policy is to outline QLDC's zero tolerance of fraud. The draft policy does this by promoting awareness of fraud. The policy has also been updated to reference a Fraud Control Plan, that will detail Council's controls to prevent fraud through promotion, training, monitoring, vigilant practices, and clear expectations of behaviour. Monitoring activities to provide assurance regarding compliance with the policy will also be outlined in the Fraud Control Plan. The Fraud Control Plan will be regularly reviewed by the Risk and Compliance Team and it is intended that the first plan will be implemented by 1 July 2024.
17. The draft policy also outlines QLDC's obligations with respect to responding to suspected fraud.
18. Key changes and responsibilities in the draft Fraud Policy include:
  - a. revised definition of fraud

- b. a broader scope, so that the draft policy applies to elected members, contractors, and volunteers, as well as officers
- c. reference to a Fraud Control Plan
- d. outlines requirements to report suspected fraud, and how Council will respond to fraud, and
- e. the roles and responsibilities within the organisation regarding fraud and fraud prevention (with further detail to be provided within the Fraud Control Plan).

19. The proposed Fraud Policy is attached as **Attachment A**.

#### **E. Insurance Strategy – An update on Asset Risk Management Survey Recommendations**

20. During September 2023, QLDC’s insurance brokers, Aon, visited six of QLDC’s main assets to carry out Risk Management surveys on all sites. The motivation for this work was to assist QLDC in understanding its risks, and benchmarking sites and processes with national and international standards. Findings from these surveys will be used to assist with insurance placement, by providing underwriters detailed and accurate risk-based information on the facilities and how they are managed and maintained. The reports also support the development of QLDC’s insurance strategy in preparation for policy renewals (material damages and business interruption) in April 2024.
21. Draft reports were shared with the relevant asset managers for review. After receiving feedback and relevant input from the asset managers, reports were finalised. Recommendations were made for all sites and the priority definitions for each recommendation are outlined in the report as below:
- Priority A - Recommend immediate action due to potential high frequency and/or consequence
  - Priority B1 - As soon as practicable as funds are available or in next financial year
  - Priority B2 - May provide significant risk improvement for little or no cost (a.k.a. “low hanging fruit”)
22. Asset managers have provided a progress update for each recommendation outlined in their reports and are outlined below.

#### **Church Street, Car Park**

- Thermographic inspection (Priority B2) **Under review by the Property Team**

#### **Queenstown Events Centre**

- Thermographic inspection (Priority B2) **Resolved**
- General Housekeeping (Priority B2)
  - Relocation of skip bins and pallets outside Aqualand to at least 10 metres from site buildings **Resolved**
  - Remove storage from the main switchboard area **Resolved**

- Frankton Golf Centre – Clean garage area and remove obsolete items **Resolved**
- Impairment Notification (Priority B2) **Resolved**
- Golf Cart Battery Charging (Priority B2) **Resolved**

#### **Frankton and Wānaka Transfer Stations**

- Thermographic Inspection (Priority A) **Reviewed – Under review by the Infrastructure Operations Team**
- Biennial Sprinkler Survey (Priority A) **Reviewed – Under review by the Property Team**
- Automatic Detection and in Cabinet Suppression (Priority B1) **For consideration in new facility design**
- Formalised Periodic Hydrant and Ring Main Flow Testing (B2) **Resolved**
- Edit the formal hot work permit system (B2) **Reviewed – Under review by the Property Team**

#### **Shotover and Wānaka Wastewater Treatment Plants**

- Thermographic Inspection (Priority A) **Update below**
- Automatic Smoke/Heat/Automatic Suppression Monitoring (Priority A) **Update below**

23. The Infrastructure Operations Manager has directed his team to follow up with Veolia on these recommendations. Further updates will be provided in the next report to AFR.

### **F. Risk and Compliance Organisation Unit work programme**

#### **Current Activity**

24. The Risk and Compliance Team is following up with Tier 3 Management to ensure that approvals for all Tier 2 risks have approval from their General Manager to 'go live' in the Risk Dashboard. The scheduled 3 monthly check-ins will be scheduled and carried out by the next Audit, Finance & Risk Committee meeting. This will ensure that risks and treatment planning will continue to be prioritised based on risk level.

25. As outlined in paragraphs 11-12, the Compliance Obligations Register will be further reviewed by ELT, and it is planned to be rolled out to the organisation in the first half of 2024.

26. The Internal Assurance Lead is currently carrying out an audit of the direct appointment of suppliers of goods, services and works against the requirements of the Procurement Policy. Findings from this audit will be reported to the Audit, Finance & Risk Committee at the appropriate time.

#### **Proposed Activity During Financial Year 2023/2024 (to end June 2024)**

27. 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)

28. 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.

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

### **G. Procurement Organisation Unit work programme**

30. QLDC has recommenced recruitment of a Procurement Manager, following an unsuccessful recruitment campaign in 2023. During recruitment, the Risk and Compliance Manager is acting in the capacity of the Procurement Manager and is overseeing the implementation of several recommendations of the Procurement Technology Roadmap.

31. Current work includes the development of a 'Procurement Hub' 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 an audit of the direct appointment of suppliers (reported to the Audit, Finance & Risk Committee in July 2023).



32. 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
- Library books supply services

33. Procurement training has been provided to several directorates and tender secretaries.

34. The incoming Procurement Manager will be responsible for a review of the Procurement Policy and Guide, considering recommendations of a previous audit on the direct appointment of suppliers (reported July 2023).

#### Consultation Process | Hātepe Matapaki

---

#### Significance and Engagement | Te Whakamahi I kā Whakaaro Hiraka

35. 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, Ten Year Plan and Annual Plan

#### Māori Consultation | Iwi Rūnaka

36. 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

---

37. 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

---

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

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

---

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

- Vision Beyond 2050
- QLDC Risk Management Policy
- Climate Action Plan
- QLDC Ten Year Plan
- QLDC Spatial Plan
- 30 Year Infrastructure Strategy

40. 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

---

41. 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, by providing a Risk Management Framework 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.

42. The recommended option:

- Can be implemented through current funding under the Long Term Plan and Long Term 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	Fraud Policy
---	--------------