

Audit, Finance & Risk Committee

12 December 2023

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

Department: Assurance, Finance & Risk

Title | Taitara: Risk and Compliance Update December 2023

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 met 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 (approx. 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.

The Risk Strategy Group met in November with a focus on QLDC's risk appetite and its definition and representation within the Risk Management Policy. Recommendations of the Risk Strategy Group will be considered by the Executive Leadership Team prior to being incorporated into a revised draft Risk Management Policy which will be reported to the Audit, Finance & Risk Committee in 2024. The Risk Strategy Group also considered two 'post event risk reviews' and will further discuss recommendations from the review, as further information about the events becomes available. Further information regarding the post event reviews will be reported to the Audit, Finance & Risk Committee at the appropriate time.

During September, 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. At the time of writing, the reports remain in draft and are being reviewed by asset managers. The draft reports indicate that overall, our assets have effective protection and security measures in place supported by good operational and maintenance practices. Draft high priority recommendations included the consideration of thermographic inspections of assets. Other high

priority asset specific recommendations include ensuring that our wastewater assets smoke/heat/automatic suppression is continuously monitored by a registered Fire and Emergency New Zealand Service Provider and undertaking biennial sprinkler surveys at our waste management facilities.

A Compliance Register of mandatory external (Legal) obligations for QLDC has been received from legal firm Wynn Williams. The register has been circulated to managers for information, and Compliance Plans will be reviewed during regular risk review meetings with organisation units.

No internal audits were completed during the reporting period. An audit/compliance review of the consultation draft Long Term Plan against all mandatory obligations of the Local Government Act 2002 is currently in progress. The outcome of that audit/compliance review will be reported to the Audit, Finance & Risk Committee meeting in 2024.

Recommendation | Kā Tūtohuka

That Audit, Finance & Risk Committee:

- 1. Note** the contents of this report

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21 November 2023

Reviewed and Authorised by:



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Title: GM Assurance, Finance & Risk
21 November 2023

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. Insurance Strategy – An update on Asset Risk Management Surveys
 - E. Risk and Compliance Organisation Unit work programme.

Analysis and Advice | Tatāritaka me kā Tohutohu

A. QLDC Risk Management Framework

2. Since the last report, the Risk and Compliance Team has been working with the business to identify emerging risks, review existing risks and document treatment plans. Several Tier 2 risks are now visible to all employees in the new dashboard, following ‘approval’ by the relevant General Manager, and it is expected that all Tier 2 Risks will be visible in the dashboard by early 2024. Since the last report, the number of Tier 2 risks documented has increased from 322 to 360 (at the time of writing). The Risk and Compliance team is currently working with the business to document treatment plans for high priority (higher risk rating) risks, and it is expected that approximately 70 treatment plans will be recorded in the Risk Register by early 2024.
3. Confidential and/or legally privileged risks will not be available on the dashboard but will be incorporated into the risk register following consultation with the Legal Team. Confidential and/or legally privileged risks can only be seen by risk owners or members of the Risk & Compliance team.
4. Further upgrades to the Risk Register are planned during the 23/24 Financial Year, to enable treatment planning and amendments to be made by all employees, subject to approval by the Risk and Compliance Team and the relevant Risk Owners (additional workflow).

B. Significant Changes to Council Risk Context

5. The Risk Strategy Group met in early November. As outlined in previous reports to the Audit, Finance & Risk Committee, the role of the Risk Strategy Group is to provide support and advice to empower QLDC to make robust decisions around risk. Conversations about ‘complex risks’ can be valuable by bringing ideas from across different areas of expertise to assist QLDC in making robust decisions around treatment plans and controls for complex risks. As a result of a review of ‘complex risks’ a number of new risks were added to the risk register, as outlined in the ‘Risk and

Compliance Update October 2023' report to the Audit, Finance & Risk Committee. Treatment plans for these 'complex risks' are currently being developed, based on priority (as outlined in paragraph 2).

6. As well as reviewing 'Complex Risks' in November, the Risk Strategy Group considered options for the representation of risk appetite and its definition and representation within the Risk Management Policy. The Risk Strategy Group proposed an updated risk appetite framework for incorporation into the Risk Management Policy. The recommendations of the Risk Strategy Group will be considered by the Executive Leadership Team prior to being incorporated into a revised draft Risk Management Policy which will be considered by the Audit, Finance & Risk Committee in 2024.
7. The Risk Strategy Group also considered two 'post event risk reviews' which involved reviewing existing pre-event risks, the cause of the events and the interconnectedness of risks. The Risk Strategy Group determined that there was benefit in further considering recommendations from the review as additional information about the ongoing events become available. Further information regarding the post event reviews will be reported to the Audit, Finance & Risk Committee at the appropriate time.
8. In addition to the work on 'complex risks' and post-event reviews undertaken by the Risk Strategy Group, the following specifically relate to a change in risk context this reporting period:

Ineffective Council response to, or recovery from, a Civil Defence emergency event

9. On the night of Thursday 21 September, a 25 year-high rainfall event hit the Queenstown Lakes district resulted in localised flooding, debris flows and land instability. At 9.00pm the QLDC Emergency Operations Centre (EOC) was activated to coordinate the emergency response in partnership with emergency services, contractors, and volunteers from the community.
10. At 6.33am on Friday 22 September a Local State of Emergency was declared to help manage the evacuation and cordons, and any escalating risk to public safety. During this period of activation, the EOC team responded to the following challenges:
 - 112 residents were evacuated from the Brecon St (68 people) and Reavers Lane (41 people) areas to the Queenstown Memorial Centre where they were triaged and provided with welfare support and emergency accommodation.
 - Response to and clean-up of significant debris flows and flooding behind Queenstown Cemetery and Brecon Street and the Reavers Lane, Fryer Street, Hamilton Road area.
 - Response to a sewerage overflow at the Frankton Track.
 - In Glenorchy, significant rainfall meant the Glenorchy lagoon was at risk of overtopping. A Community Emergency Hub was set up at the Glenorchy School to support if evacuations were required.

- A programme of Rapid Building Assessments was conducted in the aftermath of the event, with a number of red and yellow placards issued.
 - A wide number of road closures, cordons, repair work and cleanup operations were undertaken by contractors across the district.
 - Geotech assessments of the slip areas was conducted to establish the level of risk of further mobilisation.
 - The culvert at the top of Reavers Lane was assessed and cleaned out along with silt and spoil from surrounding areas.
11. By Saturday 23 September the properties with red placards had been lifted allowing affected parties to return to their homes. Only three yellow placards remained in place, and these did not require welfare support.
12. A decision to terminate the State of Local Emergency was made at 3.00pm and the district then moved into a 28-day local Transition Period. This Transition Period has been extended twice to support the management of the restoration and hazard management projects.
13. Key factors that give confidence that the Queenstown Lakes Emergency Operations Centre (EOC) provided an effective response to the emergency event include:
- The timely activation of preparedness measures and communications ahead of the forecasted rainfall event for potentially at-risk communities.
 - The responsiveness and capability of the EOC staff who were activated during Thursday evening and Friday morning. All staff demonstrated a strong commitment and dedication to serve their community under very challenging circumstances.
 - The performance of the Emergency Management Otago's digital incident management platform D4H. This platform was a crucial tool for supporting the local response as well as keeping our National Emergency Management Response (NEMA) response partners updated in Dunedin and Wellington.
 - The deployment of a well-coordinated Rapid Building Assessment process for impacted properties.
 - Strong networks and partnerships within internal council operations teams and external operations partners with regards to emergency works and clean-up activity.
 - The strong focus dedicated to transition planning to support an effective handover from Emergency Operations Centre (EOC) Response to Recovery programme structure.
14. A positive endorsement of the effectiveness of the QLDC EOC response was provided by the Minister of Emergency Management during a media standup on Saturday 23 September 2023.
15. Further information regarding the Recovery Programme will be reported to the Audit, Finance & Risk Committee at the appropriate time as additional information about the ongoing event become available.

Central Government Reforms impact on Council achieving its objectives

16. At the time of writing, the new government is yet to be formed and there is still significant uncertainty over the future of reforms affecting local government. Both Act and National have publicly stated, and stated in Select Committee reporting, that they would repeal the new water and resource management legislation, and neither have made any substantive comment about the Future for Local Government review.
17. Whilst the resource management reforms have not yet been implemented, water reform has significantly progressed. Planning for transition to the new water services entity has taken a significant amount of resources over the past 18-24 months, and this has taken any additional capacity that would have otherwise been available for QLDC to progress improvements in water services. As such, progress to improve water services and find solutions to fund required investment has not progressed during this period. Should QLDC now have to retain water services, there is likely to be a significant financial impact, and it is unknown whether the incoming government will provide additional funding.
18. This also provides significant uncertainty to the Long-Term Plan (LTP) process. The LTP has currently been drafted in line with the legislative requirement to only include water services for the first two years. This means QLDC has proposed a Capital Programme past year 2 that has a significant focus on community services. If QLDC were required to add water back into the LTP, this would have a significant impact on QLDC's ability to invest in community services, resulting in the need to use the majority of available debt capacity to finance the programme. This is likely to be unpalatable in terms of rates rises, with alternative funding and delivery approaches needing to be sought. It is not likely that alternative funding will be resolved before the LTP is consulted on and adopted, given the uncertainty around timing; this would have to be investigated after the LTP is adopted.

C. Compliance Obligations Register

19. A Compliance Register for mandatory external (Legal) obligations for QLDC has been received from legal firm Wynn Williams. The obligations register includes legal obligations that apply at all times, either because they place obligations/duties on local government, and/or because of the activities we undertake (e.g., we manage swimming pools) and some situational obligations. Situational obligations are those obligations that are contingent on an activity or event or the decision to implement a power, which trigger associated obligations. The Risk and Compliance Team has used its judgement and the advice of Wynn Williams to determine whether a situational obligation should be included based on likelihood.
20. The Compliance Register contains approximately 1,000 obligations from legislation, bylaws, and policies. After a review by the Elected Leadership Team (ELT), the register was circulated to Tier 3 Managers for information and review. Control planning will be undertaken as part of regular risk management practices, and the Risk and Compliance Team will discuss compliance with

organisational units at periodical risk management team workshops. As outlined in paragraph 28, during 2024, the Risk and Compliance Team will be developing and implementing an appropriate Compliance Framework and associated Compliance Policy.

D. Insurance Strategy – An update on Asset Risk Management Surveys

21. During September, 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 will also support the development of QLDC’s insurance strategy in preparation for policy renewals (material damages and business interruption) in April 2024.
22. At the time of writing, the reports remain in draft and are being reviewed by asset managers. The draft reports indicate that overall, our assets have effective protection and security measures in place supported by good operational and maintenance practices. Draft high priority (Priority A) recommendations included the consideration of thermographic inspections of assets, recognising that “Electrical distribution and lighting equipment was involved in 24% of structure fires at Industrial and Manufacturing properties and contributed to 55% of fires leading to direct property damage (NFPA 2018 research report).” Other Priority A asset specific recommendations include ensuring that our wastewater assets smoke/heat/automatic suppression is continuously monitored by a registered Fire and Emergency New Zealand Service Provider and undertaking biennial sprinkler surveys at our waste management facilities. Priority A recommendations are defined as those that require “immediate action due to potential high frequency and/or consequence”. It is important to note that Priority A recommendations do not mean that an asset is at risk of an occurrence that has a high frequency and/or consequence, but that further investigation is required to provide greater assurance based on a better understanding of the level of risk exposure.
23. Priority B1 recommendations requiring actions “as soon as practicable as funds are available or in next financial year” include:
 - Waste transfer stations - Automatic Detection and in Cabinet Suppression
 - Church Street Carpark – Thermographic inspections (considered Priority A for other assets as outlined in paragraph 22).

E. Risk and Compliance Organisation Unit work programme

Current Activity

24. The Risk and Compliance Organisation Unit is currently working with the business to evaluate and analyse the Tier 1 and 2 risks and implement and record risk treatment plans. Tier 2 risks are

being evaluated and analysed and mapped to Tier 1 risks. Tier 2 risk treatment planning is being prioritised based on risk-level.

25. As outlined in paragraphs 19-20, mandatory external obligations have been incorporated into a Compliance Register which has been circulated to the business for information.
26. No internal audits were completed during the reporting period. An Internal Assurance Lead has recently joined the Risk and Compliance Team and will be developing and implementing QLDC's Assurance Framework and associated Internal Audit/Assurance Policy and Audit Plan. An audit (Compliance review) of the consultation draft LTP against all mandatory obligations of the Local Government Act 2002 is currently in progress. The outcome of that audit will be reported to the Audit, Finance & Risk Committee meeting in 2024.

Proposed Activity During Financial Year 23/24 (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 tolerance 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.

[Consultation Process | Hātepe Matapaki](#)

Significance and Engagement | Te Whakamahi I kā Whakaaro Hiraka

29. This matter is of low significance, as determined by reference to the Council's Significance and Engagement Policy 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

30. 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

31. 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

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

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

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

- Vision Beyond 2050: <https://www.qldc.govt.nz/vision-beyond-2050/>
- QLDC Risk Management Policy
- Climate Action Plan
- QLDC Ten Year Plan
- QLDC Spatial Plan
- 30 Year Infrastructure Strategy

34. 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

35. The recommended option:

- 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;

- Can be implemented through current funding under the Ten Year 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.