

Audit, Finance & Risk Committee

2 October 2025

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

Department: Assurance, Finance & Risk

Title | Taitara: Assurance and Risk Update October 2025

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 context and the overall programme of works being undertaken within the Assurance and Risk Team.

Recommendation | Kā Tūtohuka

That the Audit, Finance & Risk Committee:

1. **Note** the contents of this report;
2. **Recommend** that Officers incorporate any feedback of the Audit, Finance & Risk Committee into the Second Line Assurance Map template; and
3. **Recommend to Council** that it adopts the proposed Compliance Management Policy.

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11 September 2025

Reviewed and Authorised by:



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11 September 2025

Context | Horopaki

1. This report seeks to support the governance role of the Audit, Finance & Risk Committee (the Committee) by providing updates on the following topics:
 - Material Changes in Council Risk Context
 - Assurance & Risk Work Programme
2. This report also presents a new Compliance Management Policy to the Committee for recommendation to Council.

Analysis and Advice | Tatāritaka me kā Tohutohu

Material Changes in Council Risk Context

3. During the reporting period, the Assurance and Risk Team completed first quarter (Q1) risk review meetings with Tier 3 Managers to identify emerging risks, review existing risks, and document treatment plans. At these meetings external compliance obligations (legislative requirements) and policy reviews were also discussed with Managers.
4. At the time of writing, the TechOne Risk Register has 34 Tier 1 Risks ($\leftrightarrow 1$), 332 Tier 2 Risks ($\uparrow 20$), 212 treatment plans ($\uparrow 29$), associated with 274 risks ($\uparrow 56$ - increase in risks with active treatment plans). **Attachment A** provides a summary of Tier 1 risks recorded in the TechOne Risk Register. The summary information has been updated since previous meetings following feedback from the Committee.
5. As a result of the implementation of additional treatment plans, during the reporting period the risk rating associated with Risk10013 'Unexpected Change in Cost or Funding' has been reduced from 'very high' to 'high'. Risk10013 has fourteen (14) treatment plans associated with it, including the implementation of a capital assurance framework and Project Management Method, as well as the development of a cost management tool. The risk level will continue to be monitored as additional treatment activities are implemented and demonstrated to be effective.

The risk rating associated with RISK10015 'Ineffective Governance' has been reduced from 'high' to 'moderate' following the adoption of improved standing orders and the development of a robust Elected Member induction process.

6. On 18 August 2025, the Government announced proposed amendments to the Building Act. The proposed amendments include replacing the current joint and several liability provisions with proportionate liability. In that announcement, the Building and Construction Minister Chris Penk referenced the Oak Shores case against QLDC "*A case in Queenstown shows the scale of this issue. In 2015, the Oaks Shores body corporate filed a \$160 million claim for weathertight defects. The developer had been placed into voluntary liquidation and was not sued, leaving ratepayers exposed to the entire claim*". While no changes have been made to the risk register to reflect the

potential reduced risk exposure for QLDC, associated risks will continue to be monitored as the bill moves through parliament. The public excluded item 'Legal Update' on this agenda, also considers the potential implications of the proposed changes.

7. QLDC's risk register captures the potential impact of the global and national risk landscape as well as risks that require a broad organisation-wide response. These are captured at a macro level (Tier 1) and in all cases have connected Tier 2 risks. The material Tier 1 risks drivers that have specifically been considered during this reporting period include:
 - Central Government reforms impact on Council achieving its objectives (RISK10019 – remains moderate)
 - Ineffective compliance management (RISK10029 – remains high). Additional controls being implemented as outlined from paragraph 13 of this report, are likely to see the residual risk level reduced.
8. Several operational Tier 2 risks have also been identified and/or recorded during this reporting period and are currently being analysed. Should these risks be determined to be material, they will be reported to the Audit, Finance & Risk Committee at the appropriate time.
9. At the July 2025 meeting, the Committee considered an emerging Tier 2 risk, 'Lack of clearly defined Second Line Assurance roles and responsibilities' (RISK200051). This risk had been documented following the finding of internal audits. The Assurance and Risk Team are currently developing an assurance map. The proposed approach is attached as Attachment B, and feedback is sought from the Committee on the template.

Assurance & Risk Work Programme

10. The Risk Management Policy v.4 was adopted at the 20 March 2025 Council meeting. The Policy will be reviewed when the Audit, Finance & Risk Committee Terms of Reference are agreed at the commencement of the next triennium.
11. Further IT changes to the Risk Register and associated Risk Register Dashboard are currently being implemented and are expected to be 'live' by the end of 2025. These changes will implement workflow enabling Officers to propose changes to existing risk details and treatment plans, as well as identifying emerging risks. The workflow will provide for proposed changes to be considered by the Assurance & Risk Team, prior to being approved by the relevant Risk Owner or Manager. Only once approved will new risks or changes to risk details be visible in the Risk Register Dashboard. The proposed changes will provide increased maturity in the management of risks, providing greater ownership of risk data. Currently amendments to the risk register can only be made by the Assurance & Risk Team.
12. Item 2 'Insurance Update October 2025' of this agenda reports on the current status of the November insurance renewals. Item 9 'Internal Audit Report October 2025' of this agenda reports on the findings of internal audits undertaken between July to October 2025 and provides the forward programme for internal audit.

Proposed Compliance Management Policy

13. As outlined in the proposed Compliance Management Policy ('policy'), 'Council is committed to fulfilling its legal and statutory obligations and implementing an efficient and effective compliance management framework'. This is evidenced by the recent request for regular compliance reporting, as part of the Quarterly Report.
14. To provide clear direction in relation to expectations for compliance and to outline clear roles and responsibilities, the proposed Policy sets out mandatory requirements for compliance management. The proposed compliance management framework outlined in the policy is consistent with ISO 37301:2021 'Compliance Management Systems' (and where relevant, NZS/AS 3806:2006 Compliance Programmes).
15. The proposed Policy outlines roles and responsibilities for identifying compliance obligations by type, including:
 - External mandatory obligations
 - External voluntary obligations; and
 - Internal mandatory obligations.
16. The proposed policy defines each of the different types of obligation and associated requirements.
17. While the requirements relating to external obligations are broadly an articulation of current practice, those relating to external voluntary and internal obligations are new requirements.
18. The proposed policy provides that, as per current practice, it is the responsibility of the Assurance and Risk Team to identify and record external mandatory obligations provided by legislation, regulations and bylaws in the obligations register. General Managers are required to identify and record external mandatory obligations provided by external mandatory obligations relating to consents, authorities and permits. It is the responsibility of General Managers to ensure obligations owners implement controls to ensure compliance with external mandatory obligations.
19. The proposed policy requires the relevant General Manager to identify and record external voluntary obligations. General Managers must ensure that external voluntary obligations are recorded in the Obligations Register, or an alternative obligations register (or system) approved by the Assurance and Risk Team. The General Manager must allocate the relevant obligation in the Obligations Register to an appropriate Obligation Owner.
20. In relation to internal mandatory obligations, the policy provides a future requirement. This enables the appropriate transition to a more structure approach to the management of internal requirements (obligations) provided by internal policies. The policy requires General Managers to ensure that internal mandatory obligations imposed by policies, systems, processes and

procedures owned by their Directorate are recorded in the Obligations Register by the end of December 2027. To that end, the Policy Team is already developing an updated policy template to enable obligations to be specifically listed at the end of a policy.

21. The proposed Compliance Management Policy is attached as Attachment C.
22. Options have not been presented in relation to 'Material Changes in Council Risk Context', (paragraphs 1-9) or 'Assurance & Risk Work Programme' (paragraphs 10-12) of this report as the content is for noting purposes only, and in the case of paragraph 9, a request for feedback.
23. In relation to 'Proposed Compliance Management Policy' (paragraphs 13-21) this report identifies and assesses the following reasonably practicable options for assessing the matter as required by section 77 of the Local Government Act 2002.
24. Option 1 Recommend to Council that it adopts the proposed Compliance Management Policy

Advantages:

- The proposed Compliance Management Policy is consistent with ISO 37301:2021 'Compliance Management Systems' (and where relevant, NZS/AS 3806:2006 Compliance Programmes).
- The proposed policy provides for a risk-based, staged approach to implementation of obligations management, providing for the recording and compliance with mandatory external obligations as a priority, with systems and processes for managing internal mandatory obligations required at a future date (by December 2027), thereby enabling the policy to be implemented without requiring additional resources (beyond system enhancements leveraging the TechOne Risk Register).
- Enables QLDC to respond to the risk of 'Ineffective compliance management' (RISK10029 – currently 'high').

Disadvantages:

- Internal mandatory obligations imposed by policies will not be required to be incorporated into the obligations register until December 2027. In the absence of a central repository, those for which the policies apply (e.g. employees, volunteers, elected member) will need to review all relevant internal policies (currently 53) to understand the applicable mandatory requirements (which is the status quo).

25. Option 2 Recommend to Council that it adopts the proposed Compliance Management Policy, with changes

Advantages:

- Provides for the Audit, Finance & Risk Committee to recommend amendments to the policy to reflect its guidance on the most appropriate compliance framework for QLDC.

Disadvantages:

- Depending on the changes recommended, there may be a requirement for additional resources and/or reprioritisation of the technology roadmap, on the other hand, if obligation management is not considered to be an immediate priority, it may not result in the same reduction in risk or may delay the reduction in risk of 'Ineffective compliance management' (RISK10029 – currently 'high').

26. Option 3 Recommend to Council that it does not adopt the proposed Compliance Management Policy at this time

Advantages:

- Deferring the adoption of a Compliance Management Policy at this time might be appropriate given uncertainty associated with Government reform programmes.

Disadvantages:

- Deferring the adoption of a Compliance Management Policy would not address the risk of 'Ineffective compliance management' (RISK10029 – currently 'high').

27. This report recommends **Option 1** for addressing the matter because the proposed Compliance Management Policy is consistent with ISO 37301:2021 'Compliance Management Systems' (and where relevant, NZS/AS 3806:2006 Compliance Programmes) and provides a risk-based, staged approach to the implementation of obligations management.

Consultation Process | Hātepe Matapaki

Significance and Engagement | Te Whakamahi i kā Whakaaro Hiraka

28. This matter is of low significance, as determined by reference to the Council's Significance and Engagement Policy 2024 because it has:

- a lower impact on the importance to the Queenstown Lakes District, providing an increased level of assurance at little additional cost.
- a lower significance in relation to community interest, as it does not provide for material changes in how services are delivered.

- a lower significance in relation to consistency with existing policies and strategies, as the proposed Compliance Management Policy and second line assurance map are consistent with the existing Risk Management Policy.
- a lower impact on the Council's capability and capacity, as the matters outlined in the report provide increased assurance regarding QLDC's risk and compliance frameworks.
- a lower impact in relation to climate change, supporting the management of obligations in this regard.
- a lower impact in relation Mana Whenua, supporting the management of obligations in this regard.

29. The persons who are affected by or interested in this matter are all residents/ratepayers of the Queenstown Lakes district community, as the matters outlined in this report provide increased assurance regarding QLDC's risk and compliance frameworks.

30. The Council has not undertaken consultation in relation to matters outlined in this report, because the matters are of low significance.

Māori Consultation | Iwi Rūnaka

31. 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

32. 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

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

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

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

- Strategic Framework including the Vision Beyond 2050: Our Strategic Framework | Queenstown Lakes District Council has been considered during risk identification, analysis, evaluation and treatment planning as well as in relation to the approach to compliance management.

- QLDC Risk Management Policy
- Climate and Biodiversity Action Plan
- QLDC Long Term Plan
- QLDC Spatial Plan
- 30 Year Infrastructure Strategy

35. The recommended option is consistent with the principles set out in the Risk Management Policy.

36. This matter supports the Long Term/Annual Plans through ensuring that effective risk and compliance frameworks are in place to provide assurance regarding the delivery of planned programmes.

Legal Considerations and Statutory Responsibilities | Ka Ture Whaiwhakaaro me kā Takohaka Waeture

37. The proposed Compliance Management Policy provides a framework for ensuring compliance with legislative obligations.

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

38. 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 provides assurance regarding QLDC's risk and compliance frameworks and as such, the recommendation in this report is appropriate and within the ambit of Section 10 of the Act.

39. 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	Tier 1 Risk Summary
B	Proposed Second Line Assurance Map - DRAFT
C	Proposed Compliance Management Policy - DRAFT