

**Draft Long Term Plan 2021-31**

**Activity Plan**

**Risk and Internal Audit**

**(Internal Activity)**

**Adopted 4 March 2021**

## Approvals

Role	Position	Name	For Draft LTP	
			Signature	Date of sign-off
General Manager	General Manager Corporate Services	Leonie Rae		5 February 2021
Finance Business Partner	Finance Business Partner	David Leighton		3 February 2021
Activity Manager	Head of Risk & Audit	Shaun Dowers		3 February 2021

**Table of Contents**

- 1. What does this activity deliver? .....4
- 2. Community Outcomes – why do we deliver this activity? .....4
- 3. Strategic Priorities – how does this activity support progress on our priorities ? .....5
- 4. Increasing Resilience .....5
- 5. Specify Levels of Service .....6
- 6. Does this Activity Plan need to change as a result of a Service Delivery Review (S17A)?.....7
- 7. What levels of service are we proposing to change from the LTP 2018-28 and why? .....7
- 8. How will the assets be managed to deliver the services? .....7
- 9. What financial resources are needed?.....8
- 10.How much capital expenditure will be spent, on what category of asset, and what are the key capital projects for this activity? .....8
- 11.Does this activity have any significant negative effects on social, economic, environmental or cultural wellbeing, now or in the future? .....9
- 12.What risks are identified and what controls and mitigations are planned?.....9

## 1. What does this activity deliver?

---

### **Risk (Risk Management)**

Risk management activity promotes and supports the management of risk across the Council, through development and provision of policy and practice advice, coaching and workshop facilitation and regular reporting to Senior Managers, Executive Leadership Team and the Audit and Risk Management Committee (ARMC).

### **Assurance (Internal Audit)**

Internal Audit activity provides independent assurance to management and governance over the Council's system of internal controls. This is achieved through the preparation and completion of a programme of audits and engagements that assess internal controls, risk management and governance process. Findings, recommendations and conclusions are reported to Management and the ARMC.

In addition, Internal Audit provides advice and leadership to strengthen the Council's internal control environment.

The Head of Audit and Risk is also Councils Protected Disclosure officer, responsible for responding to protected disclosures or fraud concerns, and raising awareness of these.

## 2. Community Outcomes – why do we deliver this activity?

---

This Internal Service supports all the Community Outcomes through the organisational support provided by this Activity to the External Services of the Council.

### 3. Strategic Priorities – how does this activity support progress on our priorities ?

The revised Strategic Priorities	Activity Responses
Enabling active and connected communities to own their future	This Internal Service supports all the Strategic Priorities through organisational support provided by this Activity to the External Services of the Council.
Meeting the challenge of climate change through every means available	Improving risk management practice along with assessing internal controls involves providing methodology, tools, advice and recommendations, which all help management to better manage their risks and achieve Council objectives.
Ensuring a high quality drinking water supply that is safe and sustainable	This internal service is actively engaging to help managers understand, capture and manage their risks. This includes review and feedback on unit risk registers and application, as well as review and feedback on Asset Management Plans and Activity Plans. This encompass a broad range of strategic, asset and service delivery risks such as drinking water through to climate change. We're also facilitating risk escalation, through a variety of risk reporting to management and governance.
Accelerating the momentum the city needs	
Ensuring rates are affordable and sustainable	This internal service is also providing management and governance with a level of assurance over risk management efforts. This is through the completion of internal audit reviews. Key risks and mitigations are identified and tested to identify any weaknesses and improvement opportunities for management to implement, and governance to monitor.

### 4. Increasing Resilience

The risk and audit activity is an internal service, which in promoting risk management, is intrinsically helping to promote resilience across the Council. Managing risk includes knowing and managing key unknowns that impact on business objectives. This includes consideration of short term business interruption events/shocks (such as local power outage, flood or tsunami), as well as longer term shocks or stressors (such as sea level rise, increased extreme weather, or population/demographic changes). By helping managers understand their risks and treatments, this activity is helping to build Council resilience.

## 5. Specify Levels of Service

LOS number	C/M <sup>1</sup>	Performance Measures Levels of Service (LOS)	Historic Performance Trends	Benchmarks	Future Performance Targets				Method of Measurement	Community Outcome
					Year 1 2021/22	Year 2 2022/23	Year 3 2023/24	Year 10 2030/31		
<b>Risk &amp; Assurance</b>										
13.6.10.3	M	Independent and objective assurance and advisory service, provided to evaluate and improve the effectiveness of risk management, internal controls and governance process	<p>16 reviews are planned in 2020/21</p> <p>2019/20:100% 11 of 11 reviews. Originally 15 reviews planned, four were deferred due to covid19.</p> <p>2018/19:82% 11 of 12 reviews were delivered. One review delivered late. Originally included 13 reviews, one was deferred.</p> <p>2017/18: 90% 9 of 10 reviews were delivered</p> <p>2017/18: Not achieved. Of the 5 reviews not delivered, 4 were deferred.</p>	An annual plan and any changes are endorsed by the ARMC, and 75% planned reviews are delivered.	At least 75% of planned and endorsed Internal Audit engagements, are delivered during the year.	At least 75% of planned and endorsed Internal Audit engagements, are delivered during the year.	At least 75% of planned and endorsed Internal Audit engagements, are delivered during the year.	At least 75% of planned and endorsed Internal Audit engagements, are delivered during the year.	<p>Engagements scheduled within an endorsed Internal Audit plan are delivered in line with expected scope and timing.</p> <p>A three yearly audit plan is refreshed annually with the ARMC.</p> <p>These performance numbers exclude extended assurance provided from other third parties, such as NZTA or IIANZ.</p>	Internal service

<sup>1</sup> \*C/M – Community or Management level of service (LOS)

Community LOS - Previously known as LTP LOS. These are LOS that are community facing and will be published in our Statement of Service Provision.

Management LOS - Previously known as Non-LTP LOS. These are LOS that are measured in the organisation to ensure service delivery.

LOS number	C/M <sup>1</sup>	Performance Measures Levels of Service (LOS)	Historic Performance Trends	Benchmarks	Future Performance Targets				Method of Measurement	Community Outcome
					Year 1 2021/22	Year 2 2022/23	Year 3 2023/24	Year 10 2030/31		
13.6.11.1	M	Risk Management advisory service to promote and cultivate good risk management discipline through planning, reporting and undertaking initiatives.	2019/20: Achieved 2018/19: Achieved 2017/18: Achieved Planned initiatives from 3rd plan were all delivered from Jan17 to March18. 2016/17: Achieved Planned initiatives from 2nd Plan were all delivered from Sep15 to Dec16.	Risk Management Initiatives are planned, supported and delivered through ELT. Risks are reported and escalated in accordance with policy.	Support ELT's Risk Management through risk reporting, and completing initiatives agreed through an annual ELT Risk Management Improvement Plan.	Support ELT's Risk Management through risk reporting, and complete initiatives agreed through an annual ELT Risk Management Improvement Plan.	Support ELT's Risk Management through risk reporting, and complete initiatives agreed through an annual ELT Risk Management Improvement Plan.	Support ELT's Risk Management through risk reporting, and complete initiatives agreed through an annual ELT Risk Management Improvement Plan.	A Risk Management Plan is periodically prepared, refreshed and approved by ELT. Planned Risk Management initiatives are delivered. Risks are reported and escalated in accordance with policy.	Internal service

## 6. Does this Activity Plan need to change as a result of a Service Delivery Review (S17A)?

No S17A Service Delivery Review in this planning period.

## 7. What levels of service are we proposing to change from the LTP 2018-28 and why?

Level of Service	Target from 2018 LTP	Proposed target in 2021 LTP	Reason
AMEND 13.6.11.1	Risk Management advisory service to promote and cultivate good risk management discipline through planning, reporting and undertaking initiatives.	Support delivery of ELT's Risk Management planned initiatives and reporting needs.	Support ELT's Risk Management through risk reporting, and completing initiatives agreed through an annual ELT Risk Management Improvement Plan.

## 8. How will the assets be managed to deliver the services?

No Asset Management Plan for this activity.

## 9. What financial resources are needed?

Risk & Internal Audit 000's	Annual Plan	LTP	LTP	LTP	LTP	LTP	LTP	LTP	LTP	LTP	LTP
	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
<i>Activity Costs before Overheads by Service</i>											
Risk & Assurance	579	593	597	611	625	640	655	672	690	708	727
	579	593	597	611	625	640	655	672	690	708	727
<i>Activity Costs by Cost type</i>											
Direct Operating Costs	246	152	155	158	162	166	170	174	179	184	188
Direct Maintenance Costs	-	-	-	-	-	-	-	-	-	-	-
Staff and Contract Personnel Costs	331	440	440	451	462	473	484	496	510	523	537
Other Activity Costs	2	1	1	1	1	1	1	1	1	2	2
	579	593	597	611	625	640	655	672	690	708	727
<b>Activity Costs before Overheads</b>	<b>579</b>	<b>593</b>	<b>597</b>	<b>611</b>	<b>625</b>	<b>640</b>	<b>655</b>	<b>672</b>	<b>690</b>	<b>708</b>	<b>727</b>
Overheads, Indirect and Other Costs	(579)	(593)	(597)	(611)	(625)	(640)	(655)	(672)	(690)	(708)	(727)
Depreciation	-	-	-	-	-	-	-	-	-	-	-
Debt Servicing and Interest	-	-	-	-	-	-	-	-	-	-	-
<b>Total Activity Cost</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0</b>	<b>-</b>	<b>-</b>

## 10. How much capital expenditure will be spent, on what category of asset, and what are the key capital projects for this activity?

No capital programme for this activity.



## 11. Does this activity have any significant negative effects on social, economic, environmental or cultural wellbeing, now or in the future?

No significant negative effects on wellbeing of the community.

## 12. What risks are identified and what controls and mitigations are planned?

Risk	Planned Controls and Mitigation
<p><b>1. Risk Management in practice</b></p> <p>Council management do not integrate and apply Risk Management practice as part of business decision making and operations.</p> <p>Caused by:</p> <ul style="list-style-type: none"> <li>- not enough support (time/effort);</li> <li>- completing RM as tick box exercise and not for actual risk management (poor uptake).</li> <li>- poor message and marketing of risk management, unclear importance.</li> <li>- lack of culture, tone and support from ELT and SL groups.</li> </ul> <p>This will result in: non-implementation and/or non-compliance with Risk management Policy and Programme, and no improvement or degradation of organisational risk management maturity.</p> <p>This has further potential to result in poor and/or nil evidence of RM practice, higher instances of preventable risk occurrence, and non achievement or dissatisfaction from the Councils governance/ARMC."</p>	<ol style="list-style-type: none"> <li>1. Agree risk improvement initiatives (set an annual plan) with ELT, and action/implement these initiatives.</li> <li>2. Update ELT monthly with a summary of high risks identified in the Units, with RM progress on Groups, and with feedback on ELT risks for consideration.</li> <li>3. Participate in GM team meetings providing high risks for awareness, and highlighting any update on the Group's risk management activities, high risks and open/overdue internal audit findings.</li> <li>4. Update the teams risk webpage regularly with support materials for risk management.</li> <li>5. Provide the Heads of Unit with periodic (minimum half-yearly) feedback on their risk registers</li> <li>6. Monitoring / reviewing promapp for tasks that become overdue, and personally following these up with the task-owner.</li> <li>7. Completing / scheduling periodic group risk reviews with GMs and their full team, to review each portfolio at summary level for risk completeness, relevance and quality risk capture. Agreed actions are captured and tracked via monthly meeting reports.</li> </ol> <p>Complete a periodic (2-3yearly) assessment of risk management maturity, to confirm progress and identify areas for further focus/improvement.</p>
<p><b>2. IA - Internal Audit Plan not designed to provide sufficient or appropriate risk-based assurance.</b></p>	<ol style="list-style-type: none"> <li>1. The IA Plan and delivery progress is reported to ELT monthly and the Audit &amp; Risk Management Committee quarterly. This includes consideration whether planned</li> </ol>

Risk	Planned Controls and Mitigation
<p>The annual Internal Audit Plan and scheduled audit reviews/activity does not provide sufficient assurance and/or does not have an up-to-date or relevant risk-based approach.</p> <p>Caused by:</p> <ul style="list-style-type: none"> <li>- The IA plan not being regularly refreshed to reflect the changing risk-environment.</li> <li>- Budget constraints impacting on levels of delivery.</li> <li>- Too much focus on high-risk areas (that are not necessarily well-managed), without looking to gain assurance over key/critical BAU controls.</li> <li>- Over-reliance on the IA function without an appropriate 2nd-line of defence.</li> </ul> <p>Resulting in:</p> <ul style="list-style-type: none"> <li>• False comfort over IA coverage or assurance.</li> <li>• Key/critical control weaknesses not being identified/remedied; leading to preventable risk occurrences - such as operational outage, fraud, legislative exposures, incorrect invoicing, environmental damage (accidental discharge) e.t.c.</li> </ul>	<p>coverage is relevant, progress with planned reviews, and progress with open/overdue audit findings.</p> <p>2. The IA Plan is refreshed annually through engagement with ELT members, review of business risks and in consultation with co-source partners. This is aimed at ensuring coverage is relevant, realistic and prioritised.</p>
<p><b>3. IA - Poor completion of internal audit review</b></p> <p>Internal Audit Review(s) is not completed to sufficient standard or to satisfy intended objective/scope.</p> <p>Caused by:</p> <ul style="list-style-type: none"> <li>• Not engaging with right persons within CCC.</li> <li>• Insufficient or inconsistent advice or engagement by the Business Unit.</li> <li>• Loss of objectivity or independence.</li> <li>• Auditor not following good process/practice and not considering/testing full scope/context.</li> </ul> <p>Consequence:</p>	<ol style="list-style-type: none"> <li>1. Internal Audit review overseen by Head of Risk &amp; Audit. Including involvement in review planning and identifying Business contacts, and review of draft reports.</li> <li>2. Engage professional reputable co-source partner to deliver specialist reviews. Ensuring quality is of high standard.</li> <li>3. Audit process is documented/followed to ensure consistent approach and engagement. This includes key business engagement requirements in planning, fieldwork and reporting phases.</li> </ol>

Risk	Planned Controls and Mitigation
<ul style="list-style-type: none"> <li>● Disengagement by business unit, leading to difficulty in finalising review output.</li> <li>● Review recommendations and conclusion not accurate and/or not providing value.</li> <li>● Loss of credibility and rapport.</li> <li>● Key control weakness is not detected leading to preventable risk occurrences.</li> </ul>	
<p><b>4. Internal Audit Finding completion</b></p> <p>There is a risk that Council business units/teams do not progress and complete internal audit findings.</p> <p>This could be caused by:</p> <ul style="list-style-type: none"> <li>● The internal audit finding/review does not recommend practical solutions;</li> <li>● The business/team has subsequent staff movements and the agreed actions are not handed over;</li> <li>● Unachievable target dates are set;</li> <li>● The business/team are not held accountable.</li> </ul> <p>This could result in;</p> <ul style="list-style-type: none"> <li>● Audit findings left unresolved- which could have broad and variable impact on Council (depending on review and finding).</li> <li>● Audit findings loose reputation / importance, and delayed or non-closure is deemed or becomes more acceptable.</li> </ul>	<ol style="list-style-type: none"> <li>1. Participate in Group meetings providing high risks for awareness, and highlighting any update on the Group's risk management activities. Including providing visibility of open/overdue internal audit findings.</li> <li>2. The IA Plan and delivery progress is reported to ELT monthly and the Audit &amp; Risk Management Committee quarterly. This includes consideration whether planned coverage is relevant, progress with planned reviews, and progress with open/overdue audit findings.</li> <li>3. Internal Audit reviews are overseen by Head of Risk &amp; Audit. Including involvement in review planning and identifying Business contacts, and review of draft reports.</li> <li>4. Engage professional reputable co-source partner to deliver specialist reviews. Ensuring quality is of high standard</li> <li>5. Audit process is documented/followed to ensure consistent approach and engagement. This includes key business engagement requirements in planning, fieldwork and reporting phases.</li> </ol>
<p><b>5. IA - Fail to meet review delivery target</b></p> <p>Caused by:</p> <ul style="list-style-type: none"> <li>● Mismatch between functional resourcing and delivery commitment.</li> <li>● Reviews incur extended and/or unexpected delays.</li> <li>● Ad-hoc or reactive/investigative work is prioritised over scheduled reviews.</li> </ul>	<ol style="list-style-type: none"> <li>1. The IA Plan and delivery progress is reported to ELT monthly and the Audit &amp; Risk Management Committee quarterly. This includes consideration whether planned coverage is relevant, progress with planned reviews, and progress with open/overdue audit findings.</li> </ol>

Risk	Planned Controls and Mitigation
<p>Consequence:</p> <ul style="list-style-type: none"> <li>● Rushed delivery of scheduled reviews - impacting on review quality or on ensuring adequate business buy-in/engagement.</li> <li>● Loss of confidence and rapport with executive/governance stakeholders.</li> <li>● Fail to identify key control weaknesses leading to preventable risk occurrences (such as fraud).</li> </ul>	<ol style="list-style-type: none"> <li>2. The IA Plan is refreshed annually through engagement with ELT members, review of business risks and in consultation with co-source partners. This is aimed at ensuring coverage is relevant, realistic and prioritised.</li> <li>3. Monthly Horizon reporting - providing GM visible performance update against this delivery.</li> <li>4. Regular work-in-progress meetings with Co-Source partner to monitor review delivery progress.</li> </ol>
<p><b>6. Fraud culture and awareness</b></p> <p>Risk of: insufficient awareness, understanding and a poor culture toward fraud.</p> <p>Caused by:</p> <ul style="list-style-type: none"> <li>● Inconsistent, unclear or poorly communicated policy and leadership stance toward fraud (including Conflicts, Internal Control, Segregation, etc).</li> <li>● No whistle-blower process, ownership or process for responding.</li> <li>● Insufficient/inadequate employee/mgr awareness.</li> <li>● Insufficient/inadequate internal audit coverage of fraud.</li> <li>● (Causes relating to specific business-units such as procurement or transaction risk will need to be covered by risk capture in respective units).</li> </ul> <p>Results in:</p> <ul style="list-style-type: none"> <li>● Increased likelihood of fraud (less discouragement).</li> <li>● Fraud occurring without detection.</li> <li>● Fraud being detected but not adequately responded to.</li> <li>● Whistle-blow doesn't trigger any/sufficient response; and or any recommendations from investigation are not actioned.</li> </ul>	<ol style="list-style-type: none"> <li>1. The IA Plan is refreshed annually through engagement with ELT members, review of business risks and in consultation with co-source partners. This is aimed at ensuring coverage is relevant, realistic and prioritised.</li> <li>2. CCC have a Fraud Policy in place expressing a strong tone toward fraud. Other related policies include code of conduct and specific policy relating to travel, p-card, and entertainment spend"</li> <li>3. Conduct targeted fraud risk assessments periodically with high-fraud risk areas, either through scheduled audit-review or through business interactive workshop.</li> <li>4. Compiling and delivering a 6-monthly fraud report to the CEO and the ARMC. This includes statistics and summary information on any fraud matters. This also sets out fraud initiatives planned over the current year.</li> </ol>