

Notice is hereby given of the

Risk and Assurance Committee - Komiti tūraru me te whakaaetanga

Wednesday 19 June 2024 at 1:00 pm

Environment Southland Council chamber, 220 North Road, Invercargill
24/R&A/31

Committee Members


Mr Andrew Douglas (Independent Chair)
Cr Alastair Gibson
Cr Lyndal Ludlow
Cr Jeremy McPhail

Cr Phil Morrison
Cr Jon Pemberton
Cr Maurice Rodway
Chairman Nicol Horrell (*ex officio*)

Agenda

*This meeting will be livestreamed through YouTube and will be available to view on our website.
<https://www.es.govt.nz/about-us/live-stream>*

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Amy Kubrycht

General Manager - People and Customer

RECOMMENDATIONS IN COUNCIL REPORTS ARE NOT TO BE CONSTRUED AS COUNCIL POLICY UNTIL ADOPTED BY COUNCIL

Terms of reference - Risk and Assurance Committee

Council assigns to the committee responsibilities from time to time, and the committee provides advice and reports to Council on governance, risk management and internal control.

The committee will review the effectiveness of the following aspects of governance, risk management and internal control:

1. Oversight of risk management across Council (including Council controlled organisations). This incorporates corporate disciplines and systems and infrastructure and facilities, including:
 - risk policy, framework and strategy;
 - Council's "risk appetite" statement;
 - the effectiveness of risk management and internal control systems including all material financial, operational, compliance and other material controls including health and safety and business continuity and resilience;
 - new and/or emerging risks, and any subsequent changes to risk register;
 - draw Council attention to any other issues that the committee believes may negatively impact attainment of organisational mission and/or goals.
2. Internal and external audit and assurance, including:
 - internal audit plans and programmes of work;
 - assurance reports dealing with audit findings, conclusions and recommendations (including CCOs);
 - management of the relationship with Council's external auditors;
 - management's responsiveness to findings and recommendations;
 - the Office of the Auditor General plans, findings and other matters of mutual interest.
3. Integrity matters, including employee, contractor and elected member interests and ethics- based policies and issues.
4. Monitoring of compliance with laws and regulations.
5. Significant projects and/or programmes of work focussing on the appropriate management of risk.
6. Council's compliance with the requirement to prepare external information through its long-term plan, annual plan and annual report and other external reports required by statute.

1 Welcome I Haere mai

2 Apologies I Ngā pa pouri

At the time of the agenda closing, no apologies had been received for this meeting.

3 Declarations of interest

At the time of the agenda closing, no declarations of interest had been received for this meeting.

4 Public forum, petitions and deputations I He huinga tuku korero

The purpose of this item is to provide an opportunity for members of the public to convey concerns, make suggestions to, and have input with, the Council. The Council or Committee will provide up to 20 minutes at the commencement of each meeting for members of the public to address the meeting but will allocate only five minutes for each speaker or group.

At the time of the agenda closing, no public forum, petitions or deputations were received for the meeting.

5 Confirmation of minutes I Whakau korero

Attached are the minutes from the meeting held 20 March 2024

Minutes of the Risk and Assurance Committee

Held at Environment Southland, 220 North Road Invercargill
Wednesday, 20 March 2024 at 10.00 am



Present:

Mr Andrew Douglas (Independent Chair)
Chairman N Horrell (ex officio)
Cr Lyndal Ludlow
Cr Jeremy McPhail
Cr Maurice Rodway
Cr Jon Pemberton
Cr Alistair Gibson
Cr Phil Morrison

Also Present:

Ms Wilma Falconer (Chief Executive)
Ms Amy Kubrycht (General Manager, People & Customer)
Mrs Helen Hart (Personal Assistant – *Minutes*)
Cr Eric Roy
Cr Peter MacDonald
Mr Mike Trent (Chief Advisor Māori)
Mrs Rachael Millar (General Manager Strategy, Science & Engagement)
Mr Dominic Rikiti (General Manager Business Services)
Ms Tania Cribb (Risk Assurance & Internal Audit Officer)
Mr Paul le Roux (Health, Safety & Risk Manager)
Ms Paula Toomey (Information & Support Manager)
Mr Gary Andrews (People & Capability Manager)
Mr Dave Gibbs (Strategy & Partnerships Manager)
Mr Anthony Smith
Mr Scott Hawkins
Mr Miles McConway
Ms Andrea Garcia
Mr Stephen Halliwell

1 Welcome | Haere mai

Mr Douglas welcomed everyone to the Risk and Assurance Committee meeting for 20 March 2024, and opened the meeting with a karakia.

2 Apologies | Ngā pa pouri

No apologies received for the meeting

3 Declarations of interest

There were no declarations of interest.

4 Public forum, petitions and deputations | He huinga tuku Korero

There were no public forum, petitions or deputations presented at the meeting.

5 Confirmation of minutes I Whakau korero

Risk and Assurance Committee meeting – 16 November 2023

Resolved:

Moved by Cr McPhail, and seconded, Cr Ludlow that Council confirms the minutes of the Risk and Assurance Committee meeting held on Thursday, 16 November 2023, as a true and correct record of that meeting.

Carried

6 Notification of extraordinary items/urgent business I He panui autaiā hei totoia pakihi

There were no extraordinary items or urgent business tabled for inclusion in the agenda.

7 Questions I Patai

There were no questions asked by the committee.

8 Chairman and councillors reports I Ngā purongo-a-tumuaki me ngā kaunihera

Mr Douglas provided a verbal update to the committee, reflecting on sessions attended since the last meeting. The first being a Treasury presentation talking about the headwinds everyone is facing in the country such as high inflation, staff shortages, forecast reductions in government spending and climate resilience. He referred to the OAG focus on public sector transparency as well as performance accountability.

9 Staff reports

9.1 Risk management report

The purpose of this report was to update the committee on organisational risk, the risk management programme, and the business continuity programme.

Ms Cribb was in attendance to speak to this item drawing attention to work continuing on the risk framework. Further focus points discussed included an update on our business continuity work, training for the business response team and their roles and responsibilities.

Moved Cr McPhail and seconded Cr Horrell and resolved:

That the Risk and Assurance Committee:

- 1. receive the report “Risk management report for March 2024”.**

Carried

9.2 Organisational risk deep dive – Te Tiriti and relationships of mutual benefit with tangata whenua of Murihiku

The purpose of the report was to inform the committee on key areas of organisational risk.

Mr Trent was in attendance to speak to this item which was about the Te Tiriti of Waitangi integrated as part of the fabric of our organisation. Discussions took place about the Charter of Understanding and the capacity of iwi to support the work programme, clarity about relationships between iwi and the Crown, roles and confidence when discussing these matters. The unique and good relationship we have through the Charter of Understanding was discussed and the opportunity we have through our recruitment process to reflect the values around Te Ao Māori. Ms Falconer referred to the fact that the relationship is at the heart of our work, she referred to page 15 of the Agenda containing a very important statement about relationship commitment from a risk perspective.

Moved Cr Ludlow and seconded Cr Morrison and resolved:

That the Risk and Assurance Committee:

1. receive the report “Organisational risk deep dive – Te Tiriti and relationships of mutual benefit with tangata whenua of Murihiku”.

Carried

9.3 Internal Audit report

The purpose of the report was to update the committee on the internal audit programme and more specifically the current internal audit being undertaken.

Ms Cribb was in attendance to speak to this item. PricewaterhouseCoopers (PWC) have completed the first internal audit and presented their findings, highlighting 11 actions. Ms Cribb noted that there were no high-risk findings, they were all in the moderate category. Cr Ludlow suggested it would be useful for PWC to give a presentation as part of the next meeting and Ms Kubrycht was in agreement.

Moved Cr Horrell and seconded Cr Ludlow and resolved:

That the Risk and Assurance Committee:

1. receive the report “Internal audit report for March 2024”.

Carried

9.4.1 Health, safety and wellbeing management report

The purpose of the report was to update the committee on the operation of the health, safety and wellbeing (HSW) management system.

Mr le Roux was in attendance to speak to this item, drawing attention to the external audit by Robyn Bennett last year, who undertakes the biennial review of our H&S management systems. Progress on 2021's audit findings was noted. A work plan for this audit's findings is being developed and will be presented to the Committee at the next meeting. Mr le Roux referred to an increase in speeding across the organisation and spoke in further detail about how this was being addressed.

Moved Cr Pemberton and seconded Cr Ludlow and resolved:

That the Risk and Assurance Committee:

1. receive the report "Health, safety and wellbeing management report".

Carried

9.4.2 Health and Safety Critical Risk Deep Dive - People

The purpose of the report was to provide a "Deep Dive Discussion" on a health and safety critical risk – People.

Mr le Roux was in attendance to speak to this item. He talked about concerns and issues around abusive behaviour directed towards staff by the public. Recorded incidents have been coming through on a regular basis. After a series of incidents last year, an internal task force was formed to work through a bowtie analysis of the risk. Mr le Roux outlined a suite of controls, including technology (i.e. GetHomeSafe), CCTV, bodycams and training. Discipline in using these controls and tolerance levels of staff to incidents vary. Cr Ludlow requested a deep dive on similar issues related to internal staff, particularly around racial abuse and sexual harassment.

Moved Cr Rodway and seconded Cr Morrison and resolved:

That the Risk and Assurance Committee:

1. receive the report of Paul le Roux, Health, Safety and Risk Manager, titled Health and Safety Critical Risk Deep Dive – People.

Carried

9.5 Audit engagement letter – March 2024

The purpose was for the committee to endorse the signing of the Deloitte audit engagement letter dated 4 March 2024 by the Chairman.

Mr Rikiti was in attendance to speak to this item. This engagement is standard across the sector. Mr Douglas highlighted that the auditors are our eyes and ears to making sure the content of the LTP is correct.

Moved Cr Ludlow and seconded Cr McPhail and resolved:

That the Risk and Assurance Committee:

1. receive the report "Audit engagement letter";
2. endorse the signing of the Audit engagement letter dated 4 March 2024 by the Chairman.

Carried

9.6 Conflict of Interest report for March 2024

The purpose of this report was for the committee to review the operation of Council's Conflict of Interest policy annually to assure Council that conflicts of interests are being identified and managed appropriately.

Mr Andrews was in attendance to speak to this item. Mr Andrews outlined Council's obligation as a public entity, to be transparent and for the potential for employee conflicts of interest to bring Council into disrepute. He outlined the process Council follows for managing staff conflicts of interest and how this was reported to Exec and Council.

Moved Cr McPhail and seconded Cr Rodway and resolved:

That the Risk and Assurance Committee resolve to:

1. **note the "Conflict of Interest report" for March 2024.**

Carried

9.7 Review of Elected members' Interests

The purpose of this report was for the committee to review and advise on how elected members' interests are managed and maintained with respect to legislation and policy.

The relevant legislation included the Local Authority (Members Interests) Act 1968 (LAMIA), Local Government Act 2002 (LGA) (in relation to pecuniary interests) and Council Members Code of Conduct and Governance Process, Level Three.

Ms Toomey was in attendance to speak to this item. Ms Toomey noted the register should be updated every six months, but this had not occurred due to lack of resources and that Democracy services staff would address this during March 2024. Staff were currently working on developing advice for Councillors on how to seek an exemption from the office of the Auditor-General (OAG) under LGOIMA should it be required. Ms Toomey thanked Councillors for their returns for the pecuniary interests register.

Moved Cr McPhail and seconded Cr Horrell and resolved:

That the Risk and Assurance Committee resolve to:

1. **receive the report "Review of Elected Members' Interests".**

Carried

9.8 Annual activity plan

The purpose of this report was to present to the committee the annual plan of items to be delivered by the committee, and to obtain ongoing input to the proposed plan.

Ms Kubrycht was in attendance and spoke to this item.

Moved Cr Ludlow and seconded Cr Rodway and resolved:

That the Risk and Assurance Committee:

1. **receive the report "Annual activity plan" and provide input.**

Carried

[Cr Roy left the meeting at 11.40 am]

11 Public excluded business | He hui pakihi e hara mo te iwi

Moved Cr McPhail and seconded Cr Morrison, that in accordance with section 48(1) of the Local Government Official Information and Meetings Act 1987, and the particular interest/s protected by section 7 of that act, that the public be excluded from the following parts of the proceedings of this meeting, namely:

Confirmation of the public excluded minutes from the Risk and Assurance Committee meeting 16 November 2023

Item 11.1 LTP 2024-34 Consultation Document

Item 11.2 Deep Dive – equitable and sustainable assets

Item 11.3 Economic recovery projects – risk management report

Item 11.4 Governance level risk management overview

The general subject matters to be considered while the public is being excluded, the reason for this resolution in relation to the matter, and the specific grounds for excluding the public, as specified by Section 48(1) of the Local Government Official Information and Meetings Act 1987 are set out below:

GENERAL SUBJECT MATTER	REASON FOR PASSING THE RESOLUTION	GROUNDS UNDER S.48(1)
Confirmation of the public excluded minutes of the Risk and Assurance Committee 16 November 2023	To prevent the disclosure or use of official information for improper gain or advantage	S.7(2)(j)
Item 11.1 – LTP 2024-34 Consultation Document	Enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities	S.7(2)(h)
Item 11.2 – Deep Dive – equitable and sustainable assets	To prevent the disclosure or use of official information for improper gain or advantage	S.7(2)(j)
Item 11.3 – Economic recovery projects – risk management report	Enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities	S.7(2)(h)
Item 11.4 – Governance level risk management overview	Enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities	S.7(2)(h)

Carried

- 6 Notification of extraordinary items/urgent business I
He panui autaiā hei totoia pakihi**
- 7 Questions I Patai**
- 8 Chairman and councillors reports I Ngā purongo-a-
tumuaki me ngā kaunihera**

At the time of the agenda closing, no Councillor Reports were received for the meeting.

9 Reports

9.1 Risk Management Report

Report by: Tania Cribb, Risk Assurance & Internal Audit Officer

Approved by: Amy Kubrycht, General Manager People & Customer

Report Date: 19 June 2024

Purpose

To provide an update to the committee on organisational risk, the risk management programme, and the business continuity programme.

Summary

This report provides an update to the committee on the risk management programme and associated work within the organisation. This report excludes risks related to health and safety, which are reported separately.

Recommendation

It is recommended that the Risk and Assurance Committee resolve to:

- 1 receive the report - Risk Management Report.

Background

Organisational risk

The framework document and policy have been approved by the executive. These documents are critical pieces of our overall risk management programme of work and are attached.

The risk management framework defines the practices adopted by Environment Southland to identify and manage risk, in order to reduce negative impacts, and improve the likelihood of beneficial outcomes. The benefits of creating a Risk Management Framework that can be applied across all parts of Environment Southland include:

- supports the achievement of Environment Southland's strategic and operational goals by using a consistent, structured approach to identifying and managing risks that may otherwise impede success;
- encourages an open and transparent culture where risk discussion and awareness are supported;
- defines the level of risk ES can tolerate in pursuit of its goals and parameters in which management can act;
- better decision-making practices that support risk informed choices, prioritise actions and distinguish between alternative courses of action;
- encourages an understanding of the risk environment within which ES operates;
- provides assurance to the Chief Executive and Council that critical risks are being identified and managed effectively.

Deep dives on our top risks are now being presented to this committee. These enable risk owners to gain a thorough understanding of the risk, help inform decisions about how to manage the risk effectively and provide information so that governance can assure itself that risks are understood and being managed.

The table attached details the deep dives that will be presented to the committee over the coming meetings. At this meeting, the following deep dives will be presented as separate items:

- we provide equitable and sustainable assets that the community expects over the long term – (*carried forward from March 2024 meeting*);
- we have effective leadership and decision making;
- we have key information to enable effective decision making.

Risk management programme

As above, the focus has been on completing the draft risk framework following management feedback and presenting to the executive for final sign-off. Progress on actions to develop the framework to date are as follows:

Element	Description	Status
Risk policy	A guide to the risk management system that Council has in place to identify and manage risks.	Complete
Risk matrix	Forms part of the risk assessment criteria used to assess our risks.	Complete
Consequence table	Forms part of the risk assessment criteria used to assess our risks.	Complete
Strategic risk assessments	Complete by the Executive to provide a rating of the top strategic risks.	Complete
Risk Framework document	This outlines the practices and systems employed by ES to identify and mitigate risks, aiming to minimise potential adverse effects and enhance the probability of favourable outcomes.	Approved by Executive
Controls Effectiveness	A guide to allow the executive to assess the overall effectiveness of the controls they have identified. A Controls Library to enable management and review of the controls identified.	In draft
Risk appetite	Guidelines for assessing and defining risk appetite at Environment Southland. This will involve linking our strategic direction and objectives to our current strategic risks and developing a view on how much of this risk is acceptable (or not) in achieving our objectives. This will provide a guide for all staff in their pursuit of the Environment Southland objectives.	Q2 2024/25
Risk Management Framework implementation programme across the organisation	Implementation plan and supporting tools for the roll out of this work.	Will follow delivery of above items – Q3 2024/25

Staff continue to participate in Climate Resilience working group meetings to give guidance on risk analysis and risk reporting. There is also work continuing with the Maritime staff to provide some focus on their critical operational risks using bowtie analysis process to document their causes, consequences, controls and treatments.

This will ensure a consistent level of consideration of these potential risks. Consistency in evaluating potential risks is essential for conducting a risk rating assessment that accurately reflects their level of risk.

Business continuity programme

Training was held for the Business Response team in March. This was followed the next day by a desktop exercise to evaluate our plans and event readiness. A report summarising our performance during the exercise and providing observations and recommendations for improvement was prepared by Kestrel Group, the training and exercise facilitators. This is currently in review by the risk team and recommendations will be presented to the executive in June. The final business continuity plan will be then made available via our intranet and in printed copy.

There is an expectation that in future, exercises will be held at least annually.

Fit with strategic framework

Outcome	Contributes	Detracts	Not Applicable
Managed access to quality natural resources			X
Diverse opportunities to make a living			X
Communities empowered and resilient			X
Communities expressing their diversity			X

Attachments

1. Risk Policy Final May2024 [9.1.1 - 5 pages]
2. Schedule for Risks to be discussed at RAC [9.1.2 - 1 page]
3. Risk Management Framework ES May24 (1) [9.1.3 - 20 pages]



Policy – Risk Management

This policy has been developed to guide the risk management system that Council has in place to identify and manage risks which could prevent the Council from achieving its strategic and business objectives.

Contents

1. Contents
2. Policy Statement
3. Scope
4. Purpose and Objectives
5. Roles
6. Requirements
7. Policy Review
8. Glossary

Policy No.	Policy Sponsor	Approval Date and Date of Next Scheduled Review	Approved By	MORF Reference	Related Standards
B18.1	Organisational Performance & Audit Committee	Approved – 14 December 2016 Reviewed – 28 October 2020	Council	A413645	-
B18.2	Risk & Assurance Committee	Reviewed – 21 November 2023			



Policy Statement

All organisations face risks to achieving their objectives. In order for an organisation to respond appropriately it needs to:

- Understand the nature and extent of the risks it faces
- Identify the level of risk that it is willing to accept and allocate the necessary resources to do so
- Ensure the right people manage the risk in the right way
- Monitor and evaluate whether this risk management process is effective and work to improve this as required.

The combination of such actions broadly constitutes the practice of Risk Management; with the underlying philosophy being management of threats and opportunities to put the organisation in a stronger position to deliver its objectives. The practice is an essential business tool that encourages innovation and enterprise, not risk adversity. When risks are managed effectively, objectives are more likely to be achieved. Conversely when risk management fails the consequences can be significant and potentially high profile.

A structured risk management process guides staff in integrating risk management activities at all levels (strategic, operational and project) and fosters an environment where all staff assume the responsibility for managing risks. It enhances the quality of decisions by encouraging a proactive approach to identification and timely management of risks that are likely to impact the strategic, operations and project objectives of ES.

ES acknowledges that it is responsible for systematically managing and responding to risks. This policy defines our organisation wide approach that will enable all staff to identify potential risk events to minimize threats and maximise opportunities, and make informed decisions; thus ensuring our strategic goals and objectives are achieved.

Scope

This organisation wide risk management approach applies to all staff and will be integrated and aligned with our strategic, operational and project planning approaches. Risk management will not be a stand-alone activity, rather the risk management and planning approaches will inform and be informed by each other.

A list of risk management terminology and definitions is contained in Appendix 1

Purpose and Objectives

The purpose of this Risk management Policy is to outline ES's commitment to a risk management approach and staff roles and responsibilities for managing risk, endorsed by the executive Team and implemented across the organisation.

The objectives of this Risk Management Policy include:

- Support the achievement of Council's vision, purpose, strategic goals and objectives;
- Safeguard assets, people, finances, property and reputation of the council;
- Integrate and align risk management with our strategic, operational and project planning approaches;
- Provide an organisation-wide systematic, structured and timely approach enabling all staff to identify and appropriately manage, monitor, report on and respond to risks;

Council Policy B18.1 – Risk Management Policy



- Create a culture and provide the tools and support required for all staff to take responsibility for managing risks; and
- Ensure a common and consistent understanding of risks, risk management process and risk related concepts and terminology.

Roles

Everyone employed by or elected to Environment Southland has a responsibility to manage risk in accordance with the Risk Management Policy. This includes:

- all staff and contractors,
- the chief executive and senior leaders,
- elected council members and co-opted committee members.

Requirements

- Environment Southland will develop and continually improve an operating framework to support and promote the efficient and effective management of risk *as part of our planning and performance management framework*.
- The risk management operating framework will include the necessary features to support all staff to meet these requirements, including: a mandate (of which this policy forms part), people, processes, tools and information.
- The risk management operating framework will include the operational frameworks to support workplace health and safety and to respond to emergencies.
- All staff (including contractors) will identify, assess and treat risk within the scope of their authority. This includes risk associated with business as usual, projects, emergency response, investment decisions.
- Staff will escalate risks that fall outside of the scope of their authority or ability to understand or respond to them, to the role with the appropriate authority.
- Staff will inform their managers of risks that have the potential to have significant impact beyond the scope of their authority, even where they have the authority and ability to treat them.
- Risks will be recorded, and actions and plans to treat risks will be developed, implemented and monitored as part of normal management processes.

Policy Review

This policy will be reviewed as deemed appropriate by the Risk Assurance Committee, or at least once every three years.



Glossary

Consequence	The consequential effect on strategy or operational processes as a result of a risk event occurring The scale we use is: Insignificant, Minor, moderate, Major and Catastrophic NOTE: the consequences that an event will have on the organisation will only be evident after impact has occurred
External context	External environment in which the organisation seeks to achieve its objectives. NOTE: Can include the cultural, social, political, legal, regulatory, financial, technological, economic, natural and competitive environment, whether international, national, regional or local
Inherent Risk	The amount of risk that exists in the absence of controls.
Internal context	Internal environment in which the organisation seeks to achieve its objectives. NOTE: Can include governance, organisational structure, roles and accountabilities, policies, objectives and strategies, information systems and decision-making processes, culture and capabilities.
Level of Risk/Risk Rating	Magnitude of a risk or combination of risks, expressed in terms of the combination of consequences and their likelihood
Likelihood	Chance of something happening The scale we use is: Rare, Unlikely, Possible, Likely and Almost Certain NOTE: Can be defined, measured or determined objectively or subjectively and described as probability or frequency
Residual Risk	The level of risk left over at a point in time, after consideration of the effect of controls and other factors outside of ES's controls
Risk	The effect of uncertainty on objectives. NOTE: An effect is a deviation from the expected. It can be positive, negative or both, and can address, create or result in opportunities and threats.
Risk Analysis	Process to comprehend the nature of risk and to determine the level of risk
Risk Appetite	The amount and type of risk that an organisation is willing to take in pursuit of our organisational objectives.
Risk Assessment	Overall process of risk identification, risk analysis and risk evaluation
Risk Control	Measure that maintains and/or modifies risk NOTE: Controls include, but are not limited to, any process, policy, device, practice, or other conditions and/or actions which maintain and/or modify risk. Controls may not always exert the intended or assumed modifying effect.
Risk Criteria	Terms of reference against which the significance of a risk is evaluated. NOTE: Risk criteria are based on organisational objectives, and external and internal context.

Council Policy B18.1 – Risk Management Policy



Risk Evaluation	<p>Process of comparing results of risk analysis with risk criteria to determine whether the risk and/or its magnitude is acceptable or tolerable.</p> <p>NOTE: Risk evaluation may lead to a decision to do nothing further, consider risk treatment options, undertake further analysis, maintain existing controls or reconsider objectives.</p>
Risk Identification	<p>Process of finding, recognising and describing risks that might help or prevent an organisation achieving its objectives.</p>
Risk Management	<p>Co-ordinated activities to direct and control an organisation with regard to risk</p>
Risk Management Process	<p>Systematic application of management policies, procedures and practices to the activities of communicating, consulting, establishing the context, and identifying, analysing, evaluating, treating, monitoring and reviewing risk.</p>
Risk Owner	<p>A person or entity with accountability and authority to manage a risk.</p>
Risk Source	<p>Element which, alone or in combination, has the potential to give rise to risk</p>
Risk Tolerance	<p>Organisation's or stakeholder's readiness to bear the risk after risk treatment in order to achieve its objectives</p> <p>NOTE: Risk tolerance can be informed by legal or regulatory requirements.</p>
Risk Treatment	<p>Process to modify risk</p> <p>NOTE: Risk treatment involves an iterative process of selecting, planning and implementing further options to address a risk, re-assessing effectiveness and making further decisions about the acceptability of the remaining risk. Treatments may include avoiding (e.g. by deciding not to start or continue with the activity that gives rise to the risk), reducing (e.g. by removing the risk source, changing the likelihood or the consequence), increasing (e.g. in order to pursue an opportunity), sharing (e.g. via insurance or contracts) or retaining the risk by informed decision. Some treatments, once implemented, may become controls.</p>

Schedule for Risks to be discussed at Risk Assurance Committee Meetings 2023/24

Risk Item	Responsible ELT Member	Audit and Risk Committee meeting
<ul style="list-style-type: none"> • BS1 – Our information systems function effectively (cyber, hardware failure, data corruption) • SSE1 – Community and stakeholders support councils approach to delivering required outcomes 	<p>GM Business Services</p> <p>GM Strategy, Science and Engagement</p>	16 Nov 2023
<ul style="list-style-type: none"> • ICM1 – We provide equitable and sustainable assets that the community expects over the long term • CE2 – We have a good understanding of Te Tiriti and relationships with iwi 	<p>GM Integrated Catchment Management</p> <p>Chief Executive</p>	27 March 2024
<ul style="list-style-type: none"> • CE3 - We have effective leadership and decision making • BS2 - We have key information to enable effective decision making 	<p>Chief Executive</p> <p>GM Business Services</p>	19 June 2024
<ul style="list-style-type: none"> • PC4 - We are resilient to disruptions caused by natural disasters and/or similar man-made events • PC1 - We manage health & safety risks which may adversely affect staff and the community • PGR - We address sector reforms and adapt to change 	<p>GM People and Customer</p> <p>GM People and Customer</p> <p>GM Policy and Government Reform</p>	11 September 2024
<ul style="list-style-type: none"> • PC3 - We perform our work within a legal framework and complying with all legal obligations • BS3 - Our financial strategy provides affordable and sustainable assets and services that the community expects • SSE2 - We maintain momentum of direction of travel 	<p>GM People and Customer</p> <p>GM Business Services</p> <p>GM Strategy, Science and Engagement</p>	11 December 2024
<ul style="list-style-type: none"> • CE1 - Central government have trust and confidence in council (as an organisation) • PC2 - We maintain staff capacity and capability 	<p>Chief Executive</p> <p>GM People and Customer</p>	TBC March 2025



RISK MANAGEMENT FRAMEWORK

Version	Approved By:	Date	Document ID
5.0	Risk Assurance & Internal Audit Officer	January 2023	A838156
6.0		October 2023	A838156

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Introduction

Risk Management is an enabling function that adds value to the activities of the organisation and increases the probability of success in achieving Environment Southland's (ES) strategic objectives. It's about managing uncertainty and creating an environment where surprises are minimised.

This document defines the practices adopted by ES to identify and manage risk, in order to reduce potential negative impacts, and improve the likelihood of beneficial outcomes. This approach is consistent with ISO 31000:2018 and aligns with best practice across both local government and other organisations.

This document needs to be considered in conjunction with the ES Risk Policy and the supporting ES Risk Process maps and Tools which will be developed to align with these strategic documents.

The benefits of creating a practical Risk Management Framework that can be applied across all part of ES include:

- Supports the achievement of ES's strategic and operational goals by using a consistent, structured approach to identifying and managing risks that may otherwise impede success.
- Encourages an open and transparent culture where risk discussion and awareness are supported.
- Defines the level of risk ES can tolerate in pursuit of its goals and parameters in which management can act.
- Better decision-making practices that support risk informed choices, prioritise actions and distinguish between alternative courses of action.
- Encourages an understanding of the risk environment within which ES operates.
- Provides assurance to the Chief Executive and Council that critical risks are being identified and managed effectively.

The management of risk happens every day across all parts of ES, in many different ways. The following examples demonstrate some of the existing processes in place for how ES mitigates risk:

Health and Safety at Work: To ensure the safety and wellness of workers at ES, there are a number of processes established to minimise workplace harm including but not limited to: hazard identification, induction, health monitoring, training and development, incident reporting and remediation.

Code of Conduct: ES has Staff and Elected Member Codes of Conduct which define the required behaviours of staff and elected members of ES.

Internal Audit: Provides assessment and review of key internal controls, and the control environment.

Business Continuity and emergency management: Our Business Continuity Plan and the Business Response Team roles and responsibilities govern the operational structures, activities and arrangements for emergency management in line with best practice.

The framework is aligned to our business and strategic objectives designed to achieve these outcomes.

The process used to identify and manage risk at ES aligns with the AS/NZS ISO 31000:2018 Risk Management Standard.

Risk Management Principles

For risk management to be effective, it is important that ES staff and stakeholders have a shared understanding of what an effective system for risk management looks like, and how we will achieve this.

The following ten principles¹ are the foundation of the Risk Management Framework and are the key drivers to ensuring a consistent, fit-for-purpose approach to managing risk at ES.

1. **Risk management adds value** by contributing to achievement of objectives and improving performance, for example via legislative and regulatory compliance, use of reliable and accurate information for decision-making, effective project management, operational efficiency and robust governance.
2. **Risk Management is an integral part of organisational processes.** Risk Management is part of the responsibilities of management and an integral part of ES processes, including strategic planning and all project and change management processes and decision making.
3. **Risk Management is part of decision making.** Risk Management helps decision makers make informed choices, prioritise actions and distinguish among alternative courses of action.
4. **Risk management explicitly addresses uncertainty** by identifying and describing the nature and source of that uncertainty.
5. **Risk practices are systematic and structured and timely**, ensuring consistent, comparable and reliable results which contribute to efficiency.
6. **Risk management is based on the best available information** including current, and historical data, experience of our peers and stakeholders, and national and global forecasts which include expert conclusions.
7. **Risk management is tailored** to align with ES's external and internal context and risk profile.
8. **Risk management practices are transparent and inclusive**, ensuring appropriate and timely involvement of stakeholders and decision makers at all levels of the organisation. Involvement also allows stakeholders to be properly represented and to have their views considered.
9. **Risk is dynamic, iterative and responsive to change.** Effective risk management should always consider the internal and external operating context. As external and internal events occur, context and knowledge change, monitoring and review of risk take place, new risks emerge, some change and others disappear.
10. **Risk management facilitates continual improvement of the organisation** by implementing risk mitigations which improves ES's probability of achieving its goals, and by building capability to recognise and reduce or take managed risk.

¹ AS/NZS ISO 31000:2018 Australian/New Zealand Standard: Risk management – Principles and guidelines.

Alignment of Risk to Strategic Objectives

The AS/NZS ISO 31000:2018 Risk Management Standard defines risk as *'the effect of uncertainty on objectives'*.

ES is exposed to a diverse range of internal and external factors and influences that make it uncertain whether, when and the extent to which our objectives will be achieved.

The objectives referred to are expressed in the Standard as *'the overarching outcomes that the organisation is seeking. These are the highest expression of intent and purpose, and typically reflect its explicit and implicit goals, values and imperatives or relevant enabling legislation.'*

ES articulates its strategic objectives, direction and purpose through its Long-Term Plan.

At a high level, we can categorise the risks that ES is exposed to as strategic, organisational or operational risks. There are identified risks, and risks that are emerging that need to be identified and considered through a structured risk analysis process to support the examination and escalation required to identify treatment options.



Figure 1 – Risk Categories

All risks are managed within the same framework, as ineffectual and inconsistently managed operational risks can escalate to become organisational or strategic risks.

Strategic Risk

Strategic risks are risks that affect or are created by the ES's strategy plan and strategic objectives, as defined in the Long-Term Plan.

Organisational Risk

Organisational Risk comprises risk that spans the organisation, whereby the risk event has widespread impact across the organisation and its ability to realise objectives.

Operational Risk

Operational risks are events that will affect ES's ability to execute its plans and has a narrower (more specific) impact on realisation of planned outcomes and may arise from inadequate or failed internal processes (including people processes) and systems, or from external events that impact on the operations of ES. Types of operational risk may be broken down further into areas such as: [1. Project Risk](#) - Project risk may be defined as an uncertain event or condition that, if it occurs, has a positive or negative effect on one or more project objectives such as scope, schedule, cost, or quality.³

[2. Compliance Risk](#) - Risk resulting from a failure to comply with laws, regulations, code of conduct, and accepted standards of best/good practice.

[3. Health and Safety Risk](#) - Risks to people affected by the conduct of work being undertaken at ES.

² SA/SNZ HB 1436:2013: Australian/New Zealand Handbook Risk Management guidelines – Companion to AS/NZS ISO 31000:2018

³ 5th Edition of the PMBOK® Guide

Risk Management Objectives

The primary objective of the framework is to support the achievement of ES's strategic objectives contained in the Long-Term Plan and safeguard the council's resources, people, finance, property, knowledge and reputation through:

- Provision of a structured and consistent approach to identifying, rating, mitigating, managing and monitoring risks.
- Assisting decision makers to make good management decisions within an environment of tolerable strategic and business risk limits, including identifying and leveraging opportunities. The risk appetite should be used to challenge and inform strategic decisions.
- An environment where staff understand and assume responsibility for managing the risks for which they are responsible and the controls to mitigate those risks.
- Provision of relevant, timely information across clear reporting structures; and
- Independent assurance and audit activities to provide feedback to management that quality processes and controls are in place and are effective.

For the framework to be effective it must be integrated into ES's strategic and business planning cycles.

Organisational Risk Culture

The mandate for risk management comes from the ES Councils Risk and Assurance Committee (RAC) and Executive Team. The continued leadership, engagement and support of these groups is critically important – without it, risk management fails. These governance groups understand this and are committed to ensuring sustainable and effective risk management within ES. This commitment must be mirrored by management and staff at all levels.

The ES Council and Executive Team lead this commitment by:

- endorsing and implementing the Risk Management Framework, and Policy and ensuring that these are updated to remain relevant
- understanding the value added by risk management and communicating this to staff and stakeholders
- aligning risk management activities with the achievement of strategic objectives
- ensuring legislative and regulatory compliance
- assigning accountabilities and responsibilities for risk management at appropriate levels within the organisation
- ensuring independence of the Risk and Assurance function such that risks can be raised to the highest level without fear of punitive outcome.
- creating and supporting an organisational culture which encourages transparent identification and open discussion of risks
- monitoring the effectiveness of the risk management system and ensuring actions are taken to continually improve it.

Risk Management Guidelines

ES has finite resources, time and budget to manage all aspects of its activities. It is therefore vital that ES apportion resources into the areas of most need, or that will have the greatest impact. ES will therefore take a risk based approach to managing operational risks as follows:

- Risks are initially identified and assessed on an Inherent basis – the risk that an activity would pose if **minimal controls** or other mitigating factors were in place. Determining

the Likelihood and Consequence of the risk occurring allows Council to understand which risks are of greater concern and must therefore be mitigated accordingly.

- The Residual Risk – the risk that remains **after the effectiveness of controls** are considered (the risk after controls) – can be determined by assessing the effectiveness of controls in place to mitigate the Likelihood and Consequence of the risk occurring.
- All risks will be captured in an organisational risk register (excel spreadsheet) and reported regularly through the various Management and Committee structures.

Risk Appetite

Risk appetite is the conscious decision of the amount and type of risk that ES is willing to take in pursuit of its strategic objectives. ES's risk appetite is influenced by its:

- Business plans;
- Risk maturity;
- Internal risk management capabilities;
- Organisational culture.

Once the risk appetite threshold has been breached, risk management controls and actions are required to bring the exposure level back within the accepted range by considering:

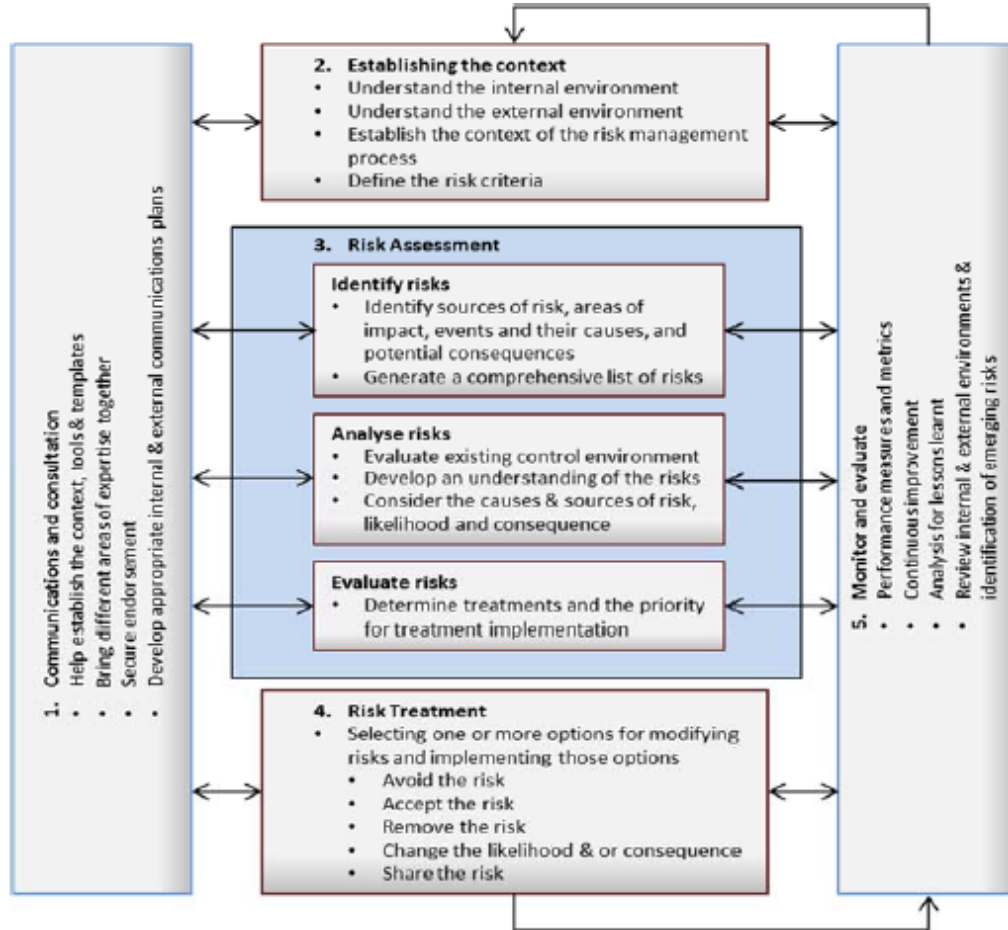
- Emerging risks;
- Risks that might be outside ES's control (i.e. political change);
- Where best to allocate scarce resources; and
- Where ES might want to take on additional risk to pursue a strategic objective or expectation of above average returns.

Risk appetite should be set for each individual strategic risk and tolerance levels agreed, using relevant performance indicators which are monitored through regularly reporting frameworks.

Risk Management Process

The risk management process is the "how to" element of the Framework and is defined in the ISO standard as "the systematic application of management policies, procedures and practices to the task of communicating, establishing the context, identifying, analysing, evaluating, treating, monitoring and reviewing risk".

Figure 2 – The Risk Management Process



Source: ISO 31000:2018 Standard Risk Management Principles and Guidelines

There are seven distinct but interrelated elements in the risk management process as follows:

- *Establish the context* means understanding ES’s objectives, defining internal and external factors that could be a source of uncertainty, helping identify risk and setting the scope and risk criteria for the remaining risk management process.
- *Risk identification* determines what, where, when, why, and how risks could arise, and the effect it would have on ES’s ability to achieve its objectives. A range of government and industry resources may be employed to assist in the identification of risks. Identified risks should be recorded in Risk Registers.
- *Risk analysis* determines the risk level against the risk criteria by understanding how quickly a risk can occur, the sources and cause of a risk, the consequences and likelihood of those consequences. Analysis considers the effectiveness of existing controls.
- *Risk evaluation* compares the level of risk against the risk criteria and considers the need for treatment. The approach to risk evaluation should follow a typical risk assessment process of applying a consequence and likelihood matrix. Assessing the risks in relation to each other supports prioritisation and highlights differences. Mitigation strategies can be considered to derive the residual risk.

- *Risk treatment* involves assessing and selecting one or more options for modifying risks by changing the consequences or likelihood and implementing selected options through a treatment plan.
- *Communication and consultation* take place throughout the risk management process with all identified stakeholders to ensure those accountable for implementing the risk management process and stakeholders understand the basis on which decisions are made.
- *Monitoring and review* confirm that the risk and the effectiveness of control and risk treatments are monitored and reported to ensure that changing context and priorities are managed and emerging risks identified.

Whilst the steps are shown separately within this process, they are continually occurring and may overlap or fall in a different order to that shown.

Detailed information about the risk management process and its application will be provided in the Risk Management Guidelines will be development. The Guidelines will be the tool provided to staff to help them undertake the identification, assessment and management of risk. Process maps supporting the guidelines will be found in Promapp, ES's process management tool.

An ongoing cyclic program of work will be undertaken and will reflect the evolving risk landscape. This program of work will be aligned to the risk principles, process and framework as per ISO31000:2018.

Accountability for Risk Management

The Chief Executive has the ultimate responsibility and accountability for ensuring that risk is managed across ES supported by the General Manager, People and Customer.

The Chief Executive and the Executive Team (ET) provides governance leadership, agrees the strategic direction and risk appetite, promoting the culture and "tone from the top", to ensure the best outcome for ES, staff and the community.

The risk owner provides the oversight of identified risks and their controls and treatments. They also review and assess emerging risks that they are aware of and escalate as and when required.

The manager is responsible for the management of controls and treatments and provides updates to the risk owner, together with reporting and monitoring of emerging risks.

The Risk Assurance and Internal Audit Officer provides support and advice to risk owners and staff and supports the effective application of the risk management framework across the organisation.

All ES staff should be actively involved in managing risk.

ES will actively consider risks during strategic and tactical decision-making processes as will all levels of management and will determine the level of residual risk/appetite they are willing to accept, at least annually. ES will take a risk-based approach to managing internal and external projects, operational and strategic risks: i.e. risks will be managed and monitored according to severity.

Roles and Responsibilities

Owner	Responsibility	Accountability
Council	Overall risk management across ES from a governance perspective.	Set risk tolerance limits. Review, consider, discuss and advise on risk issues raised in risk reports.
Chief Executive	Ensuring the Risk Management Policy and Framework/Processes are being effectively followed within the organisation.	Oversight of the Risk Policy and Framework.
ET/Risk Owner	Overall coordination of the management of the risk, including overseeing the identifying, implementing risk related controls and ensuring they are effective, monitoring the completion/implementation of treatments; monitoring the environment; providing updates for ES risk reporting.	Oversight and management of the risks. Communicating risk status and when risk exceeds tolerability escalating when necessary.
Manager	Maintain oversight of risks identified within their organisational area, in consultation with the Risk Owner. Providing status updates on risks and controls under the ownership of their Risk Owner. Reporting on any emerging risk issues	Provide status updates on risks, treatments and controls within their area of responsibility, on behalf and in consultation with the Risk Owner.
Risk Assurance and Internal Audit Officer	Maintain oversight of ES risks, controls and treatments: Reporting of ES Top risks. Facilitate the risk management processes. Monitoring internal and external environment in conjunction with each portfolio area. Champion risk management across all areas of the organisation and provide support as required across the organisation.	Maintain oversight of ES working in conjunction with all levels of management. Report risks and risk issues to Executive and Council. Reviews policy and framework to Executive and council.
All ES staff	Contribute to the effective application of the ES risk management framework and policy to the extent that their roles and responsibilities require and permit.	Identify and report risks within the context of the risk management framework.

Risk Ownership

Different levels of risk can be managed at various levels within Environment Southland. In certain instances, risks identified at certain levels need to be escalated to a higher level for consideration/attention.

Once a risk is identified, a preliminary (pre-mitigation) risk score is calculated by the person identifying the risk using the risk assessment matrix below.

- Risks identified as LOW can be managed at any level within the organisation without the need for escalation.
- Risks identified as MEDIUM must be escalated to Manager (Tier Three) level for consideration.
- Risks identified as HIGH must be escalated to General Manager (Tier Two) level for consideration.
- Risks identified as EXTREME must be escalated to Chief Executive and Council for consideration and reporting.

Risk Treatment Matrix			
Low	Medium	High	Extreme
Risk managed through routine management / internal control procedures	Risk to be reported to relevant manager, may require additional risk treatment actions	Risk to be reported to chief executive and executive team to approve and monitor risk treatment actions	Risk to be reported to the Council to approve and monitor risk treatment actions
Levels 1 & 2	Level 3	Level 4 & 5	Level 6, 7 & 8

Once a risk is escalated, the risk scoring should be reviewed. Where mitigation action is required, a mitigation approach is agreed between the parties, and a post-mitigation risk score is calculated.

Where the post-mitigation score indicates a lower level of risk than the pre-mitigation score, the risk is managed at that lower level. However, ongoing monitoring of the efficacy of the mitigation action is required.

Integration into Organisational Processes

Risk management should be embedded with ES systems and processes to ensure that it is part of everyday decision making. In particular risk management must be embedded in the following key processes:

Alignment with an ES management strategy: There is a need to establish a management strategy that aligns our vision and values, organisational purpose, strategic objectives and long-term plans fostering a conducive environment encouraging collaborative work towards these objectives which translates into tangible results for ES.

Annual planning and budgeting processes: Within each business area, risk identification should occur as part of the annual planning cycle to inform planning and budgeting for the following year. Costs of implementing the annual plans, including consideration of costs associated to controls or treatments required need to be incorporated into the budgeting process.

Project and change management: As part of good project management practice, risks are actively managed, escalated and reported throughout the lifetime of the project.

Development and review of ES policies and procedures: ES policies and procedures specify the approach and expected actions required to manage a variety of risks, including those associated with legislative compliance, quality, people management, finance and asset management.

Procurement and asset management: Risk management must be factored into decision making for significant procurement and asset management related processes.

Health and Safety: Employee health and safety consideration is enshrined in legislation. Consideration of risk, by definition, needs to be embedded in all aspects of employee health and safety practices and policies.

Council papers: All papers prepared for Council consideration should have a risk section with analysis of risk implications.

Risk Assessment Criteria

The following risk assessment criteria will be used for risk analysis at ES. Risk analysis involves consideration of the sources of risk, the controls in place (and their actual effect), the consequences and the likelihood of those consequences being realised.

Likelihood assessment

Likelihood Rating	Annual Frequency	Probability (project or asset)
Almost Certain	Expected to occur annually	> 90% chance of occurrence over life of project or asset
Likely	Probably once in 2 years	65% - 90% chance of occurrence over life of project or asset
Possible	Might occur once in 10 years	35% - 65% chance of occurrence over life of project or asset
Unlikely	Could occur once in 50 years	10% - 35% chance of occurrence over life of project or asset
Rare	May occur once in 100 years	< 10% chance of occurrence over life of project or asset

Consequence Assessment

When determining consequence level, to safeguard from the unnecessary application of treatments and costs, the consequence rating applied should be the most plausible, not the most extreme worst-case scenario.

The following pages detail the consequence assessment criteria for organisational and project specific risks.

Environment Southland Consequence Matrix

Risk Group	Risk Type	Insignificant	Minor	Moderate	Major	Catastrophic
Financial/Economic	Funding, Financial Operations, Integrity / Fraud, 3rd Party	Loss between \$0 - \$99k Financial impact \$0- 150k OPEX, within 12 month period.	Loss between \$100k - \$499k Financial impact \$150- \$500k OPEX, within 12-month period.	Loss between \$500k - \$999k Financial impact \$500k - \$1M OPEX, within 12-month period. Budget impacts across multiple portfolios, affects operations and performance.	Loss between \$1m - \$3m Financial impact \$1M - \$5M OPEX, within 12-month period. Budget issues affect 1-3yr annual plans.	Loss of \$3m or greater Financial impact >\$5M OPEX within 12-month period. Budgetary impacts across ES, affecting long term plan.
Health, Safety and Wellbeing	H&S, HR	No injury or harm requiring treatment.	Injury, illness or harm requiring First Aid treatment.	Injury, illness or harm requiring Medical treatment.	Extensive injury/illness/disability/harm requiring extended medical treatment.	Fatality or severe permanent disability/harm.
Reputation/Image	Information and Communication, Community and Stakeholder Engagement	Negative feedback from individuals or small groups in the community. External Reputation not affected. No effort or expense required to recover.	Loss of confidence among sections of the community. Negative multi-media coverage for 1 - 2 days. Negative association with ES brand (stakeholder).	Moderate loss in community confidence. Negative multi-media coverage for several days. Potential medium term impacts to being seen as provider or partner of choice.	Large loss of community confidence that will take significant time to remedy. Negative multi-media nationwide coverage for up to 2 weeks. Nationwide adverse political comment. Requires effort or expense to recover and mitigate. Significant impacts to attractiveness as provider or partner of choice	Insurmountable loss of community confidence. Negative multi-media nationwide coverage for more than 2 weeks. Nationwide one week adverse political comments or questions in Parliament. Significant damage to ES brand, requiring urgent effort or expense to recover.
Achieve Strategic Outcomes	Governance, Iwi Relationship, Govt Relationship, Legal and Regulatory, Public Policy, Strategic	No impact on achieving strategic outcomes.	Inconvenience or delay in achieving strategic outcomes.	Significant difficulty introduced to achievement of strategic outcome. Lost opportunity to contribute positively to one or more strategic outcomes.	Failure to achieve a specific strategic outcome. Lost opportunity to significantly advance a specific strategic outcome.	Failure to achieve multiple strategic outcomes. Lost opportunity to significantly advance multiple strategic outcomes.
Service Delivery to Community	Information Technology, Delivery / Operational, Natural Disaster, Environmental	Loss of critical operational capability (several hours) and disruption to service for short duration. No impact on core service or activity.	Loss of critical operational capability (1-2 days) and some disruption to service levels. Minor impact on delivery or operation of core service or activity.	Loss of critical operational capability for up to 2 weeks and disruption to service levels. Workarounds required to maintain operation of core service or activity.	Loss of critical operational capability for 2 - 4 weeks and disruption to service levels. Core service or activity is not functional.	Loss of critical operational capability for over 4 weeks and disruption to service levels. Sustained inability to deliver core service or activities.
Compliance	Legal and Regulatory	Contract: Minor contractual breach, sanction from other party with potential small compensation. Regulatory: Minor non-compliance able to be remedied without penalty or notification.	Contract: Potential for dispute, mediation likely and/or with potential small compensation. Regulatory: Mandatory reporting of non-compliance	Contract: Material breach of contractual obligation, potential litigation or large settlement. Regulatory: Investigation by third party regulator	Contract: Single Litigation. Regulatory: Significant compliance breach, that results in prosecution or penalty or sanction by third party regulator	Contract: Multiple Litigations. Regulatory: Multiple breaches that result in prosecution or penalty or sanction by third party regulator and/or court
Resilience	Operational and service delivery	Temporary disruption in servicing a small number of customers	Disruption affecting some areas for less than a day	Disruption to a community for more than two hours or some areas for more than a day	Disruption to a community for more than a day or some areas for up to a week	Disruption to a community for more than 2 weeks
	Property and Assets	Insignificant incident that causes no disruption to services	Isolated damage not requiring relocation of services to an alternate site	Damage to property that requires the relocation of some services to an alternate site	Damage to property that requires the relocation of all services for a short period	Damage to property that requires the relocation of all services for an extended period
	Climate Change	Little or no impact on community plans for climate change	Localised impact on community plans for climate change	Some serious or long term impact on community plans for climate change	Significant impact on community plans for climate change	Extensive or catastrophic impacts on community plans for climate change

Risk tolerance and Acceptability

The matrix used to determine risk rating by combining the consequence and likelihood levels. The assessment is used to determine the severity of the risk and identify those which are unacceptable to ES and require management attention and further treatment. It also forms the basis of ongoing monitoring.

It should be noted that the scoring system places a greater emphasis on Consequence, in that if a risk scores high on the Consequence scale, it is more likely to receive an overall higher risk rating than a risk that scores higher on the Likelihood scale.

RISK ASSESSMENT MATRIX					
Consequences					
Likelihood	Insignificant	Minor	Moderate	Major	Catastrophic
Almost Certain	3	4	6	7	8
Likely	3	3	5	6	7
Possible	2	3	4	5	7
Unlikely	1	2	3	4	6
Rare	1	1	2	3	5

Risk Treatment Matrix			
Low	Medium	High	Extreme
Risk managed through routine management / internal control procedures	Risk to be reported to relevant manager, may require additional risk treatment actions	Risk to be reported to chief executive and executive team to approve and monitor risk treatment actions	Risk to be reported to the Council to approve and monitor risk treatment actions
Levels 1 & 2	Level 3	Level 4 & 5	Level 6, 7 & 8

Risk Monitoring and Reporting

Assigned risk owners will review their risk registers at least quarterly and consider any changes in their respective areas, including maturity and effectiveness of controls or treatments being applied to mitigate existing risks, and identifying any new risks which are emerging as a result from changes in the internal or external environments. Risk monitoring provides for ongoing tracking of risk trends and treatment actions.

Identifying and managing risk is a key part of annual planning. These processes define plans and allocate resources to achieve certain objectives. An integral part of planning is to identify anything that might threaten the achievement of those objectives.

The Risk Assurance and Internal Audit Officer will support risk owners in this process and undertake an annual review of identified risks and controls, encompassing strategic, environmental, and annual planning changes.

Reporting Matrix

Risks	Report to:	Reported from:	Purpose	Frequency
Extreme Level 6, 7 & 8 Risks: (ref Risk Ranking Matrix)	The Council: Via the Risk Assurance Committee	The Executive Team: Reporting risks (referencing relevant controls) together with: <ul style="list-style-type: none"> Verification that risks have strong controls, where this is the case, or Advice on addition controls that are currently being applied to achieve strong controls, or Guidance on changes to policy and resource allocations that are required to strengthen controls, or Advice that risk controls cannot be further strengthened, where this is the case. 	To: <ul style="list-style-type: none"> Update the Strategic Risk Register Inform the Council as it gives effect to its governance responsibilities, and Inform policy and budget approval processes. 	Quarterly (and in preparation for the annual strategic planning processes)
High/Extreme Level 4-7 Risks (ref Risk Ranking Matrix)	Executive Team	Line Managers: Reporting risks (referencing relevant controls) together with: <ul style="list-style-type: none"> Verification that risks have strong controls, where this is the case, or Advice on additional controls that are currently being applied to achieve strong controls, or Advice that risk controls cannot be further controlled at this level and need to be controlled or accepted at a higher level in the organisation, where this is the case. 	To: <ul style="list-style-type: none"> Update the Strategic Risk Register Inform the Executive Team's decision-making processes. Inform business planning and budgeting processes. 	Annually
Low/Medium Level 1-3 Risks (ref Risk Ranking Matrix)	Line Managers	All ES staff who report to the Line Managers: Reporting new risks with initial indications of risk consequence, likelihood and effectiveness of current controls.	To: <ul style="list-style-type: none"> Update the Strategic Risk Register Inform the BU / Functional Management Team decision-making processes. Inform planning and budgeting processes. 	Annually (and whenever significant change occurs or is anticipated)

Quarterly Risk Reporting

Risk reports are prepared quarterly for the Executive Team and RAC, detailing:

- Those risks which are outside the acceptable tolerance levels
- Details of any escalating risks, and emerging risk issues considered during the reporting period
- Significant project risks identified by project sponsors
- Deep Dives into top strategic risks

Treating and Accepting Risks

Risk treatment options should be based on cost benefit analysis of outcomes, i.e. does the cost of applying the required treatment or control outweigh the impact or the benefit. Treatments are essentially based on one (or a mixture) of the following options.

Avoid: Treating the risk by avoiding the event that would lead to the risk occurring. For example: not pursuing an opportunity.

Mitigate: Develop a plan to reduce the likelihood and/or consequence. This involves taking pre-emptive action along the lines of:

- Identify the range of treatment options
- Assess the options (timely, cost effective, what resources are required, is it feasible)
- Select the most effective options(s), assign each a treatment owner
- Develop the plan, incorporate into existing plans
- Develop contingency responses if necessary:
 - **Retain:** Accept the likelihood and consequence of the risk occurring.
 - **Transfer** the risk in part or in full (i.e. insurance, contractual agreements)
 - **Accept the risk** (i.e. if the benefit outweighs the cost)

Where the assessed risk rating is above the tolerable level for that impact area, then the implementation of the treatment or mitigation should be monitored to ensure it has the intended effect of reducing the risk down to a tolerable level.

Key Risk Definitions/Glossary

The following key risk definitions are taken from the AS/NZ ISO 31000:2018 Risk Management Standard:

Consequence	The consequential effect on strategy or operational processes as a result of a risk event occurring The scale we use is: Insignificant, Minor, moderate, Major and Catastrophic NOTE: the consequences that an event will have on the organisation will only be evident after impact has occurred
External context	External environment in which the organisation seeks to achieve its objectives. NOTE: Can include the cultural, social, political, legal, regulatory, financial, technological, economic, natural and competitive environment, whether international, national, regional or local
Impact	The effect on People, Finances, Service levels, Compliance or Reputation when a risk event occurs. This is the direct and measurable impact.
Inherent Risk	The level of risk that exists in the absence of controls.
Internal context	Internal environment in which the organisation seeks to achieve its objectives. NOTE: Can include governance, organisational structure, roles and accountabilities, policies, objectives and strategies, information systems and decision-making processes, culture and capabilities.
Level of Risk/Risk Rating	Magnitude of a risk or combination of risks, expressed in terms of the combination of consequences and their likelihood
Likelihood	Chance of something happening The scale we use is: Rare, Unlikely, Possible, Likely and Almost Certain NOTE: Can be defined, measured or determined objectively or subjectively and described as probability or frequency
Mitigation Control	Any measure or system that is intended to reduce the impact (consequence) of an event should it occur.
Preventative Control	Any measure or system implemented prior to a threat event to reduce or avoid the likelihood of the event occurring.
Residual Risk	The level of risk left over at a point in time, after consideration of the effect of controls and other factors outside of ES's controls
Risk	The effect that uncertainty about internal or external factors has on achieving ES objectives. NOTE: An effect is a deviation from the expected. It can be positive, negative or both, and can address, create or result in opportunities and threats.
Risk Analysis	Process to comprehend the nature of risk and to determine the level of risk

Risk Appetite	The amount and type of risk that an organisation is pursue or retain to achieve strategic goals organisational objectives.
Risk Assessment	Overall process of risk identification, risk analysis and risk evaluation
Risk Control	Measure that maintains and/or modifies risk NOTE: Controls include, but are not limited to, any process, policy, device, practice, or other conditions and/or actions which maintain and/or modify risk. Controls may not always exert the intended or assumed modifying effect.
Risk Criteria	Terms of reference against which the significance of a risk is evaluated. NOTE: Risk criteria are based on organisational objectives, and external and internal context.
Risk Evaluation	Process of comparing results of risk analysis with risk criteria to determine whether the risk and/or its magnitude is acceptable or tolerable. NOTE: Risk evaluation may lead to a decision to do nothing further, consider risk treatment options, undertake further analysis, maintain existing controls or reconsider objectives.
Risk Identification	Process of finding, recognising and describing risks that might help or prevent an organisation achieving its objectives.
Risk Management	Co-ordinated activities to direct and control an organisation with regard to risk
Risk Management Process	Systematic application of management policies, procedures and practices to the activities of communicating, consulting, establishing the context, and identifying, analysing, evaluating, treating, monitoring and reviewing risk.
Risk Owner	A person or entity with accountability and authority to manage a risk.
Risk Tolerance	The degree of variability in attainment of goals, or capacity to withstand loss that an organisation is prepared to accept to achieve strategic goals.
Risk Treatment	Process to modify risk NOTE: Risk treatment involves an iterative process of selecting, planning and implementing further options to address a risk, re-assessing effectiveness and making further decisions about the acceptability of the remaining risk. Treatments may include avoiding (e.g. by deciding not to start or continue with the activity that gives rise to the risk), reducing (e.g. by removing the risk source, changing the likelihood or the consequence), increasing (e.g. in order to pursue an opportunity), sharing (e.g. via insurance or contracts) or retaining the risk by informed decision. Some treatments, once implemented, may become controls.
Threat	Risk with adverse or negative impact on objectives.

9.2 Organisational Risk Deep Dive - Effective Leadership and Decision Making

Report by: Wilma Falconer, Chief Executive

Approved by: Wilma Falconer, Chief Executive

Report Date: 19 June 2024

Purpose

The purpose of this report is to provide a ‘Deep Dive discussion’ on an organisational risk – having effective leadership and decision making to meet outcomes and objectives.

Recommendation

It is recommended that the Risk and Assurance Committee resolve to:

- 1 receive the report - Organisational Risk Deep Dive - Effective Leadership and Decision Making.

Background

Council identified what it considered its ‘top risks’ at the end of the last triennium. Since then, staff have been undertaking a programme of work to understand and articulate those risks in a way that enables Council to undertake due diligence across those risks.

This has involved the application of the ‘bowtie’ analysis methodology to those risks. This methodology uses a diagram that visualises specific risks in a single, easy to understand picture. The diagram is shaped like a bowtie, creating a clear differentiation between proactive risk management (which happens before a risk crystallises in order to prevent this or minimise the chance that it might) and reactive risk management (which focusses on mitigating the impact of the risk should it happen).

Analysis

Risk Details		
Name	We have effective leadership and decision making to meet outcomes and objectives	
Details	Owner	Date of review
	Chief Executive	June 2024
Current rating	Inherent risk	Residual risk
	5 - High	3 - Medium
Reviewed rating	Inherent risk	Residual risk
	5 - High	4 - High

The “risk event” being addressed by this assessment is that *we have effective leadership and decision making to meet outcomes and objectives*. The above risk was considered in the context of what controls Council currently has, whether these are sufficient, and whether further controls are required. These controls are depicted in the table below.

Controls	
Current preventative controls	Effective recruitment, training, and development of leaders. Effective democracy support for Elected Members (including training). Clear strategic direction with supporting plans. Investment in relationship between governance and management. Strategic communications plan developed and implemented. Organisation priorities understood and planned (including supporting information). Workforce strategy developed and implemented. Council has an effective insights programme. Work is prioritized.
Current mitigating controls	Effective strategic communications strategy. Clear prioritisation framework. Well documented processes. Strong staff culture and good internal communications. An effective performance monitoring system. Stakeholder management programme (including governance). Continuous improvement culture in which we learn from mistakes.

Overview

As a regional council, Environment Southland plays a key role in managing Southland’s natural resources and supporting communities to be more resilient in the face of climate change and natural hazards. We face complex challenges in this space: our problems are ‘wicked’; we must balance competing interests; navigate politics and political cycles; and importantly, take the community with us. It is critical, therefore, that we have effective leadership and decision making.

Effective leadership is critical to building trust with the community and trust increases the likelihood that the community will understand the policy direction we, as regional government sets. Inherent leadership traits of integrity, transparency and accountability all underpin trust. Effective leadership is also essential for collaboration and bridging disparate views in the pursuit of solutions to complex problems and the delivery of region-wide goals.

Solving complex challenges requires good information and strategic and critical thinking. Determining the direction of travel and how to apply the Council’s limited resources in pursuit of that direction requires sound decision making.

Consequences

Both leadership and decision-making impact the delivery of services to the community and ultimately, in the context of our regional council role, the wellbeing of everyone that lives in Southland, now and in the future.

Ineffective leadership and decision making could have significant consequences in terms of financial/economic, health safety and wellbeing, reputation, and service delivery. It could lead to a failure to meet community expectations, poor outcomes for the community and lead to a loss of trust and confidence, not just from the community but also from stakeholders, our iwi partner and governance. Other consequences include the possibility that statutory obligations are not met, bringing scrutiny or consequences from external parties. There is also the possibility it could lead to ineffective and/or inefficient use of resources, replication or duplication of effort and poor staff morale.

Prevention controls

Leadership as a personal competency can be both acquired and developed through training and work experience. We assess for leadership and decision making when we recruit staff into senior positions which either manage people or require technical expertise. This can take the form of interview questioning and asking questions of referees. For some roles, particularly people management ones, we also undertake psychometric testing. We typically conduct interviews using a panel of staff, including representatives from our People and Capability team who have technical understanding of the discipline of leadership and representatives from the team within which the role resides in order to assess judgement and decision making.

In 2018, Council invested in a leadership development programme for all Tier 3 Managers and above. Our People and Capability team continue to roll-out and reinforce aspects of learning from that programme to those in management roles, including new joiners. This learning is also shared with those at team leader level (Tier 4) to develop a common language of, and behaviour around, leadership and to develop an internal pipeline of staff for more senior roles in the future.

Leadership is not the same as management, which is a related but distinct competence of its own. Both are actually required in order for Council to meet its outcomes and objectives. Council has low maturity in some areas of management. Both our risk management and health and safety management journeys have begun, but there is further work required in core management disciplines such as project governance, operational management and change management. We are developing a programme of work to develop these competencies in-house. This work has only just been scoped and is likely to commence next financial year.

During the pandemic, council removed costs from the business in order to accommodate the loss of the marine fee. The staff training budget was impacted and has not yet returned to pre-covid levels. We have a highly technically skilled workforce and training, and development is critical – including management and development. The People and Capability team will consolidate the training budgets and delivery to ensure more efficiency and effectiveness in the way that training is delivered within the organisation within given budgets.

All layers of management provide leadership in the organisation, the tone of which is set by me as Chief Executive and the Executive team. There is diversity around the leadership table within the organisation which research has shown to improve decision making and outcomes. The Executive team are further supported by the wider group of Chief Advisors (Māori, Finance and Science) and representatives from Te Ao Mārama Inc are regular attendees to strategic Executive meetings.

Up until last year, the Executive team had not been fully and/or permanently resourced for several years. This made it difficult to properly unite as a team and placed a heavy leadership burden for those in role. This is now resolved. I have driven an explicit work programme of team development and organisational management and leadership with the Executive which is ongoing.

Council, as Environment Southland's governors, have a key leadership and decision-making role. Historically, support for governance sat with my Executive Assistant (EA). Last year, which was split out into a separate role and a Democracy Services function was established to provide more focused support and assistance to governors. The aim of the Democracy Services function is to focus on governance support to elected members and ensuring the smooth running of the machinery of council. Unfortunately, staffing issues have meant that the function has yet to deliver what was intended. Recruitment is about to start to replace the vacant roles in that function.

Last year we began a series of regular meetings with the Chair, the Deputy and the Chair of the Strategy and Policy Committee on democracy matters to ensure the smooth running of council. I communicate weekly with Council – either in person or by way of an email that outlines key focus areas of the overall Council work programme for the week and provides an opportunity for any discussion about matters. The senior staff and I between governors and senior staff appears to be good.

Elected members undergo an induction programme at the start of each triennium. There is often the opportunity for them to participate in training, webinars, conferences and the like. Local Government New Zealand, Taituarā, the Office of the Auditor General and others often provide training and support to elected members. To-date, we have not had a training and personal development policy for elected members, but this is in the process of being drafted and will be presented for consideration by Council early next financial year.

In 2020, Council established a Strategy function to collect insights and develop the direction of travel for the organisation. This team are driving the development of our next Long-Term Plan which articulates our areas of focus and direction of travel for the next 3 – 10 years. The team also generates insight and information for decision making by council. The team have been instrumental in developing the programme of work around climate adaptation and mitigation, in which Council plays a leadership role for the region.

Within the Strategy team there exists a specific insights function and some work on developing an insights programme was initially undertaken. We now have an understanding of the key sources of data that can drive insight from across the business. However, this role has been supporting the delivery of corporate planning, and we have not yet operationalised an organisation-wide programme of work to analyse and use this information.

Operationally and internally, there are a number of key strategies that are either being implemented or developed. For example are developing a customer strategy to ensure that our relationships with our customers are positive as we know this is a key aspect of developing trust in our organisation as well as ensuring effectiveness and efficiency in the delivery of service. Operationally, we are finalising our business plan for the coming year. This articulates the key programmes of work we will be undertaking to give effect to our strategies and the overall direction of the organisation.

Council have been running an internal staff survey each year since 2018 to gather staff views. Staff have advised that they are not clear on the strategic direction of the organisation. The Executive are working with the strategy team to find a way to articulate the strategy in a way that resonates with staff and is consistent messaging.

While articulating a strategy is important, it is critical that it is supported by communications. A strategic communications plan is in development but has been delayed by the need to assign Communications staff to the LTP and so the completion of this has been delayed. It has also meant that the internal communications function has also not been serviced fully, which is an important part of being able to communicate strategic direction and priorities to staff. The People and Capability team are working with the team to address the resource issues. Contractors are engaged as required to support key pieces of work.

Council does not yet have a workforce strategy. We created a People and Capability Manager role 18 months ago to provide the capacity to deliver more strategy and planning in the people space. That role has been focussed on developing the customer strategy in the first instance and the people strategy will be next. It is anticipated that the customer strategy will be completed around July 2024 and the development of the people strategy will start shortly thereafter.

Mitigation controls

Mitigation controls exist to minimise the impact should a risk crystallise. Some of these are the same as the preventative controls and strategic communication, internal communications and organisational prioritisation have already been discussed in the section above.

Peter Druker, management consultant and author coined the saying ‘culture eats strategy for breakfast’. His point was not that strategy was unimportant, but rather that culture was vital to organisational success. Organisational culture is the sum total of all the behaviours in the organisation from all staff. It can be actively driven by behaviour from leadership, rules and policy, our language, and other initiatives. We have recognised that there are some key cultural and operating model shifts that the organisation needs to make, for example, becoming more outcomes and customer focused and becoming more efficient and effective. We are undertaking various initiatives to drive this change (for example, the development of a customer strategy, the digitisation of various processes for both staff and customers), but these are not yet articulated in an overarching programme of work.

The People and Capability team does not yet have a planned programme of work aimed at supporting these shifts, although it is anticipated that the people strategy will give effect to this once written. Ensuring that the broader leadership team (i.e. including managers and team leaders) are aware of and aligned with the desired culture is vital to having a critical mass to drive the shifts we are looking to see. The requirement for a comprehensive internal communications programme of work (mentioned in the previous section) is pivotal to the success of this.

Many of Council’s processes are documented in Promapp, a digital process mapping tool. Processes have owners and the system drives a regular cycle of updating. We historically had a Promapp champion in the business helping to drive the use of Promapp and providing support for it. The staff member undertaking this responsibility left a couple of years ago and the responsibility only recently been reassigned. Whilst Promapp is still used, there is no current programme of work to drive its use or support the induction of new staff is in development. We are reviewing where this function best sits, noting the importance of documented processes to business continuity.

Council has several ways in which it monitors performance. Major programmes of work have established project management structures, complete with reporting, which are overseen by governance groups. We are currently assessing how to apply this approach to other programmes of work in the organisation. Council reports quarterly to the Finance and Performance Committee on progress against LTP targets and financial performance. Similar reporting comes through to the Executive team. A couple of years ago, Council implemented Te Mahi, a system designed to catalogue and report on all of our programmes of work. We are still maturing our use of this system and it is not yet linked to the financial system for reporting. There is a programme of work underway to determine how best to achieve this, noting it may require investment in new financial systems which will be necessary to implement IRIS. At an employee level, there is a well-established performance management system which is well supported by the People and Capability team.

When the Science, Strategy and Partnerships directorate was created in 2020, so too was the role of stakeholder management. It took time to recruit roles in this area and so there is not yet a defined programme of work across all stakeholders. The customer strategy, when developed, will inform the stakeholder strategy to some extent, although this will be developed as a separate strategy in its own right. Staff in the strategy and partnerships team have been heavily involved in the development of the LTP and will progress the development of the stakeholder strategy once that is completed. However, there are specific approaches that have been developed to work with key stakeholders or groups of stakeholders on specific issues and relationships with key stakeholders are predominantly overseen by senior members of staff.

As Council develops its management maturity, so will it develop its continuous improvement culture. There is much good work that goes on within teams to improve what they do and learn from others or adverse events. However, we are less practiced at sharing this information across the organisation. There is a regular programme of presentations made by teams to the wider organisation, but these do not always capture learnings. A deliberate approach to culture and internal communication has already been discussed and will go a long way to addressing these issues.

Effectiveness of existing controls

There are some gaps in our controls. Some of this relates to resourcing and in other places we have work underway that is not yet complete. To address these gaps we are:

- working with the Communications team to address the turnover issue and identify different ways to resource work;
- undertaking recruitment into the Democracy Services function;
- completing the LTP, which has required a significant amount of staff resource drawn from across the business. The same is true for the customer strategy, but to a lesser extent. Once completed, both of these will enable staff to focus on other areas of business-as-usual, continuous improvement initiatives or other projects as part of their normal functions;
- continuing with training and development initiatives to support leadership and management competence within the organisation;
- develop the narrative around our strategic direction and develop a communications plan for it
- Completing work on our performance ecosystem;
- identifying changes to key business systems and process in an effort to make them more customer-friendly and efficient, noting that this is likely to be a multi-year programme of work.

Conclusion

Council has a suite of controls that help to mitigate the risks associated with leadership and decision making in relation to achieving outcomes and objectives. There is a programme of work underway to address the gaps that have been identified in that suite of controls. However, whilst this programme of work is not completed, the controls cannot be said to fully mitigate the risks that exist. The fact that the organization is small means that it has little resource resilience during times of contagious illness, emergency, or large pieces of work like the LTP. Therefore, it is proposed to adjust the risk rating, noting that this rating should be reviewed again once the controls are fully operational and in place.

Fit with strategic framework

Outcome	Contributes	Detracts	Not Applicable
Managed access to quality natural resources	X		
Diverse opportunities to make a living	X		
Communities empowered and resilient	X		
Communities expressing their diversity	X		

Attachments

Nil

9.3 Organisational Risk Deep Dive - we have key information to enable effective decision making

Report by: Dominic Rikiti, General Manager Business Services
Approved by: Amy Kubrycht, General Manager People & Customer
Report Date: 19 June 2024

Purpose

The purpose of this report is to provide a “Deep Dive discussion” on an organisational risk – We have key information to enable effective decision making.

Recommendation

It is recommended that the Risk and Assurance Committee resolve to:

- 1 Receive the report - Organisational Risk Deep Dive - we have key information to enable effective decision making.

Background

Council identified what it considered its ‘top risks’ at the end of the last triennium. Since then, staff have been undertaking a programme of work to understand and articulate those risks in a way that enables Council to undertake due diligence across those risks.

This has involved the application of the ‘bowtie’ analysis methodology to those risks. This methodology uses a diagram that visualises specific risks in a single, easy to understand picture. The diagram is shaped like a bowtie, creating a clear differentiation between proactive risk management (which happens before a risk crystallises in order to prevent this or minimise the chance that it might) and reactive risk management (which focusses on mitigating the impact of the risk should it happen).

Analysis

Risk Details		
Name	We have key information to enable effective decision making	
Details	Owner	Date of review
	GM Business Services	June 2024
Current rating	Inherent risk	Residual risk
	5 - High	2 - Low
Reviewed rating	Inherent risk	Residual risk
	5 - High	4 - High

The “risk event” being addressed by this assessment is that *we have key information to enable effective decision making*. The above risk was considered in the context of what controls Council currently has, whether these are sufficient, and whether further controls are required. These controls are depicted in the table below.

Controls	
Current preventative controls	An information and data strategy The tools and systems to capture, store and maintain the information required Single source of the truth Digitisation of corporate records Regular management reporting Supporting policies and manuals
Current mitigating controls	Clarity and transparency of the data captured and shared with the community and stakeholders External strategic communications Incident management plan Formalised decision-making processes
Additional controls required	Insights programme to capture non-science data Effectively functioning IT systems

Overview

As a regional council, Environment Southland plays a key role in managing Southland’s natural resources and supporting communities to be more resilient in the face of climate change and natural hazards. Our problems are ‘wicked’ and it is critical, therefore, that we have information to enable effective decision making.

We are a science-informed organisation. That science requires us to collect data and information from multiple sources. The data, and what we do with it, needs to have integrity, as do the scientific and other decision-making processes to which we apply it.

As a local government body, we are also bound by legislation which dictates how we must capture, store, treat, share and dispose of data and information – the Public Records Act (2005), Local Government Official Information and Meetings Act (1987) and the Privacy Act (2020) are examples of such pieces of legislation.

We are also operating in a modern-day environment where data and information is a valuable commodity and instances of cybercrime are on the rise. Cybercrime can not only impact us directly, but also indirectly through cyber-attacks on third party suppliers.

Consequences

Poorly informed decision making in our context can have significant and far-reaching consequences, not just for the environment, but for the wellbeing of all of those people living and working in the region, now and in the future. Lack of confidence in the information we are using to set policy direction reduces the likelihood that our policy will be adopted by the community, reducing the likelihood that community outcomes will be achieved. That trust could also be impacted at stakeholder and government level, reducing our ability to influence at a national level, access third-party funding for our work or advocate for Southland solutions.

Making decisions based on incomplete or inaccurate information may have regulatory, reputational and financial implications. It has the potential to delay work programmes, render us subject to judicial review or require work to be repeated, reducing efficiency, resulting in poor staff morale and low value for money for the ratepayer. Often overlooked is the opportunity cost of the money and time lost in these sorts of circumstances.

Prevention controls

An information management strategy was created several years ago to inform a programme of work across the organisation to improve our information management maturity. Informed by both the Public Records Act (2005) and the desire to make a shift to becoming a more customer-oriented organisation, the strategy sets out a 3-year programme of work to ensure that we meet our legislative commitments, good practice in data acquisition, management and disposal and share our data and information in a customer friendly way. Some key initiatives relate to the digitisation of our corporate assets and migration of legacy databases to ensure ease of access as well as information and data preservation. Council is in the process of completing a digitisation pilot programme and reviewing results. We have also recently invested in some CD-drives in order to transfer data and information from CDs into digital files.

We have a governance structure around our data and information and related processes and activities – the Information Management Governance Group (IMGG). This is made up of representatives from the Information Management, Information Systems, Risk, Integrated Catchment Management Science Strategy and Investigation and Science Informatics and Operations teams. The Information Management Governance Group meets quarterly to oversee progress against the Information Management strategy and supports the Information Management Stewards group that work within individual teams to improve and apply data and information management protocols.

There are other strategies in the business that support the acquisition and management of data for decision-making. The science strategy, for example, identifies the areas of enquiry that require data and information. The customer strategy will do the same once developed. Data requirements are supported by a technology roadmap, owned by the Information Systems team. This was developed recently and ensures that we have the tools and systems to capture, store, interrogate and maintain the information required. As the nature of the information we collect changes, so does our approach. For example, our back-up facility needs to accommodate larger file sizes as we increase the use of drones in our work and capture video footage.

Progress against both the information and technology strategies are reported quarterly to Executive and the Finance and Performance Committee. The 2024-2025 financial year is the last year of the current IM strategy and it will be refreshed during that year. Key measures for making data available to the public are reported quarterly to the Finance and Performance Committee through our LTP report.

Having a single source of the truth is a key to maintaining data information integrity. Council has an electronic document records management system (EDRMS), Objective that allows different versions of the same document to be layered over each other enabling access to the most current version and supporting version control for records management and compliance with the Public Records Act 2005. The system allows for the creation of meta-data to improve searchability. However, the system is not always foolproof as people do not always save files into the EDRMS. Some of our systems have the capacity to integrate into our EDRMS and as we invest in new systems and applications this is one of the features that we look for. However, we do not currently have this integration across all of our platforms. Additionally, staff do not always use the designated naming conventions designed for our EDRMS. This is one of the roles of the Data Stewards group although there is no defined programme of work within the information management strategy to directly address that at the current time.

The IT Standards and Procedures policy was implemented in June 2019 alongside a suite of IT standards from Kaon designed to achieve security and good practice. The Kaon standards were updated in 2023, but the policy is overdue for review. Further work is required to document and/or refresh and roll out expectations in relation to some aspects of data management, for example, document naming standards (as mentioned above).

Mitigation controls

Mitigation controls exist to minimise the impact should a risk crystallise.

A strategic communications plan is in development. Being able to communicate information and explain our work in ways that people can easily consume it is critical for our work. Reassignment of staff in the Communications team to the LTP has meant that the completion of this strategy has been delayed. Existing staff are stretched across a number of work programmes in an effort to deliver BAU as well as the LTP.

Council is currently developing a customer strategy in order to support it become more customer and outcomes oriented. Although the strategy is yet to be completed, multiple initiatives have been undertaken over the last several years to make data and information relevant to the community and stakeholders. Brining Data to Life, a groundwater public data portal and public access live camera imagery for river monitoring are examples.

Decision making processes are formalised within Council. Every role has a job description outlining responsibilities and there is a Delegations Manual which outlines the extent of a role's authority. This manual is currently being updated and in future the process of delegation will be overseen by a committee. We are also investigating an online tool which could enable reporting against delegations – something that does not currently happen.

The Executive team meets once a week on a Monday to receive papers from staff and make decisions. This includes the sign out of Council and Committee agendas. Policy decisions are brought to Council for decision making.

Additional controls

As we move to become a more customer and outcome-focussed organisation, the nature and type of data we collect and use needs to change from the predominantly biophysical data that we collect now. In 2020, Council established a Strategy function to collect insights and develop the direction of travel for the organisation. Some initial work on an insights programme was undertaken and we now have an understanding of the key sources of data that can drive broader insight from across the organisation. However, the role assigned to do this has been supporting the delivery of corporate planning, and we have not yet operationalised an organisation-wide programme of work deriving insight and action from that data.

Data availability was not mentioned in the original analysis of this risk and is perhaps captured in the risk concerning the effective functioning of information systems. However, it is worth noting here that the availability of data is heavily reliant on the effective functioning of those systems – from real-time availability of systems through to cyber protection.

Time for preparing key information for decision makers and time for decision makers to consider information is another key control area. We now ensure that Council papers are made available a week in advance to ensure governors have sufficient time to consider matters prior to decision making and have been implementing similar deadlines internally. We have recently implemented a digital agenda preparation software to streamline the process of agenda creation to streamline the process of reporting.

Effectiveness of existing controls

There are some gaps in our controls. Some of this relates to resourcing and in other places we have work underway that is not yet complete. To address these gaps we are:

- working with the Communications team to identify different ways to resource work;
- completing the LTP, which has required a significant amount of staff resource drawn from across the business. This will enable staff to focus on other areas of business-as-usual, continuous improvement initiatives or other projects as part of their normal functions;
- developing a customer strategy which will inform other types of data we need to use and analyse in the pursuit of outcomes and objectives;
- continuing to develop policy and process around data and information, noting this remains an emerging field;
- developing a more systematic way of developing agendas internally to drive efficiency and ultimately improve time for consideration of material.

Conclusion

Council has a suite of controls that help to mitigate the risks associated with the availability of key information to enable effective decision-making. Given the gaps in existing controls and the availability of other controls that could assist, the risk rating has been revised. The current residual likelihood is still 'Possible' although given what we do have in place, the residual likelihood has been assessed as 'Moderate', leading to a high residual risk rating.

Fit with strategic framework

Outcome	Contributes	Detracts	Not Applicable
Managed access to quality natural resources	X		
Diverse opportunities to make a living	X		
Communities empowered and resilient	X		
Communities expressing their diversity	X		

Attachments

Nil

9.4 Health and Safety Report

Report by: Paul le Roux, Health, Safety & Risk Manager

Approved by: Amy Kubrycht, General Manager People & Customer

Report Date: 19 June 2024

Purpose

To provide a report on the operation of the Health, Safety, and Wellbeing (HSW) Management System.

Summary

The Council operates a Health, Safety and Wellbeing Management System that is subject to continuous improvement. The following summarises the activity in the quarter to 31 March 2024:

- 27 incidents of which 10 were medical and 1 first aid treatment;
- 49 staff attended various training since the last report;
- Update on Aggressive Customer Task Force activities;
- H&S support on Waituna lagoon and Waiau River opening;
- update on AvidPlus audit recommendations;
- Aotearoa Bike Challenge 2024;
- flu vaccinations.

Recommendation

It is recommended that the Risk and Assurance Committee resolve to:

- 1 Receive the report - Health and Safety Report.

Background

It is intended that Council receive updates on the organisation's health, safety and wellbeing activities. These updates include a quarterly governance report on the implementation, development and operation of the health, safety and wellbeing management system.

Operations Report

General operations

The health and safety team provided support to the Catchment Operations and Emergency Management Southland teams with the Waituna lagoon and Waiau river mouth opening. Both activities required comprehensive safety plans and the team supported activities in the field. Both openings were completed without any incidents.

14 Medical treatment cases (requiring professional medical intervention i.e. doctor, physiotherapist) have been reported year to date of which 10 are strain/sprain type injuries. 10 medical treatment cases were reported in this quarter making it the highest quarter year to date. The health and safety team are looking at manual handling training providers to address the fundamentals of manual handling and body stressing. Basic task risk assessments e.g. take 5, are not consistently used for simple tasks and the health and safety team are looking at ways to improve the application of risk assessment across the organisation.

For employees to take reasonable care of their own health and safety, it is crucial for Environment Southland to provide them with a suitable induction, relevant information, adequate training, instruction or supervision.

Table 1 summarises the health and safety training activities undertaken for this reporting period.

Table 1 – Training activities for the reporting period.

Course	Attendance
New H&S inductions – Employees	12
First Aid Training Foundation (Level 1)	7
First Aid Revalidation	11
Traffic Management Inspector course	8
LUV Assessment	7
Health & Safety Representative Training	4

General operational activities are summarized in Table 2 – Operational activities.

Item	Descriptor	Frequency	Update
H&S Rep Committee meetings	Meetings held monthly, agenda and minutes available to all staff on the Intranet	Monthly	One meeting held each month, as scheduled, during the period, (except for January). Next meeting 18 April 2024
Electrical tag and test	Annual check of Environment Southland equipment, computers and cords to ensure new or replacement items are compliant	Annually	Completed in February 2023. Next check is scheduled July 2024
Hazardous substances register	All chemicals on-site checked against chemical register and material data sheets	Ongoing	Completed October 2023. The next scheduled audit is October 2024
Hazards and risk ID	Full Environment Southland hazard register review	Annually	The entire register is being reviewed and updated as part of the organisation-wide risk review
Compliance – External audit	External third-party audit	Ongoing	The last audit was undertaken in 2023. Next audit is scheduled in November 2025.
Vehicle first aid fire/extinguisher checks	Review of all extinguishers and first aid kits for the Environment Southland fleet vehicles	Annually	Completed September 2023 Next review September 2024

Notable incidents/events

There have been two medical treatment incidents involving employees tripping/slipping from footpaths around the Environment Southland buildings and one incident whilst running in the carpark. All incidents resulted in injuries requiring medical treatment. Two of the incidents happened on footpaths that are designated as footpaths investigations found inappropriate footwear, inattention, lack of basic risk assessment, rushing and general awareness as contributing factors. The health and safety team are looking at ways to further raise awareness and encourage basic risk assessment principles.

A summer student came across a single vehicle accident. They assisted by calling 111 and remained on the scene until emergency services arrived. Ongoing support has been offered and access to the Environment Southland Employee Assistance Program (EAP) service is available to the student.

Continuous Improvement

As previously reported, Environment Southland has stood up an Aggressive Customer Task Force to risk assess and recommend treatments for the threat of aggressive behaviour towards staff. The task force activities for this reporting period have been to undertake a bowtie analysis to identify and assess threats and their preventions, and consequences and their mitigations related to customer relations for the Council. A list of high-level priority actions has been drafted to be implemented through the Task Force and the Customer Strategy Plan. The Task Force acknowledge that some controls already exist within Council, but their effectiveness is compromised by poor and inconsistent application. The Task Force is investigating auditing methods to identify process standards and enhancements to maximise the value of the existing controls. They will continue to report progress through to the Executive and this committee.

Staff have been posting weekly health, safety and wellbeing tips/advice/good to know on Workplace. These posts have received on average 127 views, with 71% being the average engagement score and the general feedback has been positive.

Assurance

As previously reported, Robyn Bennett from AvidPlus attended site on 8-10 November 2023. The audit was a follow-up audit from 2021 and verified action taken on recommendations identified as part of the 2021 assessment. The audit is attached.

The auditor noted that progress has been made against previous audit findings and some recommendations remain outstanding. It was also noted that there is evidence that support for health and safety activities are good and there is ongoing progress. The audit identified 5 high-risk areas (see attachment) that require consideration by officers. The auditor also noted that while progress has been made, limited resources are available which may impact the ability of the organisation to address all recommendations fully.

Executive is to workshop the findings and propose high-level actions. These actions will form part of an overall action plan. A comprehensive action plan is currently being drafted and progress on actions will be reported to the Executive and this committee. See attachment.

Environment Southland has undertaken a divisional internal audit. This is a high-level audit reviewing basic divisional H&S procedures, hazards, incidents, contractors, training and leadership. These audits are undertaken by the divisional manager and supported by the divisional Health and Safety Representative. The purpose of these audits is for divisional managers to identify gaps and corrective actions to improve health and safety performance within their division. All reports are due at the end of March and the findings will be reviewed by the Health and Safety Committee.

Risk and hazard summary

At the previous meeting, the committee requested further analysis of driving behaviours of Environment Southland staff. A deep dive into the critical risk – driving, was presented to the committee. All Environment Southland vehicles are fitted with ERoads in the vehicle monitoring system. The system can measure various metrics. The in-vehicle device notifies the driver if they are exceeding the posted speed limit. Speed exceedances are notified by an audible alarm in the vehicle and generates an event in the system. The system also measures harsh braking and harsh acceleration. The following are some key metrics for the quarter – January to March:

Fleet number km's travelled	227 328
Total number of speeding events (exceeding+10km/h)	1246
Total number of high (=20 km/h) speeding events	74
Harsh braking	235
Harsh acceleration	58

Quarter 3 is typically a busy month for the organisation given it is summer and there are plenty of journeys being undertaken by staff going out into the field. Over the quarter, speeding events decreased from the previous quarter (9% decrease). However, the number of events remain high. It should be noted that for a vast majority of the speeding events, the duration and distance the vehicle is speeding is only for a short distance and a short time period indicating that the drivers are responding immediately to the audible alarm. The greatest number of events are in the posted 100km/h zone indicating that drivers are speeding up to overtake. The second highest number of events is in the posted 50km/h zone. Due to the short duration of many of these events indicates that drivers are speeding into speed limit change zones and then responding immediately to the alarm and slowing down. Harsh braking and harsh acceleration data gives further insight into driver behaviours and helps Environment Southland to educate drivers further.

As reported at the previous meeting, speeding is being discussed at all levels of the organisation and the Health and Safety Committee are supportive of monthly reporting going to the leadership team. The Executive are also receiving monthly reports on speeding and are having discussions with divisional managers on speeding within the organisation. The review of the Motor Vehicle policy has commenced and with preliminary findings being used to inform a broader consideration. Once completed, the policy will be presented to the Executive for approval.

At the previous meeting, the committee asked if "harassment" is captured in the health and safety risk register. Harassment has not been captured as a standalone hazard and will be raised as a new hazard in the register. The risk of harassment is being assessed by the Health and Safety Committee as part of the annual risk register review of the aggressive, abusive and upset public hazard group. The current controls have been reviewed and are in place. However, some of the controls are not effective as they are inconsistently applied across the organisation. The Task Force referred to earlier in this report, are considering improvements in the application of controls.

Health and Wellbeing

Environment Southland took part in the annual Aotearoa Bike Challenge in February. The bike challenge encourages staff to exercise by using their bikes to commute to work or just get out and exercise. The challenge gets teams to take part in friendly competition and helps lift teams' general well-being. Twenty percent (up 3% from 2023) of our staff took part covering a total of 7673km. Environment Southland came 9th in the "Government and Public Services" section and 27th in New Zealand for business with 200-499 staff.

Flu vaccinations are part of Environment Southland staff benefits and will commence again in 2024. This is one of the ways we manage health and wellbeing within the organisation. Vaccinations are dispensed in April. A vaccination provider has been engaged and appointment schedule has been drafted for the organisation.

Routine support programs continued for the month:

- regular EAP person onsite;
- Physiotherapist visits and inductions.

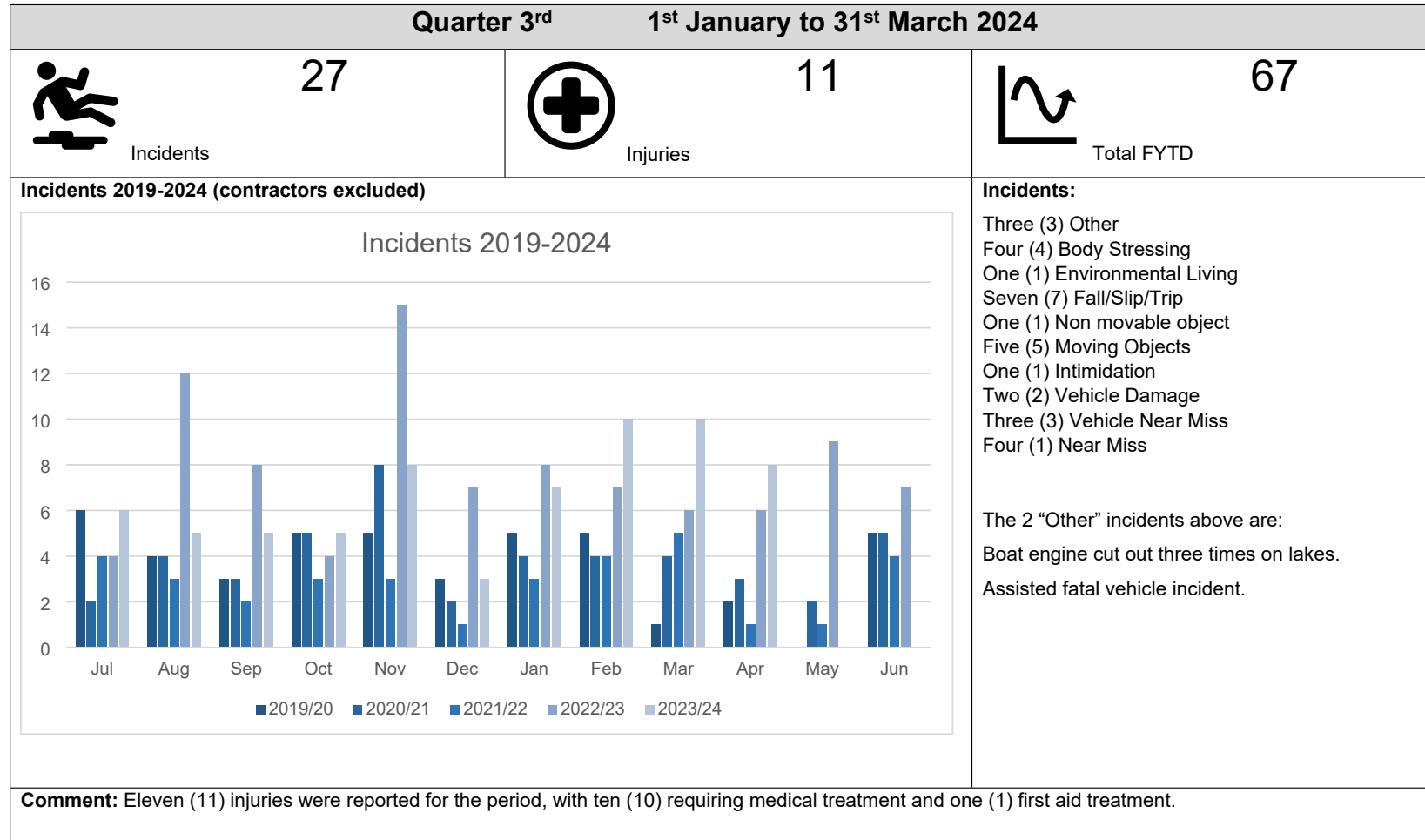
Fit with strategic framework

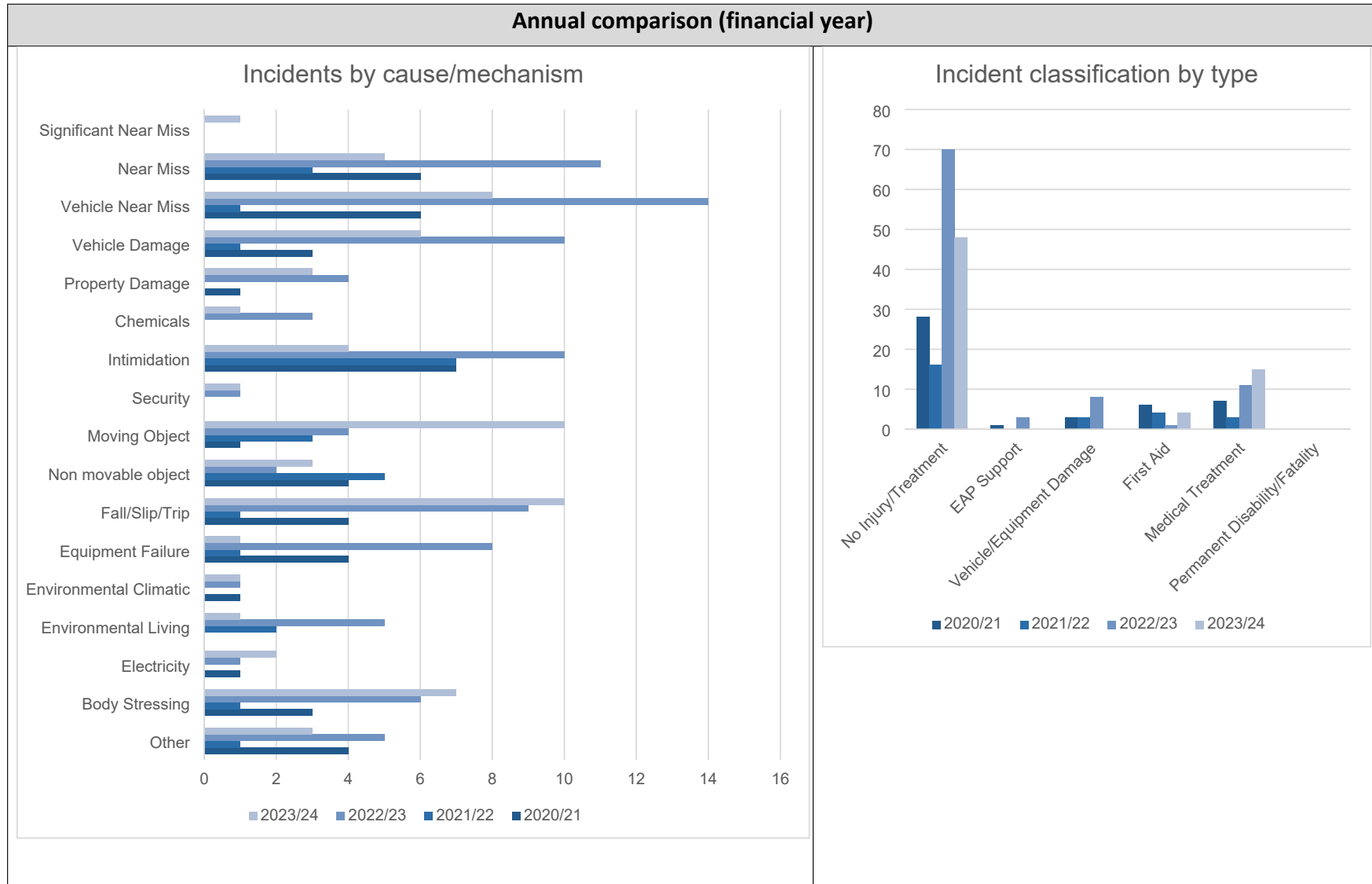
Outcome	Contributes	Detracts	Not Applicable
Managed access to quality natural resources			X
Diverse opportunities to make a living			X
Communities empowered and resilient			X
Communities expressing their diversity			X

Attachments

1. H S Report Attachment 1 Health and Safety [9.4.1 - 3 pages]
2. Top audit findings v2 [9.4.2 - 4 pages]
3. Avid Plus_ 2023 Environment Southland FINAL [9.4.3 - 42 pages]

Attachment 1 - Health and Safety Dashboard





Definitions

SAFETY INCIDENT OR INJURY CAUSE	
Significant near miss	One barrier away from a fatality, significant injury or significant damage
Near miss	A near miss is any safety situation that had the potential to cause harm but did not
Vehicle near miss	Relates to any vehicle, car, truck, Ute, motorbikes
Vehicle damage	Damage to a vehicle
Property damage	Property belonging to ES or public, damaged in any way excluding vehicles
Chemical	Covers all chemicals
Intimidation	Covers both verbal aggression and verbal threats
Security	Covers trespassing, bomb threats, protesters and shooters
Hit by moving objects	A person being hit by a moving object or the body hitting an object
Non-movable objects	Objects that are usually fixed or stationary e.g. doors, desks
Fall/slip/trip	Falls, slips and trips. Does not include fall from height
Equipment failure	Any situation where equipment has failed, it may/may not have caused injury
Environmental climatic	Hot, cold, wet or snow
Environmental living	Fauna or flora e.g. stings, bites, animals
Electricity	Any exposure to electricity resulting in electric shock
Body stressing	Stress or pressure applied to the body by a movement or activity, resulting in body tissue being pulled stretched, compressed or crushed

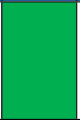
INCIDENT CLASSIFICATION BY TYPE	
No Injury/treatment/damage	An incident occurred but no injury or minor injury/damage has been sustained and no treatment or repair required
EAP / support	Support available to staff where there might be a situation where they may be distressed in some way. There are varying levels of support depending on the situation
Vehicle/equipment damage	A vehicle or property has required to be repaired, often will involve insurance
First Aid (FA)	Immediate treatment that requires no further intervention from a health professional
Medical treatment (MTI)	This incident <u>may require</u> to be notified to WorkSafe. Treatment is given by a health professional and can often lead to loss time from work
Permanent disability/fatality	Highest level of severity, this incident <u>will require</u> to be notified to WorkSafe

AvidPlus Health and Safety Audit – Summary of high risk areas

AUDITOR COMMENT	PROGRESS UPDATE	RAG	ACTIVITIES STILL TO BE UNDERTAKEN
<p>Health and safety critical risks are still under development with one completed to date. This requires continued attention, and additional resources such as personnel and capital expenditure may be required.</p>	<ul style="list-style-type: none"> • 5 critical risks have been identified. • 2 risk have undergone further assessment using bowtie methodology. • 2 deep dives have been undertaken and reported to RAC – Driving and People risks • Remaining 3 risks will undergo further risk assessment and deep dives to be presented to RAC. 		<ul style="list-style-type: none"> • An additional program of work to assesses the effectiveness of controls will need to be undertaken. This program will be part of our health and safety internal audit program.
<p>Oversight of training compliance remains a risk to the organisation which requires action and ongoing monitoring.</p>	<ul style="list-style-type: none"> • Training “catch up” has been the focus as there was a period before and during COVID that foundational training e.g. induction, advanced driving, was not well maintained. Environment Southland is in a position where training is current and being maintained to a satisfactory level. . 		<ul style="list-style-type: none"> • An improvement programme of work needs to be undertaken to develop an integrated (P&C and H&S) framework that addresses job specific training and competency requirements. • Seek an administration

AUDITOR COMMENT	PROGRESS UPDATE	RAG	ACTIVITIES STILL TO BE UNDERTAKEN
			platform that will automate training management. Current system is old and no longer fit for purpose.
Contractor management is a risk area for the organisation, and as such Executive oversight on adherence to processes is crucial.	<ul style="list-style-type: none"> Contractor management has been largely focussed in the Integrated Catchment Management area (most at risk contractors). Catchment Operations contractors have submitted health and safety prequalification documentation as part of their annual rates submissions. These are assessed by the H&S team and the contract manager. The standard of documentation does vary however contractors are taking onboard any feedback. A new contractor management procedure has been developed that aligns to procurement manual and policy. New contractor management software is in development and will provide a central database for all Environment Southland contractors. 		<ul style="list-style-type: none"> New contractor management software and procedure to be rolled out in parallel. Undertake a contractor compliance audit to assess compliance against our health and safety requirements.
Risk and assurance activities for health and safety via internal audit or similar requires implementation and support.	<ul style="list-style-type: none"> ES does not have an adequate internal H&S assurance program. Inspections/audits are undertaken in an ad hoc manner. General Managers have been conducting field health and safety visits/tours. This is part of their development as health and safety leaders and obligations as an officer. 		<ul style="list-style-type: none"> A full and comprehensive audit and inspection program and schedule needs to be developed.

AUDITOR COMMENT	PROGRESS UPDATE	RAG	ACTIVITIES STILL TO BE UNDERTAKEN
			<ul style="list-style-type: none"> • Health and safety manual needs updating to reflect the audit program. • Further health and safety leadership development for people leaders to upskill them to undertake meaningful audits and inspections. • Consideration needs to be given to procure a digital health and safety management system that can track incidents, audits and actions.
Additional resources may be required to implement hazardous substance	<ul style="list-style-type: none"> • A centralised chemical inventory has been created for each of our chemical storage facilities which meets statutory requirements. • Chemical inventory has been significantly reduced. 		<ul style="list-style-type: none"> • Chemical handling

AUDITOR COMMENT	PROGRESS UPDATE	RAG	ACTIVITIES STILL TO BE UNDERTAKEN
management requirements. Note that this is a regulatory requirement.	<ul style="list-style-type: none"> Safety data sheets are being stored centrally. 		training for key staff. <ul style="list-style-type: none"> Spill training for key staff.



Health and Safety Audit

Environment Southland
Te Taiao Tonga

November 2023





Executive summary

Avid Plus was engaged to assist Environment Southland with an internal health and safety audit to identify opportunities for improvement.

The main objective was a follow-up audit from June 2021, reviewing progress against the previous recommendations, and highlight any additional areas that could benefit from improvement.

Topics assessed included:

- Leadership and commitment
- Health and safety management
- Risk management
- Worker training
- Incident management
- Worker participation
- Emergency management
- Contractor management
- Hazardous substance management

Progress has been made against previous audit finding and some recommendations remain outstanding, and a range of opportunities have been raised, it was evident there was good support for health and safety activities at all levels across the organisation and ongoing progress. This was particularly notable for the work undertaken for the Dive Project.

The audit identified the following high-risk areas for the organisation that require consideration at an Executive Leader level.

- Health and safety critical risks are still under development with one completed to date. This requires continued attention, and additional resources such as personnel and capital expenditure may be required.
- Oversight of training compliance remains a risk to the organisation which requires action and ongoing monitoring.
- Contractor management is a risk area for the organisation, and as such Executive Leader oversight on adherence to processes is crucial.
- Risk and assurance activities for health and safety via internal audit or similar requires implementation and support.
- Additional resources may be required to implement hazardous substance management requirements. Note that this is a regulatory requirement.

The documented health and safety management system details a good foundation for health and safety management.

While progress has been made and limited resources are available, the organisation will have insufficient capacity to complete future projects or address the recommendations detailed in this report, in the foreseeable future.





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Introduction

Avid Plus was engaged by Paul le Roux (Health, Safety and Risk Manager) to assist with an internal health and safety audit to identify opportunities for improvement.

The audit was a follow-up audit, included a review of recommendations identified as part of the 2021 assessment, with an examination of other selected components. This audit included brief site inspections and a sample documentation audit. The audit location was at the corner North Rd and Price Street, Waikiwi, Invercargill.

The site audit was conducted on the 8, 9, 10 and November 2023 with Paul le Roux (Environment Southland) and Robyn Bennett (Avid Plus) in attendance. The audit covered selected documentation, operations, and staff areas. Interviews with relevant staff and management were also included.

Following the audit, commentary on whether the requirement of recommendations had been achieved has been included under each observation. Additional recommendations and further information have been provided where relevant. Those with a high priority should be attended to first.

Topics assessed included:

- Leadership and commitment
- Health and safety management
- Risk management
- Worker training
- Incident management
- Worker participation
- Emergency management
- Contractor management
- Hazardous substance management

Objectives

The main objective of the sample documentation and site inspection audit was to identify health and safety opportunities to mature health and safety within the organisation.

The outcome of the audit is the provision of this report outlining and prioritising risks and areas for attention, along with suggested solutions for mitigation.





Methodology

A limited scope and sample methodology was used based on:

- AS/NZS ISO 45001:2018
- Health and Safety at Work Act (2015)
- Health and Safety at Work (Hazardous Substances) Regulations (2017)
- Health and Safety at Work (General Risk and Workplace Management) Regulations (2016)
- Relevant SafePlus components

Scope

A sample of health and safety documentation was assessed, as well as a site inspection of Price Street and a visit to Stead Street Pump Station.

Detailed analysis of standard operating procedures or similar was also not included.





Results and recommendations

Continuous improvement

Environment Southland has undertaken a number of continuous improvement initiatives over the last few years, including:

- The project to train the regional scientific dive team has been a huge success both in supporting the wider community and maintaining local experience of the challenging work undertaken throughout Fiordland; this is seen as a leading initiative across New Zealand.
- Executive Leader health and safety visits which actively support the health and safety culture.
- The development of a health and safety strategy.
- Actioning the documents plan which supports improved access to health and safety information, documented modules, and health and safety minutes. This included a review of all health and safety management documents, which are now coordinated into a singular health and safety manual.
- The implementation of a return-to-work programme which is seeing some success through use of an occupational therapist.
- The Health and Safety Committee has been revitalised and is functional; they now meet monthly. The Health and Safety Committee has already started to take on new initiatives, such as involvement with the Covid risk assessments.
- Full induction days are now completed quarterly, managers and general managers are involved.
- A complete review of the hazard and risk registers was undertaken resulting in an organisation-wide risk register.
- CERT training to manage challenging behaviours from the public has had a significant uptake.
- Completion of the approved evacuation plan through Fire and Emergency New Zealand (FENZ).
- The development and implementation of a business continuity plan.
- The development of management standards in progress with a new helicopter standard. It is anticipated that the management standards will cover key health and safety issues.
- Lone worker processes have improved, including the use of Get Home Safe and other platforms. Garmin In Reach resources ensure good coverage.
- Physiotherapy is available for workers once a month.
- New caution tags have been obtained for equipment.
- Relevant driver training and first-aid training are now in place.
- All quad bikes have now been removed and replaced by side-by-side vehicles.
- Significant effort has also been invested into the prequalification of contractors.

Overall, health and safety being increasingly embraced across the organisation, with the maturation of the health and safety system well underway.





Leadership and commitment

Comment 1.	2021
	<p><i>There was an appreciation at a senior leader level of health and safety risks and the importance of keeping staff and other stakeholders safe.</i></p> <p><i>It was unclear that current executive processes give assurance that health and safety governance is effective. For example, there was limited oversight of the state of the health and safety strategy and any objectives, limited engagement with operational staff to confirm the effectiveness of actions, and limited verification activities to confirm the health and safety processes were operating as intended (for example, management performance reviews, annual self-assessment).</i></p>
Recommendation	2021
	<p><i>Consider how officers (as defined under the Health and Safety at Work Act (HSWA)) can better inform themselves of health and safety aspects to meet their due diligence requirements as defined under section 44(4) of HSWA. Refer also to the section covering board reporting.</i></p> <p><i>Consider how senior leaders can be supported to more fully understand their health and safety obligations.</i></p> <p><i>Ensure senior leaders are aware of the need to support the development and implementation of the health and safety strategy.</i></p> <p><i>The following resources may be useful:</i></p> <ul style="list-style-type: none"> • Monitoring What Matters • CEO Guide to Risk • Health and Safety Conversations <p><i>Consider also health and safety training from the Institute of Directors or similar.</i></p>
Original priority	High
Audit commentary	2023
	Some progress has been made toward achieving this recommendation, with a number of Executive Leaders completing Institute of Directors training. This is on track for completion
Recommendation	2023
	There is an opportunity to further refine health and safety through the development of a due diligence plan for the Chief Executive Officer. That is, map the due diligence requirements of section 44 of the Act, and then articulate the measures on how this is met. The





reports from Executive Leaders then support the information or insights needed. [Kāinga Ora – Homes and Communities](#) has an example of how this is done.

The following resources may also be useful:

- [Health and Safety at Work Act 2015, Section 44](#)
- [Officers' due diligence](#)
- [Business Leaders Health and Safety Forum](#)

Priority High

Comment 2. *2021 The organisation has developed a health and safety strategy. Although in its early stages, it includes good insight into health and safety opportunities and the risks being faced by the organisation. It was observed that it has not yet reached completion, nor ratified by the board or senior leaders, and as such has not been implemented.*

Recommendation *2021 Consider undertaking a review of the strategy, align it with the most recent health and safety policy to focus attention on key aspects, and develop objectives and indicators for monitoring.*
The objectives and indicators should then be reflected in Board/Senior Leaders reports for oversight by senior leaders.
This information should also be shared with the new audit and risk group.

Original priority Medium

Audit commentary 2023 As discussed further in the following commentary, this is a work in progress.

Recommendation 2023 Objectives and indicators may need further refinement. Reporting from the Health and Safety Team should link to the due diligence requirements once identified. Refer to the following resources for further information:

- [Health and Safety - Indicators and Measures Knowledge Bank](#)
- [The Risk Management Maturity Model](#) – refer to the sections on Health and safety policy, leadership, and Board governance

Priority Medium





Comment 3.	2023 The health and safety framework is currently in development; this requires further refinement and consideration.
Recommendation	<p>2023 Ensure that the health and safety framework that supports continuous improvement in health and safety management. Cascade this into a clear tactical plan with objectives and indicators.</p> <p>Consideration could also be given to including relevant operational objectives aligned with the strategy in staff performance reviews and any applicable contractor requirements.</p> <p>Update the system to capture recommendations, continuous improvement initiatives, corrective actions, and similar. Include an assessment as to the validity of the recommendation or similar, whether the organisation elects to comply with the recommendation or similar, detail responsibilities, and timeframes for completion.</p> <p>The following example may be useful:</p> <ul style="list-style-type: none"> • OSPRI Health and Safety Strategy 2019-2024
Priority	Medium

Comment 4.	<p>2021 <i>The health and safety system has a management performance review process that includes an assessment of health and safety responsibilities in relation to senior leaders within the organisation.</i></p> <p><i>This detail within the review process is robust and would actively support health and safety understanding and activities. There was no evidence of this being completed, nor oversight from a senior leader level to ensure its completion.</i></p>
Recommendation	<p>2021 <i>Ensure the management performance review process is implemented as documented.</i></p> <p><i>Consider reporting on progress of management reviews in accordance with the procedure in the board / senior leaders reports to support good oversight.</i></p> <p><i>Consider that once the health and safety strategy, objectives and indicators has been defined, that a review of the management performance procedure should be completed to support alignment.</i></p> <p><i>The following may be useful:</i></p> <ul style="list-style-type: none"> • Leader and Manager Toolkit
Original priority	Medium





Audit commentary	2023 It was not clear that this recommendation has been considered or implemented.
Recommendation	2023 Once the health and safety strategy and associated framework has been completed, this recommendation should be revisited.
Priority	Medium

Comment 5.	<i>2021 The board/senior leaders report produced to inform senior leaders is of a historical format. It was noted that it focused primarily on lag indicators, and the content within could benefit from refreshment to provide clarity to senior leaders. It is understood that some of this work is already underway. As mentioned above, information that supports the due diligence requirements of officers and senior leaders should be included.</i>
Recommendation	<i>2021 Ensure the review of the health and safety reports is completed and reflective of the needs of senior leader information.</i>

Original priority	Medium
--------------------------	--------

Audit commentary	2023 While executive reports have been reviewed and updated, they remain transactional in nature; they could benefit from further refinement to ensure they inform and provide insight on where to focus their attention. Refer to the earlier recommendation regarding due diligence gap analysis.
Recommendation	2023 Consider also how the reporting process can be refined to ensure that it is easily completed and not onerous in nature. There is an opportunity to provide a more balanced report with additional narrative on lead indicators, actions, or activities. For example, progress against the strategy or objectives (as stated above). The following documents may also provide some guidance: <ul style="list-style-type: none"> • Measuring and reporting on work health and safety • Issues in the Measurement and Reporting of Work Health and Safety Performance: A Review
Priority	Medium





Comment 6.	<p><i>2021 While there is an appreciation of the resourcing constraints of the organisation, this assessment identified that the current resourcing levels were inadequate to fully implement the health and safety management system.</i></p> <p><i>There is a significant concern that there will continue to be gaps that will result in risk to the organisation both at a safety level and a reputational level.</i></p>
Recommendation	<p><i>2021 Ensure that there is an appreciation at a board and senior leader level that the current resourcing is insufficient to maintain the health and safety management system.</i></p>
Original priority	High
Audit commentary	<p>2023 Additional staff has been bought in to support the Health and Safety Team since 2021, however, the organisation has struggled with implementing some of its foundational processes.</p> <p>It is likely there will be little progress on health and safety improvements, without the dedicated attention and resources such as that was given to the Dive Project. As such, business-as-usual activities may be the minimum requirement able to be met.</p> <p>The organisation should also note that it may struggle in maintaining its momentum on its health and safety activities, given its increased focus on civil infrastructure projects and the change in risk profile as a result. While these could yield considerable benefits, these projects need sufficient resourcing to manage the ongoing risk.</p> <p>The organisation should note this limitation, taking it into consideration as part of its business decision-making.</p>
Priority	High





Health and safety management

Comment 7.	<p>2023 As part of this assessment, it was determined that the organisation has an extensive risk profile including activities such as civil construction, quarries, museums, Te Anau buildings, pump station, and other activities. An executive assessment is underway to determine the extent of these activities, the outcome of which should be shared with the Health, Safety and Risk Manager to determine health and safety regulatory requirements.</p> <p>The organisation advises that their Southport shareholding does not trigger any health and safety responsibility. A legal opinion may be appropriate if this is queried.</p>
Recommendation	<p>2023 Ensure that the risk profile of the organisation is fully understood, including all activities outside its core activities.</p> <p>Ensure that risk management requirements are understood for these activities.</p> <p>Resource risk management requirements where appropriate.</p>
Priority	High

Comment 8.	<p>2021 <i>There is a legislation register in place that identifies applicable legislative requirements. It requires refreshment. Relevant industry guidelines and other information has not consistently been included, nor is available to staff.</i></p> <p><i>There is a significant amount of guidance information that has been developed by WorkSafe in the past few years, and organisational resources will be needed to ensure that it is identified, assessed for relevance, reviewed, and incorporated into risk management activities.</i></p> <p><i>Note that the organisation's risk register was last updated in 2015 and is not entirely reflective of current requirements.</i></p>
Recommendation	<p>2021 <i>Update the legislation register. Identify relevant guidance information. Determine the resourcing requirements needed to assess, incorporate, and implement any identified components.</i></p> <p><i>Communicate to senior leaders the resources needed for this activity.</i></p> <p><i>Add relevant guidance information to Nessie.</i></p> <p><u>Resource</u></p>
Original priority	Medium





Audit commentary	<p>2023 The organisation has updated its legislation register and has engaged an external party to do a complete legislation review, of which health and safety forms a part.</p> <p>While there is an appreciation by the Health and Safety Team, the health and safety legislative requirements, standards codes of practice, good practice guides and similar have not been robustly identified over a number of years.</p>
Recommendation	<p>2023 The organisation should identify relevant guidance information, identify those with which it intends to comply with, determine the resourcing requirements need to assess, incorporate, and implement any identified components, seek approval from the Executive Leaders to source resource and progress, and implement. Ensure the relevant guidance information is added to Nessie.</p> <p>Consider how the information reviewed will link to internal audit activities.</p>
Priority	Medium

Comment 9.	<p>2021 <i>There is a self-assessment procedure in the health and safety management system. There was no evidence sighted to support that this had been completed.</i></p>
Recommendation	<p>2021 <i>It was observed that the self-assessment is based on the previous ACC WSMP criteria and may no longer be fit for purpose.</i></p> <p><i>It is recommended that this procedure is reviewed and selected relevant components are moved into an internal audit programme.</i></p>
Original priority	Low
Audit commentary	<p>2023 The self-assessment procedure has been removed from the health and safety management system and has now been addressed.</p> <p>This requirement has been met.</p>

Comment 10.	<p>2021 <i>There is no systematic process in place for confirming that health and safety aspects are being managed across all activities.</i></p>
Recommendation	<p>2021 <i>Develop an internal audit programme to confirm health and safety aspects are being managed.</i></p> <p><i>Ensure that the programme includes both system audits and inspections, for example:</i></p> <ul style="list-style-type: none"> <i>confirmation of controls in place for risk management. For example, through site inspections, vehicle checks or similar.</i>





	<ul style="list-style-type: none"> • requirements as listed in procedures, for example management performance reviews. • any relevant aspects from the self-assessment process. <p>Ensure there is a feedback mechanism for tracking and following up any identified opportunities.</p>
Original priority	Medium
Audit commentary	<p>2023 This recommendation has not been met.</p> <p>An internal audit plan has been developed for FY 2024; however, health and safety aspects have not been included. While a number of aspects are in place as part of the assurance regime, these are ad hoc, in many cases, siloed; with little oversight as to the outcome, or if requirements are being met.</p>
Recommendation	<p>2023 Ensure that a comprehensive internal audit or similar risk and assurance regime is developed and implemented with particular attention to confirm the effectiveness of controls. Refer to the requirements detailed in The Health and Safety at Work (General Risk and Workplace Management) Regulations 2016, part 7.</p> <p>Ensure that divisional audits, and other audit and inspection activities are identified, and aligned with the internal audit regime.</p> <p>Critical risk control verification should be considered a priority.</p>
Priority	Medium

Comment 11.	<p>2021 There is a document control system in place with ready access by all staff for use. It was noted that a high number of documents were overdue for review. It was not clear who had oversight of the documents. Nor was it clear where the resource was to ensure they remained current.</p>
Recommendation	<p>2021 Confirm who has oversight of document control.</p> <p>Ensure there is a good understanding of the resourcing needed to manage the documents, as well as where the resource is to be obtained.</p> <p>Add checks of documents to the internal audit programme.</p>
Original priority	Low
Audit commentary	<p>2023 There is a document control process in place with corporate services maintaining oversight. Reviews of documents showed that the majority were now under document control.</p>





	<p>New standards that have been developed that incorporate health and safety aspects now sit within the Health and Safety Team and are managed through a specific review cycle.</p> <p>Promapp is used to guide processes, however, discussions with different departments indicated inconsistent use and understanding.</p>
Recommendation	2023 Should Promapp continue to be used, the organisation should consider refresher training for those that need to understand the system.
Priority	Opportunity for improvement

Comment 12.	<i>2021 It was not clear that job descriptions aligned with the responsibilities detailed in the health and safety management system. Furthermore, it was not clear that either aligned well with the management performance review requirements.</i>
Recommendation	<i>2021 Undertake an assessment to ensure there is good alignment between job descriptions, responsibilities detailed in the health and safety management system, and the management performance review requirements.</i>
Original priority	Low
Audit commentary	<p>2023 Work has been completed on incorporating health and safety requirements into job descriptions. There does, however, seem to be some misalignment between the job descriptions, responsibilities detailed within the health and safety management system, and that which is captured within the KRA's.</p> <p>It should be noted that this area could benefit from some improvement in the future.</p>
Priority	Opportunity for improvement

Comment 13.	2023 There are no continual professional development plans in place for the Health, Safety and Risk Manager. Expectations regarding qualifications and experience for health and safety professionals have been changing within New Zealand over the past few years, therefore, the organisation may wish to consider aligning professional development opportunities.
Recommendation	2023 Support those in the Health and Safety Team appropriate continuous professional development plans in place. Consider the following reference documents:





- [Health and safety generalist pathway-a guide for recruiters and managers](#)
- [Pathways to professional accreditation](#)

Priority

Medium





Risk management

Comment 14.	<p><i>2021 The organisation has tendered and won a contract that will result in 12 unemployed people being trained and operating as scientific divers. This is in collaboration with the Department of Conservation (DoC). It was not clear that there is senior level oversight of the substantial risks involved in this activity. Furthermore, a robust risk assessment either prior or post tender was not able to be seen.</i></p> <p><i>The short timeframe for implementation is also of concern given the health and safety plans that need to be developed, in place, and implemented. While it is acknowledged that some resources may be able to be sourced from DoC to support the activity, resourcing will be needed to ensure required health and safety components are in place prior to commencement.</i></p>
Recommendation	<p><i>2021 Ensure a risk assessment in relation to the activity has been undertaken.</i></p> <p><i>Identify requirements and develop an action plan. Ensure any resourcing aspects have been included.</i></p> <p><i>Communicate with urgency to senior leaders the risks involved in the programme and the resources needed to support health and safety processes.</i></p>
Original priority	High
Audit commentary	<p>2023 The organisation has put substantial time and effort into ensuring the health and safety components were identified and appropriately managed. Resourcing and protected time for these activities was in place, culminating in successful project delivery.</p> <p>This recommendation has been addressed</p>

Comment 15.	<p><i>2021 While there is an appreciation of the critical risks within the organisation, they have not been well identified, assessed, or consistently communicated along with the controls needed to communicate them.</i></p>
Recommendation	<p><i>2021 Implement a project to robustly identify, assess, and manage critical risks. Ensure that critical risk management is also communicated to senior leaders.</i></p> <p><u>MHF: Safety Assessment</u></p> <p><i>Refer to page 17 for suggested techniques for hazard identification.</i></p>
Original priority	High





Audit Commentary	<p>2023 There have been five critical risks identified by the organisation, with risk assessment completed for one through the use of bowtie analysis.</p> <p>As the organisation is customer facing, public interaction resulting in aggressive behaviours and similar has been identified as a psychosocial risk and deemed to be a critical risk.</p> <p>As risk of exposure to these behaviours is increasing, the organisation should actively progress its public interaction/aggressive behaviours risk management activities.</p>
Recommendation	<p>2023 This work should be progressed, noting that resourcing may make this challenging. Refer to the following resources as required:</p> <ul style="list-style-type: none"> • AS/NZS IEC 31010:2020 Risk management - Risk assessment techniques (cost of purchase) • Psychosocial hazards in work environments and effective approaches for managing them, WorkSafe • ISO 45003 Occupational health and safety management — Psychological health and safety at work — Guidelines for managing psychosocial risks (cost of purchase)
Priority	High

Comment 16.	<p>2021 <i>There are processes and forms available for reporting hazards. It was observed however, that there is no systematic or methodical process in place for the identification and management of hazards. Additionally, there appeared to be inconsistent use of the tools currently available.</i></p>
Recommendation	<p>2021 <i>Review the process for the identification and management of hazards. Consider that a range of tools should be used to provide a structured approach for identification.</i></p> <p><i>Once the process has been confirmed, ensure there is a consistent approach across the organisation. Consider adding checks of the process to the internal audit programme, until it is embedded in the organisation.</i></p>
Original priority	Medium

Audit Commentary	<p>2023 Work has been undertaken to have reports completed by Survey 123. At present a mix of paper-based and platform reporting occurs. This activity has not been captured under internal audit regime to support uptake as yet; however, use of this system is slowly gaining traction.</p>
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Recommendation	2023 Executive Leaders should endorse and support uptake of reporting via Survey 123. This allows data analysis and oversight, supporting improved information back to them, on which to base any decisions. Ensure this is added to internal audit regime to facilitate consistent monitoring.
Priority	Medium

Comment 17.	<i>2021 The main organisational risk register was last reviewed in 2015. As part of the audit, it was identified that there were additional risk registers that departments had developed individually.</i>
Recommendation	<i>2021 Either update the main risk register and incorporate individual department requirements (while still allowing the ability for the departments to select their own areas), or alternatively develop departmental risk registers. For each option, ensure there is clarity regarding ownership and the responsibility of management of the risk register.</i>
Original priority	Medium
Audit commentary	2023 A single source of truth has been developed in an organisational risk register. A number of audit participants across the were able to articulate where it was and that they understood its activity. This remains a work in progress, however, there has been a marked improvement from 2021.
Recommendation	2023 Consider that checks on the use of the register should be completed as part of the divisional audits.
Priority	Medium

Comment 18.	<i>2021 A review of the risk register highlighted that there is an opportunity for improvement regarding the assessment of initial and residual risk. For example, with a control of 'increase awareness' a risk was downgraded from high to low. Furthermore, there is a high number of 'extreme' and 'high' rated risks. There appears to be little senior leadership oversight regarding the level of risk accepted by the organisation.</i>
Recommendation	<i>2021 Undertake a review of the risk assessment process to confirm its suitability. As part of the review consider that senior leaders should</i>





	<p><i>acknowledge they accept risks that remain 'high' or 'extreme' after controls are in place. For example, through sign-off or similar.</i></p> <p><i>Ensure the process is communicated to those developing risk registers.</i></p>
Original priority	Medium
Audit commentary	<p>2023 There is improved analysis of initial and residual risk, with the register more reflective of the activities and the controls in place.</p> <p>It was not clear that Executive Leaders fully understood their acceptance of high or extreme risks, although it was acknowledged they understood critical risk and the implications for the organisation.</p>
Recommendation	<p>2023 The organisation may still wish to consider that Executive Leaders acknowledge that they have an understanding of high or extreme risks within the organisation, and that they are comfortable with the controls in place as part of the risk appetite. This activity may also support progress towards an integrated health and safety approach.</p>
Priority	Medium

Comment 19.	<p><i>2021 Emergency management controls have not been systematically identified.</i></p>
Recommendation	<p><i>2021 Include hazards that give rise to emergencies, for example, medical event, fire, spill, quad bike rollover etc so they also have controls in place. Note that controls can include aspects in place to reduce the extent of the event, for example, fire extinguishers, first aid kits, spill kits, roll bars.</i></p> <p><i>Identifying these in the risk register will also assist being confirmed as in place, as part of the internal audit programme.</i></p>
Original priority	Low
Audit Commentary	<p>2023 Work has been undertaken regarding emergency management with some departments having robust processes in place. There is an opportunity to improve the consistency either through the divisional audits or through Health and Safety Representatives.</p>
Recommendation	<p>2023 Ensure that the divisional audits include sufficient checks on emergency management processes.</p> <p>Consider tabling at the Health and Safety Committee meetings a discussion on whether all foreseeable emergency events have been identified, with associated plans in place.</p>





Priority	Opportunity for improvement
Comment 20.	<i>2021 There are processes in place for management of change via Promapp. It is not clear that health and safety aspects are incorporated as part of the process.</i>
Recommendation	<i>2021 Ensure that any change management activities, either operational or administrative, include health and safety considerations.</i>
Original priority	Medium
Audit Commentary	2023 This recommendation has not been well implemented, and as a result the Health and Safety Team are retrospectively having to address health and safety issues resulting from change management.
Recommendation	2023 Ensure that the Executive Leader meeting agenda includes a section to advise the Health, Safety and Risk Manager of any business decisions, to ensure that they can be considered from a health and safety aspect. Note that this should not be limited to physical or other improvements, as psychosocial risk management activities may also need to be assessed.
Priority	High

Comment 21.	<i>2021 Personal protective equipment is readily available, and this is communicated to staff. It was noted however, that when needed, personal protective equipment is not clearly linked as a control in the risk register, and subsequently is not systematically covered at induction, or as part of an audit programme.</i>
Recommendation	<i>2021 Ensure that when personal protective equipment is used as risk control that it is detailed in the risk register and included in the internal audit programme.</i>
Original priority	Medium
Audit commentary	2023 This recommendation has been met.





Comment 22.	<i>2021 Drones have not been added to a risk register, along with the assessment of risk and defined controls.</i>
Recommendation	<i>2021 Add drones to the risk register. Confirm that drone training has been completed.</i>
Original priority	Medium
Audit commentary	2023 This recommendation has been met.

Comment 23.	<i>2021 There is an opportunity to identify psychosocial risks for inclusion into the risk register</i>
Recommendation	<i>2021 Consider identifying and assessing the risk from psychosocial hazards.</i> Resource
Original priority	Low
Audit Commentary	2023 Psychosocial risk development is in its formative stages and an ad hoc approach is in place. It was also not clear how health and safety functions integrated psychosocial risk management with human resource activities.
Recommendation	2023 The People and Capability Team should consider psychosocial risk management holistically, determining a strategic approach along with areas of responsibility (including public interaction resulting in aggressive behaviours, as indicated above). The following resources may be useful: <ul style="list-style-type: none"> • Managing psychosocial hazards at work: Code of Practice, Safe Work Australia • Psychosocial hazards in work environments and effective approaches for managing them, WorkSafe • ISO 45003 Occupational health and safety management — Psychological health and safety at work — Guidelines for managing psychosocial risks (cost of purchase)
Priority	Medium





Comment 24.	<i>2021 It is not clear that health monitoring requirements in relation to noise from chain saw use has been identified and implemented.</i>
Recommendation	<i>2021 Review chainsaw use and implement health monitoring processes as a means of confirming effectiveness of controls, if identified as required.</i>
Original priority	Medium
Audit commentary	<p>2023 Chain sawing activities have now ceased. Health monitoring is undertaken as part of dive medicals only.</p> <p>As an additional recommendation on this topic, it was not clear how sub-optimal health monitoring results from dive medicals would be fed back into health and safety management, allowing assessment of controls.</p>
Recommendation	<p>2023 The organisation should develop a process to ensure that sub-optimal work-related results are fed back into health and safety risk management activities. For example, when a sub-optimal work-related result is received, it is actively investigated to ensure the controls within the organisation for managing the risk are effective.</p> <p>Where health monitoring is utilised to confirm the effectiveness of a control, ensure this detailed in the risk register.</p>
Priority	Medium





Worker training

Comment 25.	<i>2021 Inductions are completed and held on the People Inc system. Due to HR privacy requirements the Health and Safety and Wellbeing Business Partner, Health and Safety Representatives, and managers are unable to have oversight of completed inductions.</i> <i>Discussions with HR indicate that regular reports can be run where training has been captured.</i>
Recommendation	<i>2021 Follow through on the plan to have HR provide monthly training reports.</i>
Original priority	Medium
Audit Commentary	2023 The Health and Safety Team are now managing inductions, allowing oversight of completion. This recommendation has been completed.

Comment 26.	<i>2021 Training to manage key risks have not been clearly identified.</i>
Recommendation	<i>2021 As part of the risk assessment activity as detailed above, ensure that where training has been identified as a control, this is captured in the risk register and aligns to the training records kept for each department.</i>
Original priority	Medium
Audit commentary	2023 Work has commenced on developing an understanding of training required and a training matrix is in place. Oversight particularly with respect to health and safety-related courses has improved, and this is expected to improve over time.
Recommendation	2023 Continue to manage training in accordance with current plans.
Priority	Medium

Comment 27.	<i>2021 Training registers are held in People Inc and department records. There is varied compliance with maintenance of training registers, with some departments maintaining them well, and others less so.</i>
Recommendation	<i>2021 Confirm which role is responsible for maintaining training records, for example the Health and Safety Representatives or others. Ensure they are aware of the requirements. Include checks of training records in the internal audit programme.</i>





	<i>Consider that a better system for management of induction and training records is needed.</i>
Original priority	Medium
Audit commentary	2023 As highlighted above training records, as well as completion of training, have improved. There remain some consistency challenges regarding competency checks, however, much of this recommendation has been met.
Recommendation	2023 Ensure checks of training records as part of the internal audit regime.
Priority	Medium

Comment 28.	<i>2021 Some departments such as Biodiversity, have defined timeframes for refreshment of training, however many do not, and inconsistent application was observed. For example, TC and STMS, along with first aid training is defined and up to date. Others that are high risk such as quad bike use, helicopter safety, and chain saw use, are not.</i>
Recommendation	<i>2021 As part of the review of the risk register, define the training refreshment period, the frequency of which should reflect the level of initial risk.</i> <i>Include checks of this aspect as part of the internal audit programme.</i>
Original priority	Medium
Audit commentary	2023 The general training matrix captures information on training and is predominantly up to date. Training require refreshment has been completed or is scheduled. This recommendation has been met.

Comment 29.	<i>2021 There was no clear or consistent link between risks (as identified on the risk register) that use training as a control and associated competency checks.</i> <i>Some departments undertake competency checks, although not all include health and safety components.</i>
Recommendation	<i>2021 After the risk register has been updated, the organisation should ensure that those risks that have worker training as a control have an appropriate competency assessment in place.</i> <i>Include checks of competency assessment in the internal audit programme.</i>





Original priority	Medium
Audit commentary	2023 There have been significant improvements in this area with an increasing number of competency assessments been completed. This remains a work in progress.
Recommendation	2023 Include checks of competency assessments in the internal audit programme.
Priority	Medium

Comment 30.	<i>2021 The induction process has been updated over time; however long-term workers have not been re-inducted.</i>
Recommendation	<i>2021 Consider that when the induction process is changed, workers should re-do the induction. Consider implementing a timeframe for re-induction, for example every three years. Add re-induction to a schedule.</i>
Original priority	Low
Audit commentary	2023 This has not yet been completed; however, re-induction is scheduled for implementation in 2024.
Recommendation	2023 Continue with plans for re-induction as scheduled.
Priority	Low

Comment 31.	<i>2021 Training for personal protective equipment use is undertaken on a case-by-case basis. There were no instances identified as part of this audit that triggered the need for specialist equipment or training.</i>
Recommendation	<i>2021 Consider adding into the internal audit programme an annual check or reminder to confirm that no new personal protective equipment or training is required.</i>
Original priority	Low
Audit commentary	2023 CERT training has been completed for management of challenging behaviours from the public. Some staff undertake spraying, which potentially triggers personal protective equipment and associated training.
Recommendation	2023 Confirm spraying activities, then review controls in the risk register, and update if necessary. Where PPE is used as a control, ensure appropriate training has been undertaken.
Priority	Medium





Comment 32.	<p>2023 There is no clear framework in place for training and overall, it appears to be very siloed. It appears that there is a significant administrative burden to determine that training and competency requirements are in place across the organisation and are effective.</p> <p>Executive Leaders are not necessarily receiving the required information that informs how training is being managed. Internal audit activities are in their infancy which further exacerbates this issue. Compounding this is that divisional audits are not completed and do not robustly assess training components.</p> <p>Lack of robust oversight of training compliance remains a risk to the organisation.</p>
Recommendation	<p>2023 Consider how training oversight, particularly when it is a control to manage a health and safety risk, could be better managed.</p>
Priority	High





Incident management

Comment 33.	<p>2021 The organisation has several separate processes in place for accident and incident management, for example GIS and paper-based reporting. An older software system is used to capture information.</p> <p>A streamlined and clear process would support overall incident management and support better collation and analysis of data.</p>
Recommendation	<p>2021 Review the processes for accident and incident management. Consider also a flow chart or similar that shows which form to use or process to follow.</p> <p>Consider also determining which system is best to use and support organisational wide implementation. Refer below regarding corrective actions.</p>
Original priority	Low
Audit commentary	<p>2023 Survey 123 is now being used for incident management, and while some paper-based reporting is still undertaken, this is reducing.</p> <p>This recommendation has been met.</p>

Comment 34.	<p>2021 It is unclear that managers are aware of their responsibilities regarding notifiable events.</p>
Recommendation	<p>2021 Ensure that manager training includes an understanding of notifiable events, reporting, and regulatory requirements.</p>
Original priority	High
Audit commentary	<p>2023 Notification responsibilities have been communicated; the Health and Safety Team is now involved in this process.</p> <p>This recommendation has been met.</p>

Comment 35.	<p>2021 There is no robust system in place to track and manage corrective actions from investigations. As such there is a concern that required actions may be overlooked. Furthermore, there is no ability for senior leaders to have oversight that risk mitigation actions have occurred.</p>
Recommendation	<p>2021 Consider software update or review the current systems used to support tracking of corrective actions.</p>
Original priority	Medium





Audit commentary	<p>2023 Investigations are completed; however, corrective actions remain within the report, and as such is a manual process.</p> <p>While the majority of corrective actions are addressed immediately, there is little ability to maintain oversight and ensure aspects have been completed as anticipated, nor is there any ability for Executive Leader monitoring or oversight. Any reporting is highly administrative and time-consuming.</p>
Recommendation	2023 Executive Leaders should note the risk and consider options for management.
Priority	Medium

Comment 36.	<p><i>2021 The investigations reviewed had some good insights into the contributing factors along with suitable corrective actions. However, there is an opportunity to have more effective investigations.</i></p> <p><i>This could be further enhanced by a review of the risk register as part of the investigation process.</i></p>
Recommendation	<p><i>2021 Consider training for those staff completing investigations.</i></p> <p><i>Include a reminder to review relevant sections of the risk register as part of the investigation process.</i></p>
Original priority	Low
Audit commentary	2023 The Health and Safety Team is actively involved in investigations, particularly those at a higher level, and, as such, investigation processes are generally robust.
Recommendation	<p>2023 Continuous professional development opportunities for investigation management should be included for those with health and safety investigation responsibilities.</p> <p>The organisation should note that a review of the risk register, specifically the risk and the controls in place, as part of the investigation process, should be included in the process.</p>
Priority	Low





Worker participation

Comment 37.	<i>2021 Health and safety representation processes are in place, and the role is defined, however it does not match the activities performed (or expected to be performed) by the representatives.</i>
Recommendation	<i>2021 Review the employee participation process in the manual to ensure it reflects the role of the representatives.</i>
Original priority	Medium
Audit Commentary	2023 Health and safety representation processes were seen to be maturing, and information on representation activities has been updated and is now readily available on Nessie. This recommendation has been met.
Recommendation	2023 Refer to the following resources to continue to support the development of Health and Safety Representatives: <ul style="list-style-type: none"> • REP-CENTRAL (NZISM) • Government Health and Safety Lead HSR Hub. • Worker Representation, WorkSafe
Priority	Opportunity for improvement

Comment 38.	<i>2021 The Health and Safety Committee agenda requires improvement.</i>
Recommendation	<i>2021 Consider using relevant aspect of the health and safety policy and strategy to guide agenda items. Ensure tracking towards health and safety strategy, objectives, KPIs (when developed) are covered. Include topics such as: reviews of health and safety related policies and procedures, performance measures and internal audit outcomes. Include an action plan and assign timeframes and responsibilities for activities.</i>
Original priority	Medium
Audit commentary	2023 There is a work plan in place that supports worker representation activities through the Health and Safety Representatives'.
Recommendation	2023 Continue with work plan as scheduled.
Priority	Opportunity for improvement





Comment 39.	<i>2021 The role of chair at the Health and Safety Committee meetings is shared.</i>
Recommendation	<i>2021 There is an opportunity to provide guidance to each chair to support them running a meeting.</i>
Original priority	Low
Audit commentary	<p>2023 The organisation has changed the process regarding management of Health and Safety Committee meetings, which are now chaired by the Health, Safety and Risk Manager. No further action is required as committees now appear to be well-run.</p> <p>This recommendation has been met.</p>

Comment 40.	<i>2021 Health and safety discussions at the health and safety meetings could benefit from refinement and direction.</i>
Recommendation	<p><i>2021 As per above, use the agenda to frame conversations that focus on improvement actions. Provide resources to support the process.</i></p> <p><i>Consider also developing a Health and Safety Representatives training programme that links to critical risks or other relevant activities. For example, internal audit. Refer to the HSR Hub for a range of supporting resources.</i></p>
Original priority	Low
Audit commentary	<p>2023 Work has been undertaken to support Health and Safety Representatives to empower them to have meaningful discussions and support decision-making. Refer to the reference material above to further support them, as part of continuous improvement activities.</p> <p>This recommendation has been met.</p>





Emergency management

Comment 41.	<i>2021 There is an evacuation scheme in place for the North Road site although it is from 1993 and could benefit from refreshment. Drills are logged with FENZ for this site. There is no evacuation scheme in place for Price Street and the last drill logged was 2018. It is noted that this is because they are incorporated into the North Road reporting. There is no evacuation scheme in place for the Biosecurity office.</i>
Recommendation	<i>2021 Review or develop the evacuation schemes for the three areas. When combined drills are conducted, ensure they are logged against all relevant schemes.</i>
Original priority	Medium – regulatory
Audit commentary	2023 The evacuation scheme has been approved. This recommendation has been met.

Comment 42.	<i>2021 There is an emergency response plan detailed in the health and safety system. It is out of date and does not reflect current activities. For example, "Where am I", personal locater beacons, and ERoad.</i>
Recommendation	<i>2021 Update the emergency response plan and recommunicate to staff.</i>
Original priority	Low
Audit commentary	2023 An emergency response plan is in place, and work has been completed on updating the plans, however this is not yet been finished. This activity remains a work in progress.
Recommendation	2023 Continue to progress this activity as planned.
Priority	Low

Comment 43.	<i>2021 There was some confusion as to who the building warden was, along with any deputies.</i>
Recommendation	<i>2021 Confirm who the building warden is, and any deputies. Ensure the building warden and deputies are aware of their specific duties.</i>
Original priority	Low
Audit Commentary	2023 This recommendation has been addressed as part of the evacuation scheme approval. No further action is required. This recommendation has been met.





Comment 44.	<i>2021 Evacuation drills are undertaken regularly. There is an opportunity to better debrief wardens after the drill on aspects that need to be addressed.</i>
Recommendation	<i>2021 Ensure any corrective actions are captured, assigned, and confirmed as actioned.</i>
Original priority	Low
Audit Commentary	2023 Evacuation drills are completed regularly, the outcomes of which are presented at the Health and Safety Committee for further debrief, review, and action when required. This recommendation has been met.

Comment 45.	<i>2021 Safety data sheets and inventories are to be readily available to emergency services. For example, from reception.</i>
Recommendation	<i>2021 Confirm that safety data sheets and inventories are available and up to date. Consider contacting the local fire service to determine how and where they would like the information stored or displayed. For example, hard copy or data stick.</i>
Original priority	Medium – regulatory
Audit Commentary	2023 Safety data sheets are updated as part of hazardous substance management processes, and no issues were identified. Hazardous substance inventory requirements were covered as part of evacuation scheme approval. This requirement has been met.

Comment 46.	<i>2021 There has been no assessment in relation to testing of emergency spill procedures for substances that might enter waterways. For example, ethanol.</i>
Recommendation	<i>2021 Consider assessing the need for a spill procedure and drill if the volume of ethanol (once consolidated), and the location, suggest it would be of benefit.</i>
Original priority	Low
Audit commentary	2023 The ethanol has now been removed, regulatory spill processes and drills are now not triggered. This recommendation has been addressed.





Comment 47.	<i>2021 There has been no clear assessment of emergency requirements across the organisation.</i>
Recommendation	<p><i>2021 Undertake a review of emergency equipment, first aiders and training. Ensure that any equipment held is suitable for and reflects the types of emergencies likely to happen.</i></p> <p><i>Consider also when Outdoor First Aid training should be completed and refreshed for field staff.</i></p> <p><i>Refer to: First aid at work for more information.</i></p>
Original priority	Low
Audit commentary	<p>2023 Although a formal review was not completed, an assessment taking into consideration the risk profile of the organisation was conducted and emergency training, for example, CERT training, first-aid and similar was conducted. Replenishment of first aid equipment is now captured under vehicle checks.</p> <p>The organisation is considering a move away from outdoor first aid training, as other mechanisms are in place. However, may reconsider this in the future.</p> <p>No further action is required at present.</p>
Recommendation	2023 Emergency management requirements should be reassessed on a regular basis, for example, in 2025.
Priority	Opportunity for improvement





Contractor management

Comment 48.	<i>2021 There is little in the health and safety management systems on how the organisation is managing its overlapping duties with other PCBU's.</i>
Recommendation	<p><i>2021 Review the contractor management documents to include how the organisation will identify and manage those PCBUs where they have overlapping duties.</i></p> <p><i>Communicate requirements to relevant managers.</i></p> <p><i>Ensure that overlapping duty requirements are added to the internal audit programme.</i></p> <p><i>Consider upskilling managers on the responsibilities of overlapping duties.</i></p> <p><i>Refer to: Overlapping duties</i></p>
Original priority	Medium
Audit commentary	<p>2023 Contractor management documents have now been reviewed and new contractor management processes have been developed.</p> <p>Ad hoc adherence to previous contractor management requirements, as well as the move to civil construction activities means that the risk profile in relation to contractor management is increasing.</p> <p>Contractor management is a risk area for the organisation, and as such Executive Leader oversight on adherence to processes is crucial.</p>
Recommendation	<p>2023 Finalise and implement the contractor management procedure.</p> <p>Ensure Executive Leaders are aware of the processes to be implemented to endorse and support compliance within their departments.</p> <p>Consider up skilling relevant managers on the responsibilities of overlapping duties, and that which has been detailed within the contractor management procedure.</p> <p>Ensure that internal audit regime confirms the new contractor Management procedure is in place and effective.</p> <p>The organisation may also find it useful to contractor risk and influence matrix to understand its external relationships, the risk, and where the attention needs to be focused.</p>
Priority	High





Comment 49.	<i>2021 There is an updated procurement process in place, however health and safety aspects (with respect to suppliers or contractors) do not appear to have been included or linked to health and safety processes.</i>
Recommendation	<i>2021 Undertake a review of the procurement process and ensure relevant health and safety aspects (including regulatory requirements) are included.</i> <i>It may also be beneficial to determine why health and safety aspects from the change were not considered, and subsequently how they could be included in any future operational changes.</i>
Original priority	Low
Audit commentary	2023 The organisation has contracted a third party to undertake a procurement audit of its processes as part of its three-year audit regime. Health and safety aspects are anticipated to be included as part of this process. While this requirement has not been met, the outcome of this audit will assist in identifying opportunities for improvement.
Recommendation	2023 Incorporate recommendations from the procurement review into contractor management processes, where applicable.
Priority	Low

Comment 50.	<i>2021 Contractor management requirements are detailed in the health and safety procedures, for example, selection and assessment criteria, along with performance monitoring. While these processes are generally robust, they typically have not been completed. This includes contractor assessments, reviews or audits of safety performance, and post contract reviews.</i> <i>It was also noted that there seemed to be a lack of submissions of SSSP's for review, suggesting they have not been requested or submitted.</i> <i>It was observed that there were a significant number of contractors requiring assessment and management, as such current resourcing levels may be inadequate to have them completed in a timely manner.</i>
Recommendation	<i>2021 Advise Executive Leaders of resourcing requirements for adequate contractor management.</i> <i>Add checks of contractor management to the internal audit programme. The frequency of audits should reflect the level of risk of the work being performed.</i>





	<i>Ensure reporting on contractor management activities are included in board and senior leader reports.</i>
Original priority	Medium
Audit commentary	<p>2023 Prequalification aspects have had significant input and there has been a reduction in the contractor pool as a result, with the remaining contractors completing assessment (or in progress of) their health and safety systems.</p> <p>The new contractor management procedure once operationalised will further support contractor management activities. However, the recommendations detailed above remain in place.</p>
Recommendation	<p>2023 Advise Executive Leaders of resourcing requirements for adequate contractor management.</p> <p>Ensure checks of contractor management are included in the internal audit programme. The frequency of audits should reflect the level of risk of the work being performed.</p> <p>Ensure reporting on contractor management activities are included in Executive Leader reports.</p>
Priority	High

Comment 51.	<i>2021 There has been no consistent feedback from contractors regarding incidents and near misses, in the past few years. It is statistically unlikely that there have been so few.</i>
Recommendation	<i>2021 As part of the internal audit programme, consider adding checks of contractors' incident registers, as well as holding regular conversations querying incidents and events.</i>
Original priority	Low
Audit Commentary	<p>2023 There has been improvement and reporting from contractors through both support and encouragement from Executive Leaders and the Health and Safety Team.</p> <p>This recommendation has been addressed.</p>
Recommendation	2023 This recommendation has been addressed, however, checks on contractors' incident registers should always be included as part of site inspections.
Priority	Opportunity for improvement





Hazardous substance management

Comment 52.	<i>2021 Not all hazardous substances and their maximum volumes sites have been listed in inventories.</i>
Recommendation	<i>2021 Audit the hazardous substances at the sites against the inventories to ensure all substances are captured. Remove all unnecessary substances and add any remaining substances to the inventory and adjust volumes.</i>
Original priority	Medium – regulatory
Audit commentary	<p>2023 Previously, significant work was put into managing hazardous substances in accordance with regulatory requirements, however, changes of staff meant that crucial log-on information was lost, and unable to be obtained. A chemical user group has now been established to implement hazardous substance management requirements.</p> <p>This activity is a regulatory one, and the Health and Safety Team may struggle to resource some of the aspects. This is a risk that should be noted by Executive Leaders.</p>
Recommendation	<p>Ensure that the chemical user group is appropriately supported to progress the hazardous substance improvement plan.</p> <p>Obstacles should be reported to Executive Leaders to enable support.</p> <p>A hazardous substance approval process should be developed and implemented to support management of hazardous substances as part of this activity.</p>
Priority	High-regulatory
Comment 53.	<i>2021 There is no evidence of a risk assessment for hazardous substances as per the inventories. Consider using the HSNO Calculator to assist in the process.</i>
Recommendation	<p><i>2021 Complete a risk assessment for each substance (or group of similar substances)</i></p> <p><i>Ensure controls have been identified and are in place.</i></p> <p><i>Note that this includes the substances held in the new DG Shed.</i></p>
Original priority	Medium – regulatory





Audit commentary	2023 Hazardous substances were observed around the site to be managed in accordance with regulatory requirements; no urgent issues were identified.
Recommendation	2023 Completion of the above activity will address this issue.
Priority	Medium – regulatory

Comment 54.	2023 There is a battery charging area in one of the work sheds. It was not clear when a risk assessment in relation to the activity was last completed.
Recommendation	2023 Review battery storage requirements, in particular hazardous area zones. Update the risk register to reflect any specific requirements. It is also recommended that commentary on this assessment is captured, as well as a date the completed.
Priority	Low

Comment 55.	2021 <i>It is not clear that hazardous substance emergency equipment has been identified.</i>
Recommendation	2021 <i>As part of the risk assessment process above, confirm that any relevant emergency equipment has been identified and is available. Note that this includes the substances held in the new DG Shed.</i>
Original priority	Medium – regulatory
Audit commentary	2023 This recommendation will be addressed as part of the risk assessment process.

Comment 56.	2021 <i>The current volume of ethanol on site (at least 300L) triggers a location compliance certificate.</i>
Recommendation	2021 <i>With urgency, reduce the volume to either below:</i> <ul style="list-style-type: none"> • 100 L when any container size is more than 5 L • 250 L when all containers are less than 5 L <i>Alternatively, with urgency, contact a compliance certifier for a location compliance certificate.</i>
Original priority	High – regulatory





Audit commentary	2023 The ethanol stored at the site was deemed to be not needed and removed. This recommendation has been addressed.
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Comment 57.	<i>2021 Hazardous substance training competency for workers has not been assessed and implemented across the organisation.</i>
Recommendation	<p><i>2021 Workers using hazardous substances are required to have documented training followed by practical supervised experience on:</i></p> <ul style="list-style-type: none"> • <i>the health risks and safety issues associated with the hazardous substances they work with</i> • <i>how to safely use, handle, manufacture, store and dispose of the substances</i> • <i>the safe use of associated equipment, including personal protective equipment</i> • <i>their obligations under the regulations (if applicable)</i> • <i>their responsibilities and actions to be taken in an emergency.</i> <p><i>Note that the level of training should reflect the level of risk associated with the hazardous substance.</i></p> <p><i>Undertake hazardous substance training and ensure competency assessments have been completed. Note that this can be an in-house activity.</i></p> <p><i>Refer: training</i></p>

Original priority	Medium – regulatory
Audit Commentary	<p>2023 Grow Safe training as well as Certified Handler training has been completed and is current.</p> <p>Regulatory hazardous substance training requirements have not yet been implemented for other substances; this is anticipated to be completed as part of the chemical user group activities.</p>
Recommendation	2023 Monitor the completion of hazardous substance training requirements.
Priority	Medium – regulatory





Comment 58.	<i>2021 Tracked substances were noted on an inventory. It is likely that this is incorrect. As part of updating the SDS's confirm the classifications for high-risk substances.</i>
Recommendation	<i>2021 If substances trigger tracking, then implement the regulatory requirements.</i> <i>Refer to: tracked substances</i>
Priority	Medium – regulatory
Audit Commentary	2023 The substance was considered unnecessary and has been removed. No further action is required. This requirement has been met.





Conclusion

While many of the observations were best practice recommendations, particular attention should be drawn to those that have a high priority along with those that are regulatory requirements.

It is recommended also that attention be given to the type of observations made in this report so they can be incorporated into the internal audit programme.

Experience and qualifications

All work is performed in accordance with the Code of Professional Ethics and Guidelines of the New Zealand Institute of Safety Management. Avid Plus consultants are qualified and registered professionals with many years of experience in health and safety management systems.

Auditor

Robyn Bennett

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- CertProfNZISM
- MPhil (OSH), BSc, GDipOSH, GDipQA
- ACC Approved Auditor
- Safe+ Assessor
- Exemplar Global OHSMS Lead Auditor
- HASANZ Registered Specialist



Confidentiality

Information obtained from the site to assist in this health and safety audit report will remain confidential and will only be used for purposes associated with the audit.

Disclaimer

This report has been prepared by Robyn Bennett for the sole purpose of assessing the standard of the health and safety management of the organisation listed in this report.

Any reference to interpretation of legal requirements does not constitute formal legal advice.

Whilst every effort has been made to ensure the accuracy of this report, Robyn Bennett will not be held liable for the content and the consequences of its use.



9.5 Health and Safety Critical Risk Deep Dive - Lone and Remote Working

Report by: Paul le Roux, Health, Safety and Risk Manager

Approved by: Amy Kubrycht, General Manager People & Customer

Report Date: 19 June 2024

Purpose

The purpose of this report is to provide a “Deep Dive discussion” on a health and safety critical risk – Lone and Remote Working.

Summary

The agreed work programme for Risk and Assurance Committee provides for a “Deep Dive Health and Safety Critical Risk discussion” at every meeting. This involves a detailed examination of the organisation’s critical health and safety risks and associated controls for discussion.

At this meeting the Health and Safety Critical Risk – Lone and Remote Working, will be examined.

Recommendation

It is recommended that the Risk and Assurance Committee resolve to:

- 1 Receive the report - Health and Safety Critical Risk Deep Dive – Lone and Remote Working.

Background

Remote or isolated work is work that is isolated from the assistance of other people because of the location, time or nature of the work being done. A worker may be isolated even if other people are close by. In some situations, a worker may be alone for a short period of time, while in other situations they may be on their own for a number of hours at a remote location.

Lone workers are people who work by themselves and/or work in the community with only limited support arrangements, which therefore exposes them to risk of being isolated from normal support. Lone and remote environments can include rural, industrial, farm, hill land, bush, forest, streams, estuaries, river, lake, sea, quarry and forestry.

Environment Southland is responsible for the sustainable management of Southland's natural resources - land, water, air and coast - in partnership with the community. The Southland region covers over 3.1 million hectares and spans 3400 km of coast. It is relatively sparsely populated, and parts of the region are considered to be very remote. Weather in Southland is influenced by weather systems from the west and south bringing lower than average temperatures, plenty of rain and frequently bringing frost and snow to the region.

In a typical week, staff could be wading through a river to look at algae one day, taking water samples in high river flows the next, and then driving off to calibrate monitoring equipment in a far-flung corner of the region.

Commentary

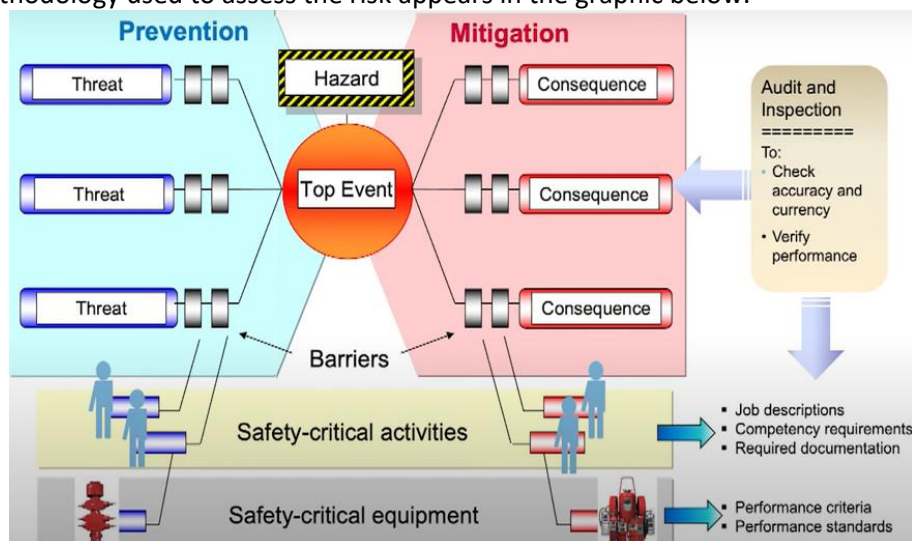
Risk details		
Name	Lone and remote working - workers involved in remote field work and working by themselves may end up in situations where help or assistance is not readily available.	
Risk	Council operates facilities and activities that require staff to travel and work in remote areas in Southland, often alone. Remote and lone working means that staff are isolated from assistance from other people because of the location, time or nature of the work being done. Assistance from other people includes rescue, medical assistance and emergency services.	
Details	Owner	Date of review
	Chief Executive	April 2024
Current rating	Inherent risk	Residual risk (controls are effective)
	Extreme 12-E ¹	High 8-H

Overview

A worker may be considered remote or isolated even if other people may be close by. Work can be remote because of the nature of the work, location, and time, such as visiting clients, inspecting workplaces, working in remote sites, or responding to calls after hours. In some situations, a worker may be alone for a short period of time, while in other situations they may be on their own for days in a remote location. Working remotely can be either a large or small part of the job but it can be hazardous when assistance is not readily available to an employee in the event of an injury, ill health, or an emergency.

A bowtie risk analysis model is being used to assess this risk and to support the business to understand the risk. Much like the name suggests, this style of risk assessment uses a format that looks like a bowtie. It enables users to conceptualise the interaction of causes, controls and consequences of a risk. The bowtie risk analysis model can also provide a systematic examination of the business, identifying all circumstances which may give rise to risks. Essentially, it provides a detailed study of the cause and recovery mechanisms for the critical risks within an organisation. Bowtie for remote and lone working is currently being drafted and will be reviewed by a selection of health and safety representatives. Associated documents are also currently being reviewed and a new remote and lone working standard is being developed. Guidance documents will support the standard.

The bowtie methodology used to assess the risk appears in the graphic below.



This report will cover the following from the risk assessment:

- event;
- threat and prevention;
- consequences and mitigation.

Top Event

An event is the moment control over a hazard is lost. The most credible top event that covers most hazards associated work remotely and/or alone is, ***a worker becomes lost, sustains an injury, is assaulted or a medical event occurs that precludes self-rescue and where assistance from other people may be limited.***

Causes

Causes are sources of harm that could lead to the top event. The bowtie considers the following causes:

- **security:** working remotely in isolated areas may put a worker at increased risk if there is verbal or physical abuse from other people that they interact with. Access to support may not be possible;
- **social isolation:** workers working remotely, particularly if they are operating alone, are at risk of social isolation especially if there are long periods of isolation;
- **technological/communication isolation:** there is a huge reliance on technology and workers working in remote or isolated areas of Southland can lose communication or access to technology. Areas of Southland have poor mobile coverage and most communications technology is reliant on mobile coverage;
- **safety:** the workers' physical safety will depend on their job tasks. For example, a Resource Management Officer in the field may have different risks compared to an administrator working remotely but both situations present risks. However, if something goes wrong or if there is an accident or an emergency, assistance is not readily available;
- **driver safety:** driving alone off-road, on rural roads or after hours is common for Environment Southland staff and distances between home base and work sites can be far. Fatigue affects the ability of a person's ability to perform work safely and drive safely. Driving is a critical risk for Environment Southland and is managed accordingly;
- **work environment:** workers working remotely can be working in many different environments. These could be differing weather conditions, terrain, industrial, rural and coastal environments. For some staff it could be a combination of environments. These environments can present additional hazards and can impact on the tasks being performed;
- **lack of supervision:** workers working separated from teams and supervision having to make decisions in isolation or having to undertake tasks without supervision.

Prevention

The bowtie assessment considers as many prevention controls/barriers as possible. Some of the preventative measures that are considered to be key are:

- risk assessment;
- communication;
- technology;
- training and supervision.

Undertaking appropriate risk assessments for activities taking into account lone/remote working and applying the hierarchy of controls. If used correctly, these assessments assist in making informed decisions on how to undertake activities safely. A good risk assessment prior to an activity complements the planning process and allows staff to anticipate and plan for potential issues. When identifying remote or isolated work, the following are considered:

- the length of time the person/s may be working alone;
- the time of day when a person may be working alone;

- the method and effectiveness of communication (i.e. alternate communication methods must be implemented in known mobile black spot areas);
- the location of the work;
- the nature of the work;
- environmental conditions e.g. weather, terrain;
- fatigue management i.e. allowing enough time to complete tasks and to allow for rest breaks;
- the physical fitness, skills and capability of the worker.

Choosing the appropriate method of communication is essential in managing this risk. Mobile phones will generally be the most common form of communication, however coverage can be unreliable because of poor mobile coverage in Southland. Environment Southland uses a combination of mobile phones, Garmin Inreach GPS (texting feature) devices and HF radios for communication. The Environment Southland check-in application is GetHomeSafe which works on mobile phone and Garmin Inreach GPS devices.

Environment Southland uses GetHomeSafe (mobile phone application) as its safety monitoring system for workers working remotely or alone. The system requires workers to check in on a regular basis and allows supervisors to track staff in the field. The system has emergency notification capabilities. For locations with poor mobile coverage, Garmin Inreach GPS devices are integrated in the GetHomeSafe application. GetHomeSafe also communicates with the Environment Southland in vehicle monitoring system, ERoads, which adds an additional layer of monitoring. Environment Southland also uses an after-hours service to monitor staff over weekends or after-hours. During working hours, Environment Southland reception staff and people leaders monitor activities. However, on weekends or after-hours, only people leaders are monitoring activities. There is a greater risk of a staff member missing an alarm out of hours and therefore the after-hours service is there as an additional layer of control. The after-hours service operates 24/7 365 days a year.

Training is particularly important where there is limited supervision to control, guide and help in situations of uncertainty. Training and experience can provide workers with sufficient understanding of the risks and precautions that should be taken when working remotely and/or alone. It can also avoid panic and adverse reactions in unusual situations. Ensuring staff are competent to deal with circumstances that are new, unusual or beyond the scope of training, for example, when to stop work and seek advice from a supervisor or how to handle aggression. Frontline staff are trained in situational safety and tactical communications which gives them skills to deescalate and tactically withdraw from situations. This training also gives staff confidence in assessing situations and quickly making informed decisions. Staff also receive training in advanced driving and 4x4 off-road driving. Divisional competencies on equipment and working remotely form part of field staff's competency requirements.

Consequences and mitigations

Consequences represent the undesirable outcomes that could result from the top event. Some of the consequences are:

- injury or serious harm;
- damage to property e.g. vehicles;
- becoming lost i.e. field work could include walking/hiking into remote areas;
- psychosocial harm e.g. abusive public

Mitigative barriers/controls are aimed at reducing the impacts of the consequences once the top event has occurred. For this risk, some of the preventative and mitigation controls are similar and influence both sides of the bowtie. Critical mitigations are:

- people monitoring system – check in;
- emergency provisions;
- vehicles.

Environment Southland uses GetHomeSafe to monitor people in the field or when they are undertaking remote work. GetHomeSafe integrates with ERoads. Regular check-in procedures are in place so that people leaders can monitor staff activities. There are escalation procedures in place if people leaders do not respond to alarms. During normal working hours, all staff using GetHomeSafe are monitored by the Environment Southland reception team. An after-hours service monitors activities after hours and on weekends.

GetHomeSafe has emergency features (including silent response) that assist people leaders in responding to alerts. If mobile reception is an issue, Garmin Inreach devices are integrated into the GetHomeSafe application. The Garmin devices have an SOS feature that triggers a response like personal locator beacons and will notify the people leader and a national response center. Staff working in the field use GetHomeSafe consistently and it is an effective control when people leaders are able to monitor staff movements and assist if required.

All Environment Southland vehicles are fit for purpose and have all the necessary safety features (5-star ANCAP). Vehicles are also suitable for the terrain that staff are expected to travel in. Vehicles are well maintained, all vehicles carry first aid kits and drivers must have full drivers' licenses.

Effectiveness of existing controls

Controls are in place, but their effectiveness can vary. It is acknowledged that the hazards cannot be eliminated or substituted, and the controls can only minimize the likelihood of an event happening. There are still behaviours that reflect poor application of the controls and there are breaches. These are usually captured as incidents.

For all the controls to be fully effective there needs to be improvements made. The application and consistency of the controls differ across divisions. Work is being undertaken to improve controls and to ensure there is consistent application of the controls. The overall health and safety management system is being improved and currently this work is underway. Induction improvements have been made across all divisions to further embed existing controls and to ensure that they are effective.

Controls are checked and verified during third party audits, site health and safety tours and after incidents. A monthly report is submitted by the Health, Safety and Risk Manager to the Executive. A monthly Health and Safety Committee meeting gives health and safety reps the opportunity to share lessons learned from incidents and to share further controls or to raise controls that are ineffective. Health and Safety representatives report back to divisions at weekly/monthly meetings on lessons learnt or incidents and learnings from other divisions.

Further Considerations

Opportunities exist to further explore how to integrate technology into remote working activities. For example GetHomeSafe has features that Environment Southland does not currently use or dashcam on vehicles that are integrated with ERoads (in vehicle monitoring system).

Environment Southland does not currently have a fatigue policy. Fatigue is a state of physical and/or mental exhaustion. It can reduce a person's ability to perform work safely and effectively. A fatigue policy could inform shift lengths, average weekly hours, work related travel and reporting fatigue risks. Once developed, it would need to be supported by training.

Environment Southland is yet to run an exercise to test our preparedness in the event of a worker working remotely or alone initiating an alarm and needing urgent assistance. However, we are sure the systems do work as sometimes we experience "false alarms" which, in the moment, are responded to as the live events

that they are. However, these false alarms do not test all our response steps e.g. calling emergency services, diverting other staff in the area to assist. At the time they are identified as false alarms, no further action is taken.

Fit with strategic framework

Outcome	Contributes	Detracts	Not Applicable
Managed access to quality natural resources			X
Diverse opportunities to make a living			X
Communities empowered and resilient			X
Communities expressing their diversity			X

Attachments

Nil

9.6 Insurance Update - June 2024

Report by: Tracey Adendorff, Team Leader Finance Operations

Approved by: Dominic Rikiti, General Manager Business Services

Report Date: 19 June 2024

Purpose

To provide the Risk and Assurance Committee with an update of the Council's insurance policies, including the approaching Riskpool Annual meeting. To request feedback on current insurance levels held as this report is brought forward before the asset renewals to allow Committee involvement.

Summary

Council holds insurance for the purpose of mitigating risk by reducing the consequence of an incident. The attached "Summary of Council insurance held - 2024" gives an overview of the type and amount of cover, including the excess and claims made over the past five years. Aon will give the Committee a market update and give feedback on the adequacy of Council's current levels of insurance. The item also outlines Council's annual insurance renewal timeline and explains the renewal process.

Recommendation

It is recommended that the Risk and Assurance Committee resolve to:

- 1 Receive the report - Insurance Update - June 2024;
- 2 note feedback on the attached "Summary of Council insurance held - 2024" and "R&A – Aon presentation – June 2024".

Background

Insurance underwriters are interested in insuring significantly large collectives. For Council to obtain underwriting, it is essential for it to participate in such collectives. To date Council has separated its own risk by using two brokers working in different collectives. Marsh is used for liability insurance, and Aon for all other risks.

Marsh advised the Council in early June 2024 that it is no longer able to provide liability insurance for the Council. The reason is that Marsh is unable to utilise the London facility for New Zealand Local Government clients from 30 June 2024. This is a result of a significant deterioration in Council claims being presented to the London market.

The Council has approached Aon to ask if they can provide this liability insurance from 1 July 2024. Aon is currently working with their National Liability programme underwriter on this. An update will be provided to the Committee at the meeting on 19 June 2024.

Current insurance position

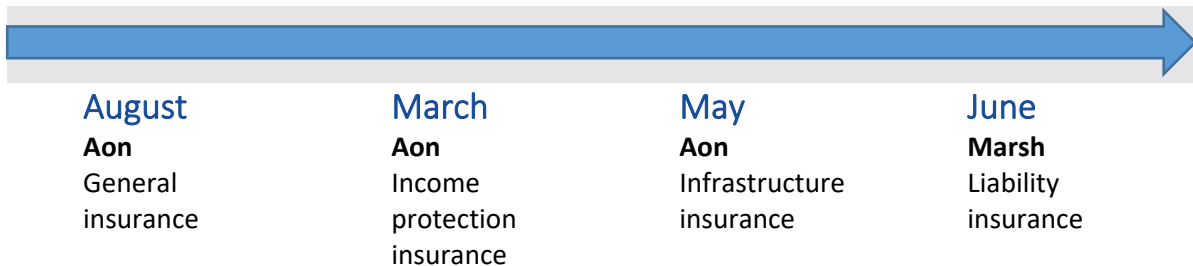
The attached "Summary of Council insurance held – 2024" gives a succinct overview of all current Council insurance. The policy column details the type or class of insurance, and the description column explains what the insurance covers.

This summary is usually provided to the Committee after the Aon insurance renewal. This summary will now be provided to the Committee before the general asset insurance renewal process begins in August to allow Committee involvement in the renewal process. This will enable the Committee to consider the adequacy of current cover and excess held and offer proactive feedback before the renewal. The summary has been enhanced to include claims made in the past five years to provide a better overview.

Deanna McDonald (Aon) will update the Committee on the current insurance market challenges and give feedback on the adequacy of Council’s current levels of insurance. Please refer to the attached "R&A – Aon presentation - June 2024" for more detail on this.

Annual insurance renewal

Financial year renewal timeline



General insurance (Aon)

The insurance renewal timeline commences in August each financial year when Aon provides Council with the general insurance pre-renewal report. The pre-renewal report details Council’s general asset cover, excess and exclusions. Asset classes and values are reviewed each year to ensure cover is up to date and fit for purpose. Council staff also consider any exceptions and the excess applied to each class. Aon general insurance is renewable on 1 November each year. Council is currently covered for the following classes of general insurance:

- rural assets and dwellings;
- commercial motor;
- material damage;
- business interruption;
- specialised monitoring equipment;
- crime;
- employer’s liability;
- statutory liability;
- commercial hull;
- drone hull and liability;
- personal accident.

Income protection insurance (Aon)

Asteron Life Limited is Council’s income protection insurance providers. This is an employment benefit provided to all full-time employees. The insurance period runs from 1 April to 31 March. Each balance date, a standard industry formula is applied to account for Council staff entrants and exits, as well as changes to salaries from the previous renewal date.

Infrastructure insurance (Aon)

The Council infrastructure asset insurance renewal commences around May each year when Aon provides Council with the declared infrastructure asset value listing for review. The Council’s Catchment Operations team will review and update the declared infrastructure asset value listing to ensure appropriate cover is in place. This insurance is covered under the Aon Group (London) via South Island Council Collective. Aon prepares a market presentation for the South Island Council Collective for infrastructure asset insurance which is presented to the London underwriters in September each year.

Council's infrastructure assets were valued at \$107 million in August 2023. Insurance underwriters are interested in insuring significantly large collectives. For Council to obtain underwriting, it is essential for it to co-insure with the South Island Council Collective. By joining resources and aggregating insured assets the South Island Council Collective becomes a more marketable proposition for the London markets. This helps to ensure, firstly that the participating councils can obtain insurance and secondly that the premiums are at appropriate market rates. The infrastructure assets are currently insured via a combination of the National Emergency Management Agency (60%) and Aon commercial insurance (40%).

Liability insurance (Marsh)

Marsh are currently the brokers for Council's liability insurance, which is renewed on 1 July each year however, on 31 May communication was received from Marsh advising that they are *"no longer able to utilise the London facility for our New Zealand Government clients from 30 June 2024"*. AON were immediately approached about stepping in to arrange for continuation of this cover and a Local Authority Combined Liability Form has been completed and submitted for assessment. There are other councils also impacted by the Marsh announcement and AON are working with their National Liability programme underwriters to find a solution with urgency. At the time of writing Council's application is still in progress but coverage is expected to be available from 1 July.

The impacted policies relate to:

- public liability;
- professional indemnity;
- Harbourmasters' liability;
- wreck removal costs;
- environmental impairment.

Riskpool

The Riskpool Members' Annual Meeting is scheduled for Friday, 21 June 2024. At this stage there are no agenda items to discuss.

The Council was previously a member of the Riskpool scheme. Riskpool is winding up, however Council has an ongoing obligation to contribute to the scheme should a call be made in respect of any historical claims (to the extent those claims are not covered by reinsurance), and to fund the ongoing operation of the scheme. The likelihood of any call-in respect of historical claims diminishes with each year as limitation periods expire.

Council received the last update on winding up on 10 November 2023. The Risk and Assurance Committee was updated at the meeting held on 29 November 2023 regarding the current liability of \$55k which was paid to Riskpool on 20 December 2023. There have not been any further updates since then. Council will update the Committee when further information is received.

Fit with strategic framework

Outcome	Contribute	Detracts	Not Applicable
Managed access to quality natural resources			X
Diverse opportunities to make a living			X
Communities empowered and resilient			X
Communities expressing their diversity			X

Compliance with Significance and Engagement Policy

There are no issues within this report which trigger matters in this policy.

Consideration

Financial Implications

There are no additional financial or resource implications.

Legal Implications

This report and the associated recommendations comply with the appropriate statutory requirements placed upon the Council.

Attachments

1. Summary of Council insurance held - 2024 [9.6.1 - 4 pages]
2. R& A - Aon presentation - June 2024 [9.6.2 - 19 pages]

Summary of Council insurance held - 2024

Aon						
Policy	Insurer	Description	Cover	Excess	Claims 2022/23	Claims 5 years
Infrastructure – 40% cover	Aon Group (London) via South Island Council Collective	<p>This provides cover Earthquake, Natural Landslip, Flood, Tsunami, Tornado, Windstorm, Volcanic Eruption, Hydrothermal & Geothermal activity, and Subterranean Fire. Business Interruption is limited to Additional Increased Costs of Working (AICOW) and Enablement Costs.</p> <p>Cover is brought in a collective with the following councils.</p> <ul style="list-style-type: none"> • Buller District Council • Grey District Council • Nelson City Council • Queenstown Lakes District Council • West Coast Regional Council • Westland District Council <p>The responsibility for the insurance of infrastructural assets is between the central and local governments. Beyond a threshold, the central government will contribute 60% of the restoration costs, leaving the local authorities with 40% of any reinstatement costs. The current insurance cover placed by Aon on behalf of Councils protects their 40% responsibility.</p>	<p>Sum Insured: \$107m Made up of</p> <ul style="list-style-type: none"> • River Management \$105.7m • Other \$1m • Unspecified \$300k <p>Limit of Liability (100%) \$300m combined limit for any one loss or series of losses arising out of any one event.</p> <p>The programme limit of liability in respect of the peril of earthquake only, is subject to an annual aggregate limit and is subject to one automatic reinstatement for earthquake only at nil premium.</p>	\$250k each and every loss	Nil	\$1.8m
Income protection	Asteron Life Limited	This policy provides permanent employees with a replacement of their salary up to 75% should they be unable to work due to illness or injury.	<p>Up to 75% of salary per employee. Limit of \$8k per month per employee which equates to 75% of \$128k annual salary. Staff with salaries above \$128k are limited to the \$8k benefit level unless they go through underwriting. The maximum benefit any one employee could insure up to is \$20k per month.</p>	3 month wait period	\$112k	\$483k
Personal accident	Chubb Insurance New Zealand Limited	<p>This policy covers all employees of Environment Southland, 365 days of the year and allows for all new employee employed over this insured period. A list of employees is declared at renewal.</p> <p>Payment is paid to Environment Southland on an accepted claim and is at the discretion of Environment Southland to pass these funds onto the employee.</p>	<p>Maximum \$2.5m Per person \$100k</p>	Nil	Nil	\$5k

Policy	Insurer	Description	Cover	Excess	Claims 2022/23	Claims 5 years
Rural assets and dwellings	Client Placement Facility (NZI as lead underwriter)	Rural Assets - This provides cover for Accidental Loss and Damage caused to the property owned by Environment Southland. Cover is a mixture of replacement by area and replacement value. Rural Dwelling - This provides cover for Accidental Loss and Damage caused to the property owned by Environment Southland. Cover is replacement value. An inflationary provision is added each year. Alternative accommodation to \$30k - Provides cover for the additional costs of temporary accommodation following a loss that deems the property to be uninhabitable	Rural Assets: \$1.9m Rural Dwelling: \$2.8m Natural Disaster	\$0.5k \$0.7k 5% Material Damage	Nil	Nil
Commercial motor	NZI Insurance	Any person (regardless of being an employee) is insured under the policy if they have Council permission to use the vehicle. This includes drivers under 25 years of age. All motor vehicles presently existing or subsequently acquired, owned, hired (in and out), leased, rented, loaned, borrowed, or used by or on behalf of the Insured, or are in the lawful custody or control of the Insured, or in which the Insured has an insurable interest or for which the Insured has received instructions to insure.	Fleet Value \$2m	1% of market value minimum \$0.5k	\$14.6k	\$55.9k
Material damage	NZI Insurance	This provides cover for Accidental Loss and Damage caused to the property owned by Environment Southland. Cover is replacement value based on valuations received.	Sum Insured \$23.4m Made up of <ul style="list-style-type: none"> Building \$19.4m Contents \$4m Capital Additions - \$1m This allows for property acquired during the period of insurance not notified to Aon. Property in the Course of Construction - \$1m Sustainable Rebuilding Costs - \$100k	\$1k Landslip \$10k Fish screw pumps \$5k	Nil	\$2.9k
Business interruption	NZI Insurance	This provides cover post loss under your Material Damage policy. Additional Costs: This provides cover following an insured event. E.g. fire in office building and the costs to arrange for colleagues to work from an alternative premise. Claim Preparation: This allows for expenses incurred by assessing, preparing or certifying details following an insurable event.	Additional Costs \$250k Claim Preparation Costs \$50k	24 hours Transport routes 14 days Utilities 72 hours	Nil	Nil

Policy	Insurer	Description	Cover	Excess	Claims 2022/23	Claims 5 years
Specialised monitoring equipment	NZI Insurance	Fire and specified perils	\$2m	\$2.5k	Nil	\$39k
Crime	QBE Insurance	Provides cover for loss of your own money or money that you are responsible for (including by electronic funds transfer), arising out of the fraudulent actions of employees or external parties	\$500k	\$25k	Nil	Nil
Employers liability	Berkshire Hathaway Speciality Insurance Company (60%) QBE Insurance (Australia) Limited (40%)	This provides cover for any claim made against Environment Southland, that was brought by an employee for damaged for bodily injury including damage and defence costs as a result of an employee sustaining bodily injury. It also covers any punitive or exemplary damage and defence costs as a result of the employee sustaining bodily injury. This policy has a retroactive date of unlimited. This allows for the Insurer to response to a claim made and reported to the insurer during the policy period relating to act error or omission regardless of when it occurred.	\$2m	\$2k	Nil	Nil
Statutory liability	Berkshire Hathaway Speciality Insurance Company (60%) QBE Insurance (Australia) Limited (40%)	This provides cover for any claim made against Environment Southland, for unintentional breaches of New Zealand law which results in prosecution. These acts include Consumer Guarantees Act, Building Act, Fair Trading Act and Health and Safety in Employment Act 1992. This policy has a retroactive date of unlimited. This allows for the Insurer to respond to a claim made and reported to the insurer during the policy period relating to act error or omission regardless of when it occurred.	\$2m	Health & safety \$10k RMA \$25k	Nil	Nil
Commercial hull	Vero Marine Insurance New Zealand Ltd	The total values declared at the inception of each period of Insurance shall represent the full replacement value of the property insured. In the event of a claim for actual or constructive total loss of the equipment insured the Insurer will the full replacement cost at the time of the loss up to but not exceeding the value declared. Cover applies to any damage caused to third party property up to \$20m.	Remotely Operated Q-Boat: \$45k Toroa: \$45k Hoiho: \$25.5k Waitahi: \$150k Waituna Lagoon: \$20k Kewa: \$270k	\$0.3k \$0.5k \$0.5k \$1k \$1k \$2k	Nil	\$1.5k
Drone hull and liability	HDI Global Specialty SE – Australia	Drone Hull Flight Legal Liability Public Legal Liability	Drone Hull: Various per agreed value Flight Legal Liability: \$10m Public Legal Liability: \$10m	1% of agreed value \$2.5k	Nil	Nil

Marsh						
Policy	Insurer	Description	Cover	Excess	Claims 2022/23	Claims 5 years
Public liability	Various London Market Insurers for the Australasian Local Government Liability Programme led by QBE UK	Protection for legal liability in connection with the Business and arising from occurrences resulting in Personal Injury or Property Damage occurring within the Territorial Limits	NZ equivalent of AUD \$300m	\$5k	Nil	Nil
Professional indemnity	As above	Protection for legal liability in respect of a breach of a professional duty by way of negligent act, error or omission, including Defense Costs and Expenses	NZ equivalent of AUD \$300m	\$10k	Nil	Nil
Harbourmasters' liability	As above	Provides indemnity for sums the insured may become legally liable whilst exercising the statutory powers and duties of a Harbourmaster	\$25m	\$25k	Nil	Nil
Wreck removal costs	As above	Removal, destruction or salvage of any Wreck posing a hazard to navigation pursuant to S33J of the Maritime Transport Act 1994 (or substitution thereof)	\$25m	\$25k	Nil	Nil
Environmental impairment	Channel Syndicate 2015 at Lloyd's	Protection for legal liability as a result of a claim for Property Damage, Clean Up or Natural Resource Damage resulting from Pollution that is at, on, under or migrating from the Insured Premises	\$1m	\$25k	Nil	Nil

AON

Environment Southland

Audit & Risk Committee Meeting

Deanna Macdonald & Sally Parker
Aon New Zealand

June 2024



Local Government Risk Practice



Deanna Macdonald

National Client Relationship Manager-
Local Government Risk Practice



Sally Parker

Account Manager-
Local Government Risk Practice



Agenda



1

Market Update

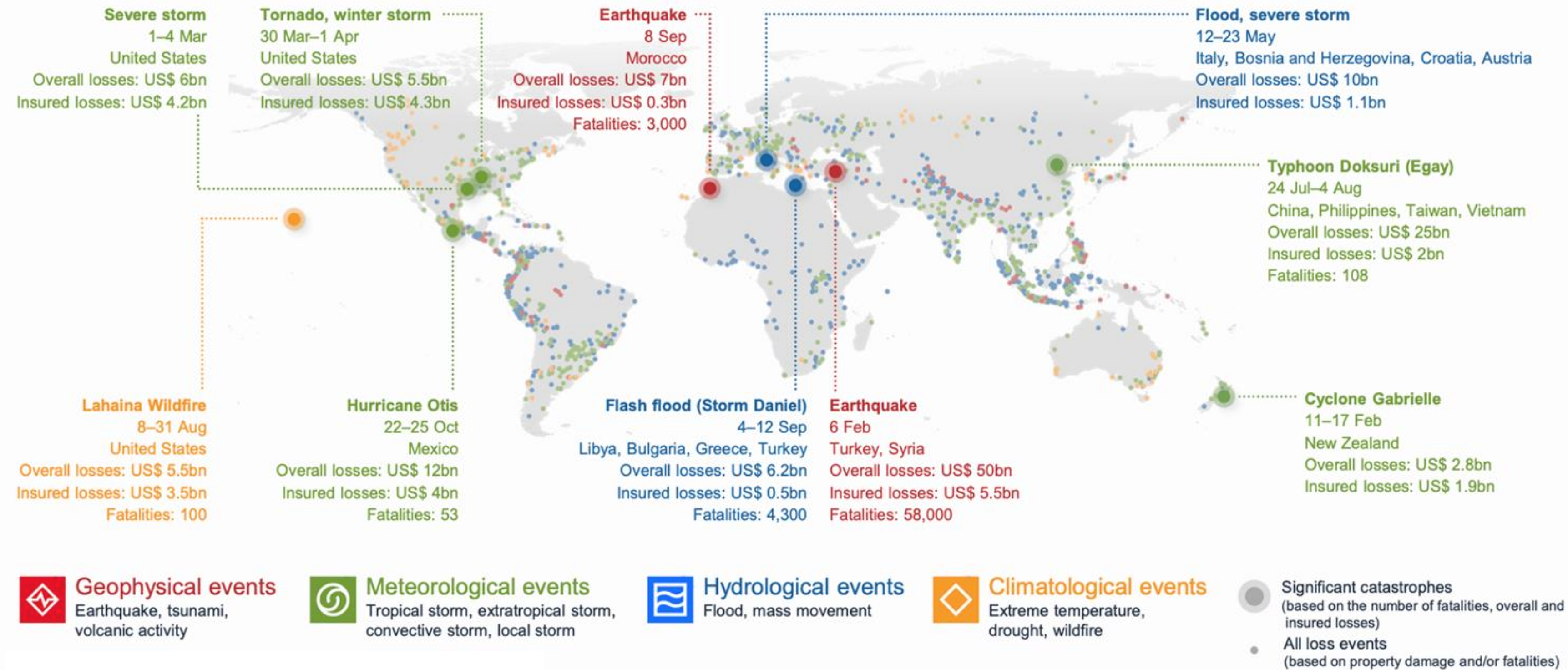


Global Events Overview

NatCatSERVICE

Nat cat loss events 2023

Natural catastrophes caused overall losses of US\$ 250bn worldwide



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Global Market Overview

Market Overview

- Affordability of insurance for risks in Nat Cat exposed locations is top of political agenda
- insurance pricing locally is still being driving by increasing frequency of weather related claims and inflationary pressures.
- Property market continue to present challenges for insureds (Wellington EQ & flood risk, Hawke's Bay and Auckland flood risk)
- Economic losses in 2023 Auckland Anniversary Floods and Cyclone Gabrielle USD7.1b
- Questions around robustness of loss models and rate adequacy for secondary perild



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Market Overview

Pacific	Moderate	Flat	Abundant	Prudent	Flat	Flat	Stable
Australia	Moderate	Flat	Abundant	Prudent	Flat	Flat	Stable
New Zealand	Challenging	+1-10%	Constrained	Rigorous	Flat	Flat	Stable
	Overall	Pricing	Capacity	Underwriting	Limits	Deductibles	Coverages



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Market Overview

Pacific	Moderate	Challenging	Soft	Soft	Moderate
Australia	Moderate	Challenging	Soft	Soft	Moderate
New Zealand	Moderate	Moderate	Soft	Soft	Challenging
	Automobile	Casualty / Liability	Cyber	Directors and Officers	Property



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Cost of Natural Disasters in NZ

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Date	Event	Categories	Cost (\$m)
2024 Jan 1	Annual total	Extreme weather	3810.6
2023 9-10 May	North Island Weather	Storms	41.4
2023 Feb 21 - 28	North Island weather	Storms	20.8
2023 Feb 11 -17	Cyclone Gabrielle to 1 ...	Storm	1790.8
2023 Jan 27 - Feb ...	Auckland Anniversary W...	Flood	1957.6
2023 Jan 1	Annual total	Extreme weather	351.3
2022 Nov 18 - 25	Aotearoa storms	Storms	21.6
2022 Aug 18 - 21	Remainder of New Zeal...	Flood	36.7
2022 Aug 18 - 21	Nelson-Tasman Flooding	Flood	31.1
2022 Jul 24 - 27	New Zealand weather	Storm	17.2
2022 Jul 17 - 21	South Island weather	Storm	20.6
2022 Jul 11 - 13	New Zealand weather	Storm	18.2
2022 Jun 9 - 14	North and South Island ...	Storm	20.3
2022 May 20 - 20	Levin Tornado	Tornado	11.1
2022 Mar 21 - 29	North Island Floods	Flood, Rain, Storm	119.6
2022 Feb 9 - 14	Cyclone Dovi	Cyclone	54.8
2022 Jan 15 - 15	Tonga Volcanic eruption ...	Earthquake	5.9
2022 Jan 1	Annual total	Extreme weather	324.9

Market Overview

Market Overview

Jan 1 2024 treaty renewals relatively smooth

- Rebound in profitability
- Rebuilding capital
- Greater availability of capacity
- Increased appetites
- Higher primary insurance pricing
- New investors still on the sidelines
- Insured losses from Nat Cat events were at elevated levels
- Reinsurance on other lines were flat to modestly up on price adjusted basis
- Underwriters require complete and current submissions

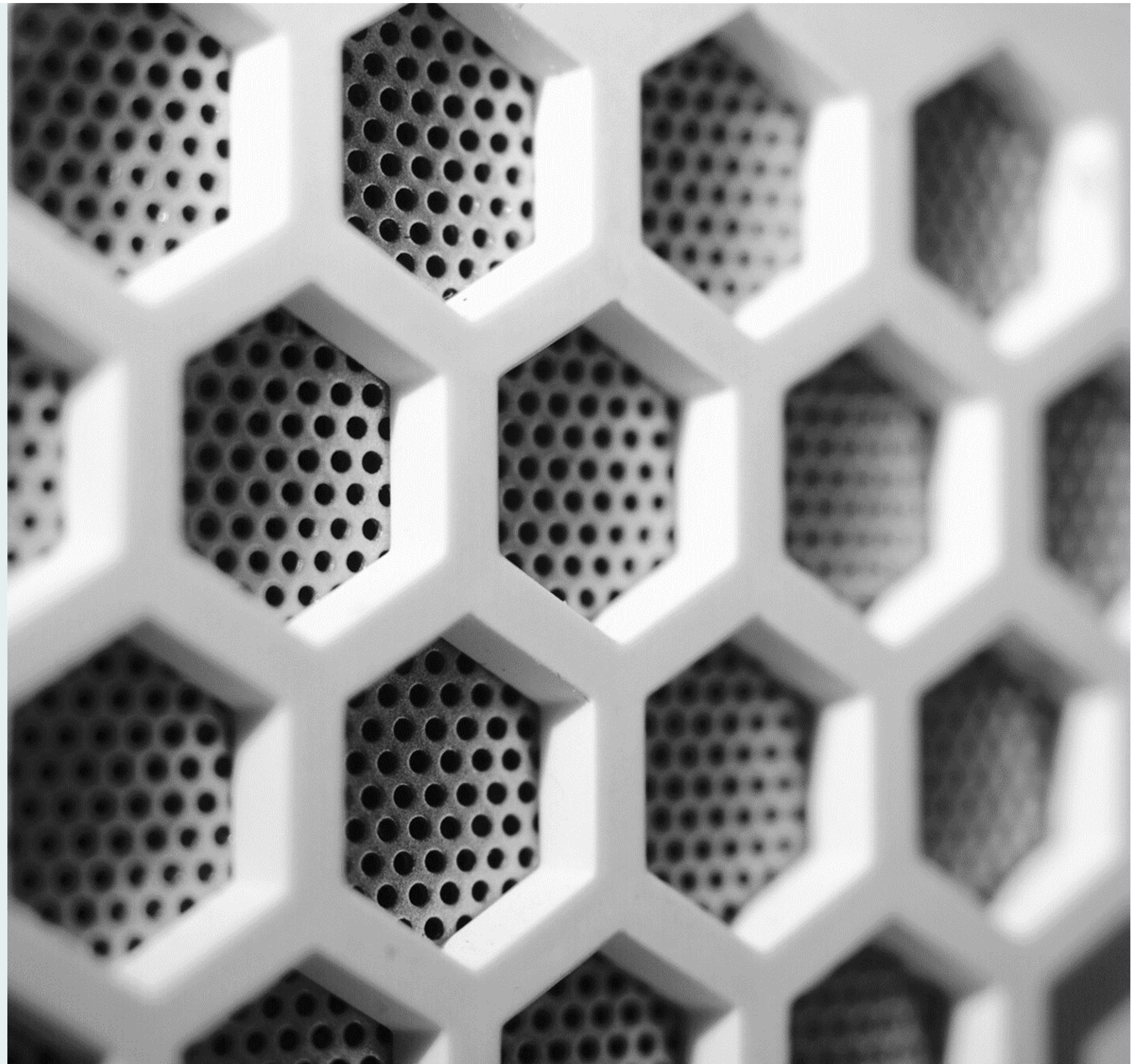
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2

Current Programme

AON



Current Programme

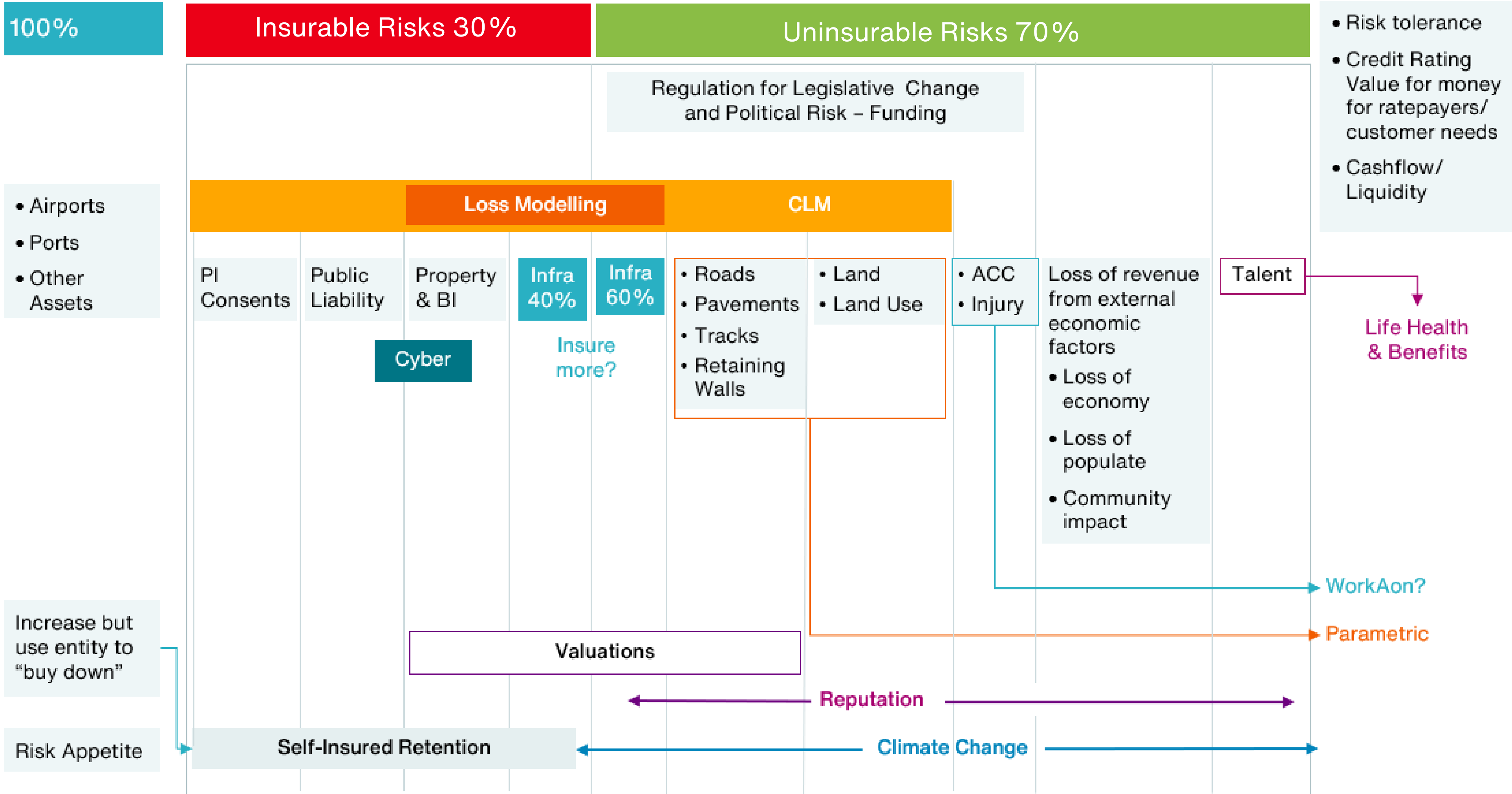
Policies	Premium 2022	Premium 2023	2022 TDV / LOI	2023 TDV /LOI	Excess/Deductible
Vertex Combined MDBI Policy	\$41,201.26	\$51,204.16	\$21,480.500	\$23,364,900	\$1,000.00
Commercial Motor	40,507.00	\$34,540.80	\$1,902,165	\$2,098,275	\$500.00
Employers Liability	\$1,300.00	\$1,430.00	\$2,000,000.00	\$2,000,000.00	\$2,000.00
Statutory Liability	\$5,500.00	\$6,050.00	\$2,000,000.00	\$2000,000.00	\$25,000.00*
Fidelity/Crime	\$8,000.00	\$8,800.00	\$500,000.00	\$500,000.00	\$25,000.00
Specialised Monitoring Equipment	\$10,656.30	\$15,895.60	\$1,457,811.00	\$1,961,000.00	\$2,500.00
Marine Hull	\$4,358.98	\$6,186.60	\$341,840.00	\$555,692.00	\$250.00 - \$2,000.00
Marine Cargo	\$550.51	\$558.01	\$150,000.00	\$150.000.00	\$250.00
Personal Accident	\$12,212.00	\$13,938.80	167 employees	202 employees	
Rural Assets	\$7,404.13	\$7,844.71	\$1,178,578.00	\$1,875,997.00	\$500.00
Dwelling	\$11,274.07	\$12,910.41	\$2,469,013.00	\$2,765,294.00	\$650.00

* Excluding GST

* Including FSL and EQC



Holistic Risk Map



Programme Opportunities

- Insurable Risk Profiling Workshop - gauge Council's acceptable level of risk
- Deductible levels
- Asset selection
- Business Impact Analysis
- Personal Accident vs Group Life/Health/Benefits
- Cyber

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3

Emerging Risks



GRMS Top 12 Public Sector Risks 2023

1. Cyber Attacks / Data Breach

2. Failure to Attract or Retain Top Talent

3. Economic Slowdown / Slow Recovery

4. Regulatory / Legislative Changes

5. Business Interruption

6. Damage to Reputation / Brand

7. Failure to Innovate / Meet Customers' Needs

8. Cash Flow / Liquidity Risk

9. Property Damage

10. Political Risk

11. Rapidly Changing Market Trends

12. Supply Chain or Distribution Failure



Emerging Risks

1. Cyber will remain one of the biggest risks on corporate agendas, with threats intensifying in several key areas
 - insider risk may increase (IT security is extremely important), but bad actor will recruit staff and pay for access
 - an increase in investment to cyber security systems
 - AI and emerging technologies will present new challenges related to cyber security, data privacy and governance.
 - resulting litigation specifically relating to data protection and privacy will continue to increase.
2. A need to focus on their talent strategies to build a workforce that has the skills to respond to new challenges and opportunities
3. Changing risk profiles and risk tolerance will require new applications of traditional insurance and the continued innovation of products and facilities
4. Inflation will remain subject to volatility with uncertainty around interest rates, which will impact governments, industries and society at large.

Questions?



Ngā mihi. Thank You.

AON

9.7 Deloitte - Audit Proposal letter and Audit plan

Report by: Tanea Hawkins, Chief Financial Officer
Approved by: Amy Kubrycht, General Manager People and Customer
Report Date: 19 June 2024

Purpose

The purpose of this report is to provide the Committee with an overview of the Audit Proposal letter and Audit Plan for the 2023/24 Annual Report.

Summary

The attached Audit Proposal letter outlines the proposed audit and audit fee for the 2023/24 Annual report. The attached Audit Plan for the 2023/24 Annual Report sets out the audit arrangements and discusses the audit risks, issues, audit process, reporting protocols and audit logistics specifically for the year ending 30 June 2024.

Recommendation

It is recommended that the Risk and Assurance Committee resolve to:

- 1 Receive the report - Deloitte - Audit Proposal letter and Audit plan.
- 2 Agree the fee proposal.

Background

The audit of Environment Southland's Annual Report is carried out by Deloitte on behalf of the Auditor General.

Fee proposal

The Audit of Council is carried out under Section 15 of the Public Audit Act 2001, which states that the Auditor-General must from time-to-time audit the financial statements, accounts, and other information that a public entity is required to have audited.

Last year the Council received the three-year Audit Engagement letter and Audit Proposal letter dated 10 May 2023. These letters covered the 2023, 2024 and 2025 financial years. A change to the previous Audit Proposal was that only the fees for year one was detailed in the proposal. Fees for years two and three were only to be determined after the 2022/23 Annual report audit. Management discussed this approach with Deloitte and were comfortable with the rationale.

The fee proposal for the 2023/24 Annual report audit is \$157k (excluding GST). This includes estimated disbursements of \$14k. Deloitte has estimated an extra 40 hours will be required to complete the audit. This is due to the complexity of the audit which has increased over time. The proposed fee increase of \$24k from the prior year considers the increase in wage inflation as well as the estimated increase in hours.

History

Year	Fee	Budgeted Hours	Actual Hours	Increase in hours budgeted	Increase in \$/hr budgeted
2022	\$ 112,500	460	550		
2023	\$ 133,571	540	650	17%	1%
2024	\$ 157,325	580		8%	10%

Over the last three years, the budgeted time required to audit the Council has increased by 80 hours, or 25%. Actual hours are consistently 20% above budgeted hours. This year's fee proposed is 18% higher than last year, being an increase in hours and an increase in \$ per hour.

Council was invoiced for the budgeted fee for the 2022/23 Annual report audit even though the actual hours were over budgeted hours; i.e. Council is invoiced for budgeted hours, not actual hours. This is explained in the extract below from the attached 'Deloitte - Audit Proposal letter':

'Total actual hours in the year ended 30 June 2023 were on par with budget, with the exception of Non CA qualified staff.'

As noted, the request for additional hours is due to continue increasing complexity. Mr Anthony Smith will speak to this subject at the meeting.

Audit Risks and Issues

Deloitte has identified the following risks and issues, which will be reviewed and tested during the audit:

- rates;
- management override of controls;
- statement of Service Performance;
- group audit and consolidation;
- office of the Auditor General Audit Brief.

The Office of the Auditor General Audit Brief has been updated and the main areas of focus include:

- related party transactions and conflicts of interest;
- legislative compliance;
- central government/stimulus funding;
- climate change;
- capital expenditure delivery;
- effectiveness, efficiency, waste and probity.

Group Audit considerations

Deloitte's audit approach is to ensure it has sufficient information to issue an opinion on the Council Group, which comprises Council (parent) and South Port New Zealand Limited.

Timetable

The key dates relating to the 2023/24 external audit are summarised in the table below:

Date	Description
20 May 2024	First interim audit in progress
19 August 2024	Final audit commences
September 2024	Verbal audit clearance and audit opinion issued
23 October 2024	Annual Report adopted
October 2024	Final detailed report printed

Risks/Opportunities

There are no significant risks associated with the Audit Plan.

Views of affected parties

There are no matters in this report which require consideration under this heading.

Fit with strategic framework

Outcome	Contributes	Detracts	Not Applicable
Managed access to quality natural resources			
Diverse opportunities to make a living			
Communities empowered and resilient			
Communities expressing their diversity			

Compliance with Significance and Engagement Policy

There are no issues within this report which trigger matters in this policy.

Considerations

Financial implications

The proposed fee is within the total budget allowed for audit in the 2023/24 financial year.

Legal implications

The audit of Environment Southland's Annual Report is carried out by Deloitte on behalf of the Auditor General, under Section 15 of the Public Audit Act 2001 (the Act) which states that "the Auditor General must from time to time audit the financial statements, accounts and other information that a public entity is required to have audited".

Attachments

1. Deloitte - Audit Proposal letter [9.7.1 - 5 pages]
2. Deloitte - Audit Plan [9.7.2 - 20 pages]



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21 May 2024

Nicol Horrell
Chairman
Environment Southland
Private Bay 90116
Invercargill 9840

Copy: Director Auditor Appointments
Office of the Auditor-General
PO Box 3928
Wellington

Dear Nicol

Proposal to conduct the audit of Environment Southland and subsidiaries on behalf of the Auditor-General for the 2024 financial year.

1 Introduction

The Auditor-General proposes to appoint me to carry out the audit of your organisation for the next two years. As required by the Office of the Auditor-General (OAG), I set out below information relating to the audit for the financial year ending 30 June 2024. The purpose of this proposal is to provide information on:

- the statutory basis for the audit and how audit fees are set;
- the entities covered by this proposal;
- key members of the audit team;
- the hours we plan to spend on the audit and reasons for any change in hours;
- our proposed fees for the audit for the financial year ending 30 June 2024 and reasons for any change;
- assumptions relating to the proposed audit fees, including what we expect of your organisation;
- what the OAG Audit Standards and Quality Support charge provides;
- certification required by the Auditor-General; and
- our commitment to conduct the audit in accordance with the Auditor-General's Auditing Standards.

2 Statutory basis for the audit and how audit fees are set

The audit of your organisation is carried out under Section 15 of the Public Audit Act 2001, which states that "the Auditor-General must from time to time audit the financial statements, accounts, and other information that a public entity is required to have audited".

Fees for audits of public entities are set by the Auditor-General under section 42 of the Public Audit Act 2001. However, your Councilors and I have the opportunity to reach agreement first and recommend those fees for approval. The Auditor-General, with assistance from the OAG, will set audit fees directly only if we fail to reach agreement.

Our proposed audit fees are set out in this letter and include an estimate of the reasonable cost of disbursements (including travel and accommodation where necessary).

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3 Entities covered by this proposal

This proposal covers the audits of the following entities:

- Environment Southland Note subsidiary company (South Port New Zealand Limited) is audited by Deloitte and is subject to a separate arrangement.

4 Key members of the audit team

Appointed Auditor	Anthony Smith
Quality Control Reviewer	Pam Thompson
Audit Manager	Tegan Griffiths

5 Estimated audit hours

We estimate that the following hours will be required to carry out the audits (compared to budgeted and actual data from the previous financial year):

Audit team member	2023 budget	2023 actual	2024
Appointed Auditor	55	50	55
Review Partner	15	10	15
Audit Manager	150	120	150
Other CA qualified staff	160	160	160
Non CA qualified staff	160	310	200
Total audit hours	540	650	580

Total actual hours in the year ended 30 June 2023 were on par with budget, with the exception of Non CA qualified staff. Additional time was required due to new team members and increasing audit requirements and complexity.

5.1 Reasons for changes in audit hours

The major reasons for the changes in hours for your organisation’s audit are:

Reasons for increased or decreased audit hours compared to previous period <u>budgeted</u> hours:	2023 budget	2024
Over time the complexity of the audit of Council has increased. These changes were not fully reflected in the budgeted non-CA qualified staff time in FY23. For FY24, there is an increase in the audit hours for non-CA qualified staff to correct this.	160	200
Total increase (decrease) in audit hours		40



6 Proposed audit fees

Our proposed fee for the 2024 audit (compared to budgeted and actual data from the previous financial year) is:

Structure of audit fees	2023 budget fees \$	2023 actual fees charged \$	2024 \$
Net audit fee (excluding OAG Audit Standards and Quality Support charge and disbursements)	123,300	123,000	131,800
OAG Audit Standards and Quality Support charge	10,271	10,271	11,525
Total audit fee (excluding disbursements)	133,571	133,571	143,325
Estimated Disbursements	14,000	9,587	14,000
Total billable audit fees and charges	147,571	143,158	157,325
GST	22,136	21,474	23,599
Total (including GST)	169,707	164,632	180,924

The audit fees allow for the audit team to carry out specific tasks identified in the OAG Sector Brief and for the OAG Audit Standards and Quality Support charge. We have also estimated the reasonable cost of disbursements (including travel and accommodation where necessary). Disbursement costs are indicative only and will be charged on an actual and reasonable basis.

6.1 Reasons for changes in audit fees

In table 5.1 we showed the factors that have resulted in a change of audit hours. The cost impacts of those changes are shown in the table below.

Reasons for increased audit fees compared to previous period <u>budgeted</u> fees:	2024 \$
Predicted additional staff time required	0
Predicted staff salary cost movements	8,500
Total increase (decrease)	8,500



7 Assumptions relating to our audit fee

You are responsible for the production of your financial statements and anything else that must be audited. Our proposed audit fees are based on the assumption that:

- You will provide to us, in accordance with the agreed timetable, the complete information required by us to conduct the audit.
- Your staff will provide us with an appropriate level of assistance.
- Your organisation's annual report and financial statements (including Statements of Service Performance) will be subject to appropriate levels of quality review by you before being submitted to us for audit.
- Your organisation's financial statements will include all relevant disclosures.
- We will review up to two sets of draft annual reports, one printer's proof copy of the annual report, and one copy of the electronic version of the annual report (for publication on your website).
- There are no significant changes to the structure and/or scale of operations of the entities covered by this proposal (other than as already advised to us).
- There are no significant changes to mandatory accounting standards or the financial reporting framework that require additional work
- There are no significant changes to mandatory auditing standards that require additional work other than items specifically identified in the tables above.
- There are no significant changes to the agreed audit arrangements (set out in an annual letter we will send you) that change the scope of, timing of, or disbursements related to, this audit.

This fee excludes any additional audit procedures required in relation to Climate Change.

If the scope and/or amount of work changes significantly, we will discuss the issues and any implications for our audit costs and your audit fees with you and the OAG at the time.

The 2025 audit fee will be set next year, prior to the 2025 audit commencing.

8 What the OAG Audit Standards and Quality Support charge provides

Parliament has indicated that it expects the full cost of annual audits under the Public Audit Act (including an OAG Audit Standards and Quality Support charge) to be funded by public entities.

The OAG Audit Standards and Quality Support charge partially funds a range of work that supports auditors and entities, including:

- development and maintenance of auditing standards;
- technical support for auditors on specific accounting and auditing issues;
- ongoing auditor training on specific public sector issues;
- preparation of sector briefs to ensure a consistent approach to annual audits;
- development and maintenance of strategic audit plans; and
- carrying out quality assurance reviews of all auditors, and their audits and staff on a regular (generally, three-year) cycle.

Appointed Auditors are required to return the OAG Audit Standards and Quality Support charge portion of the audit fee, to the OAG.



9 Certifications required by the Auditor-General

We certify that:

- the undertakings, methodology, and quality control procedures that we have declared to

the OAG continue to apply;

- our professional indemnity insurance policy covers this engagement; and
- the audit will be conducted in accordance with the terms and conditions of engagement set out in the audit engagement agreement and schedules.

10 Conclusion

As the Appointed Auditor, I am committed to providing you and the Auditor-General with the highest level of professional service. I intend to work with you, the OAG, and the Auditor-General in a partnership environment to resolve any issues that may arise.

If you require any further information, please do not hesitate to contact me.

Please counter-sign this letter (below) to confirm that you, and the governing body of your organisation, agree with its contents. This letter will then form the basis for a recommendation to the Auditor-General on the audit fee that should be set. The schedules of audit hours and fees will also be incorporated into my audit engagement agreement with the Auditor-General to carry out the audit of your organisation as the agent of the Auditor-General.

Yours sincerely

Anthony Smith
Partner for Deloitte Limited
On behalf of the Auditor-General

I accept the audit fees for the audit of the 2024 financial year as stated above.

Full Name: _____ Position: _____

Authorised Signature: _____ Date: _____

Entity Name: _____

Actions to take when agreement has been reached:

- 1 Make a copy of this signed proposal and keep it for your file
- 2 Send the original to: Anthony Smith
Deloitte Limited



Environment Southland audit plan

Year ending 30 June 2024

May 2024



Purpose of report

This report has been prepared for Environment Southland and is part of our ongoing discussions as auditor in accordance with our engagement letter dated 10 May 2023, and as required by New Zealand auditing standards.

This plan is intended for Risk and Assurance Committee (and other Councillors) and should not be distributed further. We do not accept any responsibility for reliance that a third party might place on this report should they obtain a copy without our consent.

This report includes only those matters that have come to our attention as a result of performing our audit procedures to date and which we believe are appropriate to communicate to the Councillors. The ultimate responsibility for the preparation of the financial statements rests with the Councillors.

Responsibility statement

We are responsible for conducting an audit of Environment Southland (the 'Council') for the year ended 30 June 2024 in accordance with New Zealand auditing standards issued by the NZ Auditing and Assurance Standards Board and well as Auditing Standards issued by the Auditor-General. Our audit is performed pursuant to the requirements of the Local Government Act 2002, with the objective of forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of the Councillors. The audit of the financial statements does not relieve management or the Councillors of their responsibilities.

Our audit is not designed to provide assurance as to the overall effectiveness of the Entity's controls but we will provide you with any recommendations on controls that we may identify during the course of our audit work.



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Planning report



Introduction

Dear Councillors

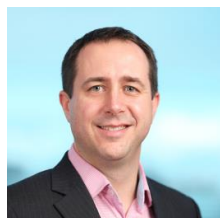
We are pleased to provide you with our planning report for the audit of Environment Southland (the 'Entity') for the year ending 30 June 2024. We understand our responsibility to you, and we have developed a tailored audit plan that summarises the key aspects of our audit scope and approach, our planned communications with you, and our team structure.

This report is designed to outline our respective responsibilities in relation to the audit, to present our audit plan and to facilitate a two-way discussion on the plan presented. This plan is therefore intended for the Councillors and should not be distributed further.

We appreciate the opportunity to serve the Group. We hope the accompanying information will be useful to you, and we look forward to answering your questions about our plan.

A handwritten signature in black ink, appearing to read 'Anthony Smith'.

**Anthony Smith, Partner
for Deloitte Limited
Christchurch | 21 May 2024**





Areas of audit focus

Financial statements dashboard

Area of audit focus	Fraud risk	Control testing planned	Level of management judgement	Status	Page #
Rates	✘	D	●	🔄	7
Management override of controls	✓	D	●	🔄	7
Statement of Service Performance	✘	D	●	🔄	8
Group audit and consolidation	✘	D	●	🔄	8
OAG Audit Brief	✘	D	●	🔄	9

Control testing planned

D: Evaluate whether control design manages risk appropriately

OE: Planning to test if controls were operating effectively and can be relied upon

Level of management judgement required



Low

High



New area of focus



Continuing area of focus



Areas of audit focus

Area of audit focus	Our approach
<p>Rates</p> <p>Over the past decade, there have been a number of issues within the Local Government sector with regards to rates not being set in accordance with the Local Government (Rating) Act 2002 (LGRA). Compliance with the detail of the LGRA is vital: if the rate is not within the range of options and restrictions provided for in that Act, it may not be valid.</p> <p>Management and Council need to continue to ensure that the requirements of the LGRA are adhered to and that there is consistency between the rates resolution, the Funding Impact Statement for that year, and the Revenue and Financing Policy in the respective Long Term Plan (LTP) or Annual Plan (AP).</p>	<p>We plan to:</p> <ul style="list-style-type: none"> • Complete a ‘rates questionnaire’ compiled by the OAG, (similar to that completed in the prior year), to assess whether rates have been set correctly at Council. • Review the meeting minutes recording the adoption of the rates resolution, considering whether the rates are in accordance with the Revenue and Financing Policy as well as reviewing any other information available with regard to rates. • Reconcile the rates strike to the general ledger as well as reviewing any other information available with regard to rates. • Reconcile the QV data to the rates strike and compare the rates per the rates resolution to a sample of individual rate payer’s calculations.
<p>Management override of controls</p> <p>We are required to design and perform audit procedures to respond to the risk of management’s override of controls.</p> <p>Management is in a unique position to perpetrate fraud because of management’s ability to manipulate accounting records and financial statements by overriding controls that otherwise appear to be operating effectively.</p>	<p>We plan to:</p> <ul style="list-style-type: none"> • Understand and evaluate the financial reporting process and the controls over journal entries and other adjustments made in the preparation of the financial statements. • Test the appropriateness of a sample of journal entries and adjustments and make enquiries about inappropriate or unusual activities relating to the processing of journal entries and other adjustments. • Review accounting estimates for biases that could result in material misstatement due to fraud, including assessing whether the judgements and decisions made, even if individually reasonable, indicate a possible bias on the part of management. • Perform a retrospective review of management’s judgements and assumptions relating to significant estimates reflected in last year’s financial statements. • Obtain an understanding of the business rationale of significant transactions that we become aware of that are outside the normal course of business or that otherwise appear to be unusual given our understanding of the Group and its environment.



Areas of audit focus

Area of audit focus	Our approach
<p>Statement of Service Performance</p> <p>The Council’s annual report is required to include an audited Statement of Service Performance (SSP) which reports against the performance framework included in the annual plan.</p> <p>The SSP is an important part of Council’s annual performance reporting and it is important it adequately “tells the performance story” for each group of activities.</p> <p>Our audit opinion considers whether the service performance information:</p> <ul style="list-style-type: none"> • Is based on appropriately identified elements (outcomes, impacts, outputs), performance measures, targets/results; and • Fairly reflects actual service performance for the year (i.e. not just reports against forecast). 	<p>We plan to:</p> <ul style="list-style-type: none"> • Review Council’s SSP against legislative requirements and good practice. This will include checking consistency with the performance framework included in the 2021-2031 LTP and 2023/2024 annual plan. • Audit a sample of the reported performance measures, with a focus on the more significant groups of activities. • Review the narrative commentary and explanatory information provided in the annual report to ensure that this provides sufficient information to the readers i.e. “tells the performance story”.
<p>Group audit and consolidation</p> <p>The Council’s only trading subsidiary, South Port New Zealand Limited (SPNZL) is audited by Deloitte. Deloitte’s audit work will be used to support the Environment Southland Group audit opinion for the year ended 30 June 2024.</p> <p>We note that the SPNZL prepares its financial statements in accordance with NZ IFRS, a different suite of financial reporting standards to those used by Council, being PBE (PS). Management will assess the impact of the differences between the standards on the Group Financial Statements. We note the most significant of these differences is the reversal of the impacts of NZ IFRS 16 Leases.</p> <p>South Port New Zealand has identified the following significant risks to be addressed during the audit:</p> <ul style="list-style-type: none"> • Revenue recognition • Management override of controls • Impairment of property, plant and equipment 	<p>We plan to:</p> <ul style="list-style-type: none"> • Issue referral instructions to the auditors of South Port with specific procedures to be addressed as part of their audit. • Review responses to audit instructions received from the South Port auditors to ensure audit procedures were completely appropriately. • Ensure that we are satisfied with the accounting treatment of revenue for the purposes of the consolidated financial statements. • Review the consolidation process and ensure that all appropriate adjustments are made. • Confirm that where the subsidiary accounting policies, measurements or disclosures are not consistent with group policies, appropriate adjustments were made.



Areas of audit focus

Area of audit focus	Our approach
<p>OAG Audit Brief</p> <p>The OAG Audit Brief has been updated (no material impacts for 2023/24 audit). The main areas of focus include:</p> <ul style="list-style-type: none"> • Related party transactions and conflicts of interest • Legislative compliance • Central government/stimulus funding: It is important that Council is accounting for this funding in accordance with PBE accounting standards, being transparent with communities and meeting any obligations. • Climate Change: Climate change is an area of focus for the work programme of the OAG as Local government is becoming a focus for climate change related action. The OAG focuses on the Councils ability to provide for the resilience of infrastructure assets to the risk of natural hazards, including making sufficient financial provision to respond to these risks. • Capital expenditure delivery: Capital expenditure is a focus area for the OAG and the focus will be placed on Councils ability to deliver in line with the 2021/31 LTP. • Effectiveness, efficiency, waste and probity: Good practice involves the establishment of policies and controls to ensure that expenses have a justifiable business purpose; preserve impartiality; have been made with integrity; are moderate and conservative; have regard to the circumstances; have been made transparently; and are appropriate in all respects. 	<p>We plan to:</p> <ul style="list-style-type: none"> • Meet with management to update our understanding of the plans and processes in place to address the focus areas of the OAG, including understanding any information requests from central government organisations during the period. • Remain alert for issues of effectiveness and efficiency, waste, and a lack of probity or financial prudence throughout the audit. • Assess policies and procedures in place for expenses and procurement processes • Test a sample of expenses for appropriateness against good practice and other guidance issued as relevant for the Council. Our tests will focus primarily on sensitive expenditure such as travel and non-routine expenses; large contract tenders; related party transactions; and payments to offshore locations.



Technical update



Developments in financial reporting

Public benefit entities

The following table provides a high-level summary of the major new accounting standards, interpretations and amendments that are relevant to the Group. A full list of the standards on issue but not yet effective is released quarterly and is available here: https://www2.deloitte.com/nz/en/pages/audit/articles/accounting-alert.html?icid=top_accounting-alert

Major new standard, interpretation or amendment	Effective date (periods beginning on or after)
Public Sector Specific Financial Instruments (Non-Authoritative Amendments to PBE IPSAS 41)	1 January 2023
Disclosure of Fees for Audit Firms' Services (Amendments to PBE IPSAS 1)	1 January 2024

Early implementation efforts recommended

Early effort to consider the implementation of these standards is recommended in order to provide stakeholders with timely and decision-useful information. Implementation steps are outlined opposite

Steps for implementation

Determine extent of impact & develop implementation plan

Monitor progress and take action where milestones are not met

Identify required changes to systems, processes, and internal controls

Determine the impact on covenants & regulatory capital requirements, tax, dividends & employee incentive schemes

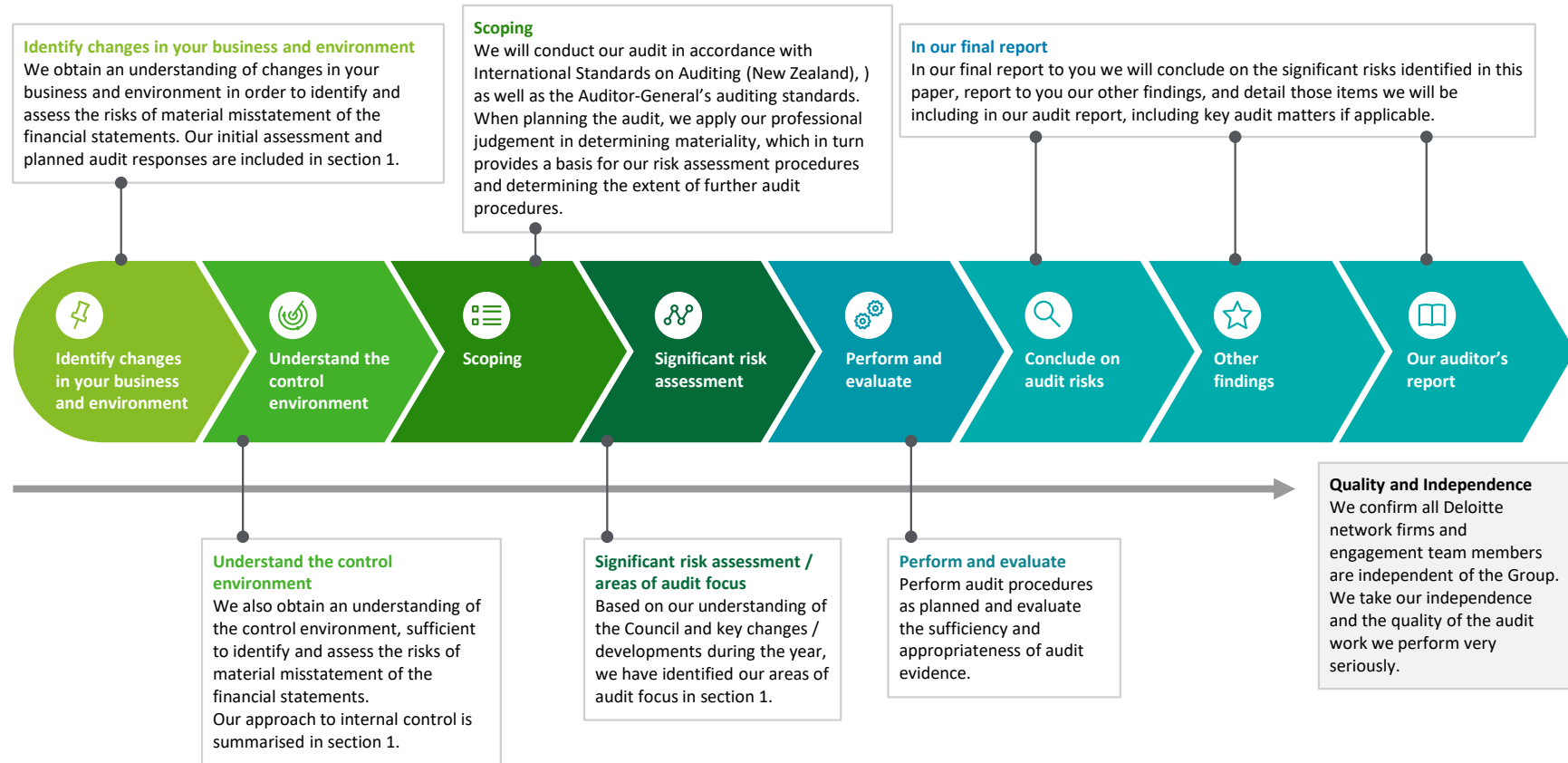


Appendices



Our audit explained

We tailor our audit to your business and your strategy





Materiality

Our approach to materiality

Establishing an appropriate materiality level

We consider materiality primarily in terms of the magnitude of misstatement in the financial statements that in our judgement would make it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced (the 'quantitative' materiality). In addition, we also assess whether other matters that come to our attention during the audit would in our judgement change or influence the decisions of such a person (the 'qualitative' materiality). We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We expect that our materiality will be similar to last year (approx. \$2.1m for the Group and \$1.1m for the Council) and will be based off expenses as it has been previously. We do not expect that the extent of our work will change significantly from previous years given discussions we've had with management on current year forecasts.



Group audit considerations

A summary of the nature of work to be performed on group entities and details of component auditors is as follows:

Our assessment of the scope of work to be performed on the Group’s components is based on financial significance of the Group’s components, our initial risk assessment, materiality, and our understanding of the business in which the Group operates. A summary of the nature of work to be performed for each component entity, the component auditor involved, and our planned involvement in the work of the component auditors is provided on the next page.

The audit approach applied by all Deloitte firms covers the requirements of the International Standards in Auditing (ISA) issued by the IASB and the OAG Auditing Standards.

Location (or subsidiary)	Component auditor (firm and partner name)	Scope	Highlights
South Port New Zealand Limited	Deloitte (Partner: Mike Hawken)	●	We are yet to complete our planning activities at South Port. We will incorporate the relevant risks into the Group wide risk assessment for Environment Southland in due course.

Scope legend	● Financially significant, subject to full scope audit	● Significant due to risk, subject to audit of specified account balances	● Non-significant, subject to analytical procedures or review
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Extent of involvement with the component auditors

Our involvement in the work of the component auditors usually includes discussions with the component auditors and obtaining clearance reports and summary memoranda from them. We may also choose to:

- request details of any matters identified at a local level which will be relevant to our report to you including control weaknesses;
- discuss key matters arising; and/or



Other compliance matters

There are a range of matters we are required to report to you as part of our communications to management and the Councillors.

Related Party Transaction Disclosures

- The Group is required to identify, account and disclose related party relationships and transactions in accordance with the applicable financial reporting framework.
- We will perform procedures to obtain an understanding of the controls, if any, that the Group has established around identifying, accounting for, and disclosing related party relationships and transactions in accordance with the applicable financial reporting framework; as well as the authorisations and approvals process for significant transactions and arrangements with related parties or those outside the normal course of business.
- We will also identify and assess the risks of material misstatement associated with related party relationships and transactions, including determining whether any of those risks are fraud or significant risks, and design and perform further audit procedures to obtain sufficient appropriate audit evidence.

Compliance with Laws and Regulations

- The Group is also required to ensure that its operations are conducted in accordance with the provisions of laws and regulations, including compliance with the provisions of laws and regulations that determine the reported amounts and disclosures in the financial statements.
- We are required to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to understand its nature, and evaluate the effect on the financial statements.

Fraud Characteristics

- In relation to fraud, the primary responsibility for the prevention and detection of fraud rests with management and the Councillors, including establishing and maintaining internal controls over the reliability of financial reporting.
- We will obtain an understanding of how the Councillors exercise oversight of the Group's processes for identifying and responding to the risks of fraud and the internal controls that have been established to mitigate these risks, as well as making enquiries of management and the Councillors to determine whether you have knowledge of any actual, suspected or alleged fraud affecting the Group.

Written Representations

We will request a number of written representations in a representation letter, relating to each of these areas, including that appropriate disclosure of all matters has been made to the auditor.



Fees

We summarise below our proposed audit fees as discussed with management including details of any scope changes. Our proposed fees take account of the increase in wage inflation.

	CY (\$'000)	PY (\$'000)
Fees payable for the audit of the Council's financial statements and performance information	131,800	123,300
OAG overhead charge	11,525	10,271
Total audit fees for financial statements	133,571	142,071
Estimated disbursements *	14,000	9,587
Total fees	156,071	143,158

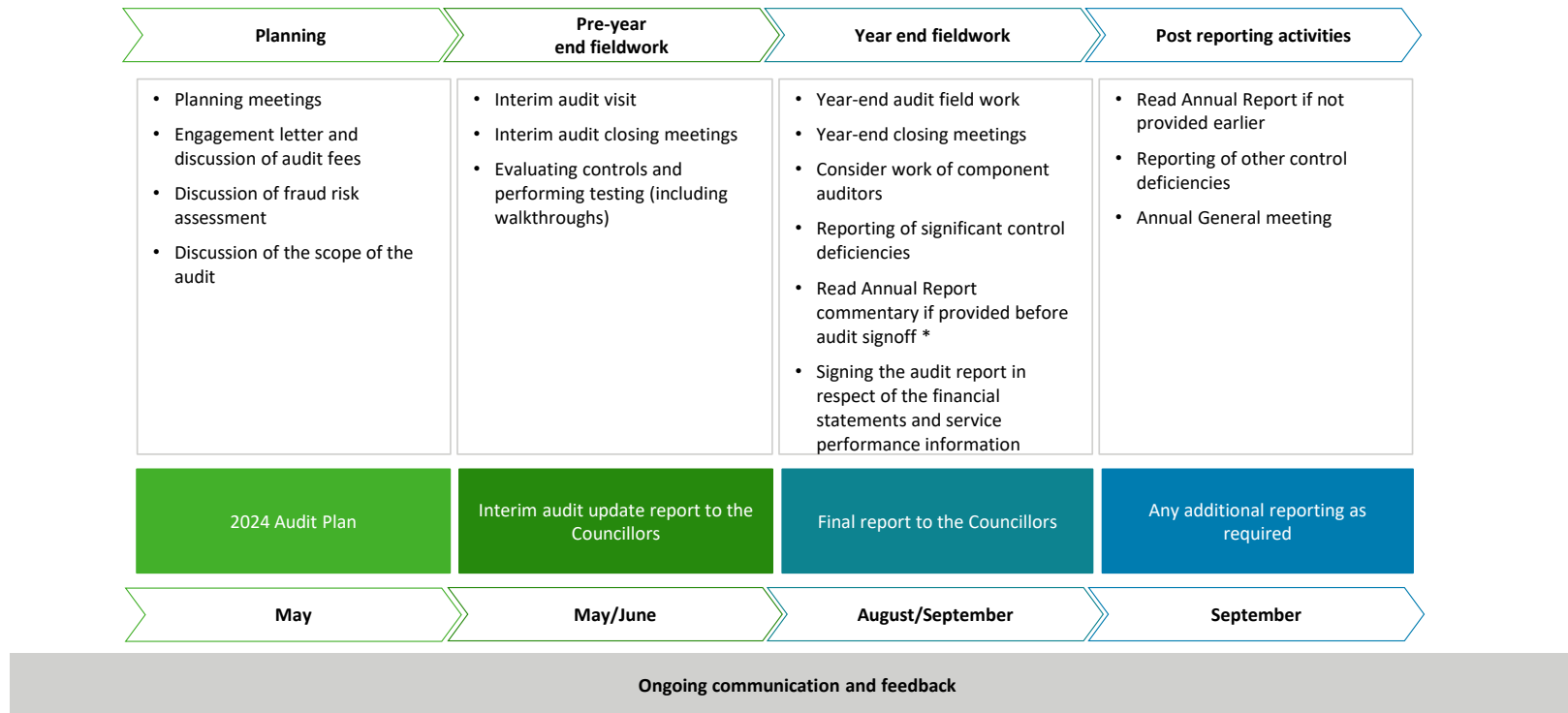
* Disbursements will be charged on an actual incurred basis



Continuous communication and reporting

Planned timing of the audit

As the audit plan is executed throughout the year, the results will be analysed continuously, and conclusions (preliminary and otherwise) will be drawn. The following sets out the expected timing of our reporting to and communication with you.





In addition to the formal communication plan above, we anticipate ongoing dialogue with the Chairman of the Audit Committee outside of the audit window, to discuss significant audit matters on an ongoing basis and not just at the time of the audit.

* We are required to read the other information to consider if there are any material inconsistencies which we are obliged to report on. We will need sufficient time to perform the review.



Your client service team

Team member	Role
 <p data-bbox="510 576 741 679">Anthony Smith Audit Engagement Partner +64 (21) 708 583 anthsmith@deloitte.co.nz</p>	<ul data-bbox="871 571 1480 647" style="list-style-type: none">• Responsible for overseeing the service delivery to the Council• Key point of contact for the Councillors, CFO and senior management• Responsible for the development and execution of our Audit Plan
 <p data-bbox="510 815 725 919">Tegan Griffiths Audit Manager +64 (27) 712 3332 tegriffiths@deloitte.co.nz</p>	<ul data-bbox="871 810 1529 887" style="list-style-type: none">• Responsible for the day-to-day execution of the audit process and activities• Responsible for overseeing our response to technical accounting issues• Key point of contact for the finance team



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9.8 Long-Term Plan Update

Report by: Dave Gibbs, Strategy & Partnership Manager

Approved by: Rachael Millar, General Manager Strategy, Science & Engagement

Report Date: 19 June 2024

Purpose

To provide the Risk and Assurance Committee with an update on the 2024-34 Long-term Plan project.

Summary

The 2024-34 Long-term Plan is about to commence audit following the consultation process that finished with deliberations on 5 and 10 June 2024. Following audit, the 2024-34 Long-term Plan will be finalised and adopted at an extraordinary meeting of Council in July 2024.

Recommendation

It is recommended that the Risk and Assurance Committee resolve to:

- 1 Receive the report - Long-Term Plan Update.

Background

Under the Local Government Act 2002, a local authority must have a Long-term Plan (LTP) in place at all times. The structure, timing, information provided, and consultation processes are defined by the legislation. Consultation documents and LTPs are audited by the Office of the Auditor-General through their appointed representatives and are published with the audit opinion.

The 2024-34 Long-term Plan has been undergoing the required consultation process since 27 March 2024. This has included a public consultation period from 28 March to 13 May 2024. Note that an extension to the closing date was made from 6 May 2024 in response to ratepayer enquiries. Following the close of submissions, hearings were held on 20, 21 and 24 May to enable all those who wanted to be heard to speak to their submissions.

Council then deliberated on all submissions across two days to provide direction to staff to finalise the 2024-34 Long-term Plan for audit and adoption. The 2024-34 Long-term Plan will be adopted in July 2024.

The Risk and Assurance Committee reviewed and discussed the 2024-34 Long-term Plan Consultation Document and key supporting documents on 20 March 2024 and recommended that they be adopted by the Council for consultation at an extraordinary meeting of Council on 27 March 2024.

Audit

The audit of the 2024-34 Long-term Plan document and supporting documents is being completed by Deloitte commencing 17 June 2024. Anthony Smith has been appointed by the Auditor-General as Environment Southland's independent auditor for this LTP process. The audit report will be presented to Council in advance of the 2024-34 Long-term Plan being adopted in July 2024.

Timeline

The updated timeline for the project is attached. Note that should there be a delay in audit, or a requirement from audit to make more than minor changes, this could result in the date for adoption being extended.

Risks

Current key risks include:

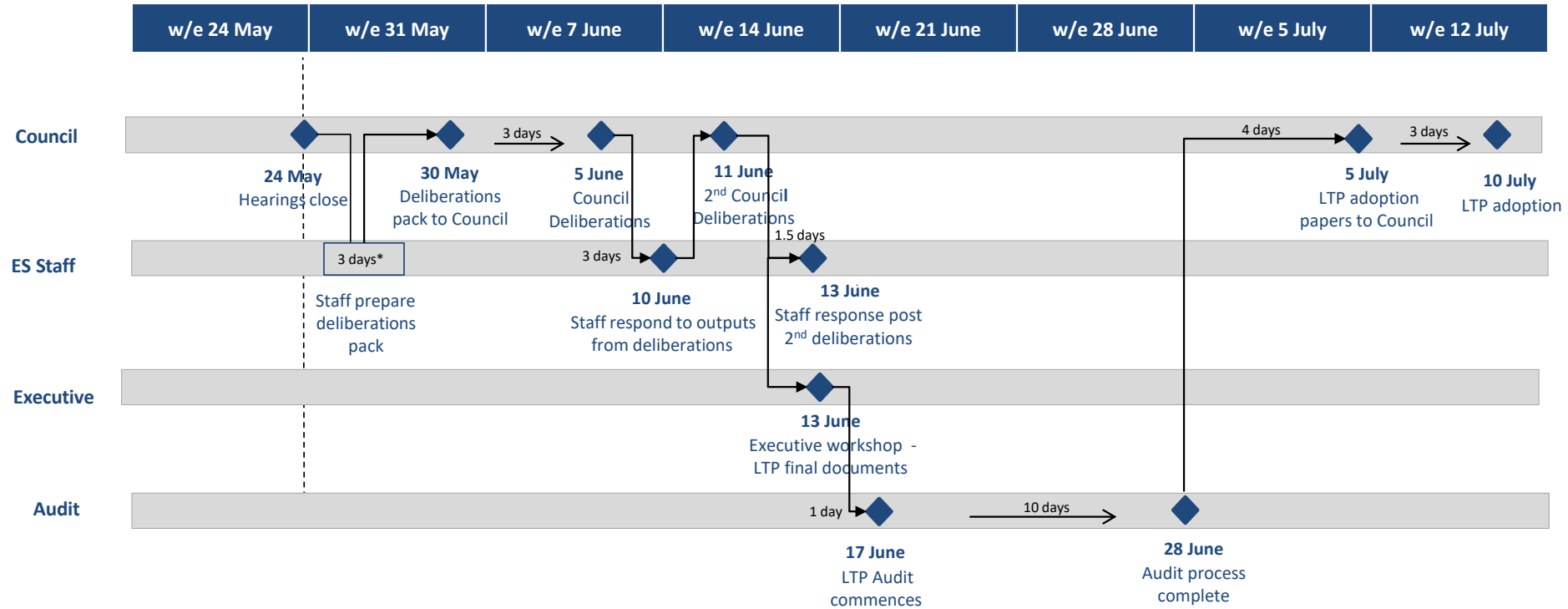
- timing and resourcing;
 - to enable full consideration of submissions received and due process to be undertaken the statutory deadline of 30 June to adopt the 2024-34 Long-term Plan will not be met. Section 93(3) of the Local Government Act requires a council to adopt a long-term plan before the start of the first financial year that the plan covers. A delay of up to a month is considered a minor non-compliance. The breach of the statutory deadline will be referred to in the audit report. Staff have reviewed the timeline to ensure that it is as close to 30 June as possible and are working with the audit team to expedite process as much as reasonably practicable;
 - staff wellbeing – tight timeframes place staff under increased pressure.

Fit with strategic framework

Outcome	Contributes	Detracts	Not Applicable
Managed access to quality natural resources	X		
Diverse opportunities to make a living	X		
Communities empowered and resilient	X		
Communities expressing their diversity	X		

Attachments

1. Council view of LTP adoption timeline [9.8.1 - 1 page]



*Days noted are working days

9.9 Internal Audit Report

Report by: Tania Cribb, Risk Assurance & Internal Audit Officer
Approved by: Amy Kubrycht, General Manager People & Customer
Report Date: 19 June 2024

Purpose

To provide an update to the committee on our internal audit programme and actions arising from that. Internal Audit Partner Price Waterhouse Coopers New Zealand (PwC) will be in attendance to talk to the report.

Summary

This report provides an update to the committee on the internal audit programme being undertaken by PwC.

We have completed the first audit for procurement/contract management and PwC will be presenting their findings to this committee at this meeting.

We have finalised the scope for the second audit of asset management.

Recommendation

It is recommended that the Risk and Assurance Committee resolve to:

- 1 Receive the report - Internal Audit Report.

Report

Internal audit programme

Internal audit, together with risk management, business continuity and legal compliance form the foundations of total assurance, which is integral to good governance. Good governance helps to build trust and confidence in public services and enables decision makers to be able to make informed decisions.

Internal audit by definition is:

- an independent assurance activity;
- designed to add value and improve an organisation's operations;
- helps an organisation accomplish its objectives.

PwC has been selected as our preferred internal audit service provider to undertake a rolling programme of audit activity for a period of three years, focusing on the following key areas:

- procurement/contract management – completed in March 2024;
- asset management;
- accounts payable/accounts receivable;
- cyber security;
- payroll;
- rates process;
- stakeholder engagement;
- legislative compliance.

PwC will present to the committee their findings from the first internal audit - Procurement/contract management. Their report, and the management response, is attached. The scope for our next audit, asset management and planning, has been developed.

Programme	Required Action	Estimated Completion
Procurement/contract management	Fieldwork 19-22 February – Completed (at the time of writing this report). Draft report provided. Final report provided.	February 2024 March 2024 March 2024
Asset management	Programme of work has been scoped Field work to be completed Draft report to be provided	May 2024 June/July 2024 July 2024
Accounts payable/accounts receivable	Programme of work to be defined.	August/September 2024
Cyber security	Programme of work to be defined.	October/November 2024
Refresh internal audit plan	Scan Environment Southland functions and operating environment. Identify assurance activities aligned to functions, strategy, change projects and risks. Discuss management and council priorities. Integrate hot topics – sector, local, global.	December 2024

Fit with strategic framework

Outcome	Contributes	Detracts	Not Applicable
Managed access to quality natural resources			X
Diverse opportunities to make a living			X
Communities empowered and resilient			X
Communities expressing their diversity			X

Attachments

1. Environment Southland Procurement & Contract Management Final Report [9.9.1 - 32 pages]
2. 2024 06 Internal Audit Asset Management scope for RA Agenda 19 June [9.9.2 - 2 pages]

Environment Southland

Procurement / Contract Management
Internal Audit Report

31 May 2024



Environment Southland (Southland Regional Council)





Inherent limitations

This assignment does not constitute a review, audit, or assurance engagement as defined in the standards issued by the External Reporting Board. Accordingly, this engagement is not an assurance engagement, nor is it intended to, and will not result in, the expression of an assurance, audit or review opinion, or the fulfilling of any statutory audit or other assurance requirement.



Confidential

This report is provided solely for Environment Southland for the purpose for which the services are provided. Unless required by law you shall not provide this report to any third party, publish it on a website or refer to us or the services without our prior written consent. In no event, regardless of whether consent has been provided, shall we assume any responsibility to any third party to whom our report is disclosed or otherwise made available. No copy, extract or quote from our report may be made available to any other person without our prior written consent to the form and content of the disclosure contained within the report.

Level 4, 60 Cashel Street, Christchurch Central City,
Christchurch 8013, New Zealand

Environment Southland

PwC

Environment Southland (Southland Regional Council)

Amy Kubrycht | General Manager, People and Customer
Dom Rikiti | General Manager, Business Services

31 May 2024

Procurement / Contract Management

Dear Amy and Dom

In accordance with our letter of engagement dated 19 January 2024 and our subsequent terms of reference dated 19 January 2024, we have included our detailed observations and recommendations from the Procurement / Contract Management Internal Audit in this report for Environment Southland.

We would like to extend our appreciation to Environment Southland staff and management for their assistance in completing this engagement.

Yours sincerely

Juanita Victor

Partner - Risk Services
PwC - Ōtautahi
Mobile: +64 21 848 748
Email: juanita.j.victor@pwc.com

May 2024

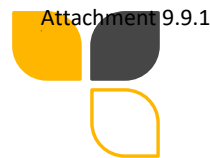
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Executive summary



Executive summary



Background

Each year Environment Southland spends a significant amount on goods and services to provide and maintain infrastructure, and services for the Southland community. Having a robust procurement framework in place, that is applied consistently, is important as the community expects that their rates will be spent appropriately and completely.

In the 2023 financial year, Environment Southland allocated more than \$24.7m towards suppliers. This expenditure can be further categorised as \$11.1m spent on contractors and consultants, and \$13.5m on operational expenses. There is a significant number of suppliers, with a total of 1,805 unique accounts recorded between the years 2022 and 2023. A substantial portion of payments 77.1% (78.5%, 2022) were below the value of \$500 and 56.4% (58.1%, 2022) payments below the value of \$100 each.

Objective and scope

The objective of this internal audit was to understand and assess the effectiveness of the design of Environment Southland's Procurement and Contract Management processes and controls against our experience of good practice. This includes identifying opportunities for improvement (including capability and maturity improvement opportunities). Our scope was focused on the key elements included in the diagram to the right.

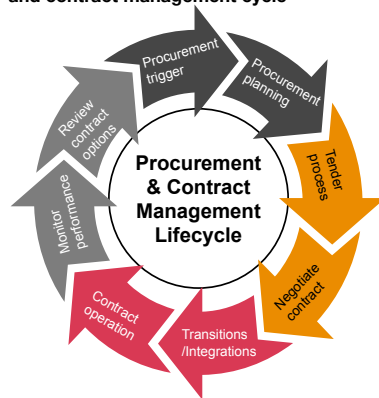
The scope included assessing Procurement and Contract Management processes and controls in place across the business (Office of the Chief Executive, Strategy, Science & Engagement, Policy and Government Reform, People & Customer, Business Services, Integrated Catchment Management, and Emergency Management) and across the different type of procurement / contract management (i.e. Government contracts, infrastructure contracts, research and policy contracts and head office product and service contracts).

In the Procurement & Contract Management Lifecycle, we also considered the

design of controls, taking into account these specific areas:

- management of contractor performance
- whether the procurement delivered the outcomes it set out to achieve
- whether contracts are managed to time, cost and quality and you get what you pay for
- whether invoices get split to avoid approval processes
- whether procurement is undertaken in line with delegations
- whether contracts rollover without awareness that it is triggering procurement rules (e.g. retendering)
- whether decisions are documented relating to the use or excuse of procurement practices
- social procurement and ESG.

The diagram below outlines the key elements of a good practice end-to-end procurement and contract management cycle



See **Appendix A** for the Approach to this engagement.

Executive summary (continued)

Key Messages

Within Environment Southland, procurement and contract management activities are **largely decentralised** and have a low to emerging level of maturity. Management and staff interviewed have a **continuous improvement mindset** and have been enthusiastic and receptive to uplifting practices to support an effective and efficient procurement and contract management lifecycle.

For the sample selected Environment Southland management and staff are **aware of and apply the approval levels** within the delegation of authority. **Current processes** in practice are **tailored according to the scale and complexity of contracts** with more robust controls in place for larger government contracts.

We noted the following key themes across the procurement and contract management processes:

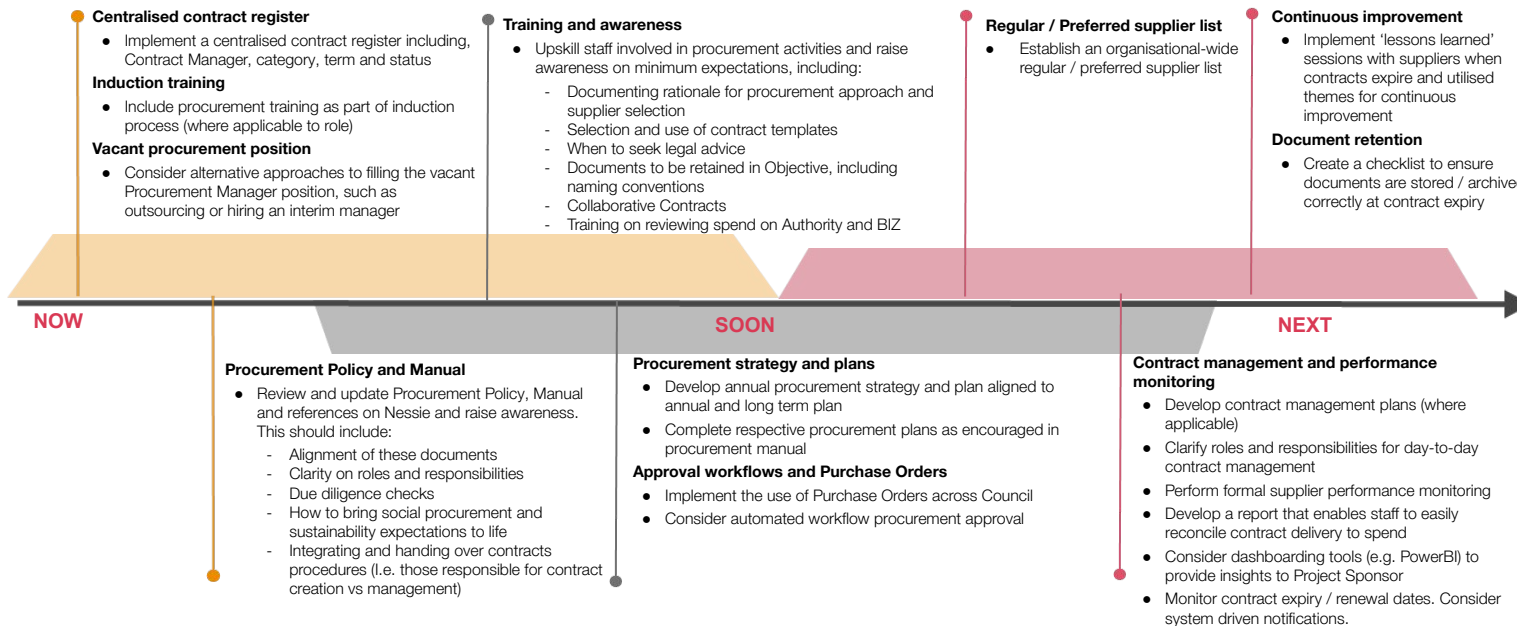
- There is a **lack of strategic procurement** to ensure that procurement activities are enabling the achievement of Environment Southland's objectives. Procurement is regularly undertaken on a reaction basis, and re-prioritisation and repurposing of budget is commonplace.
- We have provided analysis on 2023 data (see page 7 and Appendix B) which could be utilised in developing a procurement strategy. A snapshot is also provided on the next page. This analysis highlights the **opportunity to streamline** procurement to potentially **reduce the number of transactions** and obtain better value for money.
- Procurement and contract management **processes are performed inconsistently** across Environment Southland. Whilst a Procurement Manual exists, there is a lack of awareness of its existence / inconsistent application, due to a **lack of training and communication**. The manual requires updating and amendments to ensure a robust control environment is in place.
- Despite the availability of multiple contract templates, there is a **lack of training and guidance on choosing the most suitable template** for specific situations. While staff members have access to **legal advice** when negotiating contractual terms, there is **uncertainty about when it should be sought**.

- As there is **no contract register or contract management system in place**, there is no transparency about which contracts are in place with suppliers, the value of contracted spend, or when contracts are due to expire. This makes it difficult for Contract Managers and other stakeholders to proactively plan procurement activities (e.g. contract extension, re-tendering). There is also a lack of understanding on how to track project spend in Authority and BIZ.
- Linked to the above, the **supplier performance** of Contracts is **not consistently monitored**, with an inconsistent use of KPI's in contracts.
- **Delegated Authority Limits were well understood** by the staff we interviewed, however the **documentation** of supplier due diligence, decisions and approvals relating to procurement approaches and supplier selection is **inconsistently performed / retained**.
- While controls such as segregation of duties and approval hierarchies are in place, it was evident from our sample testing that these controls are manual in nature. The use of (manual) **purchase orders is not commonplace** and **three way matching is thus not performed**. The **opportunity exists** to improve the robustness of controls through **automated workflows enforcing segregation of duties, approval** in terms of the delegated authorities and it **enables data analytics** to analyse invoice data and identify patterns or anomalies that may indicate invoice splitting.
- The **Procurement Policy and Procurement Manual need to be reviewed and updated to ensure relevance and clarity**. Roles and responsibilities should be included in the Policy, content should be aligned, and **guidance on social procurement expectations** should be enhanced to ensure consistency. Stakeholders interviewed have expressed the importance of giving more consideration to social procurement during the procurement process.

Our detailed observations are in Section 2 of this report. We have provided each observation with a rating, based on the descriptions in Appendix C. The sampled and the staff involved in this engagement are listed in Appendix D and E respectively.

What you should do next

We have set out below a roadmap for you, with recommendations for consideration to improve procurement and contract management at Environment Southland. Whilst we have provided an indicative timeline, Management will need to consider the current resourcing, capability and funding available to deliver this work.



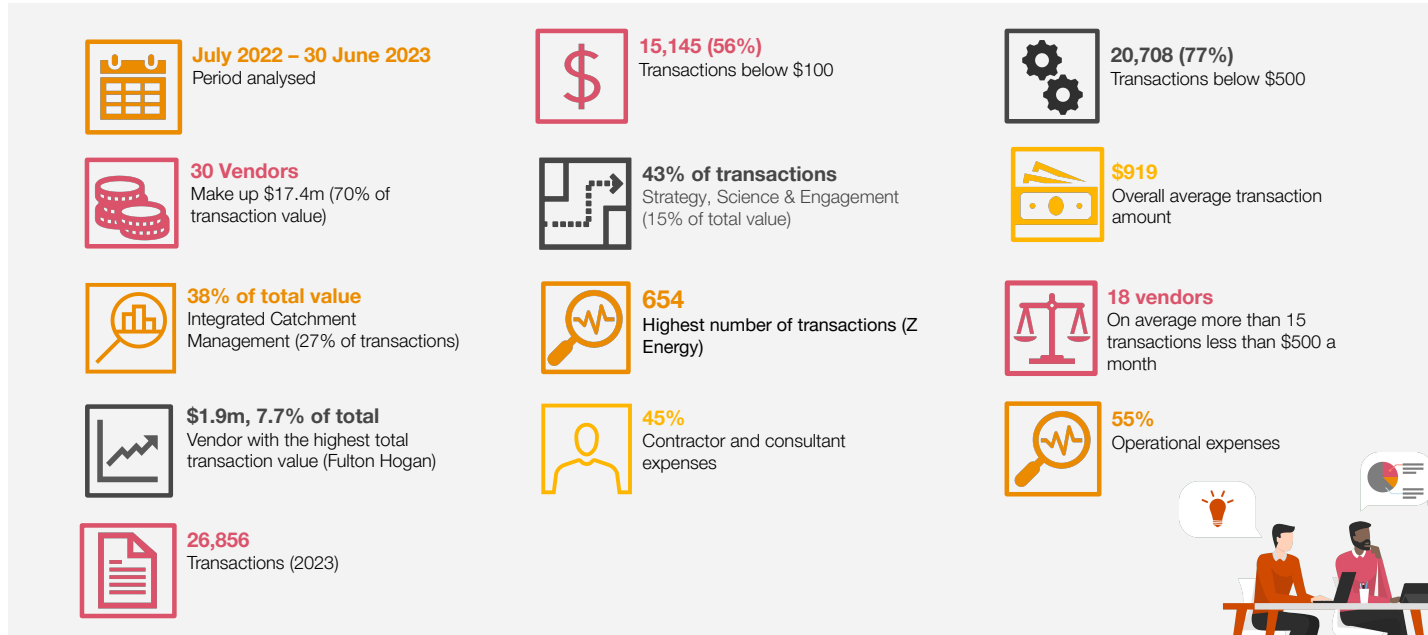
Management comment and agreed action plan

Action #	Management Action	Action Owner	Target Completion Date
1	Centralised contract register: Implement a centralised contract register including, Contract Manager, category, term and status	Dom Rikiti supported by Jane Carroll	Target: 31 May 2024 (on-going) This piece of work will be delivered through phases with the first phase being establishment of the register by 31 May. The register is now live and backfilling of existing contracts will be lead by the project team and take place on an area by area basis with Catchment team being first. The register also records contractor information and so the opportunity is being taken to dovetail into the annual Catchment contractor review and update this at the same time. Estimate to have key existing organisation contracts loaded by end of June.
2	Induction training: Include procurement training as part of induction process (where applicable to role)	Dom Rikiti	Target: 18 June 2024 (on-going) This will also be a phased delivery approach. The target date of 18 June is the next Orientation day for new starters. Procurement will be included as part of the Business Services update and will provide a high level overview including where to access key documents. Following this, and potentially linked to action item #3, will be more detailed training for staff directly involved in procurement
3	Vacant procurement position: Consider alternative approaches to filling the vacant Procurement Manager position, such as outsourcing or hiring an interim manager	Dom Rikiti	Target: 30 June 2024 Preference is still to recruit for the role and have a permanent presence to support the business. This is currently being worked on and will be submitted to HR/Executive for review and approval to recruit during June. Alternate approaches will be considered for as an interim measure depending on how the recruitment progresses.
4	Procurement Policy and Manual: Review and update Procurement Policy, Manual and references on Nessie and raise awareness.	Dom Rikiti	Target: 31 July 2024 A statement of work from an external supplier has been requested to scope the effort and cost to help drive this action. The intention is to start this work as soon as possible given other action items are dependent on this.
5	Training and awareness: Upskill staff involved in procurement activities and raise awareness on minimum expectations	Dom Rikiti	Target: 30 September 2024 (on-going) Dependent on #3 and #4. There are also options to incorporate internal staff who are experienced in this area to assist with the training delivery.
6	Develop annual procurement strategy and plan aligned to annual and long term plan	Dom Rikiti	Target: 30 September 2024 Linked to #3. Target would be for a procurement strategy to be in place by September 2024

Management comment and agreed action plan

Action #	Management Action	Action Owner	Target Completion Date
7	Implement the use of Purchase Orders across Council and approval workflows	Dom Rikiti	Target: 31 March 2025 This is dependent on implementing additional system functionality into the financial system and will be a substantial project for the Finance team. It has been identified already as a potential project but there is no priority assigned at this stage. There is existing functionality that is under utilised that can help with the tracking and reporting of expenditure in the interim.
8	Regular / Preferred supplier list: Establish an organisational-wide regular / preferred supplier list	Dom Rikiti	Target: 30 September 2024 Linked to #3. Target would be for a regular/preferred supplier list to be in place by September 2024. Note use of All of Government contracts is already in place for some expenditure and areas, such as Catchment, have preferred supplier panels.
9	Enhance contract management and performance monitoring	Dom Rikiti	Target: 30 June 2024 (on-going) This is directly related to action item #1. Once this system is populated with all existing and new contracts it will form the basis of contract monitoring and performance capability/reporting. Training and guidelines to be developed in conjunction with #1.
10	Continuous improvement: Implement 'lessons learned' sessions with suppliers when contracts expire and utilised themes for continuous improvement	Dom Rikiti	Target: 30 June 2024 (on-going) Linked to #3 as resource dependent however #1 is implementing improvements as part of the Contract Register implementation.
11	Document retention: Create a checklist to ensure documents are stored / archived correctly at contract expiry	Dom Rikiti	Target: 30 June 2024 Linked to #1. Contract registry including archiving feature is part of the Cotiss contract management solution.

Data analysed



2

Observations and recommendations



Detailed observations and recommendations

1. Procurement policy and guidance

Observation
rating



Observations

The Strategic Procurement Policy ("Policy") was last reviewed in November 2019, while the Procurement Manual was last updated in October 2022. It is considered good practice to conduct periodic (i.e. annually / bi-annually) reviews of policies and guidelines to ensure they remain relevant, fit for purpose and comprehensive.

While the Policy and Procurement Manual exists, there is an opportunity to:

- Refine and simplify Policy content (24 pages)
- Include roles and responsibilities in the Policy. Currently roles and responsibilities are described in the Procurement Manual that is a guideline document and mandatory compliance not required
- Align the content across the Policy and Procurement Manual to enable consistent and efficient implementation (i.e. reference in Procurement Manual regarding rules when purchasing goods and services below \$10,000 and \$500 respectively with no reference in Policy)
- Add hyperlinks to supporting documents, guidance and artefacts mentioned within the Policy. This enables a better user experience.
- Clarify powers under the Civil Defence Emergency Management Act (CDEM Act) 2002, and when the Emergency Management Southland Group Manager / Controller should be involved in the procurement activity (Procurement Manual)

Both the Policy and Procurement Manual refer to the social procurement, and sustainability considerations are included in the Policy. Environment Southland would benefit from documenting more comprehensive procedures and guidance,

Environment Southland

PwC

specifically with reference to how social procurement and sustainability criteria should be factored into evaluation criteria when undertaking procurement.

Environment Southland has seen a number of changes in the organisation structure, roles and responsibilities over time. We noticed that the information on Nessie (Environment Southland's intranet) has not been updated since June 2021 and refers to a Procurement Advisory Group that is no longer in place. The Procurement Manual itself also refers to the Records Team and other role titles that are no longer used at the Council e.g. General Manager, Corporate Services, and parts of the manual are still draft / require Council specific information.

We understand from our interviews that there is an inconsistent level of awareness of the Policy and Procurement Manual and procurement is not a topic included in Environment Southland's induction training.

Why it matters

- Policies, guidance and procedures play a vital role in mitigating risk, ensuring compliance, optimising value for money and enhancing consistent application of controls.

With proper guidance and procedure documentation in place, the procurement process can be streamlined and optimised, minimising the risk of errors, inconsistencies, and miscommunications. It provides a centralised source of information (such as templates / forms) that can be accessed by all relevant stakeholders, promoting transparency and collaboration.

- Having clear guidance on social procurement, and specifically sustainability expectations enables positive outcomes for Environment Southland.

Detailed observations and recommendations (continued)

1. Procurement policy and guidance (cont.)

Observation
rating



Recommendations

- Update the Policy and Procurement Manual with consideration to the gaps and improvement opportunities listed and communicate to the business
- Raise awareness and provide training to staff responsible and accountable for procurement, to ensure they are aware of the Policy and Procurement Manual, and their respective roles and responsibilities
- Increase the awareness of the existence of key procurement documents by including it in the induction training for all new employees and contractors that may be involved in procurement activities.

Detailed observations and recommendations (continued)

2. Procurement trigger and planning

Observation
rating



Observations

Strategic approach to procurement

Environment Southland is not currently adopting a strategic approach to procurement to support the achievement of the annual and long term plans. The Council is primarily conducting procurement with a short term focus i.e. to acquire goods and services as and when required. For example:

- Procurement is not linked back to how this helps to drive and deliver the Council's priorities and overall value it delivers
- The Council does not centrally review the types of goods / services being procured, and suppliers used, to identify efficiency and cost saving opportunities
- While a Procurement Policy exists, it does not require an overarching procurement strategy, considering historical and forecast spend of goods and services and broader business / budget planning.

Procurement plan

Once a need for procurement is identified, staff are encouraged to develop a procurement plan that is approved by the project sponsor outlining various elements (i.e. need, objective, timing, evaluation criteria, roles and responsibilities, alignment with strategy, etc.).

While the use of a procurement plan is encouraged we have noted through our sample testing that procurement plans are inconsistently completed and approved by the Sponsor. This also includes other related documents such as the Right Track workshop, Evaluation Criteria, and Conflict of Interest declarations. For example, we have been unable to evidence a comprehensive

procurement plan that is approved by the project sponsor for the procurement of Pattle Delamore Partners Ltd for the Ocean Beach Landfill Investigation. Additionally, only two of the eleven projects sampled had conflict of interest information.

Purchase orders

Purchase orders (PO) are inconsistently used across Environment Southland. While some staff do not use POs at all, those who do, rely on paper-based POs and this is often only used when required by suppliers. POs are also not approved prior to incurring the expense, but only approved upon receipt of the corresponding invoice.

The opportunity exists to improve the robustness of controls through automated workflows enforcing segregation of duties, approval in terms of the delegated authorities and it enables data analytics to analyse invoice data and identify patterns or anomalies that may indicate invoice splitting.

Procurement function

Procurement activities are currently decentralised and while this promotes a sense of ownership and accountability, the lack of central support is hindering the Council from benefiting from strategic procurement.

There is limited dedicated procurement support across the Council with the Procurement Manager position being vacant. As a result the current procurement function is:

- Unable to deliver all support required / requested by Environment Southland personnel
- Only able to provide 'light' touch procurement advice and support to the business
- Unable to monitor compliance with, promote and / or enforce the Procurement Policy across the Council. This is particularly relevant as the procurement function does not currently have visibility of, or involvement in, all procurement across the Council.

Detailed observations and recommendations (continued)

2. Procurement trigger and planning (cont.)

Observation
rating



Why it matters

- In the absence of a strategic approach to procurement the Council may not achieve maximum value for money and benefit to Environment Southland rate payers and broader stakeholders.
- Procurement and associated spend may be committed to without the appropriate approval.
- Having central / a level of centralised procurement could contribute to cost savings, standardisation, compliance, strategic sourcing, and data analysis for improved efficiency and decision-making.

Recommendations

- Develop an annual procurement strategy that is aligned to Environment Southland's annual and long term plan, i.e. setting out:
 - Known upcoming procurement (new, replacement of existing contracts etc.)
 - Known new services that will require procurement
- Complete comprehensive procurement plans (where appropriate), aligned to expectations in the Procurement Manual
- Purchase orders should be created and appropriately approved to assist with the contract monitoring and invoice verification process.
- Consider the use of automated workflows enforcing segregation of duties and approvals.
- Consider alternative approaches to filling the vacant Procurement Manager position, such as outsourcing or hiring an interim manager, to ensure timely procurement support. Alternatively, consider upskilling staff involved in procurement activities and raising awareness of minimum expectations.

Detailed observations and recommendations (continued)

3. Tendering and supplier selection

Observation
rating



Observations

Due diligence check requirements are not clear and evidence of due diligence checks performed not consistently retained

The Council does not have a standard due diligence model or guidance for what due diligence checks are required to be performed as part of supplier selection. As a result, due diligence checks are inconsistent across the Council and evidence / results of checks performed not consistently retained. We do note that a template for Referee Checks is available.

Rationale for procurement approach, and supplier selection, are not consistently documented

Whilst the Council does not need to procure in line with the Government Procurement Rules, the Policy requires that these rules should be adhered to unless there is a good business reason not to. Currently Environment Southland staff are not aware of, or are not following the Procurement Policy, Procurement Manual and the associated Government Procurement Rules consistently. For example:

- When selecting a supplier, existing contracts must be honored. However, Environment Southland lacks a centralised contracts register, making it challenging for staff to determine if an existing contract exists.
- The rationale for the procurement method, and associated supplier selection, is often not clearly documented for all procurement conducted. There appears to be inconsistencies in the manner in which procurement method decisions are made and approvals are obtained and documented.

For example, when there is not an existing contract in place and a supplier needs to be procured, this can be done through tender, direct engagement, utilising a preferred suppliers panel, utilising AoG contracts, or undertaking emergency procurement.

When it is decided that the best procurement method to go to market is via tender, project sponsor approval should be obtained for the Registrations of Interest (ROI), Request for Proposals (RFP), and the selection of the preferred respondent. However, there appears to be inconsistencies in the manner in which approval is obtained and documented. From our interviews, we understand approvals can be given orally, or in the form of documented memorandums.

- While the Procurement Manual and associated templated documents provide all Environment Southland staff with tools, including selecting a shortlist, criteria to evaluate suppliers and documenting the preferred supplier, utilising the evaluation report, these are used inconsistently or detail not retained for future reference.
- Our sample testing reflected that the Council conducts 'urgent' procurement where staff are directly procuring goods / services from a supplier. Whilst this may be appropriate in instances where 'emergency' procurement is required, the rationale for this urgent procurement is not documented. For example the appointment of Vessel Support & Divers where a supplier from a previous contract was engaged to carry out works.
- The Council is regularly directly-appointing suppliers, rather than conducting open procurement to test the market. Reasons for using this approach are not always documented (i.e. were there other suppliers available, was a market analysis performed).

Detailed observations and recommendations (continued)

3. Tendering and supplier selection (cont.)

Observation
rating



Observations

Staff conducting procurement are not adequately trained

Due to the current lack of a procurement team, procurement is often decentralised and led and conducted by operational staff in their respective business units. These staff are not procurement experts, nor is there any procurement training provided to these individuals in advance of conducting procurement activities. Staff are also performing procurement on top of their 'day job' and therefore may have inadequate time to invest in upskilling themselves in the Council's Procurement Policy and required processes.

Environment Southland does not have a regular / preferred supplier list

The Council does not have an organisation-wide regular supplier list that captures suppliers the Council have contracts with and the goods / services they are contracted to deliver. As such ad hoc contract / supplier lists are being created and used by some business units.

Lack of awareness and understanding of when to use Collaborative Contracts and those already signed up for

The Procurement Manual provides information on the three types of Collaborative Contracts (i.e. Syndicate Common Use, All-of-Government, Common Capability) that Environment Southland has access to. From our interviews we observed there is a lack of understanding and awareness of established Collaborative Contracts available, the process to join the contracts and also which contracts have been entered into.

Why it matters

- Inadequate due diligence checks may result in the Council establishing a supplier relationship without knowledge of any previous negative work performed or other conflicts of interest etc.
- In the absence of open procurement, the Council may not identify all potential providers for the goods / services being procured. This may result in the best supplier not being selected to deliver services and / or reputational damage should a non-successful supplier challenge the procurement approach adopted.
- There is a risk that procurement may not be conducted in line with the Procurement Policy, Government Procurement Rules and other expectations included in guideline documents.
- The Council may not be maximising its purchasing power and value for money from its suppliers due to not having a central list of suppliers for all business units to purchase common goods / services from.
- Not maintaining a centralised contract register may result in new suppliers being inappropriately procured or Environment Southland not making use of favourable contractual rates due to staff being unaware of existing contracts.

Detailed observations and recommendations (continued)

3. Tendering and supplier selection (cont.)

Observation
rating



Recommendations

- Develop clear and consistent requirements for due diligence checks and ensure that evidence of checks performed is consistently retained.
- Implement a centralised contracts register to facilitate honoring existing contracts and improve staff's ability to determine contract availability.
- Raise awareness on the importance of documenting the rationale for procurement method approaches and supplier selections made to ensure consistency
- Provide adequate procurement training to staff involved in procurement activities.
- Establish an organisation-wide regular / preferred supplier list to improve contract management and avoid ad hoc lists.
- Increase awareness and understanding of Collaborative Contracts, including the process to join and the contracts already entered into.

Detailed observations and recommendations (continued)

4. Negotiate contract

Observation
rating



Observations

Inconsistent contract formats are used and lack of clarity as to when to seek legal guidance

Environment Southland holds licenses to access Terrace Publications templates, which are commonly used for contractual purposes. However, during our interviews, we have observed that these templates may not always be suitable, especially for more complex and higher-risk projects. There is a number of contract templates that could be used and from our interviews we understand that there is a lack of training and / or guidance regarding the most suitable template for each specific situation.

While staff members have access to legal advice from Wynn Williams, there is ambiguity regarding when they should seek such advice. Concerns about the lack of guidance regarding the inclusion of insurance requirements in contracts was raised during staff interviews.

Centralised contract register not maintained

While the Procurement Policy make reference to the central Council Contract Register, we understand that no central register is maintained and signed contracts are not centrally stored for ease of reference.

Why it matters

- The Council may expose itself to legal risk and / or financial loss where it enters into contracts which differ from its standard terms and conditions.
- In the absence of central contract documentation and information, management does not have a centralised view of all contracts it has entered into across the Council.

Recommendations

- Provide training and clear guidance to staff on the selection and use of contract templates.
- Provide clear guidance on when to seek legal advice, including advice to address concerns about suitability and inclusion of insurance requirements in contracts.
- Set up a contract register that includes the key information such as Contract Manager, category, term and status.

Detailed observations and recommendations (continued)

5. Transitions / Integration

Observation
rating



Observations

Maintaining a central repository

During the transition / integration phase of the procurement process, it is good practice to ensure all relevant contractual and procurement documentation is saved to a central repository. Objective is used as the central repository for this, however there are inconsistencies across Environment Southland regarding the timeliness of documents being saved, as well as which documents are being saved. As a result, staff can find it difficult to locate the relevant contractual and procurement documents when they need them.

Additionally, when documents are uploaded to Objective, naming conventions are not applied, further adding to the difficulty of locating relevant documents.

Once the preferred supplier has been notified, an Agreement in Principle is being used prior to the formal Contract being developed and signed. We have noted that for the ERoad - Fleet Management & Vehicle Tracking project, only the Agreement in Principle was available for us to observe and not a formally signed contract.

Environment Southland operates a decentralised contract management process

There is no clear and consistent allocation of responsibility for contract creation and management. Contracts do not consistently have appointed contract owners, or individuals assigned to these roles do not possess a comprehensive understanding of good contract management practices.

The steps for "Implementation of the Contract" as outlined within the Procurement Manual are performed inconsistently, mostly undocumented, therefore we have not observed evidence of how this is done.

Due to the current decentralised nature of contract management, business unit staff currently create and manage contracts and thus no / limited integration and handover is required to staff responsible for day-to-day management of suppliers. However, when Environment Southland involves the procurement function more in contract creation, the need for a proper handover process becomes increasingly important. It is necessary to establish a structured process for developing and communicating contract summaries to the business stakeholders who are responsible for the day-to-day management of suppliers.

Outsourcing procurement and subsequent contract monitoring

For Government Funded projects such as Stead Street Pump Station Replacement, a third party (WSP Ltd) was contracted to perform the Procurement activities. Whilst the procurement tender documentation was available for us to observe, we were unable to obtain the contract or any contract performance documentation for this sample selected. We have noted that outsourcing procurement is not covered in any of the guidance documents and it is unclear whether roles and responsibilities are allocated consistently.

Detailed observations and recommendations (continued)

5. Transitions / Integration (cont.)

Observation
rating



Why it matters

- Having a centralised and well-organised repository for these documents ensures easy access and retrieval, enabling staff to find key documents promptly and carry out their responsibilities effectively.
- Contracts may not actually be in place if the Agreement in Principle is mistaken for a contract.
- Allocating contract owners ensures accountability, effective communication, contract performance, risk management, and informed decision-making for contract renewal or termination.

Recommendations

- Provide clear guidance (i.e. a list of documents) on documents that need to be saved in Objective and by when.
- Develop consistent naming conventions.
- Establish a clear and consistent allocation of responsibility for contract creation and management. This includes appointing contract owners who possess a comprehensive understanding of good contract management practices or provide training where required.
- Implement a structured process for integrating and handing over contracts to staff responsible for day-to-day supplier management.

Detailed observations and recommendations (continued)

6. Contract operation and performance monitoring

Observation
rating



Observations

Contract management plans

We understand the creation and utilisation of contract management plans are not common. As such, performance monitoring is inconsistent and often informal. It is good practice to create a contract management plan, particularly for higher value and / or complex contracts outlining:

Responsibilities for the management and delivery of the contract

- Issues / disputes resolution process
- Key risks and mitigations
- Evaluation of the delivery of the contract
- Exit strategy at the end of the contract

Inconsistent supplier performance monitoring

The overall quality of contract management across the Council varies and relies heavily on the skills and experience of individual contract owners.

Monitoring delivery of contracts and spend

While Finance provides contract owners with a monthly report indicating the total spend with suppliers, our interviews have indicated that this report does not offer the necessary level of detail required by some contract owners.

Although all contract owners have access to Authority and BIZ for a more in-depth analysis of delivery to spend through project codes, not all of them understand how to utilise these systems due to limited training provided by the Finance team, which is constrained by resource and operational limitations.

Why it matters

- Limited visibility of how contracts are performing, leading to ineffective strategic decisions, contract leakage and poor contract outcomes / deliverables.
- The Council being unable to assess whether it is getting full delivery and value for money, or the quality deliverables it requires.
- Opportunities being missed to improve supplier efficiency, value for money and performance enhancements.

Recommendations

- Ensure contract management plans are developed for all contracts over a particular dollar threshold and that periodic KPI monitoring is included in the plan.
- Ensure formal supplier performance monitoring is performed over all contracts. Where it is not feasible to do so, approval from the project sponsor should be received.
- Enhance the monthly report sent to the contract owners to provide the level of detail required. Additionally, training should be provided to staff on how to drill down to the information required in Authority and BIZ.
- Develop a report that enables staff to easily reconcile contract delivery to spend.
- Consider dashboarding tools (e.g. PowerBI) to provide insights to Project Sponsor / Manager on contract performance.

Detailed observations and recommendations (continued)

7. Review contract options / contract evaluation

Observation
rating



Observations

Contracts rolled over / extended

It is important for organisations to be aware of contracts that are nearing their expiry or renewal dates in order to take the appropriate actions. According to Environment Southland's Procurement Policy, the council should have a centralised register that includes all contract details such as category, term and status. However, management currently does not maintain such a register. There is also no system in place to notify contract owners about contracts nearing their expiry or renewal dates. As a result, it relies on the proactive efforts of contract owners to ensure that appropriate measures are taken when a contract is about to expire, and to prevent situations where contracts automatically roll over without the appropriate procurement processes being followed.

End of contract reviews

When a contract reaches expiry, 'lessons learned' sessions with the supplier to understand what went well and any improvement areas are not performed consistently. This type of review would provide an opportunity for key stakeholders (both internal and external) to provide input and feedback over the way in which the contract was managed and the value the contract delivered to both the Council and the supplier.

Retaining of documents

When a contract does expire, it is important that documents are stored / archived in line with the Public Records Act 2005. Throughout our interviews, we understand that there is some ambiguity regarding what documents should remain in Objective.

Why it matters

- Environment Southland is unaware of contracts expiring or renewing, which could result in required services being discontinued and / or lost opportunity to perform a market analysis. This may lead to the risk that the provider who could provide the best outcome or value for money for the Council not being selected.
- In the absence of an end of contract review, Environment Southland is missing an opportunity to identify key lessons learnt (i.e. to identify key strengths and improvement opportunities) in its contract management activities.
- Documents are not stored / archived in line with the Public Records Act 2005, resulting in fines and or reputational damage.

Recommendations

- Set up a contract register that includes the key contractual dates and monitor it on a periodic basis to ensure that contract owners are aware of contracts nearing expiry or renewal. Consider implementing system driven notifications.
- Implement 'lessons learned' sessions with suppliers when contracts expire and utilised themes for continuous improvement.
- Create a checklist to ensure documents are stored / archived correctly at contract expiry.

3

Appendices



Appendix A: Approach to this engagement

Approach

Our approach to this engagement involved the following four phases:

Phase 1 - Understand your procurement and contract management practices

Understand the range of procurement activities which Environment Southland conducts (ranging from lower monetary value, shorter term provision of services through to high value, longer term contracts) and the current state of the council's procurement and contract management policies, delegations manual, frameworks and practices – this understanding is important to set the appropriate context, and to obtain insights on key pain points and opportunities for improvement.

Phase 2: Data analysis over spend

Profile procurement transactions over the past 12 months - this provides valuable insights into the relationship between vendor / supplier, amount and number of transactions and could further indicate whether the most appropriate procurement method is used.

Phase 3 - Assess your current policies, delegations manual, frameworks and practices against good practice

Assess at a high-level the current state policies, delegations manual, frameworks, and practices against good practice across each of the eight stages of the procurement and contract management lifecycle. This will consider Government procurement requirements and the range of goods and services procured by the Council from frequent repeatable purchases to large scale procurement initiatives.

Phase 4 – Walkthrough

Perform an end-to-end process walkthrough to understand and assess the key controls within the sub-processes identified in our scope (utilising profiled information in Phase 2). We will assess whether procurement and contract management practices were applied as expected across the business



Appendix B: Procurement Transaction Analysis

Introduction

In the 2023 financial year, Environment Southland allocated more than \$24.7m (\$23.6m, 2022) towards suppliers. This expenditure can be further categorised as \$11.1m (\$11.3m, 2022) spent on contractors and consultants, and \$13.5m (\$12.3m, 2022) on operational expenses. There is a significant number of suppliers, with a total of 1,805 unique accounts recorded between the years 2022 and 2023. A substantial portion of payments 77.1% (78.5%, 2022) were below the value of \$500 and 56.4% (58.1%, 2022) payments below the value of \$100 each.

The below provides insights to the 2023 vendor profiling.

Top five vendors based on total amount (27%)

Vendor	2023	2022
Fulton Hogan-Stead St Pump Stn	\$1.9M	\$0.06M
Boffa Miskell	\$1.8M	\$2.3M
Wynn Williams & Co	\$1.6M	\$1.3M
Regional Software Holdings Ltd	\$0.7M	\$0.35M
WSP New Zealand Limited	\$0.7M	\$0.17M

Top five vendors based on number of transactions (3%)

Vendor	2023	2022
Z-Energy Ltd	654	558
R J Hill Laboratories Ltd	575	551
ERoad	546	439
One.NZ	363	420
SPARK NZ TRADING LTD	360	362

Top five vendors based on number of transactions (3%)

Vendor	2023	2022
Emergency Management Sthd Expenditure : \$353K		\$333K
EMS Joint Venture : Internal Charges		
Fulton Hogan-Stead St Pump Stn	\$270K	\$0
Jobs for Nature Expenditure : Undaria : Contractors	\$206K	\$379K
Climate Resilience Expenditure : Administration : Internal Charges	\$169K	\$0
River Works Expenditure : Te Anau Rating District : River Works	\$133K	\$0

Appendix B: Procurement Transaction Analysis (continued)

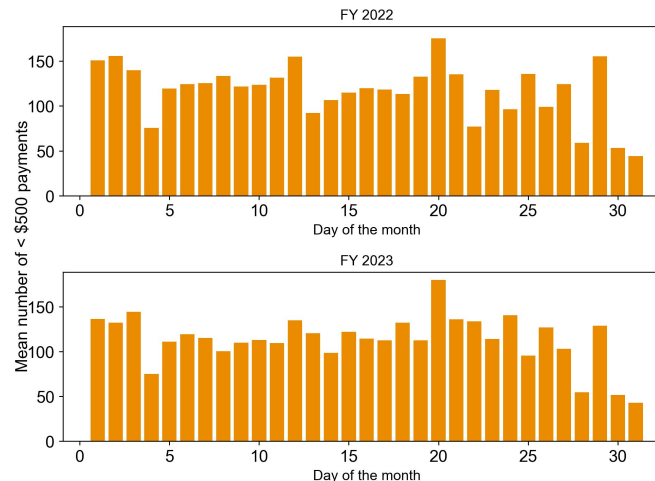
Summary of number of transactions and total amount by directorate

Directorate	Count	Sum
Business Services	3,485	\$4M
Executive & EMS	2,576	\$1.6M
General Funds	40	\$0.3M
Government Funded	816	\$3.4M
Integrated Catchment Management	7,176	\$9.4M
People & Customer	845	\$0.39M
Policy & Government	271	\$2M
Strategy, Science & Engagement	11,647	\$3.8M
Total	26,856	\$24.7M

Summary of number of transactions and total amount by directorate

Expense Category	Number of Transactions	Total Value	Average Value
Contractors & Consultants	2,475	\$11.1M	\$4,482
Operational Expenses	24,381	\$13.5M	\$557

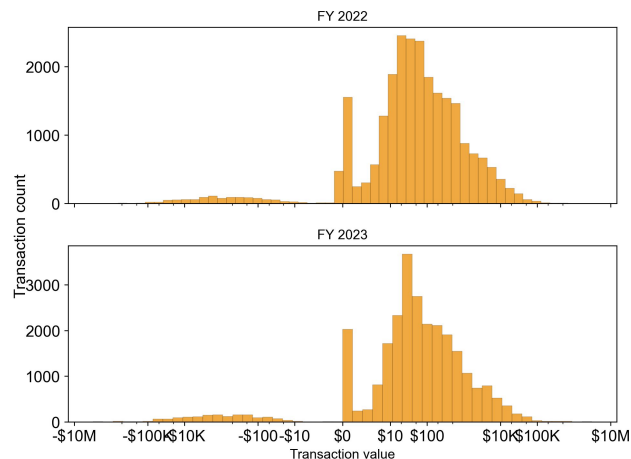
Average small payment count



Appendix B: Procurement Transaction Analysis (continued)

Payment values

A noteworthy number of payments are less than \$100, although there are a number of payments greater than \$10,000. Most credits are greater than -\$100.



Note that the X axis on this graph is not linear.

Small Pay Frequency

A number of vendors receive a large number of low-value payments each month. If these require reconciling or coding in accounts, this may represent a lot of effort by accounts payable staff, for little value gained. Finding ways to consolidate these payments into less frequent, larger payments will reduce staff workload and boost efficiency.

Accounts averaging more than 15 sub-\$500 Payments in a month

Vendor	Average monthly small transactions
Z-Energy Ltd	93
ERoad	80
Financial Services Expenditure: Sundry Expenses: Cashiers Rounding Adjustments	71
Invercargill City Council - RATES	60
One.NZ	58
SPARK NZ TRADING LTD	58
Office Max	52
R J Hill Laboratories Ltd	49
Science Informatics & Operations Expenditure: SOE Data Collection Monitoring & Evaln: Vehicle Charges Internal	48
Southland District Council	45
Science Informatics & Operations Expenditure: Surface Water Hydrology Monitoring: Vehicles Charges Internal	38

Appendix B: Procurement Transaction Analysis (continued)

Accounts averaging more than 15 sub-\$500 payments in a month (cont.)

Vendor	Average Monthly Small Transactions
Contact Energy Ltd	27
Resource Management Expenditure: Incidents / Complaints: Vehicle Charges Internal	21
Southern Land and Water Planning Limited	20
Southland Regional Council	19
Science Informatics & Operations Expenditure: Flood Warning: Vehicle Charges Internal	17
Aon New Zealand	16
Science Informatics & Operations Expenditure: Vehicle Expenses: Motor Vehicle Insurance	16



Appendix C: Observation Ratings

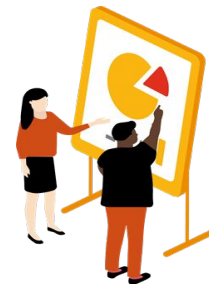


Rating	Description
High	Matters that are fundamental to the system of internal control. The matters observed can seriously compromise the system of internal control and should be addressed as a matter of urgency.
Moderate	Matters that are important to the system of internal control and should be addressed as soon as possible.
Low	Matters that are unlikely to have a significant impact on the system of internal control but should be addressed as part of continuous improvement.



Appendix D: Contracts sampled

Supplier name	Project Name
Wildlands Consultants Ltd	High Value Areas Programme
Awesome Charters 2018 Ltd	Rakiura Undaria Control Programme - Vessel Support
Boffa Miskell Limited	Wilding tree control works at Mid Dome
Fulton Hogan Ltd	Stead Street Pump Station Replacement
Pattle Delamore Partners Ltd	Ocean Beach Landfill Investigation
Aerial Survey Ltd	LIDAR capture - Total Southland 2020 - 2023
Regional Software Holdings Limited	IRIS Next Generation Programme
Wynn Williams	Legal Services
Te Tapu OTane Nursery	Native plants for Southland Riparian Project (SRP)
ERoad Limited	Fleet Management & Vehicle Tracking
The Cawthron Institute Trust Board	Waiau River hydraulic-habitat & trout drift-NREI modelling



Appendix E: Staff involved in the review

Name	Role	Department
Amy Kubrycht	General Manager - People & Customer	People and Customer (Audit sponsor)
Dom Rikiti	General Manager Business Services	Business Services (Audit sponsor)
Tania Cribb	Risk Assurance & Internal Audit Officer	People and Customer
Liz Devery	Manager Regional Planning	Policy and Government Reform
Paula Toomey	Manager Information & Support	People and Customer
Jane Carroll	Manager Information Systems (IT Contracts)	Business Services
Tracey Adendorff	Team Leader - Finance Operations	Business Services
Lyndon Cleaver	Regional Harbourmaster / Maritime Manager	Integrated Catchment Management
Karen Wilson	Chief Scientist - Science Strategy & Investigations Manager	Strategy, Science and Engagement
Fiona Young	Manager Integration & Implementation	Integrated Catchment Management
John Prince	Manager Science Informatics and Operations	Strategy, Science and Engagement
Ali Meade	Manager Biosecurity and Biodiversity Operations Team	Integrated Catchment Management
Paul Hulse	General Manager - Integrated Catchment Management	Integrated Catchment Management
Rachael Millar	General Manager - Strategy, Science & Engagement	Strategy, Science and Engagement
Jody Lloyd	Team Leader - Corporate Reporting	Business Services

Thank you

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consultation with professional advisors.





In accordance with the terms and conditions in our Letter of Engagement for the provision of internal audit services dated 19 January 2024, PwC has been asked to perform an internal audit focusing on the effectiveness of the design of Environment Southland's Asset Management processes and controls.

Background

Environment Southland manages a significant value of assets. It is important that efficient asset management practices and controls are in place to ensure the Council manages assets in an equitable and sustainable manner and achieves its strategic objectives and corporate plan.

Environment Southland aims to adopt an integrated and sustainable approach to asset management, continuously improving activities through data-driven decisions that prioritise proactive action plans and are guided by long-term thinking and reinvestment. The Council is keen to understand opportunities to improve its asset management planning and lifecycle management practices and controls.

Objective and scope

The objective of this internal audit is to understand and perform a high-level assessment of the effectiveness of the design of Environment Southland's Asset Management processes and controls against our experience of good practice, and to identify any opportunities for improvement.

Environment Southland utilises ISO55001 and the IPWEA's International Infrastructure Management Manual 2015 (IIMM) as its basis for good practice infrastructure asset management.

Our scope will focus on the strategy, policy, planning, systems, and monitoring processes related to asset management. This includes the processes and controls in place supporting how new assets are planned for, the operation, maintenance, renewal/rehabilitation, and disposal (i.e. derecognised / scrapped / sold) of existing assets.

Infrastructure asset categories of focus will include:

- Flood Protection (Stopbanks and earthworks, culverts, tidal gates)
- Fleet
- Information Technology
- Plant and Equipment
- Buildings
- Farms.



Out of scope

- SouthPort and rental land and buildings.
- Asset acquisition and procurement processes (we will however cover how new assets are planned for)
- A detailed assessment or review of individual policies, including policies and other guidance material that are not directly related to asset management
- We are not providing a maturity assessment or assessing any particular asset management operational activities in depth (e.g. use, maintenance, renewals, disposal), or how the assets are used operationally.

Approach

Our approach to this engagement will involve the following two phases:

Phase 1 - Understand your existing asset management practices

Our approach will cover key aspects of ISO55001, the IIMM and the OAG's "What good looks like" asset management guidance. This will include covering the following areas:

- Asset management planning and alignment to overall strategic objectives and long term financial planning
- The identification, assessment and management of risks regarding potential disruptions and impacts on asset performance.
- Asset lifecycle management that considers the entire lifespan of an asset from planning and design to operation, maintenance, improvement and disposal.
- Evaluation and monitoring of asset performance, including actions taken based on the results and reporting to stakeholders.
- Asset management staffing, information systems, asset data, asset condition, service levels, continuous improvement and governance.

In order to understand your current asset management processes we will:

- **Interview** up to 14 key Council personnel to gain an understanding of the asset management processes, context, practices, systems and operations across the Council covering the areas listed above and specifically covering:

what asset data and information is captured and how this is utilised

how asset performance is monitored against the required service levels agreed with the community



how asset management planning is incorporated into the Long Term Plan and annual budgeting processes

the processes for condition assessments and the quality (up-to-date, completeness and accuracy) of asset data relating to inspections and maintenance of assets.

- **Obtain and read key documentation** related to the planning, delivery and management of assets including asset management policies, plans, reports and the 2024 - 2034 Long Term Plan.

Phase 2 - Identify gaps and improvement opportunities and develop a roadmap for improving asset management processes

Using insights from phase 1, our experience from other councils and with reference to the IIMM (where relevant) and the OAG's "What good looks like" asset management guidance, we will analyse the results, identify gaps and improvement opportunities and develop a roadmap that allows the Council to build on its current processes and practically improve its asset management processes covering:

- Asset management planning
- Asset lifecycle management.

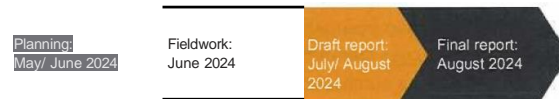
Close out and reporting

- Hold a validation workshop with the relevant people at the end of fieldwork to agree observations, recommendations and the proposed roadmap
- Prepare a written draft report outlining our key findings, recommendations and roadmap for management's consideration
- Share the report with stakeholders, obtain management comments for action and issue a final report.

Deliverables

We will provide Executive Management and the Risk & Assurance Committee with a detailed report that outlines our key findings, recommendations and agreed roadmap.

Indicative Timeframe



Sponsor

The Sponsors will be Amy Kubrycht, General Manager, People and Customer and Paul Hulse, General Manager Integrated Catchment Management.

Team

Engagement Partner:

Juanita Victor (+64 21 848 748)

Asset Management Specialist

Aaron Steele (+64 21 190 3651)

9.10 Global and Domestic Risk Trends Report for June 2024

Report by: Tania Cribb, Risk Assurance & Internal Audit Officer

Approved by: Amy Kubrycht, General Manager People & Customer

Report Date: 19 June 2024

Purpose

To provide the Committee with information on domestic and international risk trends and potential considerations for Environment Southland.

Summary

This report provides a summary to the committee on the highlights from the World Economic Forum Global Risks Report 2024, the BDO Risk Landscape Report 2024 and the Allianz Risk Barometer January 2024. These reports consider the impact of current risks that are expected to play out over the short term (two years), and a selection of risks that are likely to be most severe in the long term (10 years).

Common to all reports are the following top two risks which have been identified as having impact across both short and long-term timeframes:

- misinformation and disinformation;
- environmental risks.

Other risks considered are:

- societal polarization driving issues like misinformation and eroding social cohesion;
- economic uncertainty, inflation, and high interest rates that threaten economic growth;
- cyber insecurity, driven by new technologies and AI;
- global conflicts that further exacerbate economic instability.

Recommendation

It is recommended that the Risk and Assurance Committee resolve to:

- 1 Receive the report - Global and Domestic Risk Trends Report for June 2024.

Background

Analysing global and domestic risk trends enables proactive risk management, informed decision making, and strategic planning. By providing early warnings and insights into emerging risks, organisations can enhance resilience, meet regulatory requirements, and maintain compliance. Additionally, staying informed about global risk trends helps identify opportunities for innovation and adaptation, helping organisations to be agile and well positioned to navigate in an ever changing global and domestic landscape.

There are two key risks that global commentators are discussing uniformly:

- misinformation and disinformation;
- environmental risk.

Misinformation and disinformation can be described as persistent false information (deliberate or otherwise) widely spread through media networks, shifting public opinion in a significant way towards distrust in facts and authority.

It is easier than ever to spread false information because simple tools can be used to create fake content, e.g. fake voices or websites. Artificial intelligence (AI) technology also has the ability to create fake content.

In New Zealand, we do not appear to be experiencing this risk as severely as other countries. However, given the technology used, the potential for reach and growth in this risk is high. As a public sector body that requires the trust of community to support policy direction, this is a risk we must be alive to. Ensuring we have good community relations, good cyber controls and ensuring our approach is underpinned by robust information and data helps mitigate this risk.

Environmental risks are defined as extreme weather events; critical changes to earth systems; biodiversity loss and ecosystem collapse; pollution; and natural resource shortages. Environmental risks, including extreme weather events, are expected to worsen over the long term. However, there is a divergence in perceptions regarding the urgency of these risks.

Biodiversity loss and critical changes to the earth's systems are ranked lower in the short term but are seen as important in the long term. However, younger people see these risks as more urgent in the short term compared to older people. Private companies think these risks will happen over a longer timeframe, unlike those from civil society or government. The variety of opinions on how urgent these risks are needs to be considered when consulting and communicating with communities and stakeholders. Environment Southland also needs to ensure it has robust data to inform policy and recognise the differences outlined above in our stakeholder and communications strategies.

Extreme weather events have a broad impact on New Zealand as a whole, even if they occur in a localised area. An example of this is the effect on food supply by last year's extreme weather event in Hawke's Bay. Roads and roading networks form an essential lifeline in New Zealand and if damaged, can impact immediately on fast moving consumer goods and have a longer-term impact on commodities like fuel and food. Southland is reliant on its roading and rail network and is vulnerable to flood damage. The region also has some very remote communities that can be easily become isolated due to damage to key infrastructure. Environmental risks bring attention to the need for flood protection, our role as a civil defence provider, considerations of business interruption, and insurance planning. We need to continue to plan and prepare for extreme weather events and their effects on behalf of the community and ourselves as an organisation.

While the above risks are likely to be more prevalent over the coming years, other risks in the top-10 relevant to Environment Southland are:

- societal polarisation;
- economic uncertainty;
- cyber insecurity;
- rise in conflicts.

Societal polarisation features among the top three risks over both the short and longer term. In addition, societal polarisation and economic downturn are seen as the most interconnected – and therefore influential – risks in the global risks network as drivers and consequences of other risks such as misinformation and disinformation.

The world is increasingly experiencing ideological and cultural divisions both within communities and across broader societies. These divisions erode social cohesion, leading to a breakdown in trust among community members and pose significant challenges to modern societies.

The impact is being experienced nationally and locally through increased social tensions, disparity amongst the community views and the increase in aggressive behaviours towards Environment Southland staff. A

comprehensive risk management approach is required to ensure the safety of our workers against antisocial behaviour. This is not just about health and safety planning but also about how we interact and engage with communities and stakeholders in our day-to-day work.

Economic Uncertainty, inflation and the risk of economic downturn are likely to continue over the short term. Although a “softer landing” appears to be prevailing for now, the near-term outlook remains highly uncertain. Price inflation and high interest rates are making it hard for economies to grow, especially in countries that rely on exporting and manufacturing-led markets. El Niño weather patterns and escalation of conflicts are considered causes for price increases globally, including New Zealand. If interest rates stay high in the long term, small and medium-sized businesses, and countries with lots of debt could be exposed to debt stress. Financial stress is already being experienced in parts of our local communities which impacts community wellbeing in addition to our funding streams.

As a purchaser of services, Environment Southland is not immune to the challenges of increasing costs. Furthermore, future central government funding for current and potential projects is also uncertain. This has the potential to impact work programmes, levels of service and our ability to deliver to communities' needs and expectations.

Cyber insecurity includes the use of cyber weapons and tools to conduct cyber-warfare, cyber espionage and cyber-crime to gain control over a digital presence and/or cause operational disruption. It includes ransomware, data fraud or theft.

Cyber insecurity features in both the short- and long-term risk landscape. New technologies are making cyber, and fraud risks worse for organisations worldwide, with artificial intelligence (AI) now entering the picture. Considerable emphasis is being placed on this emerging risk both globally and domestically.

Environment Southland is not immune to this kind of crime. Reporting to this committee has highlighted how our current cyber defences are protecting us from phishing emails, malware, scams and potential attacks. However, we need to remain vigilant, regularly review our systems and safety measures and update data protection protocols as required because of the ever-changing nature of the threat scape.

The rise in global conflict was highlighted in all three reports. The world has become significantly less peaceful over the past decade, with an increase in active conflicts and associated deaths. This trend reflects a deteriorating global security landscape, characterised by heightened geopolitical tensions, internal strife, and escalating violence in numerous regions.

The effects of economic instability, political instability, ethnic divisions, and climate change have all partially contributed to these conflicts. The implications of these are currently being seen in the direct humanitarian impact, and the disruptions to economic costs around the world through destruction to infrastructure, reduced investment in many areas and increased poverty levels. The global economy bears a significant cost due to lost productivity and increased spending on military and humanitarian aid.

Whilst Southland may be removed from the direct conflicts, the global impact is felt through reduced access to global trade partners and disrupted supply chains. Locally, we are seeing less cruise ship visits partially due to the conflict in the Middle East which has a flow-on effect on the tourism sector, the overall economic prosperity of Southland and surrounding regions and our own funding streams via the marine fee.

Additional emerging topics

There are several emerging risks that are current topics of conversation across the New Zealand landscape. These are:

- **psychosocial risks** – those things that can cause psychological harm. Post-covid, there has been an increase in reports of poor mental health. In the workplace, these risks can impact employee well-being and ultimately, organisational performance. As with all risks, there are preventative measures that can be taken to reduce the likelihood of occurrence, such as good management practices and role clarity, as well as post-event interventions such as employee assistance programmes which can mitigate the impact of the risk should it occur. These risks are an increasing focus for Worksafe in New Zealand;
- **climate and environmental, social and governance (ESG) risk** – are principles that provide a comprehensive framework for evaluating and improving a organisations impact on the environment, society, and governance. Society is increasingly demanding more transparent and ethical business approaches accompanied by requisite reporting. Reputational risk ensues when this is not done well;
- **emerging technology risks** - are dynamic and continually evolving. Understanding the transformative potential of these emerging technologies means we need to continue to learn and adapt to both benefit from the opportunity and manage the potential risks.

Considerations

This review provides an opportunity to consider Environment Southland’s risk profile against current risk trends and assess whether we have got the right risks identified and managed at the appropriate level.

Next Steps:

- we will be scheduling a combined team workshop involving the Council and Executive team to discuss these findings, assess the impacts on Environment Southland’s activities and agreement amendments or additions to Environment Southland’s strategic risks;
- ongoing review of strategic risk deep dives will continue, and this report will continue to be presented annually.

Fit with strategic framework

Outcome	Contributes	Detracts	Not Applicable
Managed access to quality natural resources			X
Diverse opportunities to make a living			X
Communities empowered and resilient			X
Communities expressing their diversity			X

Attachments

Nil

9.11 Annual Activity Plan

Report by: Amy Kubrycht, General Manager People & Customer

Approved by: Amy Kubrycht, General Manager People & Customer

Report Date: 19 June 2024

Purpose

To present to the Risk and Assurance Committee the annual plan of items to be delivered on by the committee, and to obtain ongoing input on the proposed plan.

Recommendation

It is recommended that the Risk and Assurance Committee resolve to:

- 1 Receive the report - Annual Activity Plan.

Background

The table attached sets out the standard activity plan along with the future and to-be-developed items.

Changes to previously reported items are highlighted in blue.

The specific timing of the items is indicative and may vary to manage the size of the agenda and the timing of events. Staff seek the committee's input each meeting to continually develop the plan and to ensure the optimal effectiveness of the committee.

The committee is asked to note the following:

- there is no divisional manager's review scheduled for this meeting due to inclusion in the agenda of a critical risk deep dive held over from last meeting;
- the insurance report is being brought forwards to align with the timing of the asset insurance renewal;
- the legislative review has been commissioned but is not yet completed so the reporting of this has been deferred.

Risk & Assurance Activity Report Timetable 2024							
		Frequency/ person	20 Mar	19 Jun	11 Sept	9 Oct *	11 Dec
Quarterly Reporting	Organisational risk report	Quarterly	✓	✓	✓		✓
	Critical/Strategic risk deep dive	Quarterly	✓	✓	✓		✓
	Internal Audit Programme	Quarterly	✓	✓	✓		✓
	Health & Safety	Quarterly	✓	✓	✓		✓
	Government Funded Projects	Quarterly	✓	✓	✓		✓
	Divisional Managers Update	As required.			✓		✓
	Chief Executive's report	Quarterly	✓	✓	✓		✓
	Cybersecurity report	Quarterly		✓			✓
	Annual Activity Plan	Quarterly	✓	✓	✓		✓
Annual Planning and Reporting (including Annual and Long-Term Plans)	Audit Fee Proposal and Engagement Letter	Annually		✓			
	Draft Annual Report	Annually				✓	
	LTP Development Progress Report	Quarterly	✓	✓	(Review)		
	LTP Consultation Document	Annually	✓				
	External Audit	As per audit schedule.				✓	
Practice Review	LGOIMA and Privacy	Bi-Annually		✓			✓
	Conflict of interest/Members interests	Annually	✓				
	OAG Updates	As available	TBC	TBC	TBC	TBC	TBC
	Legislative compliance	Annually			✓		
	Policy Update	Annually					✓
	Risk scanning/review	Annually		✓			
Insurance	Insurance report	Annually		✓			

Risks/Opportunities

There are no risks associated with this paper.

Views of affected parties

This paper is a standing item to ensure the views of the committee are sought on a rolling basis as to the programme of work and reporting.

Fit with strategic framework

Outcome	Contributes	Detracts	Not Applicable
Managed access to quality natural resources			X
Diverse opportunities to make a living			X
Communities empowered and resilient			X
Communities expressing their diversity			X

Compliance with Significance and Engagement Policy

Not applicable

Considerations

Financial implications

Not applicable

Legal implications

Section 14(1)(g) of the Local Government Act 2002 states that 'a local authority should ensure prudent stewardship and the efficient and effective use of its resources in the interests of its district or region...'. The annual activity plan for the committee outlines a programme of work designed to support this.

Attachments

Nil