



ATTACHMENTS MINUTES

Audit & Risk Committee meeting

Monday, 19 May 2025

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10.3 Risk Register - Quarterly Update**File Number:** A17427928**Author:** Chris Quest, Manager: Risk & Assurance**Authoriser:** Alastair McNeil, General Manager: Corporate Services

Section under the Act	The grounds on which part of the Council or Committee may be closed to the public are listed in s48(1)(a) of the <i>Local Government Official Information and Meetings Act 1987</i> .
Sub-clause and Reason:	s7(2)(j) - The withholding of the information is necessary to prevent the disclosure or use of official information for improper gain or improper advantage.

PURPOSE OF THE REPORT

1. To inform the Committee of the current status of the Risk Register.

RECOMMENDATIONS

That the Audit & Risk Committee:

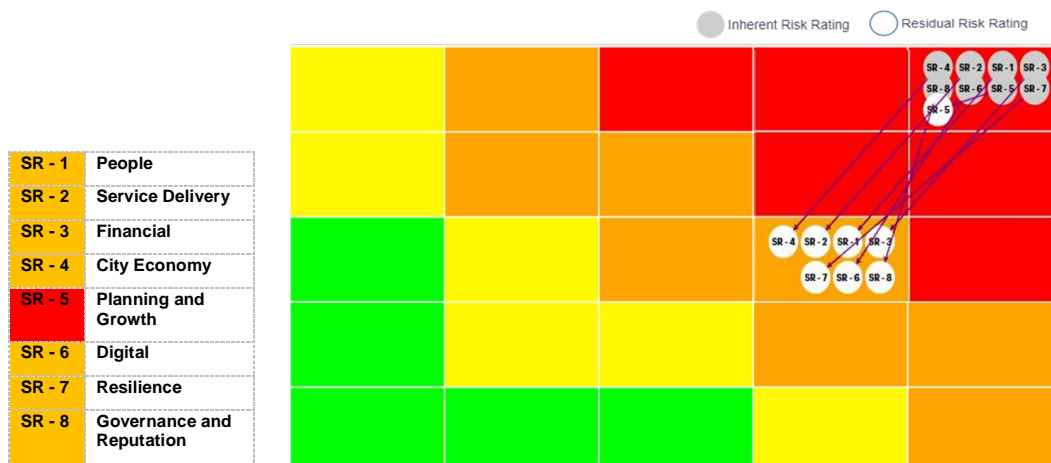
- (a) Receives the report "Risk Register - Quarterly Update".
- (b) Notes that the report can be transferred into the open section of the meeting at the conclusion of this meeting.
- (c) Notes that the attachment is to remain in the public excluded to prevent the disclosure or use of official information for improper gain or improper advantage.

EXECUTIVE SUMMARY

2. Risk management is the awareness of potential outcomes and the decisions and actions taken to deliberately seek benefits and reduce disbenefits. To achieve desired strategic outcomes, an organisation-wide view of risk is required to ensure risk informed decision making.
3. Teams are encouraged to discuss risks and management approaches openly, to ensure issues are reduced and actions remain responsive to potential opportunities and threats.
4. Controls are actively developed with teams to reduce unacceptable risks, which supports continuous improvement of processes, improved efficiencies and identifies synchronicities across teams.
5. A critical risk does not necessarily mean a significant threat is imminent; it does show that the potential effect of the risk could be high and enables us to prioritise and proactively establish measures to limit our exposure.
6. Key risks discussed in this report include actions which are being applied to control the critical finance risk, the contributing factors determining the critical people risk and the opportunity to align risk management of council meetings with neighbouring councils, who have identified and addressed increased safety risks at council meetings.

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7. The required outcome from this report is for the committee to be aware of the current risk level of the organisation, and where appropriate, provide direction at the strategic level as to which risks are acceptable or unacceptable.
8. The heatmap above shows only the position of the eight Strategic Risks. The value of these is determined by the 'child' Corporate risks, a summary of which is provided in the attachment. In addition there is knowledge and information not currently captured within Camms, which risk owners utilise on a day-to-day basis to manage risk.
9. The risk register is reported as at 31 December 2024.

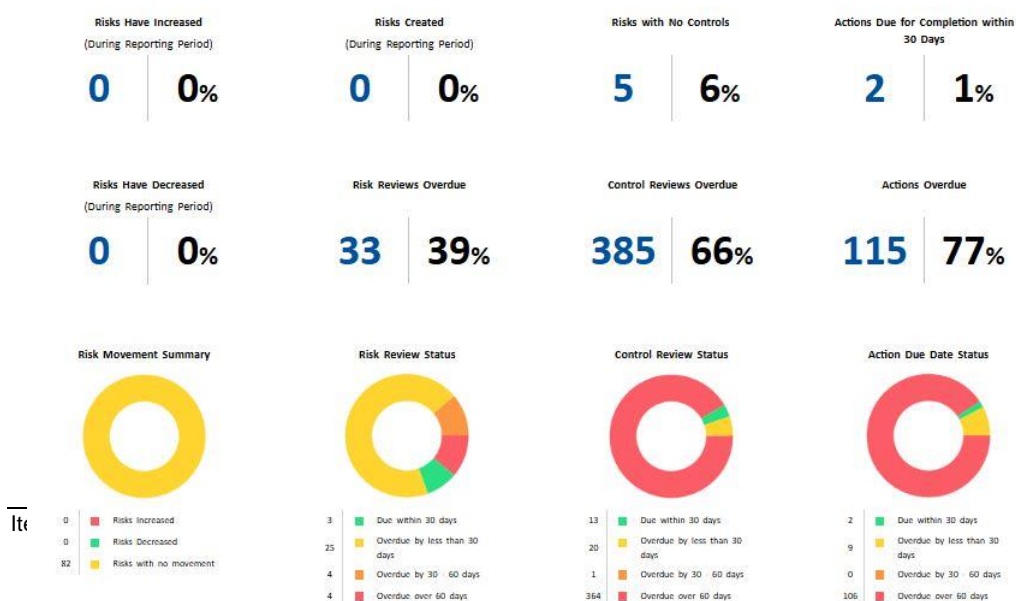
BACKGROUND

10. The aggregated rating of one of our eight strategic risks remains critical, and 24% of our corporate risks (25 out of 105) continue to be rated as critical with the top risks within Finance, and Health Safety & Wellbeing categories. The strategic and corporate risks are highlighted in the attached risk report with key actions and mitigations to reduce them.

Notable Items

11. The focus in the quarter has been to continue to upskill risk owners to be able to proactively manage risk, and record the information within Camms (the risk software). Risk owners

Summary (01 Oct 2024 - 31 Dec 2024)



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continue to require significant support, primarily due to the need for them to prioritise other tasks. A summary of corporate risks is shown below:

12. Email notifications from Camms have been successfully enabled, with a soft launch of the functionality in November. A limited set of further email alerts relating to risk and control reviews and audit action reminders will now be enabled from January through to April 2025.
13. Other notable activity this quarter has included providing continuing support to the organisation in relation to a range of integrity matters; in particular the increase in awareness and provision of advice in relation to gifts and hospitality was the focus in the run up to the Christmas period. Further information on gift and hospitality declarations is provided later in this report.
14. In December, the Office of the Auditor General launched the second edition of their 'Integrity Framework'. Through scheduled reviews, our suite of integrity related policies and procedures will continue to incorporate advice from the OAG as appropriate. In addition, the Risk and Assurance team continues to increase awareness of integrity issues across our organisation via the various channels available.

Emerging Threats

15. An "emerging threat" is a potential risk or hazard that is in the early stages of development, and has the capacity to evolve into a significant danger over time. It may arise from new technological, geopolitical, or environmental factors and may not yet be fully recognised or understood.
16. Examples of an emerging threat include climate change and extreme weather events: Increased frequency of storms, floods, and droughts due to climate change. Also, Further pandemics and infectious diseases: The potential for new infectious diseases to emerge, similar to COVID-19.
17. Donald Trump's second term as US President could have significant implications for New Zealand's economy and trade relations. The implementation of new tariffs, particularly on China, may disrupt global trade flows and potentially slow down the Chinese economy, affecting demand for New Zealand products.
18. However, this disruption could also create opportunities for New Zealand to fill gaps in the Chinese market left by US products. The potential appreciation of the US dollar against the New Zealand currency could make international travel more expensive for Kiwis, but might lead to cheaper imported goods and electric vehicles.
19. While there may be short-term benefits, experts warn of worrying medium and long-term consequences, especially if a full-blown trade war erupts, potentially leading to decreased global GDP growth and lower demand for New Zealand exports.
20. In November 2024, health authorities declared a whooping cough (pertussis) epidemic, marking the nation's first significant outbreak since 2018. Health New Zealand have implemented a nationally coordinated response to manage the epidemic.
21. Whooping cough is a highly contagious respiratory disease characterized by severe coughing fits. Epidemics in New Zealand typically occur every 3 – 5 years, affecting young children. Efforts to promote vaccination are underway, particularly among high-risk groups, including hāpu māmā (pregnant mothers) to access timely immunisations.
22. For noting, late 2024 China experienced a significant increase in human metapneumovirus (HMPV) cases among young children. Health experts have stated that, unlike COVID-19, HMPV is a known respiratory virus causing flu-like symptoms including fever, cough, and nasal congestion. HPMV has been around for decades, with almost every child being infected by the time they are 5 years old, however can lead to severe illness in young children, the elderly, and those with weakened immune systems.
23. The World Health Organisation (WHO) reassures the public that HMPV is not a novel virus like COVID-19 but advises precautionary measures, such as maintaining good hygiene practices and seeking timely medical care for vulnerable populations.

Global Events

24. The New Generation of Risk Report 2024 by Riskconnect identifies critical emerging risks that business now face and highlights a shift in how risk management strategies must evolve. Key concerns centre around generative AI, economic instability, and cybersecurity threats, each requiring proactive and adaptable risk management.
25. **Generative AI Risks:** 93% of companies surveyed anticipate AI-related threats; risks include data privacy issues, potential misuse, and ethical concerns. However, only a small percentage of companies reported being fully prepared, and many have yet to implement comprehensive safeguards.
26. **Cybersecurity Threats:** Ransomware, security breaches, and state-sponsored cyberattacks rank high in impact. AI may worsen these issues, enabling sophisticated phishing and hacking techniques. While some C-level leaders feel prepared for ransomware, addressing labour shortages and related cybersecurity risks remain a complex challenge.
27. **Escalating Geopolitical Risks:** driven by global conflicts such as the ongoing tensions in Eastern Europe, particularly from Russia and Ukraine, and in East Asia, notably China and North Korea. These regions are seen as major sources of cyber aggression, with companies citing cyberattacks from these areas as significant risks to operations. These geopolitical tensions are not only creating direct cyber threats but also amplifying broader economic and supply chain disruptions.
28. The risk of exposure due to foreign exchange rates is highlighted as the NZ dollar continues to decline against other global currencies, most notably the US dollar and GB pound. This may lead to an increase in the cost of goods and services procured from overseas.

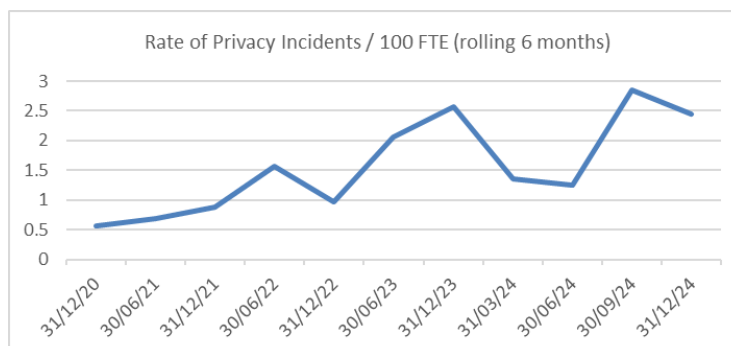
Privacy

29. A total of 14 incidents were reported, of which nine were confirmed breaches one of which was reported to the Office of the Privacy Commissioner (OPC), one considered a potential breach (although the origin of the breach was unable to be determined), and four were assessed as a non-breach.
30. In relation to the matter notified to the OPC, notification was recommended due to there being several unknown factors, the type of personal information disclosed, and the results of the OPC 'NotifyUs' online assessment tool which supported this recommendation. Upon assessment, the OPC concluded that it did not consider the incident likely to result in serious harm, therefore not a notifiable breach. Unfortunately, little reasoning for this decision has been provided to date, and this is being followed up.
31. The potential breach was in relation to a CCTV incident; while it could not be ascertained if the incident originated from TCC (as other organisations also have access), some immediate measures have been implemented to minimise the likelihood of this occurring by TCC in the future (these measures include limiting playback functionality and requiring an annual access renewal by users).
32. The primary causes of the incidents this quarter have been data entry mistakes, email errors, and human errors.

6 months to:	Incidents
31/12/2023	29
31/03/2024	15
30/06/2024	15
30/09/2024	30
31/12/2024	29

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Business Continuity

33. Business Continuity (BC) planning is the process of ensuring that in the event of a disruption, the organisation can continue to deliver services based on a prioritised approach. All functions of council have business continuity plans in place as required by the BC management system, which is consistent with ISO 22301. BC planning is focussed on our internal capabilities in the event of a disruption.
34. The next BC Validation Test is scheduled to take place week commencing 5 May 2025. These tests are scheduled annually and are designed to test the organisations capability in the event of a specific scenario. Findings and recommendations from the test will be provided in the quarterly report following.
35. The BCI's Supply Chain Resilience Report 2024 highlights a significant increase in supply chain disruptions, with nearly 80% of organisations experiencing disturbances in the last year (up 24.3% on the previous year). The leading cause of these disruptions was third-party failures (affecting 43.6% of organisations), followed by cyber-attacks and adverse weather or natural disasters. In response, there has been a notable rise in comprehensive supplier tier mapping; with 17.1% of respondents now analysing their critical suppliers down to tier 4 and beyond (3.7% in the previous year).

Interests Register

36. The regular six-monthly update of the Senior Leadership register of interests was completed in the quarter. As with previous updates, all declarations were checked for completeness against publicly available information before review and approval by each General Manager.
37. The planned migration of the interest declaration process / interest register to Camms is scheduled for March 2025; this is currently on-track, but may be further deferred subject to resource limitations and expansion of scope.
38. Gift & Hospitality Register
39. Monthly reviews of Gift and Hospitality declarations are continuing; these include a 100% review of higher value declarations, spot-check of declarations below \$100, and any incomplete or duplicate declarations.
40. There were a high number of declarations in November / December, which was to be expected given the lead up to Christmas. It is pleasing to see the number of low-value entries which indicates a high level of staff awareness of the requirement to declare even small items, and a good uptake of the new declaration portal 'For the Record'.

STATUTORY CONTEXT

41. Effective risk management contributes to improved management systems, and informed decision-making.

STRATEGIC ALIGNMENT

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42. This contributes to the promotion or achievement of the following strategic community outcome(s):

	Contributes
We are an inclusive city	✓
We value, protect and enhance the environment	✓
We are a well-planned city	✓
We can move around our city easily	✓
We are a city that supports business and education	✓

43. The risks identified in the register have impacts on, at different levels, each of the community outcomes and, as such, on TCC organisational activity. Regular review and assessment of our risk management helps us better understand and manage key organisational and city risks.

OPTIONS ANALYSIS

44. There are no specific options for this meeting to consider in respect of this report, as its purpose is to present the updated register to the committee for information.

FINANCIAL CONSIDERATIONS

45. This report provides an overview of Financial risk, which may include broad financial considerations.

LEGAL IMPLICATIONS / RISKS

46. This report provides an overview of risk, including legal and compliance risk, which may have broad considerations.

CONSULTATION / ENGAGEMENT

47. [Type here](#)

SIGNIFICANCE

48. The Local Government Act 2002 requires an assessment of the significance of matters, issues, proposals and decisions in this report against Council's Significance and Engagement Policy. Council acknowledges that in some instances a matter, issue, proposal or decision may have a high degree of importance to individuals, groups, or agencies affected by the report.
49. In making this assessment, consideration has been given to the likely impact, and likely consequences for:
- (a) The current and future social, economic, environmental, or cultural well-being of the district or region.
 - (b) Any persons who are likely to be particularly affected by, or interested in, the matter.
 - (c) The capacity of the local authority to perform its role, and the financial and other costs of doing so.
50. In accordance with the considerations above, criteria and thresholds in the policy, it is considered that the issue is of high significance, however the decision proposed in this report is of low significance.

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ENGAGEMENT

51. Taking into consideration the above assessment, that the matter is of low significance, officers are of the opinion that no further engagement is required prior to Council making a decision.

NEXT STEPS

52. The Executive and their respective management teams will continue to manage risk, with progress reported to this committee on a quarterly basis via this report.

ATTACHMENTS

1. **Risk Register - Quarterly Update - Heat Map Report - A17428319**

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10.2 Internal Audit & Assurance - Quarterly Update**File Number:** A17426176**Author:** Jon Hobbs, Audit & Assurance Lead**Authoriser:** Alastair McNeil, General Manager: Corporate Services

Section under the Act	The grounds on which part of the Council or Committee may be closed to the public are listed in s48(1)(a) of the <i>Local Government Official Information and Meetings Act 1987</i> .
Sub-clause and Reason:	s7(2)(j) - The withholding of the information is necessary to prevent the disclosure or use of official information for improper gain or improper advantage.

PURPOSE OF THE REPORT

1. This report is in two parts:
 - (a) To provide the Audit and Risk Committee with assurance of risk controls in place for specific items as detailed and to report on the Audit & Assurance Programme for 2024/26.
 - (b) To summarise other current notable assurance activities.

RECOMMENDATIONS

That the Audit & Risk Committee:

- (a) Receives the report "Internal Audit & Assurance - Quarterly Update".
- (b) Notes that the report can be transferred into the open section of the meeting at the conclusion of this meeting.
- (c) Notes that the attachments are to remain in the public excluded to prevent the disclosure or use of official information for improper gain or improper advantage.

EXECUTIVE SUMMARY

2. The Audit & Assurance function is a key element of the three lines of defence model for risk management as explained in a separate report to this meeting – 'Corporate Risk Register-Quarterly Update'. Audit & Assurance provides the final line of defence by testing the effectiveness of existing controls; this provides Council with a level of assurance of the current risk level and of the effectiveness of the management of the risk.
3. The intention of the Audit & Assurance programme is to undertake an independent test of the adequacy of the current risk controls and provide Council with the assurance that risks are effectively being managed.

BACKGROUND

4. In terms of the Internal Audit & Assurance Program:
 - (a) This is the first submission of reports undertaken as part of the 2024/26 Internal Audit plan; this was agreed by the Executive and has been ongoing since July 2024, and will be continued unless directed otherwise. The Audit and Assurance Plan is included for information. (Attachment A).

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- (b) The Audit & Assurance function is specifically reported separately from the Risk function to maintain its clear independence and uphold its integrity and objectivity.

5. Internal Audits

The internal audit report in relation to risk *CR67 – 'Council Loses Environmental Health Accreditation'* has been completed. The report is included as Attachment 2 and summarised below.

Synopsis of scope and findings:

- (a) The scope of the audit included testing the adequacy of current controls related to the reporting and control of the risk as specified in the corporate risk register.
- (b) The overall conclusion is "System of internal control being maintained". There are no priority management action and no opportunities for improvement highlighted in the findings. It was also noted that the most recent external audit found that TCC was operating to a satisfactory level of conformance with the requirements of recognition as a Recognised Agency, their report contained positive comments with the department focusing on "introducing improvement initiatives in an effective, measured, risk-based approach".
- (c) This internal audit on our Council loses Environmental Health accreditation risk is the first time the risk has been tested by the audit function, and therefore there are no previous findings or actions to report against.

6. The internal audit report in relation to risk *CR37 – 'Digital Security Breach'* has been completed. The report is included as Attachment 3 and summarised below.

Synopsis of scope and findings:

- (a) The scope of the audit included testing the adequacy of current controls related to the reporting and control of the risk as specified in the corporate risk register.
- (b) The overall conclusion is "Some controls that need improvement". There are six priority management actions highlighted in the findings and five opportunities for improvement. These are being addressed and the status for these will be reported back to the Committee as part of quarterly reporting.
- (c) This internal audit on the Digital Security Breach risk is the first time the risk has been tested by the audit function, and therefore there are no previous findings or actions to report against.

7. Status of actions from previous Audit & Assurance Reports and future audits are now produced from the Camms reporting system and are attached (Attachment B). External and other assurance activity reports will be added in the future to the Camms system and reported to the committee.

For all audits the number of actions include both priority 1 and priority 2 management actions, but do not include any opportunities for improvement. Overdue management actions are listed below.

In the past quarter the Audit & Assurance team has concentrated on clearing outstanding items from prior internal and external audits:

- a) Item 1 – Health, Safety and Wellbeing. There were 21 actions from the previous Internal Audit report presented to the Strategic Finance & Risk Committee (SFaRC) in August 2020 and there is only 1 action due for completion which is being addressed as a long-term action.
- b) Item 2 – City and Council is not yet resilient to natural hazards. There are two overdue items, both linked to the Disaster Waste Plan; this is being worked on with Bay of Plenty Regional Council (BOPRC) and Waikato District Council in a joint waste strategy.

8. Other Assurance Activity

- (a) **Audit NZ** - Audit management letter points raised by Audit New Zealand have been followed up and the status is in the table in Attachment B. A final report dated 3 December 2024 has been issued for the financial year 2023/2024 showing they have been able to clear one of the outstanding actions and added two new audit points. The remainder have not been cleared due to time constraints on the audit. Audit & Assurance will coordinate with the Finance team, to clear these with Audit NZ in a timely manner.
- (b) **Alcohol Licensing** - In conjunction with the Alcohol Licensing team a Quality Management System (QMS) has been developed and implemented to standardise and ensure process and procedure is being followed by the team. The first quarter to September 2024 has been audited and four recommendations, mainly around consistent documentation retention have been made. All recommendations have been discussed and will be addressed by the team before the next audit at the end of January 2025.
- (c) **Environmental Health** – The quarterly audit of the QMS is to be conducted in January 2025 due to time constraints over the holiday period.
- (d) **Capital Programme Assurance Division (CPAD) project health checks** – Audit & Assurance team has worked with CPAD to complete 40 Project Health Checks over Quarter 1 and 2. While it was found that many of the projects had project management practices that complied with TCC Project Delivery Life Cycle process and TCC document management policy, there were a number of instances of noncompliance. The most common issue is a recurring one of approved project documents not being held in project folders. Education has been provided and remedial action is scheduled to be completed.
- (e) **Gifts & Hospitality checks** - These are now being conducted on a monthly basis and will be reported to the Executive accordingly. Gifts and Hospitality (G&H) checks for all items over \$200 have been reviewed, and a spot check completed on items valued below this.
- (f) **Interest Declarations** – these are being checked every six months to confirm completeness and validity against external agencies as recommended by Audit NZ and will be undertaken again in May 2025. Management plans established to address conflicts of interest with individual employees or consultants have been reviewed to ensure they are being effectively implemented. These will be conducted on a quarterly basis (or as required) and any anomalies or weaknesses reported back to the relevant General Manager.
- (g) **Major Projects Team** - Audit and Assurance have conducted a review of the gateways implemented by the Major Projects team and have confirmed they are appropriate and align with the CPAD gateways and will give additional confidence to the governance around these large projects.
- (h) **Business Continuity** - A control audit across the organisation is to be completed in 2024-2025 as the wider organisation takes ownership for their individual business continuity plans, with progress on these items to be reported to the Executive. A second validation testing exercise will be undertaken in May 2025.

STATUTORY CONTEXT

- 9. Effective risk management contributes to improved management systems, and informed decision-making,

STRATEGIC ALIGNMENT

10. This contributes to the promotion or achievement of the following strategic community outcome(s):

	Contributes
We are an inclusive city	✓
We value, protect and enhance the environment	✓
We are a well-planned city	✓
We can move around our city easily	✓
We are a city that supports business and education	✓

11. The risks identified in the register have impacts on, at different levels, each of the community outcomes and, as such, on TCC organisational activity. Regular review and assessment of our risk management helps us better understand and manage key organisational and city risks.

OPTIONS ANALYSIS

12. There are no specific options for this meeting to consider in respect of this report, as its purpose is to present the updated internal audit report to the committee for information.

FINANCIAL CONSIDERATIONS

13. This report provides an overview of financial risk, which may include broad financial considerations.

LEGAL IMPLICATIONS / RISKS

14. This report provides an overview of the audit of the risk register and other external matters, which may have broad considerations.

CONSULTATION / ENGAGEMENT

15. N/A

SIGNIFICANCE

16. The Local Government Act 2002 requires an assessment of the significance of matters, issues, proposals and decisions in this report against Council's Significance and Engagement Policy. Council acknowledges that in some instances a matter, issue, proposal, or decision may have a high degree of importance to individuals, groups, or agencies affected by the report.
17. In making this assessment, consideration has been given to the likely impact, and likely consequences for:
- (a) The current and future social, economic, environmental, or cultural well-being of the district or region.
 - (b) Any persons who are likely to be particularly affected by, or interested in, the matter.
 - (c) The capacity of the local authority to perform its role, and the financial and other costs of doing so.
18. In accordance with the considerations above, criteria and thresholds in the policy, it is considered that the issue is of high significance.

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ENGAGEMENT

19. Taking into consideration the above assessment, that the matter is of low significance, officers are of the opinion that no further engagement is required prior to Council making a decision.

NEXT STEPS

20. The Executive and their respective management teams will continue to audit risk, with progress reported to this committee on a quarterly basis via this report.

ATTACHMENTS

1. **Audit & Assurance Plan 2024-2026 - A17437815**
2. **Audit Report CR67 - A17467145**
3. **Audit Report CR37 - A17467174**
4. **Audit & Assurance Management Actions Summary Q2 2024-2025 - A17437939**