

AUDIT AND RISK MANAGEMENT COMMITTEE

AGENDA

7 MAY 2014

AT 9AM

COMMITTEE ROOM 1, CIVIC OFFICES, 53 HEREFORD STREET

Committee: Chairperson: Sue Sheldon
Deputy Chairperson: Councillor Raf Manji
Councillors Vicki Buck, Jimmy Chen, David East, Jamie Gough, The Mayor,
Messers Mark Russell and Michael Rondel.

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1. APOLOGIES

Nil.

2. DECLARATION OF INTEREST

Members are reminded of the need to be vigilant to stand aside from decision making when a conflict arises between their role as a member and any private or other external interest they might have.

3. DEPUTATIONS BY APPOINTMENT

4. INTERNAL AUDIT STATUS REPORT

		Contact	Contact Details
General Manager responsible:	Chief Financial Officer	N	
Officer responsible:	Internal Audit	Y	Warren Murphy 941 8550
Author:	Warren Murphy	Y	

1. PURPOSE OF REPORT

1.1 The purpose of this report is to provide an update on the status of internal audit activities being undertaken by PricewaterhouseCoopers and the Internal Audit as a co-sourced arrangement and includes:

- The status of Internal Audit projects in the current year's programme as at 24 April 2014
- An updated metric on audit issues from previous audits that are being actively managed
- A list of In Progress audit issues that are rated as "High" (**Appendix A**)
- A list of outstanding audit issues that are "Overdue" (**Appendix B**)
- Executive summaries for reports completed as at 24 April 2014 (**Appendix C**).

2. EXECUTIVE SUMMARY

2.1 The 2013/14 audit programme was approved by the Executive Team and the Audit and Risk subcommittee in August 2013.

2.2 Two reviews have been completed since the last Audit and Risk subcommittee meeting 2 April 2014. These are:

- Asset Management and Planning
- Business Continuity Planning.

2.3 Eleven reviews are in progress and of these; six are at the draft report stage.

2.4 The diverse nature of these audits and their scopes continue to provide a wide range of assurance across the Council. The overall management engagement with Internal Audit continues to be responsive and constructive.

2.5 There are 94 audit issues outstanding as at 24 April 2014, categorised as 22 high priority, 61 medium priority and 11 low priority issues. This is a reduction since the last report.

2.6 There are 12 issues (9 medium priority and 3 low priority) that are past their target date for completion. This is a reduction over the last period because they are being actively followed up.

4 Cont'd

3. INTERNAL AUDIT STATUS 2013/14

3.1 Summarised in Table 1 below is the status of each of the internal audit reviews for the 2013/14 year.

Table 1: Status of Audits on the 2013/14 Programme

Review	Comments	Field Work	Status
Rolled over from 2012/2013 program			
Rates	Validating observations and requesting management comments.	PwC	Draft Report
2013/2014 program			
Council Decision Making Processes	Scoping.	PwC	In Progress
Code Compliance Certificates	Q4 – on hold pending Building Control review.	CCC	On hold
Land Use Consents	Q4 – on hold pending Building Control review.	CCC	On hold
Subdivision Consents (part of Resource Consents program)	Q1 - on hold pending Building Control review	CCC	On hold
Enforcement and Inspection – Liquor Licensing	Deferred to 2014/15 (Q4 on Plan).	CCC & PwC	Deferred to 2014/15
Contaminated Sites/Debris Management	Validating observations and requesting management comments.	CCC	Draft Report
Opex and Capex Expenditure, Forecasting and Budgetary Control	Scoping.	PwC	In Progress
Governance of Directly Owned Subsidiaries	Requesting management comments.	PwC	Draft Report
EQ Claims	Q4.	PwC	Planned
Performance Measurement	Q4.	CCC	Planned
Debt Management and Credit Control for User Services Charges	Draft Report being written.	CCC	Draft Report
Key Accounting Controls	Q4 (Q3 on plan).	CCC	Planned
Revenue Collection Points	Scoping.	CCC	In Progress
Fraud Prevention and Detection – Suspicious Transactions Analysis	Completed.	CCC & PwC	Completed
Property Purchases and Disposals	Field work underway.	PwC	In Progress
Electronic Banking and Funds Transfer	Q4.	CCC	Planned
Business Continuity Planning	Completed.	PwC	Completed
Asset Management and Planning	Completed.	CCC	Completed
IT Program & Project Governance	Completed.	PwC	Completed
Application Security Controls	Q4 (Q2 on Plan).	PwC	Planned
NZTA and Other Claims	Q3 on plan. Scope to be revised due to audits currently being undertaken through HIGG.	CCC	Deferred to 2014/15
Waste water Collection and Disposal ¹	Q4 (Q3 on Plan).	CCC	Planned
Drainage/Flood Control Activities	Q3 (Q2 on Plan) - scoped but deferred to 2014/15 due to staff workload.	CCC	Deferred to 2014/15
Remuneration Practices	Deferred to 2014/15 while organisational restructure in	CCC	Deferred to 2014/15

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¹ Please note that at the Council meeting of 24 April, Councillor Johanson asked that the ability to bring this forward be raised.

Review	Comments	Field Work	Status
	progress. (Q2 on Plan).		
Probity/Sensitive Expenditure	Draft Report being written.	CCC	In Progress
Internet Usage (2013/14)	Q4.	CCC	Planned
Mayor's Welfare Fund	Deferred to 2014/15 (Q4 on Plan).	CCC	Deferred to 2014/15
Facility Rebuild Projects	Q4 (Q2 on Plan).	PwC	Planned
Rock Fall Remediation Project	Deferred to 2014/15 (Q4 on Plan).	CCC & PwC	Deferred to 2014/15
Additional to approved programme			
Fraud Investigation – Consents	Completed.	PwC	Draft Report
Rates Setting Historical Review	Awaiting management comments.	CCC	Draft Report
PCard Testing	Completed.	PwC	Completed
Conflicts of Interest Register	Completed.	PwC	Completed
Contractor Register	Validating observations and requesting management comments.	PwC	Draft Report
Connect Project Lessons Learned	Completed.	PwC	Completed

Key:

Completed	Review complete, management comments received and final report issued
Draft Report	The field work has been completed and the draft audit report is awaiting review
In progress	Review underway
Planned	Review planned, high level terms of reference drafted

4. STATUS OF OUTSTANDING AUDIT ISSUES

4.1 Table 2 below summarises the outstanding audit issues by priority which are being actively followed up.

Table 2: Status of Outstanding Audit Issues

Issue Category	Total Number			Total
	High	Medium	Low	
Issues Outstanding brought forward from last report	21	86	19	126
Issues resolved since last period	4	30	11	45
Issues added this period from newly completed audits	5	5	3	13
Issues outstanding as at 24 April 2014	22	61	11	94
Issues outstanding that are past target date for completion	0	9	3	12

4.2 These ratings by priority are defined as follows:

High: Very significant potential exposure or area of critical importance. Urgent management action required.

Medium: Exposure exists but with some mitigating factors. Management action required within the next six months.

4 Cont'd

Low: Low level of potential exposure to the organisation. Action required is only of a low priority or housekeeping nature.

4.3 A summary of High Audit Issues is attached as **Appendix A**.

4.4 A summary of Overdue Audit Issues is attached as **Appendix B**.

5. COMPLETED REPORTS

5.1 Attached as **Appendix C** are the executive summaries of reports completed since the last meeting (August 2013) of the committee. These reports have been provided to management and set out agreed management action plans as approved by the review sponsor.

6. STAFF RECOMMENDATION

6.1 That the Audit and Risk Management Committee recommend that Council accept this report.

Appendix A – Summary of “High” Audit Issues In Progress

Topic	Ref	Date Report Issued	Group	Issue	Progress	Target Date for Completion
Property Transactions	10-06	Dec 09	Corporate Services	Lack of a process to identify operationally surplus land	A review of all land and buildings will be completed as part of the asset and insurance revaluation inspections.	Jun 14
Enterprise Asset Management System	10-11	Mar 10	Chief Operating Officer	Maintaining Asset Data. Complete B2B (electronic transfer of data between City Care & CCC) to allow asset change capability.	All asset categories completed except Transport Assets. The Transport Assets Project to integrate these assets into the enterprise system has recently been approved and is programmed for completion by June 2015.	Jun 15
Water Billing	13.11.1.1	Jun 13	CFO	SAP and LASER have improved the overall water billing process, however further improvements can be made to improve efficiency, accuracy and completeness of invoices produced.	The Water ROM was put on hold by IT Governance Committee, due to the staff turnover and dependency on key people in the City Water & Waste technical area. To be reassessed early 2014.	Jun 15
Insurance Placement	13.13.2.1	Mar 13	CFO	Governance and strategy over the end to end insurance placement process.	A formal governance and insurance strategy policy is being created. This will provide management with guidance to ensure that the Council's expectations of the insurance programme are incorporated in the placement of cover.	Jun 14
Insurance Placement	13.13.2.1	Mar 13	CFO	Process of obtaining, and the quality of, asset information.	All claim and building information to be reviewed and captured into a single system. (Council has an AMIS).	Jun 14
LIMS Processes	13.14.4	Mar 13	Building Control and Rebuild	Document and Records Quality Audits. The Document and Records Management Framework requires bi-annual quality audits.	Report due outlining accountability and programme for the audits.	Jun 14
LIMS Processes	13.14.5	Mar 13	Building Control and Rebuild	Information Capture Controls and Maintenance. Data Mapping required and to be included in ROM.	ROM due for completion and project will be prioritised.	Dec 14
LIMS Processes	13.14.7	Mar 13	Building Control and Rebuild	GIS Centroids. Where geospatial data does not intersect with the centroid, but could still intersect the property boundary, there is a risk that not all information is captured in the data scrape.	To confirm if Connect project has resolved, otherwise reprioritisation required.	Jun 14
LIMS Processes	13.14.12	Mar 13	Building Control and Rebuild	2009 Risk Pool recommendations are yet to be implemented. Recommendations from the Risk Pool report outline the need for the LIM report to be aligned with requirements of section 44A of the Local Government Act.	ROM #249 scopes and assesses concerns raised by Risk Pool. To be prioritised.	Jun 14
Network Security	13.15.2.1	Mar 13	Corporate Services	Lack of Senior Accountability for Security.	This is more information security and once policy defines IT can enforce. Suggest that ownership sits at the Executive Leadership Team. Awaiting the commencement of the Director Corporate Services.	Jun 14
Network Security	13.15.2.2	Mar 13	Corporate Services	Lack of Security Standards and Policies.	Governance Framework and template for technical standard, guidelines and Policies and Procedures was delivered as part of Security Project Phase II. Implementation of these policies, procedures and framework are proposed as Phase III	Jun 14
Social Housing	13.16.2.1	Jun 13	Chief Operating	Social Housing Strategy – financial sustainability of	Report due to Council April 14 which may address	Jul 14

			Officer	portfolio.	concerns.	
Social Housing	13.16.2.2	Jun 13	Chief Operating Officer	Management coordination and communication. Improvement opportunity.	Monthly Contract performance & budget meetings in place. New pricing and methodology commenced 1/7/13. All planned works authorised, Improvement plan developed and initiatives ongoing implemented. City Housing and Community facilities have employed a Maintenance Asset Advisor to form better relationships. A project that connects to a further review in relation to management information, co-ordination and financial monitoring commenced.	Jun 14
Social Housing	13.16.2.3	Jun 13	Chief Operating Officer	Impact of Property Plant & Equipment. Undertake a revaluation of Water Supply and Marine Structure assets at 30 June 2014. Gate opportunities for process efficiencies. 4. Mitigate data and security risks with current use of Microsoft Access.	ROM being developed with IMCT. Initial meetings have taken place between City Housing and IMCT.	Jun 14
Social Housing	13.16.2.4	Jun 13	Chief Operating Officer	Reliance on 3 rd Parties. Actions Agreed: 1. Review alignment between City Housing & Facilities Management. 2. Enhance financial awareness of existing budgets. 3. Develop formal complaints monitoring in relation to Facilities Contract performance.	Rapid Event Process in regards to the Vacant Unit Process has been undertaken, and improvements are underway. Complaints process has been established, process for this to be used will be reissued by FM team. FM Improvement plan developed and being implemented. Monthly Contract performance Meetings.	Jun 14
IT Programme and Project Governance	14.3.1.5	Dec 13	Corporate Services	Section 1.5 – 1a: Discuss with CPG PMO to update project change request template for IM&CT.	In Progress.	Jun 14
IT Programme and Project Governance	14.3.1.5	Dec 13	Corporate Services	Section 1.5 – 1b: Programme Managers to analyse, at high level, reoccurring causes of change	GT 04-10-14 Change register created	Jun 14
Audit Management Letter	13.2.1	Sep 13	CFO	Impact of Property Plant & Equipment. Undertake a revaluation of Land and Buildings at 30 June 2014	Planned,	Sep 14
Audit Management Letter	13.2.1	Sep 13	CFO	Impact of Property Plant & Equipment. Undertake a revaluation of Water Supply and Marine Structure assets at 30 June 2014.	RFP issued	Sep 14
Audit Management Letter	13.2.1	Sep 13	CFO	Impact of Property Plant & Equipment. Issue a RFP for the remaining infrastructure categories in early 2014 with a view to the classes being valued at 30 June 2015 or 2016 depending on available condition information.	Planned.	Jun 14
Audit Management Letter	13.2.1	Sep 13	CFO	Impact of Property Plant & Equipment. Work in Progress. Work with delivery partners to reduce delays in handing over assets.	In Progress.	Jun 14
Audit Management Letter	13.3.4	Sep 13	CFO	Capital Work in Progress: Advance progress of the complete handover of SCIRT projects from SCIRT and the HIGG.	In Progress	Jun 14

Appendix B – Summary of Overdue Audit Issues

Topic	Ref	Date Report Issued	Group	Issue	Priority Rating	Progress	Target Date for Completion
Probity & Discretionary Expenditure	07-13	Mar 07	CFO	Access to financial information. There is difficulty finding information to support journal entries made.	Low	This will not able to be resolved until GEMS has been replaced.	Jun 12
CLASS Systems	10-14	Jun 10	Corporate Services	Billing and revenue processes – There are many customer accounts within outstanding balances going back some years which should be cleared to enable a true picture of outstanding debts to be assessed. Sampling showed that there are processing errors occurring against customer accounts. Staff also encounter difficulty reconciling the cash received at recreation centres with the revenue recognised by CLASS.	Medium	21/6/13 - Customer & Consents project de-scoped. CLASS replacement or upgrade business case completed for Executive team consideration. 28/01/14 - System no longer supported - business case is under development. Discussion with Corporate Services Manager to progress.	Mar 12
CLASS Systems	10-14	Jun 10	Corporate Services	Staff difficulties with the system: Duplicated customer accounts, difficulty identifying exact locations for events like picnics, absence of a do not cancel flag where a WINZ payment is expected.	Low	Refer above.	Mar 12
CLASS Systems	10-14	Jun 10	Corporate Services	Lack of interfaces with other Council systems. EFT-POS and SAP	Low	Refer above.	Mar 12
Past Issues	11-16	Sep 11	Building Control and Rebuild	A lack of follow-up on Building WOF's	Medium	The department manager is comfortable that there is a process in place whereby an audit issues are taken through to a Notice to Fix, however it is unclear at this time whether this process captures all issues. Being followed up.	Dec 13
NZTA Funding	11-25	Sep 11	Chief Operating Officer	Procedure Manual updating process – From discussion with the parties involved, the manual does not reflect changes in some responsibilities, particularly those of the Capital Programme Group. This needs to be updated and a regular review process included in the document control.	Medium	The document will be reviewed with the Capital Programme Group to ensure that there is agreement on the processes and responsibilities.	Dec 11
NZTA Funding	11-25	Sep 11	Chief Operating Officer	Completion of issues raised in the 2009 NZTA audit – Street Lighting contract bonus/penalty provisions.	Medium	The Street lighting contract bonus / penalty provisions are being amended when this is renewed.	Dec 11
Capital Project Governance	12.23.03	Sep 12	Chief Operating Officer	Clarify how the Council will engage with project stakeholders	Medium	The consultation matrix for capital projects will be refreshed and provided to the Project	Dec 12

						Management Unit. The next LTP will incorporate the level of engagement available for each project.	
Revenue	12-04	Dec 11	Chief Operating Officer	Lack of integration between the Trade Waste License database and the Health License database.	Medium	A joint approach with Health Licensing will be sought including possible data matching in the interim, referral of license applications to Trade Waste and later development of a joint database may be possible.	Feb 13
EQ Building Processes	12-12	Jun 12	Building Control and Rebuild	Lack of clarity of process for dangerous buildings.	Medium	A data cleansing exercise is commencing for the 1,560 buildings previously assessed as dangerous to determine what risks still exist. This will be followed-up by investigations as to building status where doubt remains.	
Performance Measures	12-21	Jun 12	Chief Operating Officer	Systems to capture results - Several KPIs did not have adequate data capture or reporting mechanisms in place to allow the KPI to be verified.	Medium	To be modified for next Activity Management Plan	
Consents and Compliance	13.04.01	Sep 12	Chief Operating Officer	Ecan regards the Council as the consent holder as the organisation that should initiate and lead the investigations into any spills occurring.	Medium	The Unit will develop and implement agreed procedures with Ecan to address this.	

EXECUTIVE SUMMARIES OF INTERNAL AUDIT REPORTS ISSUED MAY 2014

Asset Management Planning

Introduction

The Council uses the SAP enterprise Asset Management Information System (AMIS) as the primary tool for managing assets at an individual asset level.

The Council also utilises Asset Management Plans which are tactical plans for managing infrastructure and other assets to deliver an agreed standard of service.

Activity Management Plans are an integral part of the Council's Performance Framework and are the building blocks for the Long Term Plan (LTP), listing benchmarked levels of service/measures and targets and the assets required to support their delivery, including renewal and replacement schedules.

Optimally, there will be a high degree of alignment between the Asset and Network Planning processes and information associated with the Asset Management Information System, Asset Management Plans, Activity Management Plans, the LTP and Council policy.

This review is subject to the same terms and conditions as the overall agreement between Christchurch City Council ("the Council") and PriceWaterhouseCoopers in relation to Internal Audit Services agreed June 2012. This review is not intended to, and does not, result in neither the expression of an audit opinion nor the fulfilling of any statutory audit or other requirements.

Objective

The objective was to review processes to ensure alignment between key planning documents relating to Council Assets, Asset Management Plans, Activity Management Plans, Long Term Plan and Council Policy.

Scope

The scope of this review considered:

- The progress and utilisation of the Asset Management Information System related to Asset Management Planning processes
- The status and quality of Asset Management Plans for the Council's asset base including both Infrastructure and ICT assets
- How well Activity Management Plans reflect the requirements represented in Asset Management Plans
- Whether the 2013 – 2016 Three Year Plan is reflective of the Asset component of Activity Management Plans
- How well the processes and results of all of the above are integrated or combine in the "system".

Key Findings

A good framework made up of interlinked systems and processes exists to enable robust asset management and planning. However, some Asset Management Plans are out of date and further development and integration needs to occur or be considered in order to improve linkage, integration and completeness.

The summary of our findings are below.

Asset Management Plans are not up to date

Asset Management Plans for the primary asset groups of Infrastructure and Facilities have fallen behind their rolling update programme largely due to earthquake response and recovery demands diverting capacity. This affects asset related planning and management decisions. It is intended that these are updated during 2014 in time for the next LTP process.

During the final stages of preparing and finalising the LTP, adjustments, usually centred on affordability, are not always fed back to Asset Management Plans.

The recommendations are to get Asset Management Plans up to date and to develop a business process feedback loop from LTP approval decisions to Asset Management Plans.

Strategic approaches are not mandated and business strategies are required to guide IM&CT investment

A Corporate Asset Management Policy was approved in 2012. An Asset Management Strategy to complement it is under development. This needs to be completed with the appropriate levels of review and

approval from within Council. An appropriate level of transparency and communication needs to occur between the business strategy and the need for IM&CT investment.

Activity Management Plans asset information is variable and inconsistent

Existing Asset Management Plan templates for the 2013-2016 years have inconsistent information. There is a risk that with inconsistent information, decisions made within the LTP process may not be the optimal decision. Consistency and rigour around the template are therefore desirable.

Not all asset classes are in AMIS and AMIS is not fully integrated with other modules or system

A phased approach to getting all Council Assets into the enterprise Asset Management Information System (AMIS) has been slowed by earthquake response and recovery impacts affecting capacity. To date only City Water and Waste, Greenspace and Facilities assets have been included in the AMIS.

The Plant Maintenance module of SAP is the AMIS system used by the Council. The Facilities assets in both the Plant Maintenance module and the Real Estate module of SAP have similar or the same data fields in some cases. There is no automatic (only manual) updating of data between these modules. The Claims-Force system that is used to manage earthquake related repair work to facilities assets also has a manual update process to the SAP Plant Maintenance and Real Estate modules. The risk is that these asset related systems have different or conflicting data for the same asset.

The Asset Operations Board need to prioritise and plan to get the rest of the asset classes into AMIS. It should also consider whether automatic updating of property data between the Real Estate and Plant Maintenance modules and from the Claims-Force system is a priority.

Overall Management Comment

Corporate Support has provided information and feedback on the findings of this report. I am happy with the recommendations and accept the actions as detailed. (Sue Chappell, Unit Manager Corporate Support 22 January 2014).

Asset and Network Planning (CEG) have provided information and feedback on the findings of this report. I am happy with the recommendations and accept the actions as detailed. (Ron Clarke, Acting Manager Asset & Network Planning).

Agreed Actions and Timeframe

Action	Actioned by	Target Date
<p>2.1.1: All existing Asset Management Plans are updated in time for the LTP 2015 – 25 Activity Management Plan process.</p> <p>2.1.2: That a process be developed as part of the LTP final approval process that ensures a feedback loop to Asset Management Plans to ensure the latter is updated to reflect late LTP changes that affect asset management and investment.</p> <p>Action Agreed: All Asset Management Plans will be updated to reflect Draft and Final LTP.</p> <p>Agreed by Infrastructure Asset Manager concerning seven Infrastructure Asset Management Plans.</p> <p>Agreed by Corporate Services Unit Manager concerning Facilities Asset Management Plans.</p>	<p>Infrastructure Asset Manager</p> <p>Property Asset Manager</p>	<p>31 August 2014</p> <p>30 June 2015</p>
<p>2.2.1: The Asset Management Strategy 2013 that is presently in preparation needs to be completed with the appropriate levels of review and approval from within Council. The strategy should include an implementation plan, covering all the classes of Council assets.</p> <p>Action Agreed: Agreed. Being led by Infrastructure Asset Manager.</p>	<p>Infrastructure Asset Manager</p>	<p>30 June 2014</p>
<p>2.2.2: In addition to enhancing the existing Activity Management Plan pre-review and drafting process, an appropriate level of transparency and communication needs to occur between the business strategy and the need for IM&CT investment.</p> <p>Action Agreed: IM&CT review Activity Management Plans and establish a process for engagement on initiatives that have IM&CT relevance.</p>	<p>Manager Service Strategy Design & Planning</p>	<p>31 March 2014</p>

<p>2.3.1: All Activity Management Plans where assets are used to deliver services within an activity include a standardised section specifically on the assets required (including capital expenditure) and the strategic approach to their management and maintenance.</p> <p>Action Agreed: 1. The Activity Management Plan template is strengthened, with exemplars, to provide guidance on completing the asset section of Activity Management Plans.</p> <p>2. A cross-functional team, led by the Planning and Performance Manager will improve alignment between Asset Management Plans and the Levels of Service set out in the Long Term Plan.</p>	<p>Planning Performance Manager</p> <p style="text-align: center;">&</p>	<p>30 April 2014</p>
<p>2.4.1: A plan including a timeline is developed by the Asset Operations Board to incorporate those asset classes into AMIS which have not yet been added (including IM&CT Assets) and the plan is approved and implementation occurs.</p> <p>Action Agreed: Agreed by Asset Network Planning Manager as Chair of Assets Operation Board.</p>	<p>Asset & Network Planning Manager</p>	<p>30 June 2015</p>
<p>2.4.2: The Plant Maintenance and Real Estate modules automatically update data across systems, including from the Claims-Force system while it remains in place.</p> <p>Action Agreed: The Asset Operations Board via the Property Asset Manager considers whether automatic updating of property data between the Real Estate and Plant Maintenance modules and from the Claims-Force system is a priority.</p>	<p>Property Manager</p> <p style="text-align: center;">Asset</p>	<p>31 December 2014</p>

Business Continuity Planning

Introduction

As part of the 2013/4 Internal Audit plan it was agreed that a Business Continuity Planning ("BCP") review would be performed by PricewaterhouseCoopers ("PwC").

This review is subject to the same terms and conditions as the overall agreement between Christchurch City Council ("the Council") and PwC in relation to Internal Audit Services, as agreed June 2012.

Objective

The objective of this engagement was to determine whether there are effective BCP processes and controls in place at the Council.

Scope

This review considered the adequacy of:

- The governance, accountability and responsibility for BCP within the Council.
- The overall BCP strategy and planning internally
- Processes utilised for staff training, awareness and communications
- Processes utilised to embed BCP internally
- Exercising the business continuity plans
- Gap identification, preventative and corrective action planning
- Applying the lessons learned from prior events
- Progress with prior agreed actions, following our last BCP review delivered in November 2010.

Key Findings

Prior to the earthquakes business continuity plans were disparate, in a lot of cases out of date and lacking an over-arching framework to align resources, activities and plans. Our last review in 2010 identified 13 recommendations, of which 8 have been addressed. Business Continuity Management ("BCM") is now undergoing a refresh at CCC with lessons learned through the earthquakes and other events being incorporated.

A new BCM framework has been established with supporting policies which have been approved by the Executive team. The General Manager Corporate Services (Acting) was handed accountability for the refresh process and has identified that a number of actions are required to improve the maturity of BCM within the Council. At the same time there are budget constraints that prevent CCC from making rapid progress in completing the actions required. A common vision has been established across the Executive Team and it is our opinion that CCC are heading in the right direction overall from a BCM perspective. The vision and approach that is being taken aligns to the PwC BCM model (see Appendix A). A summary of our key findings to help support the further development of BCM in CCC are provided below.

Finding 1.1 – Responsibility for BCP in the Council

The new framework clearly defines that all staff have responsibility with regards to business continuity readiness in the Council. Not all managers and staff have BCM responsibility defined in their position or contract with the Council. This may make it difficult to implement and embed the new business continuity framework within the Council.

Recommendations

- An exercise should be performed by HR to ensure that all managers and staff have business continuity incorporated into their position description and, if possible, their contracts with the Council.
- The Business Continuity Governance group prepare and release a formal communication to all managers and staff within the Council to help ensure that all employees are aware of their responsibilities in respect to business continuity readiness.

Finding 1.2 – Resource to help implement and embed Business Continuity within the Council

The Risk Assurance manager owns the Business Continuity framework and together with Corporate Support act as champions and drivers for it, with each business unit responsible for ensuring business continuity readiness. Corporate Support have been supported by a Consultant from Black Cloud Consulting to help define and establish the business continuity framework.

The preferred resourcing option presented to the Executive team was to establish a full time Business Continuity Manager within the Council, which is common in New Zealand Councils and internationally.

Recommendation

We recommend that the Council should still pursue a strategy of recruiting and employing a dedicated, full time resource to help implement and embed the business continuity framework.

Finding 1.3 – Staff awareness and communications

There is a lot of confusion amongst staff regarding what business continuity is. The confusion has arisen as a direct consequence of the earthquakes in respect to Civil Defence and Emergency response capability. We sense that there is a false sense of confidence in business continuity within CCC as a result of this, and, depending on the nature of any future interruption that could occur, various departments may not be adequately prepared to respond.

Recommendations

We recommend that there is a coordinated awareness and communication plan developed to help support the business continuity framework. Initial communications with staff could include simple explanations of the objectives of business continuity and what the future developments will include.

Finding 1.4 – Business Impact Analysis (“BIA”) assessments

CCC management have performed a high level strategic business impact analysis, to help devise a list of essential CCC services. We noted however that a number of departments we spoke with either had an out of date Business Continuity Plan or none at all and BIA assessments have not been performed.

Recommendations

Beginning with departments that deliver Category 1 services for the Council, management should ensure that:

- a departmental BIA is conducted to identify, understand and capture the impacts that an interruption could cause;
- the results of the BIA are reviewed centrally once each BIA by category has been completed, to help refine strategy and direct resources as required; and
- once BIAs have been completed by department then each individual department can commence a process to either update or develop a new Business Continuity Plan in respect of the team’s capability to continue providing the essential services.

Finding 1.5 – Exercising Business Continuity Plans

Simulated exercises of business continuity plans have not occurred for a number of years, predominantly due to BCP resourcing but also because of the earthquake events. The more practice that teams have in working together in responding to these events, the better coordinated and more efficient the team’s response will be.

Recommendations

Once departmental BIAs have been performed and Business Continuity Plans created/refreshed, management should prepare a schedule of exercises to perform across key departments providing essential services. Exercises should be performed at least annually.

Overall Management Comment

The Corporate Services General Manager (Acting) concurs with the findings of PwC on the effectiveness of Business Continuity controls and processes within Christchurch City Council. We also thank Andrew and Sonja for the audit and for proactively providing a simple Business Continuity Framework of components that will provide an easily understood implementation journey and plan.

Agreed Actions and Timeframe

Issue	Actioned by	Target date
Finding 1.1: Responsibility for BCP in the Council – Management should build business continuity readiness into all managers and staff job/position descriptions and increase awareness of this responsibility. Actions Agreed:	1. Rachel Tulia, HR Manager 2. Sue Chappell, Corporate Services	1. 30 June 2014 2. 30 September 2014
1. Include the requirement to support and play a role in Business Continuity within position descriptions as they are updated for the		

<p>purposes of recruitment, job evaluation as well as the creation of new PD's.</p> <p>2. Prepare and release formal communication to all managers and staff within the Council to help ensure that all employees are aware of their responsibilities in respect to business continuity readiness. Include emphasis on priority of essential services. This will have a start date as the target date and be part of ongoing communication.</p>	<p>Manager</p>	
<p>Finding 1.2: Resource to implement and embed Business Continuity within the Council – Appoint a full time, dedicated Business Continuity resource.</p> <p>Action Agreed:</p> <p>Investigate the option of recruiting a full time resource to implement and embed the business continuity framework as part of the restructuring of the Council. If not possible, implement alternative plan utilising CCC managers and staff supported by external consultants.</p>	<p>Sue Chappell, Corporate Services Manager (will be handed over to the Unit Manager Risk Assurance)</p>	<p>30 November 2014</p>
<p>Finding 1.3: Staff awareness and communications – Develop a BCM communication plan and begin communications with staff by defining the objectives of BCM for CCC and the tone at the top from both the Mayor and CEO.</p> <p>Actions Agreed:</p> <ol style="list-style-type: none"> 1. Develop awareness and communication strategy and plan to support the implementation of the business continuity framework. Will be lead by the Mayor and the CEO. 2. Provide simple explanations of the objectives of business continuity and the future developments that will support the full implementation. Use Intranet webpage. 	<ol style="list-style-type: none"> 1. Unit Manager Risk Assurance (Recruiting) 2. Sue Chappell, Corporate Services Manager 	<ol style="list-style-type: none"> 1. 30 November 2014 2. 30 September 2014
<p>Finding 1.4: Business Impact Analysis (“BIA”) assessments – Conduct departmental BIAs beginning with those that provide essential (category 1) services. Once completed, ensure business continuity plans are refreshed/documentated.</p> <p>Actions Agreed:</p> <ol style="list-style-type: none"> 1. Conduct BIA's by department where Category 1 services are delivered, identifying, understanding and capturing the impacts that an interruption could cause. 2. Define an implementation plan for BIA's for all other departments based on priority. 3. Each department to update or develop a new business continuity plan. 	<ol style="list-style-type: none"> 1. Sue Chappell, Corporate Services Manager 2. Sue Chappell, Corporate Services Manager 3. Department Managers 	<ol style="list-style-type: none"> 1. 31 March 2015 2. 30 November 2014 3. 30 June 2015
<p>Finding 1.5: Exercising Business Continuity Plans – Once departmental BIAs have been performed and Business Continuity Plans created/refreshed, management should prepare a schedule of exercises to perform.</p> <p>Action Agreed:</p> <p>Prepare and implement a schedule of annualised exercises with scenarios once the departments who deliver essential services have renewed their BCP's.</p>	<p>Sue Chappell, Corporate Services Manager (will be handed over to the Unit Manager Risk Assurance)</p>	<p>30 November 2014</p>

5. RESOLUTION TO EXCLUDE THE PUBLIC

Attached.

RISK AND AUDIT MANAGEMENT SUBCOMMITTEE

RESOLUTION TO EXCLUDE THE PUBLIC

Section 48, Local Government Official Information and Meetings Act 1987.

I move that the public be excluded from the following part of the proceedings of this meeting, namely item 6.

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under Section 48(1) of the Local Government Official Information and Meetings Act 1987, for the passing of this resolution are as follows:

GENERAL SUBJECT OF EACH MATTER TO BE CONSIDERED	REASON FOR PASSING THIS RESOLUTION IN RELATION TO EACH MATTER	GROUND(S) UNDER SECTION 48(1) FOR THE PASSING OF THIS RESOLUTION
6. RISK MANAGEMENT REPORT) GOOD REASON TO WITHHOLD EXISTS UNDER SECTION 7	SECTION 48(1)(a)

This resolution is made in reliance on Section 48(1)(a) of the Local Government Official Information and Meetings Act 1987, and the particular interest or interests protected by Section 6 or Section 7 of that Act which would be prejudiced by the holding of the whole or relevant part of the proceedings of the meeting in public are as follows:

ITEM	REASON UNDER ACT	SECTION	PLAIN ENGLISH REASON	WHEN REPORT CAN BE RELEASED
6.	PROTECTION OF SOURCE OF INFORMATION	7(2)(c)(i)	SUSTAIN AN ENVIRONMENT WHERE RISKS ARE FREELY IDENTIFIED BY STAFF.	1 JULY 2019

Chairperson's

Recommendation: That the foregoing motion be adopted.

Note

Section 48(4) of the Local Government Official Information and Meetings Act 1987 provides as follows:

- “(4) Every resolution to exclude the public shall be put at a time when the meeting is open to the public, and the text of that resolution (or copies thereof):
- (a) Shall be available to any member of the public who is present; and
 - (b) Shall form part of the minutes of the local authority.”