

**Organisational Risk,  
Assurance and  
Improvement  
Activity Management Plan**

**Long Term Plan 2015–2025**

3 December 2014

**Note**

The information in this activity management plan was prepared in conjunction with elected members as part of the development of the draft long term plan and its associated consultation document.

Key information has since been condensed into the statements of services provision in the Group of Activities section of the draft long-term plan.

## Quality Assurance Statement

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# 1 Key Issues for the Organisational Risk, Assurance and Improvement Activity

## Assurance & Internal Audit

Internal Audit is an independent and objective assurance and advisory activity that is guided by a philosophy of adding value to improve the operations of the Christchurch City Council (the Council). It assists the Council to accomplish objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of their risk management, governance and systems of internal control.

It is management's responsibility to establish and maintain an adequate and effective system of controls; and it is the Audit and Risk Management Committee's (ARMC) responsibility to ensure managements approach to maintaining an effective internal control framework is sound and effective. The assurance and assessment provided by Internal Audit assists and enables these roles and responsibilities.

## Risk

Risk Management is not a stand-alone activity, separate from activities and processes within Council. Risk management helps decision makers understand and deal with the uncertainties they face in pursuit of their objectives and should be integrated into how we think and make decisions on a daily basis. Good risk management is the responsibility of every Council employee, where risks are owned by the organisation and the business unit in which they live.

The objectives for the Risk function are to promote and enable a culture where risk is well managed in an integrated manner enabling Council success. This primarily involves formalising and maintaining a Council approach to risk management through development, refinement and provision of policy, advice, tools/templates, reporting and training.

## Continuous Business Improvement

Christchurch City Council is committed to building an organisation that is continuously learning and is effective and efficient. At the same time the organisation, through the Long Term Plan, has a focus on financial sustainability, maintaining levels of service and holding rates increases to an affordable level. The continuous business improvement programme is one of the strategies that the Council has adopted to support these outcomes.

The continuous business improvement programme will work with the organisation to improve both large, end to end, customer impacting processes and also smaller tactical processes. It will work with the organisation to improve customer service, through getting it right the first time and speeding up delivery and will reduce costs, It will also build ongoing capability through involving employees and external stakeholders in improvement and problem solving activities.

### 1.1 Community Outcomes

Everything that the Council does in its day-to-day work is focused on achieving community outcomes. All activities outlined in this plan aim to deliver the results required to achieve these outcomes, contribute to Council strategies and meet legislative requirements. Likewise, all Council capital and operating expenditure is directed towards a level of service that moves the community closer to these outcomes now or at some future point.

The effective management of Organisational Risk, Assurance and Continuous Business Improvement for Christchurch means achieving the community outcomes that:

- Decisions are transparent and informed by timely, accurate and robust information and advice
- City assets, financial resources and infrastructure are well-managed, now and in the future

Section 4 shows how these outcomes flow down into and influence the Council's activities and levels of service in relation to Risk and Assurance and Continuous Business Improvement.

## 1.2 Effects of growth, demand and sustainability

Describe how our population growth and demand effects the decisions Council will make in delivering services to ensure that they are sustainable and will meet the needs of the people of Christchurch into the future.

### Population Growth and Demand:

Risk and Assurance and Continuous Business Improvement are primarily focused on the internal delivery of services to the Council and are therefore not directly affected by population growth or the changing demands of Christchurch city.

However, the Continuous Business Improvement approach can provide additional capacity in the business, where processes are simplified and sped up, and time is freed up to cope with increasing and changing community and customer demand for services.

### Sustainability:

The Local Government Act 2002 requires local authorities to take a sustainable development approach while conducting its business. Sustainable development is the fundamental philosophy that is embraced in Council's Vision, Mission and Objectives, and that shapes the community outcomes. The levels of service and the performance measures that flow from these inherently incorporate the achievement of sustainable outcomes.

One of the key principles that the assurance and risk, and continuous business improvement programmes will adopt will be to ensure that sustainability is built in to all improvements and engagements.

**Social, Cultural and Environmental Sustainability:** All improvement projects will start by understanding the needs and requirements of the communities and customers that we serve. This will guide all solutions.

**Economic Sustainability:** Our primary focus here will be reducing our own costs, mainly through simplification of processes and building the skill base within the Council to continuously improve how they deliver extraordinary service to our communities and customers.

## 1.3 Key Challenges and Opportunities for Organisational Risk, Assurance and Improvement

In working towards the community outcomes and influenced by population growth and demand, Council faces the challenge of making decisions that prioritise resources to deliver the best mix of services at the right level and in a sustainable way. The key challenges and opportunities that have been prioritised by Council are below in Table 1-1.

**Table 1-1**

Key Issue	Discussion
Initiate and foster the Risk Management function	The Risk function has not been established or centrally administered within CCC, instead there are pockets of risk awareness and management through-out CCC. There is a need for identifying key risks to the Council and ensuring these are appropriately monitored and managed, through developing and embedding a consistent approach to identifying, assessing and managing/reporting risks across Council.
There is a need for increased risk and assurance activity.	The current state of heightened activity and monetary spend within Council and Christchurch is inherently increasing the operating risk environment. The forecast reduction in spend coupled with increased overhead costs for the Assurance and Risk function will impact and reduce the level of delivery that can be committed within the annual internal audit plan. While this can be partially mitigated through ensuring the plan appropriately prioritises engagements and reviews through a risk-based approach, there will be a reduced number of reviews/engagements delivered and this will directly impact on the level of assurance provided to the Audit and Risk Management Committee.

Key Issue	Discussion
Potential for a new Co source Internal Audit Partner	The contract with our external supplier of internal audit services is expiring on 30-6-2015. A tendering process has begun to ensure this valuable service is maintained by the right supplier.
Improving our ability to meet our customer expectations across Council	Improving the processes that deliver to our customers is part of the Customer Service Strategy as outlined in the Customer Services and Online Channels Activity Management Plan, The Continuous Business Improvement programme supports these strategies. There is a small team of people who lead and coach on improvement initiatives across the organisation. All improvement initiatives, both big and small start with understanding what matters to our customers and communities and designs improvements around these needs.
Financial Sustainability is required	There are competing demands on the Council to both save money and to continue to deliver extraordinary service to our communities. This programme can both reduce the cost of delivery and free up time to be able to take on additional work.  A CAP savings target needs to be set for the Long Term Plan. The Continuous Business Improvement Programme in its current state, only commenced in September 2014. We need to calculate what the opportunity for cost reduction is and once done, this should be added into the Long Term Plan at its three year review.
Reduce operational complexity and risk and free up staff time	We aim to reduce the complexity of processes and variation in outputs. This will make it easier for customers and for our people to do their jobs and will help to reduce areas of risk. We will deploy a continuous improvement framework that emphasises rapid implementation rather than prolonged planning.
Providing the capability for staff to monitor, review and improve their own work and processes to deliver better outcomes.	The Council has committed to developing a culture of continuous improvement within the organisation. We plan over time to provide the capability to our people to effectively deliver continuing improvements. We will involve employees and external stakeholders in ongoing improvement and problem-solving activities



## 2 Proposed changes to activity

Table 2-1 summarises the proposed changes for the management of the Organisational Risk, Assurance and Improvement activity since the Three Year Plan 2013-16 Activity Management Plan.

**Table 2-1 Proposed changes to activity**

Key Change	Reason	Level of significance? What investigations are needed?	Options for consultation and engagement
<p><b>Additional funding sought for unbudgeted independent members of the ARMC</b></p> <p>Funding of \$30,000 is sought to cover unbudgeted costs of independent members of the ARMC</p> <p><b>APPROVED</b></p>	<p>The costs incurred for independent members of the ARMC are estimated to total \$30,000 during the year. This cost has not been previously included within the Risk and Assurance budget. If additional funding is not secured, then this cost will be sourced through the current consulting budget, which will have a direct impact on the levels of Internal Audit service delivered.</p> <p>The Internal Audit service delivery provides assurance and assessment of Managements systems of internal controls, helping to enable the role of the ARMC. This is primarily through the completion of Internal Audit reviews scheduled in the approved risk-based Internal Audit Plan.</p>	<p>Should additional funding not be obtained then the level of delivery that can be committed within the Internal Audit Plan will likely reduce by 15%.</p>	<p>n/a</p> <p>Independent members of the ARMC provide a valued service and role to the ARMC</p>
<p><b>Additional funding sought to maintain Internal Audit service delivery</b></p> <p>Funding increase over the next three years and ongoing is sought to maintain Internal Audit service delivery.</p> <p><b>APPROVED</b></p>	<p>The CAP for the Risk and Assurance budget along with inherited overhead cost increases, will over the next three years result in a reduced spend on consultants of approximately \$30,000, \$40,000 and \$50,000 respectively. This is a significant portion of the consultant budget reaching 25% of current year's budget. This reduction in budget will have a direct impact on the levels of Internal Audit service delivered.</p> <p>The Internal Audit service delivery provides assurance and assessment of Managements systems of internal controls, helping to enable the role of the ARMC. This is primarily through the completion of Internal Audit reviews scheduled in the approved risk-based Internal Audit Plan.</p>	<p>Should additional funding not be obtained then the level of delivery that can be committed within the Internal Audit Plan will likely reduce by 20%.</p>	<p>n/a</p> <p>Additional funding will ensure Internal Audit service delivery is maintained.</p>
<p><b>Addition of Risk delivery:</b></p> <p>Recommend the addition of Risk Management delivery as a level of service.</p>	<p>Currently there is no level of service delivery requirements for the Risk function.</p> <p>The Risk function should be accountable for imbedding risk management including through the development and delivery of a Risk Plan which would include tasks such as formalising a Risk Policy and facilitating the consolidation and identification of</p>	<p>Not required as this is primarily internally focused</p>	<p>Not required as this is primarily internally focused</p>

	<p>Council's key risks.</p> <p>There are no additional costs associated with this, as a budgeted role exists (but is currently vacant) for this activity.</p>		
<p><b>Internal Audit team structure and use of external supplier:</b></p> <p>Currently the external supplier of Internal Audit services is resourcing a large portion of Internal Audit review activity. This change would consider the resourcing mix with a view to bring more of the service delivery and capacity in-house.</p>	<p>There are potential financial and operational effectiveness benefits from bringing more of the function in-house.</p> <p>This helps to imbed and retain Council knowledge and develops important and longer-term working relationships with Council Management.</p> <p>The external supplier would still provide valuable advice and service, but this would be but more for specialist advice, and less for non-specialised capacity in completing audit fieldwork.</p>	<p>A cost-benefit analysis would need to be undertaken to ensure the change is justified.</p> <p>The change will likely provide an increase to operational effectiveness with marginal financial benefit.</p>	<p>Not applicable</p> <p>The change would become part of the next supplier agreement (current agreement due to expire 30-6-2015)</p>
<p><b>Continuous Business Improvement:</b></p> <p>Recommending the amalgamation of two separate levels of service into one</p>	<p>There were two separate Levels of Service in previous plans. As these two are essentially the same, we are retaining the organisation-wide one only.</p>	<p>Not required as this is primarily internally focused</p>	<p>Not required as this is primarily internally focused</p>
<p><b>Continuous Business Improvement Budget:</b></p>	<p>The FY16 budget is forecast from the current FY15 budget on the assumption that this budget is correct. This assumption is false as the budget covers only part of the team. The balance is yet to be transferred in from the areas where the people worked previously. (or where the vacancies existed)</p> <p>There are no additional costs to the Council if the personnel and operating costs are transferred.</p>	<p>Not applicable</p>	<p>Not applicable</p>

## 3 Activity description

### 3.1 Focusing on what we want to achieve

Council undertakes activities in order to deliver on the community outcomes for Christchurch. The outcomes that relate most directly to the management of the city's Organisational Risk, Assurance and Improvement are that:

- Decisions are transparent and informed by timely, accurate and robust information and advice
- City assets, financial resources and infrastructure are well-managed, now and in the future

### 3.2 How we will know we are achieving the outcomes

We will know we are achieving the above outcomes when we see the following results:

- Opportunities for improving the customer & community experience, reducing bureaucracy and improving financial sustainability are provided by continuous business improvement
- Preparation of a risk-based Internal Audit Strategy and Plan, and the completion of corresponding Internal Audit reviews
- Development and delivery against a Risk plan, enhancing risk management practice and providing more transparency of key risks and the management of these

The activities that follow in section 4 and the levels of service within them are all linked to the above results to ensure Council stays focused on moving towards the community outcomes. This link aims to confirm why we are doing the activities – that they will realistically move us closer to our goals – and that service delivery remains relevant to strategic direction.

### 3.3 What services we provide

This activity includes the following services:

- Risk and Assurance / Internal Audit
- Continuous Business Improvement

#### Risk and Assurance

The Risk and Assurance function assists and enables the achievement of organisational objectives. Good risk management is essential for the realisation of objectives.

- The Risk function helps promote and enable a culture where risk is well managed in an integrated manner enabling Council success
- The Assurance function assesses risk management activities and controls, providing assurance and recommendations that help to ensure controls are designed adequately and operating effectively.

The Risk function is in an early initiation phase, and requires the development and delivery of an associated plan (scope of work), which as a priority will include identifying key risks to Council and ensuring appropriate visibility over the status and progress in managing these. The Plan will include formalising Risk Policy as well as developing tools, guidance and reporting mechanisms to bring about a transparent structured approach to embedding and developing a culture of good integrated risk management.

The Assurance function delivers services primarily through the preparation and delivery of a risk-based Internal Audit Plan. The plan is prepared through consulting the ARMC and management, ensuring key risk management activities are considered. The plan schedules internal audit reviews that provide targeted assurance over internal controls and processes that make up key risk management activities. In addition, the function provides advice and consulting as required and retains independence through reporting lines direct to the ARMC.

Continuous Business Improvement: The Christchurch City Council is implementing a programme led by the Chief Executive, to increase effectiveness, efficiency and to embed a culture of continuous improvement. This is based on a successful international concept known as Lean Transformation. This concept has been introduced to thousands of companies and public sector organisations throughout the world. The Council

believes that full implementation of Lean into the organisation will support our achievement of customer excellence and financial sustainability strategies.

As an example, Rotorua District Council is implementing Lean Thinking across their operational and service delivery activities and has forecast the potential to produce savings of approximately \$10 million over 10 years (approximately 1% of total operating expenditure). These projected savings are accounted for in the budgets of their 2012-2022 Long Term Plan and have helped the Council to be in a position to signal low level rates increases (no more than 3.5% for years 1 - 3). (Extract from RDC Long Term Plan 2012-2022 with permission from Rotorua District Council).

The team that will support the business and lead the implementation is made up of six full time equivalents plus one manager.

There are no assets associated with this activity.

### 3.4 Benefits and Funding Sources

#### 3.4.1 Who Benefits?

##### Risk and Assurance

The primary purpose and beneficiary of Risk and Assurance is to enable the ARMC to evaluate Management's internal controls, equally the beneficiary is the Executive and Senior Management who are able to gain assurance over, and improve controls as appropriate.

Who benefits?	
Individual	Some
Identifiable part of the community	Some
Whole community	Some

Key:
Some
Some
Some

##### Explanatory Comments:

The customers who benefit from risk, assurance and continuous business improvement will be dependant on the risk mitigations and improvements made at any given time.

#### 3.4.2 Who pays?

Funding - Fees / User Charges	Other revenue Grants & Subsidies	General rate	Targeted rate
0%	0%	100%	0%
		Full	

Note, Funding Split % is derived from the 'Summary of Cost for Activity' ( section 13).

Key:		Typically
Full	All or almost all the cost is funded from that source. If the comment is made in the general or targeted rate columns it does not preclude making minor charges for the service but indicates that the charges are a negligible part of the fund.	95%+
Majority	The majority of the activity is funded from this source.	50%+
Some	Some revenue is derived from this source.	<50%

Does this Activity generate surplus funds that can be applied to other areas? Yes/**No**

### **3.5 Our key customers**

Customers include Christchurch City Council Elected Members, staff and any third party suppliers as relevant to any activity.

### **3.6 Key legislation and Council strategies**

Local Government Act 2002

Health and Safety in Employment Act 1992

Employment Relations Act 2000

Public Records Act 2005

Privacy Act 1993

#### Council Strategies

Embed Continuous Improvement Strategy

Customer Service Strategy

Online Channels Strategy

People and Culture Strategy

## 4 Levels of service and performance measures

Table 4-1 summarises the levels of service and performance measures for the Organisational Risk, Assurance and Improvement activity. Shaded rows are the levels of service and performance measures to be included in the Long Term Plan. Non-shaded rows are non-LTP management level measures, agreed with and reported to Council but not included as part of the community consulted document.

**Table 4-1**

Performance Standards Levels of Service (we provide)	Results (Activities will contribute to these results, strategies and legislation)	Method of Measurement (We will know we are meeting the level of service if.....)	Current Performance	Benchmarks	Future Performance (targets)			Future Performance (targets) by Year 10 2024/25	
					Year 1	Year 2	Year 3		
					2015/16	2016/17	2017/18		
<b>Continuous Business Improvement</b>									
13.6.9	Manage Continuous Improvement initiatives across the Council	Improved customer experience  Reduction in operating cost  Improved staff engagement	<i>Effective, Efficient and proactive management of the delivery of Council's agreed projects and resultant outcomes</i>  <i>Focuses on assisting departments to improve their customer processes</i>  <i>The number of improvement initiatives will increase each year &amp; the % delivered stays the same. This makes allowance for business groups who are new to learning about Continuous Improvement and building new capability.</i>	2013/14: Not available 2012/13 85% 2011/12 90% 2010/11 90%	<i>Lean projects analysis &amp; comparisons</i>  <i>Local Government and International reports (incl Rotorua District Council and Auckland Council)</i>	13.6.9.1  Agree programme of work periodically (at least annual)  13.6.9.2  90% of improvement initiatives delivered within agreed timeframes  13.6.9.3  90% of benefits realised in accordance with planned initiatives	13.6.9.1  Agree programme of work periodically (at least annual)  13.6.9.2  90% of improvement initiatives delivered within agreed timeframes  13.6.9.3  90% of benefits realised in accordance with planned initiatives	13.6.9.1  Agree programme of work periodically (at least annual)  13.6.9.2  90% of improvement initiatives delivered within agreed timeframes  13.6.9.3  90% of benefits realised in accordance with planned initiatives	13.6.9.1  Agree programme of work periodically (at least annual)  13.6.9.2  90% of improvement initiatives delivered within agreed timeframes  13.6.9.3  90% of benefits realised in accordance with planned initiatives

Performance Standards Levels of Service (we provide)	Results (Activities will contribute to these results, strategies and legislation)	Method of Measurement (We will know we are meeting the level of service if.....)	Current Performance	Benchmarks	Future Performance (targets)			Future Performance (targets) by Year 10 2024/25	
					Year 1	Year 2	Year 3		
					2015/16	2016/17	2017/18		
<b>Risk and Assurance / Audit</b>									
13.6.10	An independent and objective assurance and advisory service, provided to evaluate and improve the effectiveness of risk management, internal controls and governance processes.	Provision of assurance to the ARMC and management over their risk management and system of internal controls, through the preparation of a risk-based Internal Audit Plan and completion of corresponding internal audit reviews.	<p><i>A risk-based Internal Audit Plan is prepared annually and approved by the ARMC</i></p> <p><i>Corresponding reviews scheduled within the Internal Audit Plan are completed and delivered in line with expected scope and timing.</i></p> <p><i>Any updates to the Internal Audit Plan are agreed with the ARMC.</i></p>	<p><i>The 2013/14 Internal Audit Plan was prepared and approved by the ARMC</i></p> <p><i>7 of 28 reviews from the 2013/14 Plan were delivered in the 2013/14 period. Being 32%.</i></p> <p><i>In consideration of 6 reviews deferred into a future period and 4 reviews delivered in addition to the plan, performance was 11 of 26 reviews, being 42%</i></p>	<p><i>Preparation of an annual risk-based Internal Audit Plan.</i></p> <p><i>Completion of corresponding reviews.</i></p> <p><i>Updates to the Plan are agreed with the ARMC</i></p>	<p>13.6.10.1</p> <p>An annual Internal Audit Plan is prepared and presented to the ARMC</p> <p>13.6.10.2</p> <p>At least 75% of scheduled Internal Audit reviews are completed during the financial year</p> <p>13.6.10.3</p> <p>Any updates to the Plan are agreed with the ARMC</p>	<p>13.6.10.1</p> <p>An annual Internal Audit Plan is prepared and presented to the ARMC</p> <p>13.6.10.2</p> <p>At least 75% of scheduled Internal Audit reviews are completed during the financial year</p> <p>13.6.10.3</p> <p>Any updates to the Plan are agreed with the ARMC</p>	<p>13.6.10.1</p> <p>An annual Internal Audit Plan is prepared and presented to the ARMC</p> <p>13.6.10.2</p> <p>At least 75% of scheduled Internal Audit reviews are completed during the financial year</p> <p>13.6.10.3</p> <p>Any updates to the Plan are agreed with the ARMC</p>	<p>13.6.10.1</p> <p>An annual Internal Audit Plan is prepared and presented to the ARMC</p> <p>13.6.10.2</p> <p>At least 75% of scheduled Internal Audit reviews are completed during the financial year</p> <p>13.6.10.3</p> <p>Any updates to the Plan are agreed with the ARMC</p>

Performance Standards Levels of Service (we provide)		Results (Activities will contribute to these results, strategies and legislation)	Method of Measurement (We will know we are meeting the level of service if.....)	Current Performance	Benchmarks	Future Performance (targets)			Future Performance (targets) by Year 10 2024/25
						Year 1	Year 2	Year 3	
						2015/16	2016/17	2017/18	
13.6.11	A risk advisory service, provided to promote and cultivate a culture where risk is well managed through planning, reporting and undertaking initiatives.	<p>Improved risk management through developing, and embedding risk policy, advice, tools/templates, reporting and training.</p> <p>Key risks to Council are identified, and there is appropriate visibility over the status and progress in managing these.</p>	<p><i>A risk plan is prepared and refreshed periodically to progress the maturity of Council risk management.</i></p> <p><i>Initiatives within the Risk Plan are delivered as planned</i></p> <p><i>Visibility of key Council risks is improved, along with transparency over the status and management of these.</i></p>	<i>New</i>	<p><i>Preparation of a Risk Plan</i></p> <p><i>Delivery and reporting of corresponding initiatives</i></p>	<p>13.6.11.1 Risk Plan is refreshed and agreed periodically</p> <p>13.6.11.2 Delivery of 75% intended progress for corresponding initiatives in the financial year</p>	<p>13.6.11.1 Risk Plan is refreshed and agreed periodically</p> <p>13.6.11.2 Delivery of 75% intended progress for corresponding initiatives in the financial year</p>	<p>13.6.11.1 Risk Plan is refreshed and agreed periodically</p> <p>13.6.11.2 Delivery of 75% intended progress for corresponding initiatives in the financial year</p>	<p>13.6.11.1 Risk Plan is refreshed and agreed periodically</p> <p>13.6.11.2 Delivery of 75% intended progress for corresponding initiatives in the financial year</p>



## 5 Review of cost effectiveness - regulatory functions and service delivery

The Local Government Act requires local authorities to review the cost effectiveness of current arrangements for delivering its services and regulatory functions

A review need not be undertaken if

- Delivery is governed by legislation, contract or other binding agreement that cannot be reasonably altered in the next two years.
- The benefits to be gained do not justify the cost of the review.

A review must be undertaken

- In conjunction with the consideration of any significant change to service levels
- Within two years before the expiry of any legislation, contract or other binding agreement affecting the service
- Not later than 6 years after any previous review.

A review must consider each of options 1 to 9 in the table below. Option 10 is discretionary.

Governance	Funding	Delivery	Option
CCC	CCC	CCC	1
CCC	CCC	CCO (CCC sole shareholder)	2
		CCO (CCC one of several shareholders)	3
		Other local authority	4
		Other person or agency	5
Joint Committee / Shared Governance	Joint Committee / Shared Governance	CCO (CCC sole shareholder)	6
		CCO (CCC one of several shareholders)	7
		Other local authority	8
		Other person or agency	9
Other arrangement	Other arrangement	CCC or other arrangement	10

**Service: Risk and Assurance**

<b>Current Arrangements</b>			
<b>Governance</b>	<b>Funding</b>	<b>Delivery</b>	<b>Estimated Cost</b>
CCC	CCC	We have a contract with Pricewaterhouse Coopers for the supply of Internal Audit and Risk Management services. This contract is due to expire 30-6-2015	Reviewed via Council Procurement shared service

<b>Review of options</b>			
<b>Option</b>	<b>Date of Last Review</b>	<b>Findings</b>	<b>Estimated Cost</b>
1	June 2012 When PwC awarded the current 3yr contract	The existing contract outsourced the Internal Audit functional responsibility. With the contract coming up for expiry there is a tender process underway to maintain a co-source Internal Audit supplier, more aligned with bringing responsibility in-house. There is further opportunity to increase in-house capacity to improve delivery effectiveness. An external co-source supplier would still provide valuable advice and service, but this would be but more for specialist advice.	Not primarily for cost saving. This is more aimed to increase delivery effectiveness
2			
3-9			

**Service: Manage continuous improvement initiatives across the Council**

<b>Current Arrangements</b>			
<b>Governance</b>	<b>Funding</b>	<b>Delivery</b>	<b>Estimated Cost</b>
CCC	CCC	CCC	\$853k

<b>Review of options</b>			
<b>Option</b>	<b>Date of Last Review</b>	<b>Findings</b>	<b>Estimated Cost</b>
1	Oct 2014	Recommend no change	
2			
3-9			

## 6 Risk Management

Council's risk management approach is described in detail in Appendix Q.

This approach includes risk management at an organisational level (Level 1). The treatment measures and outcomes of the organisational level risk management are included within the LTP.

At an asset group level (Level 2), Council has identified 17 high risks, and has planned mitigation to reduce them to 10 high risks. Council has planned controls for the remaining 10 high risks but even with the controls, they remain high. Council has decided to accept these risks, which are listed in Table 6-1.

**Table 6-1 Significant Risks and Control Measures**

<b>Risk Description</b>	<b>Current Control</b>	<b>Proposed Control</b>	<b>Target Risk Level</b>
<b><u>Risk &amp; Assurance</u></b>			
<b>Internal Audit loss of credibility</b>	Team and fieldwork complies with Internal Audit professional standards.  Reports go through various review stage-gates before being finalised, including review by sponsor	Internal Audit Charter to be finalised to formalise the Internal Audit role, protocols, and function	Low
<b>Inability to deliver required assurance to the ARMC</b>	Risk based approach to developing the annual Internal Audit Plan	Review of team resourcing mix to consider efficiencies and benefits of bringing further capacity in-house.  To seek additional funding to maintain service levels	Low
<b>Loss of knowledge from departing key personnel</b>	Nothing in place. Recent financial and operational effectiveness costs have been incurred through PwC covering the transition of CCC Internal Audit staff.	Retain new staffing and review team resourcing mix to consider bringing further capacity in-house	Low
<b>Inability to gain traction in imbedding Risk Management</b>	Have held a risk workshop with ARMC	Increase transparency and awareness of Risk function through development of Risk Plan (work-plan)  Facilitate the identification of key Council risks and improve visibility of actions/management of these  Plan and conduct a risk workshops with Council and Senior Management	Low

## 7 Improvement Plan

Continuous Business Improvement: The Continuous Business Improvement Team has developed a Programme Improvement Plan. Version 1.0 dated September 2014 is saved in TRIM – reference 14/1042429.

There is a timelined action plan detailing responsibilities, expected benefits and owners of the various actions identified. This plan is continually updated and monitored. The appropriate actions from this plan are also included in our Performance Reporting.

Risk and Assurance:

The Risk and Assurance team intend on reviewing their resourcing mix in coordination with tendering the Internal Audit and Risk Management supplier. There are benefits and costs to be evaluated in bringing more capacity in-house.

## 8 Summary of Cost for Activity

Figure 8-1

STRATEGIC MANAGEMENT - ORGANISATIONAL RISK, ASSURANCE AND IMPROVEMENT					<u>Funding Caps in 2015/16 Dollars</u>					<i>Funding splits exclude EQ Costs from all calculations</i>				
	2014/15 Annual Plan	2015/16	2016/17	2017/18		Funding - User Charges	Other revenue	General rate	Targeted rate	Period of Benefit (years)	Comments			
	000's													
<b>Operational Budget</b>														
Risk and Assurance/Audit	522	523	515	505										
Continuous Improvement	643	643	642	637										
<b>Activity Costs before Overheads</b>	<b>1,165</b>	<b>1,166</b>	<b>1,157</b>	<b>1,142</b>										
Earthquake Response Costs	-	-	-	-										
Corporate Overhead	-	-	-	-										
Depreciation	-	-	-	-										
Interest	-	-	-	-										
<b>Total Activity Cost</b>	<b>1,165</b>	<b>1,166</b>	<b>1,157</b>	<b>1,142</b>		0%	0%	100%			Full			
<b>Funded By:</b>														
Fees and Charges	-	-	-	-										
Grants and Subsidies	-	-	-	-										
Earthquake Recoveries	-	-	-	-										
Internal Recoveries	1,165	1,166	1,157	1,142										
<b>Total Operational Revenue</b>	<b>1,165</b>	<b>1,166</b>	<b>1,157</b>	<b>1,142</b>										
<b>Net Cost of Service</b>	<b>(0)</b>	<b>0</b>	<b>(0)</b>	<b>0</b>										
<b>Funded by:</b>														
<b>Rates</b>	<b>(0)</b>	<b>0</b>	<b>(0)</b>	<b>0</b>										
Earthquake Borrowing	-	-	-	-										
	<b>(0)</b>	<b>0</b>	<b>(0)</b>	<b>0</b>										
<b>Capital Expenditure</b>														
Earthquake Rebuild														
Renewals and Replacements														
Improved Levels of Service														
Additional Demand														