

Risk and Audit Committee Agenda

Date: Wednesday, 23 September, 2020

Time: 1:00 pm

Location: Council Chamber
Forum North, Rust Avenue
Whangarei

Elected Members: John Isles (Chairperson)
Her Worship the Mayor Sheryl Mai
Gavin Benney
Vince Cocurullo
Cr Nicholas Connop
Cr Ken Couper
Tricia Cutforth
Cr Shelley Deeming
Cr Jayne Golightly
Phil Halse
Cr Greg Innes
Greg Martin
Anna Murphy
Cr Carol Peters
Cr Simon Reid

For any queries regarding this meeting please contact
the Whangarei District Council on (09) 430-4200.

| | |
|--|----|
| 1. Declarations of Interest | |
| 2. Apologies | |
| 3. Confirmation of Minutes of Previous Risk and Audit Committee Meeting | |
| 3.1 Minutes Risk and Audit Committee held 24 June 2020 | 3 |
| 4. Information Reports | |
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| 5. Public Excluded Business | |
| 5.1 ICT Risks Report - September 2020 - Confidential | |
| 6. Closure of Meeting | |

Recommendations contained in the agenda are not the decisions of the meeting.

Please refer to minutes for resolutions.

Risk and Audit Committee – Terms of Reference

Membership

Chairperson Independent Chair

Members Her Worship the Mayor Sheryl Mai

Councillors Gavin Benney, Vince Cocurullo, Nicholas Connop, Ken Couper, Tricia Cutforth, Shelley Deeming, Jayne Golightly, Phil Halse, Greg Innes, Greg Martin, Anna Murphy, Carol Peters, Simon Reid

Meetings Quarterly

Quorum 7

Purpose

To provide assurance to Council that robust, independent and operationally effective controls around operational and financial management practices are in place.

To provide oversight of the risk management of internal controls including but not limited to:

- Risk management framework
- Operational risk management
- Financial risk management
- Health and safety risk management
- Compliance with legislation

Key responsibilities

- Risk
 - Approve and review Councils risk management framework
 - Review and monitor Council critical risks
 - Receive and review Health and Safety reports
 - Oversight of the processes used to manage project risks.
- Internal audit
 - Approve and review the internal audit programme
 - Receive and review the internal audit reports as they become available.
- External audit
 - Receive and consider audit management reports, monitor that appropriate action is being taken
 - Hold a confidential meeting with the external auditors at least once every year.
- Financial planning and control
 - Treasury – debt and interest risk management

- Procurement – major risks associated with procurement
- Overseeing and making decisions relating to an ongoing programme of service delivery reviews as required under section 17A of the Local Government Act 2002.
- Other assurance activities:
 - Receive and monitor Councils policy review program
 - Receive and monitor Councils legislative compliance attestations
 - Receive renewal information to provide assurance that Council's assets are insured appropriately.

Delegations

- (i) All powers necessary to perform the committee's responsibilities, including:
 - (a) establishment of working parties or steering groups.

Item 3.1

Risk and Audit Committee Meeting Minutes

Date: Wednesday, 24 June, 2020
Time: 1:00 p.m.
Location: Council Chamber
 Forum North, Rust Avenue
 Whangarei

In Attendance John Isles (Independent Chairperson)
 Her Worship the Mayor Sheryl Mai
 Cr Gavin Benney
 Cr Vince Cocurullo
 Cr Nicholas Connop
 Cr Ken Couper
 Cr Tricia Cutforth
 Cr Shelley Deeming
 Cr Jayne Golightly
 Cr Phil Halse
 Cr Greg Innes
 Cr Greg Martin
 Cr Anna Murphy
 Cr Simon Reid

Not in Attendance Cr Carol Peters

Also present Carl Wessels (Audit New Zealand)
 Gerhard van der Berg (Audit New Zealand)

Scribe Nicolene Pestana (Team Leader
 Democracy)

1. Declarations of Interest

There were no declarations of interest made at this meeting.

2. Apology

Cr Carol Peters

Moved By Her Worship the Mayor

Seconded By Cr Greg Martin

That the apology be sustained.

Carried

3. Decision Reports

3.1 Risk and Audit Committee - 3 year rolling work program

Moved By Cr Tricia Cutforth

Seconded By Cr Shelley Deeming

That the Risk and Audit Committee endorses the work programme for the triennium.

Carried

4. Information Reports

4.1 Financial Management Activity Update Report - June 2020

Moved By Cr Shelley Deeming

Seconded By Her Worship the Mayor

That the Risk and Audit Committee notes the financial management activity in relation to risk and audit matters.

Carried

4.2 Audit NZ Interim Audit Report

Moved By Cr Ken Couper

Seconded By Cr Jayne Golightly

That the Risk and Audit Committee notes the Draft Interim Audit Management Report issued by Audit NZ for the year ended 30 June 2020.

Carried

Cr Martin left the meeting at 13.50pm during discussions on Item 4.2.

4.3 ICT Risks Report - June 2020

Moved By Cr Vince Cocurullo

Seconded By Cr Anna Murphy

That the Risk and Audit Committee notes the ICT Risks report.

Carried

4.4 Health and Safety Report June 2020

Moved By Cr Ken Couper

Seconded By Her Worship the Mayor

That the Risk and Audit Committee notes the Health and Safety Report.

Carried

4.5 Risk Report June 2020

Moved By Cr Vince Cocurullo

Seconded By Cr Nicholas Connop

That the Risk and Audit Committee notes the Risk Report.

Carried

Cr Murphy left the meeting at 14.33pm during discussions on Item 4.5.

4.6 June 2020 Policy status report

Moved By Cr Ken Couper

Seconded By Her Worship the Mayor

That the Risk and Audit Committee notes the Policy status report.

Carried

4.7 Variations to Procurement Process Report

Moved By Cr Shelley Deeming

Seconded By Cr Gavin Benney

That the Risk and Audit Committee notes the variations to Procurement Process Report.

Carried

5. Public Excluded

There was no business conducted in public excluded.

6. Closure of Meeting

The meeting concluded at 14.40pm.

Confirmed this 23rd day of September 2020

John Isles (Independent Chair)

4.1 Financial Management Activity Update Report – September 2020

Meeting: Risk and Audit Committee
Date of meeting: 23 September 2020
Reporting officer: Delyse Henwood (Manager - Finance)

1 Purpose

To update the Committee on financial management activity in relation to risk and audit matters.

2 Recommendation

That the Risk and Audit Committee notes the financial management activity in relation to risk and audit matters.

3 Discussion

2019-20 Annual Report

The final audit is currently in progress. As anticipated, COVID-19 has caused delays with the audit of the Annual Report. Staff are currently working with Audit New Zealand to develop a new timeline for completion. A verbal update will be provided by director Carl Wessels at this committee meeting.

The audit of Northland Regional Landfill Limited Partnership, Whangarei District Airport and Northland Events Centre Trust have been delayed until October. Whangarei Art Museum Trust (WAMT) is currently in progress.

Cabinet has approved the following extensions to statutory timeframes for 2019/20 Annual Reports for public sector entities:

| Type of organisation | Current deadline | New deadline |
|----------------------------------|-------------------|------------------|
| Local authorities | 31 October 2020 | 31 December 2020 |
| Council-controlled organisations | 30 September 2020 | 30 November 2020 |

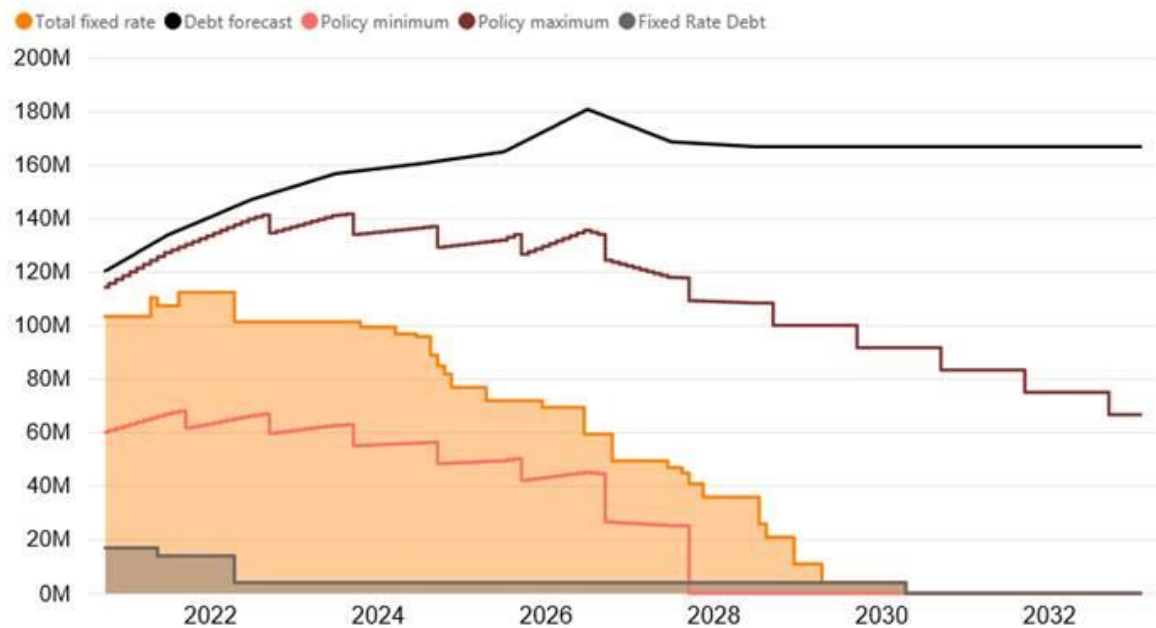
Treasury Risk Management

The graphs below show Council's compliance to the risk parameters set out in the Treasury Risk Management Policy.

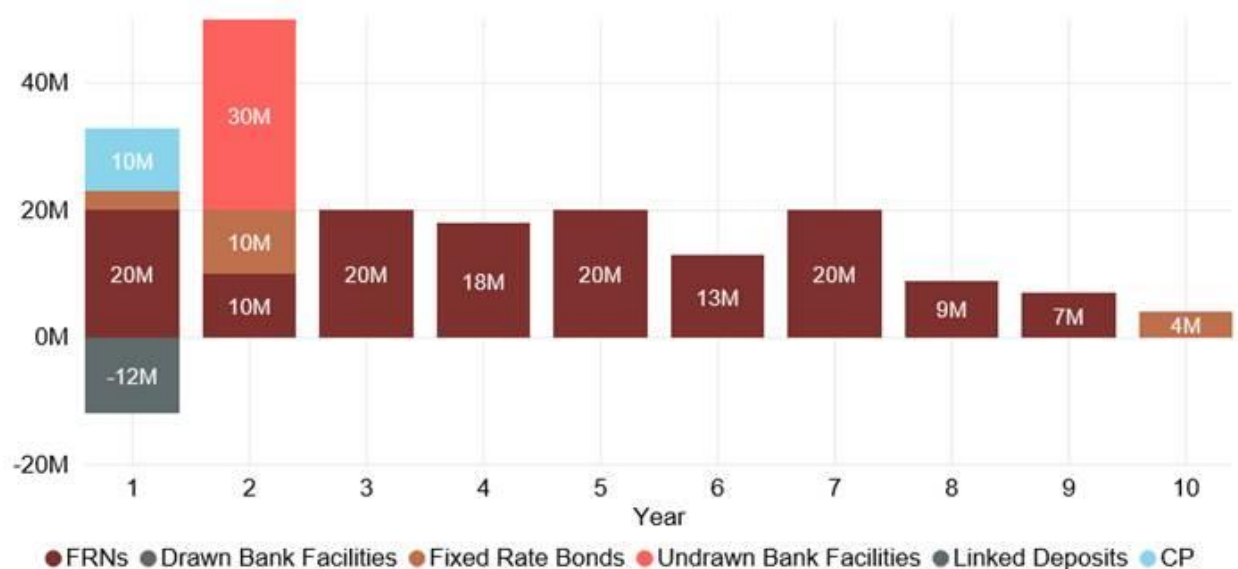
For local government, one of the main issues caused by the economic impact of Covid-19 will be tightened liquidity. Council is currently well placed with regards to this but will continue to monitor closely through this period of uncertainty.

As shown in the first graph below, our overall fixed hedging percentage compliant with the interest rate risk management policy parameters after adjusting our swap portfolio at year end.

Interest rate risk timeline



Funding risk profile



Tax Compliance

Included as an attachment to this agenda is PwC's Annual Tax Update. This update is prepared by PwC as part of the Tax Risk Governance Framework. This framework assists Council to identify and manage tax risks in order to maintain out low risk profile.

COVID-19

The impacts of COVID-19 on the way Council operates are expected to be seen for many months and even years ahead. These changes have resulted in a constrained operating budget for the 2020-21 Annual Plan. Operating within this uncertain climate will create new challenges and require significant financial discipline and trade-offs to be made.

Finance staff are cognisant of this and are developing additional reporting tools to assist department managers for the financial year ahead. The business will be completing a full year forecast this month which will help to identify any areas of concern.

4 Significance and engagement

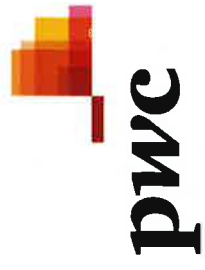
The decisions or matters of this Agenda do not trigger the significance criteria outlined in Council's Significance and Engagement Policy, and the public will be informed via Agenda publication on the website.

5 Attachment

PwC Annual Tax Update - 2020

Whangarei District Council Annual Tax Update Year to 30 June 2020

By Phil Fisher & Josie Goddard
September 2020





Report: Tax Annual Update to the Audit and Risk Committee

Tax Governance & Tax Risk Management

Introduction

Whangarei District Council (Council) has adopted a Tax Governance Framework. It was a proactive step towards identifying and managing tax risk in order to maintain Council's low risk profile.

A Tax Risk Management Strategy was established at the time of the Tax Governance Framework being introduced, and has now been operational for 4 full years.

Having a tax risk management strategy, and continuing with this, is even more important in times of disruption, and with the recent Covid-19 events the nature of the tax advice and support being obtained by local government clients, including Whangarei District Council, has reinforced the value of the tax governance framework. It is important to continue to keep this focus moving into the future. To develop this focus we have included the future tax risk management strategy in accordance with Council's current tax governance framework – refer *Part Two*.

As part of the Tax Governance Framework, we have prepared this annual tax update as a report to Council's Audit and Risk Committee (Committee) on progress made during the period up to 30 June 2020.

This memorandum provides:

- A summary of the more substantive tax advice Council has sought from PwC during the period 1 July 2019 to 30 June 2020.
- Commentary on tax matters currently being addressed as at 30 June 2020.
- A more general update on the wider tax environment which may affect Council, albeit kept to a high-level – refer *Part Three*.

Context

Council is largely exempt (not completely) from income tax. However, Council pays significant amounts of indirect taxes including:

| <i>Tax Type</i> | <i>12 months to 30 June 2020</i> | <i>12 months to 30 June 2019</i> |
|-----------------------|--------------------------------------|--------------------------------------|
| GST Output tax paid | \$23,199,256 | \$19,383,435 |
| GST Input tax claimed | \$18,867,417 | \$16,368,998 |
| PAYE | \$8,660,142 | \$7,948,387 |
| FBT | \$214,004 | \$263,860 |

Significant work undertaken in Year to 30 June 2020

In accordance with Council's Tax Governance Framework, it is appropriate to report to the audit and risk committee on significant tax issues that arose throughout the year.

Council set a Tax Risk Management Strategy for the year ended 30 June 2020, details of which can be seen in *Part Two*.

For the most part, the tax compliance of Council has been 'business as usual' for much of the year with the various tax returns (income tax, GST, PAYE, FBT, etc.) being filed on time and without any concerns being raised. Other tax work undertaken throughout the year included:

- Advice sought on the FBT attribution of insurance premiums.
- Submitting a voluntary disclosure in relation to GST on under-reported rates. This related to a spreadsheeting error and only arose under a period of change and disruption for the Finance team. As this was pre-notification of an audit no penalties were ultimately imposed by Inland Revenue and tax pooling was used to minimise the interest cost.
- Advice sought on the GST treatment of funding received from MBIE in relation to worker redeployment in the Northland Region.
- Advice sought in relation to various proposed COVID-19 response measures including rates remissions and grants.
- Advice on the vesting of land to Council in settlement of development contributions.
- Assistance with the preparation and filing of the income tax return for the year ended 30 June 2019, as well as assistance with completing tax disclosure notes for the 2019 financial statements.
- A voluntary disclosure was also submitted on behalf of Whangarei Arts Museum Trust September 2019 in relation to GST on under-reported grant income from the Lottery Grants Board. As this was pre-notification of an audit no penalties were ultimately imposed by Inland Revenue and tax pooling was used to minimise the interest cost.

To support the ongoing tax risk management, Council:

- Continued to subscribe and actively use PwC's online Indirect Tax Policies and Guides.
 - Received the latest updates and continued to subscribe to the PwC Property Guide.
 - Sought assistance on a number of ad hoc queries by utilising the PwC Tax Helpdesk to strengthen their business decisions with confirmation of the potential impact of the relevant tax issues. The recent assistance sought using the helpdesk included:
 - GST advice on a Sale & Purchase Agreement
 - Email advice on the elected members allowance and recovery of expenses policy
 - Email advice on the Mobile Phones Policy in relation to FBT
- Council has also commissioned PwC to provide an annual tax update.

2

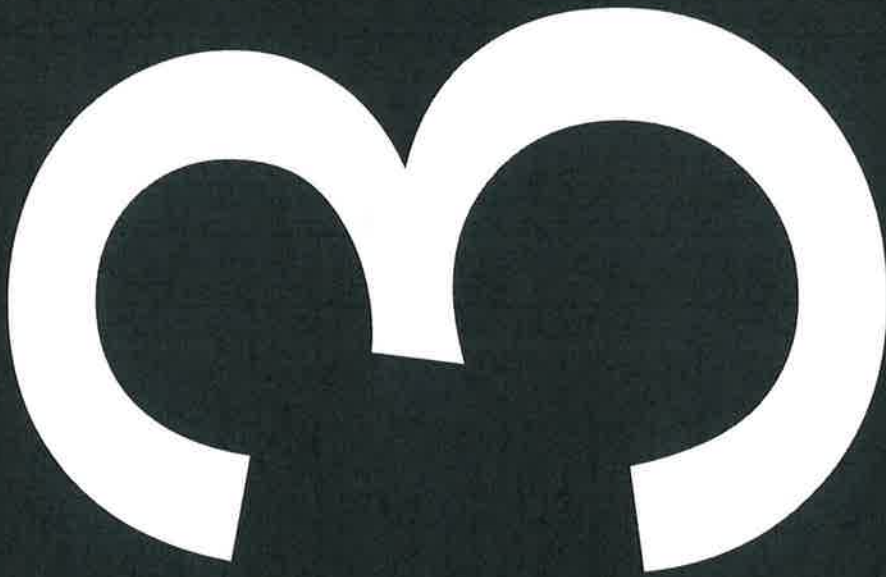
Report: Tax Strategy Year to 30 June 2023

Tax Risk Management Strategy

Current Proposed Strategy to 30 June 2023

| Proposed future strategy | | | | | | |
|---|----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| Tax services | Financial year ending 30/06/2018 | Financial year ending 30/06/2019 | Financial year ending 30/06/2020 | Financial year ending 30/06/2021 | Financial year ending 30/06/2022 | Financial year ending 30/06/2023 |
| Tax helpdesk facility | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Access to online taxation policies | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Tax compliance reviews undertaken | | | | | | |
| • GST | | | | | ✓ ¹ | |
| • PAYE/withholding taxes | | | | ✓ | | |
| • FBT | | | | | | ✓ |
| • GST on property transactions | ✓ | | | | | |
| Income tax return independently reviewed | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Tax disclosure notes independently reviewed | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Tax agency – income tax | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| External advice sought on major tax issues | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Tax training provided to staff | | | | | | |

¹ Consider including Whangarei District Airport, Art Museum, Northland Events Centre Trust. Also consider including a data analytics component.

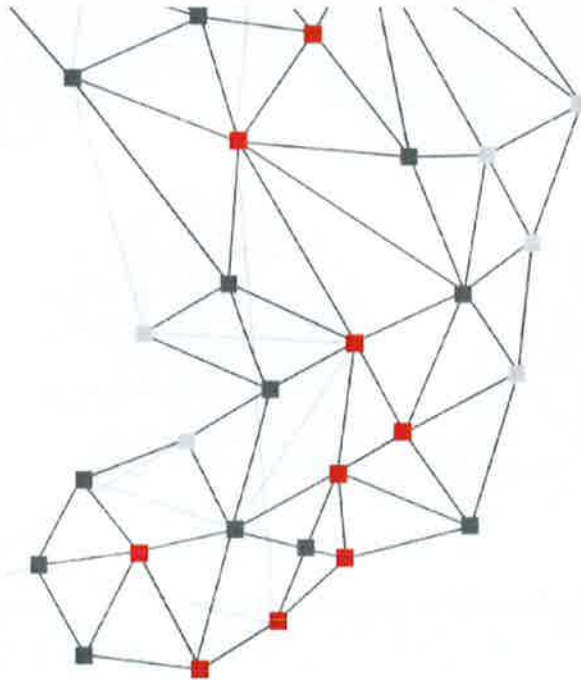


Report: Tax Developments

A brief overview of COVID-19 tax developments

COVID-19 Response (Taxation and Social Assistance Urgent Measures) Bill was enacted on the 25th of March 2020. The income tax, tax administration and social assistance proposals included:

- **Restoring depreciation deductions for non-residential buildings:** Depreciation deductions at 1.5% straight-line or 2% diminishing value will be re-introduced for commercial and industrial buildings from the 2021/22 income year. The depreciation deductions will be available to all sectors and will apply to both new and existing buildings on a permanent basis.
- **Increasing the low-value asset threshold:** An immediate income tax deduction will be available for more low-value assets to encourage spending. As a temporary measure, assets costing up to \$5,000 will be eligible for deduction in the current year for the 2020/21 income year. From the 2021/22 income year, the existing \$500 threshold for an immediate deduction will be increased to \$1,000 on a permanent basis.
- **Increasing the provisional tax threshold:** The current threshold of residual income tax of \$2,500 will be increased to \$5,000 from the 2020/21 tax year, meaning that less businesses will need to front the cash to meet their provisional tax obligations.
- **Enabling Inland Revenue to remit UOMI for taxpayers affected by COVID-19:** Businesses who are adversely affected by COVID-19 and who can demonstrate the inability to pay tax by the due date may be eligible for a UOMI write-off. The relief will apply to all tax payments including provisional tax, PAYE and GST due on or after 14 February 2020.
- **Greater information sharing allowed:** Inland Revenue will be allowed to share information with other Government departments to assist those agencies in their response to the COVID-19 outbreak.
- **GST on COVID-19 related payments:** The Goods and Services Tax (Grants and Subsidies) Amendment Order 2020 added the COVID-19 wage subsidy and leave payment to the schedule of non-taxable grants and subsidies in the Goods and Services Tax (Grants and Subsidies) Order 1992 from 24 March 2020. However, as the wage subsidy and leave payments have been paid out from 17 March 2020, the Bill proposes that GST will not apply to payments of COVID-19 wage subsidy and leave payments from 17 March 2020 until the Amendment Order came into force.



A brief overview of COVID-19 tax developments (cont'd)

Whilst of less direct relevance to Council, but useful information for Council's interactions with businesses in the Region, are the following additional COVID-19 changes:

- There has been a relaxation of the tax loss carry-forward rules by allowing a "same or similar" business test that will allow tax losses to be carried forward despite a major change in the shareholding of a company. The current 49% continuity of shareholding requirement will be supplemented by a "same or similar" business test, similar to the approach already taken in Australia. This allows a company to carry forward its tax losses despite a major shareholding change as long as it stays in the same or similar business after the shareholding change. The proposed change is intended to apply from the 2020/21 income year.
- The urgently enacted COVID-19 Response (Taxation and Other Regulatory Urgent Measures) Act 2020 gave effect to a number of tax changes previously announced by the Government, including:
 - A temporary tax loss "carry-back" scheme allows businesses that anticipate incurring tax losses in 2020 or 2021 to carry those tax losses back to 2019 or 2020 and, to the extent of the tax effect on the losses, get an immediate refund. This temporary scheme will be replaced by a permanent tax loss carry-back scheme in due course that will apply to later years.
 - The Commissioner of Inland Revenue has been granted temporary administrative discretionary powers to modify dates, timeframes, and procedural requirements in tax legislation. This allows Inland Revenue to respond quickly and flexibly to businesses struggling to meet tax deadlines as a result of COVID-19. These powers are to apply for 18 months, although this can be extended by Order in Council.
 - A legislative framework for a new loan scheme administered by Inland Revenue for small businesses affected by COVID-19. The scheme will provide interest free loans of up to \$100,000 for a year to businesses employing 50 or fewer full-time equivalent employees. The loan will be interest free if it is paid back within a year.

In addition to income tax developments, there have been a number of other COVID-19 related tax developments:

- Inland Revenue released Determination EE002 on 29 April 2020 regarding payments to employees for working from home costs during the COVID-19 pandemic. This Determination is a temporary response and applies to payments made for the period 17 March 2020 to 17 September 2020.
- The Determination is intended to remove the difficulty around determining what a reasonable amount to reimburse may look like, and provides some safe harbours. It also refers to Determination EE001 which provides guidance in relation to telecommunication costs. No evidence is required in making the following payments to employees during the period that they are required to work from home. These are all per employee:
 - Up to \$400 one-off for the purchase of furniture or equipment
 - Up to \$5 per week for telecommunication usage plans (eg phone and internet)
 - Up to \$15 per week for other expenditure (eg electricity)
- Inland Revenue subsequently released Determination EE002A: "Variation to Determination EE002 - payments to employees for working from home costs during the COVID-19 pandemic" on 14 August 2020. This applies for the period 18 September 2020 to 17 March 2021 and removes the requirement for an employee to be working from home as a result of the COVID-19 pandemic.
- In response to COVID-19, the New Zealand Government introduced a Wage Subsidy Scheme in March 2020 (that has been continually revised). Employers, including sole traders and the self-employed upon application, may be eligible for a wage subsidy paid by the Ministry of Social Development (MSD) if they have been affected by COVID-19. We note that local authorities were not excluded from claiming the Wage Subsidy. However, there were a number of criteria to be considered, many of which have a high degree of subjectivity and in practice very few local authorities could qualify. We also note that during the recent Budget, an extension to the original Wage Subsidy was provided, and then following the latest outbreak in Auckland a further extension has been granted. Each iteration has had subtly differing rules.

Other Tax Developments

A brief overview of relevant tax developments

Other relevant points of note that potentially impact Council include:

- Inland Revenue's continued mantra to strongly 'encourage' public sector organisations to be tax compliant. One of the standard questions when Inland Revenue review any organisation is whether there has been an independent assessment of tax compliance, and if so, to request any reports issued. We are aware of several Local Authorities who have received Risk Review Questionnaires from Inland Revenue in the last year. These are usually a pre-cursor to an Inland Revenue investigation; although we note the progress of some of these where audits had commenced have been delayed due to COVID-19.
- Inland Revenue's ongoing business transformation has caused disruption to usual services. Clients are noting refunds automatically being swept from one tax type to meet a tax payment in another account. This is sometimes occurring prior to a due date. This is frustrating and time consuming to rectify often requiring multiple communications with Inland Revenue. We encourage clients to ensure all MyIR account balances are reconciled as a final step in the compliance process and at least monthly.
- Recent discussions with senior Inland Revenue staff confirmed that the they will be moving to increasing use of data analytics of tax returns submitted particularly in the payroll and GST areas. We have already seen evidence of the power of this with Inland Revenue cross checking payroll filings for wage subsidy reconciliations. We have developed a suite of data analytical tools that can check the payroll tax calculations along with providing a range of other insights over the workforce than can be useful as organisations increasingly focus on ensuring they have the appropriate staffing levels, there is pay equity etc.
- Mileage rates are set by Inland Revenue and published on their website. Due to COVID-19, Inland Revenue have been unable to review the present rates and advised that the 2018-2019 kilometre rates should be used for the time being. <https://www.ird.govt.nz/income-tax/income-tax-vehicle-expenses-and-organisations/types-of-business-expenses/claiming-vehicle-expenses/kilometre-rates-2018-2019>

- Operational Statement OS 19/05: "Employer-provided travel from home to a distant workplace – income tax (PAYE) and fringe benefit tax." was released in January 2020. This statement is intended to clarify and simplify the tax rules around employer-provided travel to distant workplaces.
- Inland Revenue released the final version of Determination EE001: "Employee use of telecommunications tools and usage in their employment" in December 2019. With a view to reducing business compliance costs, the determination provides employers with the option of applying certain percentages to make an allocation between business use and private use for usage plans related to telecommunications tools such as laptops and mobile phones.
- GST on low value (under \$1,000) imported goods rules applied from 1 December 2019. GST will now apply at 15% on what will be known as "distantly taxable goods" and offshore sellers, marketplaces and re-deliverers who exceed the GST threshold (NZD\$60,000) will be required to register for GST.

Other Tax Developments

A brief overview of relevant tax developments (cont'd)

Other broader tax developments include:

- Inland Revenue's prescribed interest rate for FBT has reduced from 5.26% to 4.50% 1 July 2020.
- Inland Revenue's use of money interest rates have been updated, effective from 8 May 2020. The debit rate has decreased from 8.35% to 7.00% and the credit rate has decreased from 0.81% to 0.00%.
- Government introduced the Taxation (Annual Rates for 2020-2021, Feasibility Expenditure and Remedial Matters) Bill. The Bill includes tax deductions for feasibility expenditure on new investments, tightening of the land tax rules for habitual buying and selling of land, purchase price allocation requirements for parties to agree on when buying and selling businesses, income tax treatment of leases subject to NZ IFRS 16 and remedial changes to GST.
- From 1 July 2019 a local authority who is a member of a Tax Consolidated Group will no longer receive all of the benefits of being in a Tax Consolidated Group. Whilst local authorities will remain eligible to be members of Consolidated Tax Groups, from 1 July 2019 dividends derived by a local authority from a CCO that is member of a Consolidated Tax Group will no longer be excluded income for income tax purposes ie such dividends will have to be included in the calculation of taxable income of the Consolidated Tax Group. Effectively this means that dividends paid by a CCO to a local authority will be subject to income tax post 1 July 2019, although imputation credits can be attached to those dividends. Other non-dividend income such as interest, rental income, management fees etc that are paid between the tax CCO and parent local authority will continue to be 'ignored' where a consolidated tax group exists. This is potentially a 'temporary' change, with a more fulsome review of local authority taxation to be undertaken by Inland Revenue.

- To obtain an income tax donation credit, donations must now be to organisations that are either donee organisations or those listed in Schedule 32 of the Income Tax Act 2007. This potentially has significant relevance to local authorities that tend to be significant donors in the local community. QB 19/10 was also released clarifying the requirements of a donee organisation to establish and maintain a fund under s LD 3(2)(c) of the Income Tax Act 2007. The consultation reference for this item was PUB00337.
- IRD Numbers will now be required on all property transactions Supplementary Order Paper (SOP) No 248 to the Taxation (Annual Rates for 2019-20, GST Offshore Supplier Registration, and Remedial Matters) Bill (114-2). The SOP includes a proposal that will require all buyers and sellers of property to provide their IRD number as part of the transaction process. Previously, those buying or selling a main home did not have to provide an IRD number.
- Regulations have been issued providing for how errors in an employer's employment income information for a payday may be corrected. Tax Administration (Correction of Errors in Employment Income Information) Regulations 2019 (LI 2019/62) were notified on 28 March 2019.
- IS 19/01: Income tax — application of schedular payment rules to non-resident directors' fees The Interpretation Statement considers the situations in which tax must be withheld from directors' fees paid to non-residents. This includes a discussion of when directors' fees paid to non-residents are considered to have a New Zealand source. The Interpretation Statement then goes on to consider when and how much tax must be withheld and paid to the Commissioner, if withholding is required from directors' fees paid to a non-resident.
- Research and Development tax credit scheme introduced. The 15% tax credit is available from the beginning of the 2019/20 income year for income tax payers.

Other Tax Developments

A brief overview of relevant tax developments (cont'd)

Other broader tax developments include:

- The criteria for self-correction of errors in later income tax, FBT or GST returns been replaced with a combination of a monetary threshold and materiality threshold. Taxpayers now have the option of correcting an error in a subsequent return, provided it is not material and the purpose isn't to delay the payment of tax, when the error results in a difference of tax to pay that is equal to or less than the lower of:
 - \$10,000 of tax; and
 - 2% of the taxpayers annual gross income, or GST output tax.
- Commissioners statement 20/01: GST on insurance payouts received by third parties - A specific rule in the GST Act deems payments under a contract of insurance received by a GST registered person in relation to a loss incurred in the course or furtherance of their taxable activity as being subject to GST. The Commissioner's Statement clarifies that this rule applies to third-party recipients of such payments – not just when the payment is received by the insured party.
- Standard Practice statement 19/04 : Late filing penalties - For annual tax returns, the late filing penalty is \$500 where net income exceeds \$1,000,000. The Commissioner will provide, publicly or directly, 30 days written notice before imposing a late filing penalty.
- COV 20/04: Variation in relation to extension of time for writing off bad debts – The variation extends the time by which a debt must be written off as bad in order for a deduction to be available in the 2020 income year

Local Government Relevant Matters

An overview of sector specific developments

Local Government relevant matters

- Across the local government client base, there have been an increasing number of requests for assistance in relation to Provincial Growth Fund and Infrastructure Finance Fund opportunities. The common 'theme' is that no two funding proposals are the same, and often the practicalities of the project require working through. With COVID-19, we do note that there is an indication that some of the projects where funding announcements have previously been made, will now be deferred and possibly cancelled.
- Linked to the above, there is anticipation over the 'shovel ready' projects currently being considered. A number of projects have been approved with an expectation that activity occurs quickly. Again, depending on the project, there is an inevitability that tax considerations will exist.
- Urban Development Bill received Royal Assent 6 August 2020. Whilst focussed on social housing, it does appear to provide Kainga Ora with similar powers to those of a territorial authority. The suggestion was that this Bill would accelerate the build of social housing, with Kainga Ora involving the local authorities in the process. How this will work in practice, if the legislation is passed, will be interesting.
- Other significant infrastructure spend announcements from Government include roading, rail, major reshaping the health system, further investment in schools and \$1.3 billion focused on nature jobs which we believe will be of benefit to the wider Waikato region.
- Taumata Arowai - The Water Services Regulator Bill - this establishes the agency that will act as independent regulator of drinking water (and a few other roles in the stormwater/wastewater space). However, likely to be more impactful is the evolution of how Three Waters are managed, and whether this is completely 'stripped away' from local authorities. The recent DIA countrywide 'Roadshow' has provided clarity on the Government's thinking, with co-design a key theme. This will be a key topic for the sector for the next couple of years and it is important that Council is part of the conversation.

- PwC undertook some research recently into urbanisation. Whilst focussed around the 6 largest centres in New Zealand, it is an interesting read and provides some food for thought. A further article in the New Zealand Herald discussing the comparison in discretionary income between Auckland and Napier after factoring in housing and transport costs is also worth noting. Links below.

https://www.nzherald.co.nz/business/news/article.cfm?c_id=3&objectid=12148026

<https://www.pwc.co.nz/insights-and-publications/2019-publications/citiesinstitute.html>

- Local Government Funding Inquiry - The Productivity Commission released their draft (and rather lengthy!) report – the briefer summary can be found at the following link. The Department of Internal Affairs conducted workshops with over 60 councils to review the operation of the Local Government Financial Management System and were intending to feed the insights from those workshops into their response. With the unfolding COVID19 situation, consideration of the funding opportunities and models for local authorities will be more relevant than ever, but the answers may not lie within the Commission's report!

<https://www.productivity.govt.nz/inquiry-content/3819?stage=3>

- Tax Policy invited us to an open discussion on the tax framework for local government. We expect it to be some time before any conclusions are reached, and legislative changes enacted, but their review is consistent with their previously signalled review of the income tax legislation as it applied to local government.

Thank you

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4.2 Audit NZ – Verbal Report September 2020

Meeting: Audit & Risk Committee
Date of meeting: 23 September 2020
Reporting officer: Carl Wessels (Audit NZ)

1 Purpose

To provide an update to the committee on the status of the external audit plan and report for 2019-20.

2 Recommendation

That the Audit and Risk Committee notes the report from the external auditors.

3 Background

The external audit for the financial year end June 2020 is still in progress. The final audit report will be presented in its entirety to the December meeting of this committee.

This session is to allow for a verbal update from Audit NZ on any key outcomes from the current audit process and final report.

4 Significance and engagement

The decisions or matters of this Agenda do not trigger the significance criteria outlined in Council's Significance and Engagement Policy, and the public will be informed via Agenda publication on the website.

4.3 Health and Safety Report September 2020

Meeting: Risk and Audit Committee
Date of meeting: 23 September 2020
Reporting officer: Desarae Williams, Health and Safety Manager

1 Purpose

To update the Risk and Audit Committee with information on key health and safety risks and the measures in place to mitigate those risks at the Whangarei District Council workplace and if there are any concerns of note.

2 Recommendation

That the Risk and Audit Committee notes the health and safety report.

3 Background

Elected members have significant influence over our workplace and are obliged to:

- Apply due diligence to ensure Council, through its Chief Executive, is meeting legal health and safety obligations
- Ensure that significant health and safety risks have been identified and are being suitably mitigated
- Be confident that Council is providing a safe workplace for workers and others
- Ensure that Council is compliant to health and safety legislation and improving its health and safety culture and systems.

4 Discussion

Our highest health and safety risks

We have approximately 59 identified generic health and safety risks which are reviewed on an annual basis. Hazards are logged against these by Departments which tend to have individual mitigating controls in place in that workplace.

We have developed a Council Health and Safety Corrective Action Request (CAR) register to enable more effective monitoring of any actions identified from incidents, audits, inspections and hazards reported.

Ten of these risks have been identified as critical risks affecting council staff. These are shown in the table below with any activity since the last meeting noted.

| Health and safety risk | Activity since last Risk and Audit Committee meeting |
|---|---|
| Traffic | <p>A minimum risk standard has been developed for this risk.</p> <p>We have identified some compliance weaknesses in our traffic management risk area, which is one of our two highest risks. This has been highlighted to the areas concerned for correction.</p> |
| Exposure to unacceptable behaviours | <p>A minimum risk standard has been developed for this risk</p> <p>Since the last Risk and Audit Committee meeting we have had a number of aggressive person events. One involved a physical assault of a staff member at Walton Plaza reception. This is a critical area needing a closer investigation of the areas for improvement and this review is now underway.</p> <p>We have completed a bow tie exercise examining the areas for improvement and mitigating actions for an aggressive person incident in the Council Chamber. The exercise has highlighted some gaps which we are working through.</p> |
| Exposure to hazardous substances | <p>An external audit was undertaken at the Kioreroa Waste Water Treatment plant and Ruakaka Water Treatment plant for hazardous chemical compliance. Some storage and signage issues were identified by the auditor and are being actioned.</p> |
| Working at height | <p>A minimum risk standard has been developed for this risk</p> |
| Working while fatigued | <p>Little activity since last meeting.</p> |
| Exposure to energy sources | <p>Electrical safety lock out and tag out guidelines have been reviewed. As a result, our lock out tag out procedure has been reviewed and upgraded.</p> <p>We held a permit to work workshop where we reviewed our process and procedure with an external facilitator. As a result, we have upgraded our permit to work procedure.</p> <p>A risk review was done in this area by members of the H&S Committee.</p> |
| Working in confined spaces | <p>A risk review and bow tie exercise is scheduled.</p> |
| Exposure to workplace psychological risks | <p>At the last Risk and Audit Committee there was some questioning and discussion about psychological risks Council staff might face when presenting at Council. This has been reviewed with a protocol in place to help staff feel more comfortable when presenting for the first time.</p> <p>Also, at the last Committee meeting there was a question regarding the cost of Employee support through Employee Assistance Programme (EAP). It was suggested that this could give an indication of the level of risk. The cost of this support has ranged from \$2,400 to \$ 6,000 over the last 5 years</p> <p>The Safeplus Assessor stated that our ways of handling psychological risks our staff are exposed to was exemplary.</p> |
| Work alone | <p>A minimum risk standard has been developed for this risk.</p> |
| Asset failure | <p>A minimum risk standard is under development, following a recent risk review undertaken.</p> |

Table 1 – The top ten health and safety critical risks affecting Council staff

Contractor Health and Safety risk

A health and safety risk for Council is that of contract and contractor health and safety management. While the risks outlined above affect our contractors, there are five additional critical risks that have been identified as affecting many of our high-risk contractors. These risks are shown in the table below.

| Health and safety risk | Activity since last Risk and Audit Committee meeting |
|--|--|
| Working around mobile plant and moving machinery | A risk review has been undertaken, with the intent of developing a minimum risk standard. |
| Felling trees | A minimum risk standard has been developed for this risk, including involving one of our high-risk contractors to assist with this specialised task. |
| Respirable health risks | A minimum risk standard has been developed for this risk. |
| Working under suspended loads and rigging | A minimum risk standard has been developed for this risk. |
| Deep excavation | No activity to report. |

Table 2 – The top five health and safety critical risks also affecting Council contractors

Specific risk mitigations – non critical risks

Aggression risk

An item of discussion at the previous Risk and Audit Committee concerned potential aggression risks faced by elected members. In light of this, it is proposed that we conduct a special workshop for Councillors in November when our security trainers *Fear Free* are on site conducting training and workshops with the staff. The workshop will cover the risks and mitigating actions. The trainers have run these workshops at several other councils with positive feedback.

Trip risk

While not deemed a critical risk, many of our injuries result from trips, slips and falls. One hazard that in the last year has caused four or more members of the public to trip and fall, resulting in either trips to the hospital, or to seek medical attention is the two raised carpark sensor pads in the Forum North carpark. A request has been made to come up with a satisfactory solution to prevent further people from injuring themselves.

Critical events

COVID 19 health and safety considerations

We recently moved from COVID19 alert level to one to two, but we were quite prepared. We had formed the Covid Watch team in February and this group has continued to meet at least weekly and sometimes daily as levels have changed. Protocols have been developed and adjusted for all the levels, in preparation.

Flooding

Since the last meeting we have had a severe storm causing a flood event in Forum North. This affected the customer services, finance, revenue and venue and events areas. We have subsequently developed a flood checklist to include the learnings from the flood and aftermath, including recognizing the risk of sewage contamination from the floodwater.

Fire

Following the fire in the old municipal building, a protocol for entering dangerous buildings and sites has been developed. This new protocol incorporates both the successes and potential risks from the post fire event.

Monitoring and Checking

External Health and Safety audits

Since the last Risk and Audit Committee we have had an external Safe Plus health and safety assessment undertaken by Mike Cosman from Cosman Parkes in Wellington. The final report will be used as a road map for the next few years to guide us to a higher level of health and safety leadership, engagement and risk management. It is intended that our current health and safety strategic plan will be adapted to accommodate the recommendations made.

A wide range of people were interviewed as part of the assessment including the Mayor, Deputy Mayor, two Councillors, the CE, some General Managers, some Department Managers, numerous other staff and contractors.

Internal health and safety audits and monitoring

Internal health and safety physical checks and inspections have been undertaken in a number of areas since the last Risk and Audit committee meeting. We follow a schedule of checks, although this was disrupted by the lockdown situation.

Regular contractor monitoring checks have been undertaken by health and safety personnel with regard to contractor monitoring, permits to work and lock out compliance. The checks have revealed some areas that need to be addressed. The lack of internal health and safety auditing in other areas has been identified by the Safe Plus assessor as an area to be strengthened.

There are no due diligence visits by senior leaders or Officers of the PCBU to report on.

Compliance and legislation

There have been no known updates to health and safety legislation since the last health and safety report. There has however, been one piece of legislation that has come to our attention - the Harmful Digital Communications Act 2015. We have had an incident where staff have reported concern about personal information about themselves being shared on social media. The term for this is known as 'doxing'. There is protection under this legislation for this which councillors, as public figures, need to be aware of.

There is increased national attention on the health and safety obligations of engineers. This follows a scaffolding collapse incident in Auckland below the Panmure bridge. A document was produced by WSP as part of their Enforceable Undertaking titled, 'Engineer in safety'. It has been widely issued nationwide. WSP and other experts have reviewed the current health and safety legislation, looked at the roles and responsibilities of engineers and have now provided clear guidance on this, in this document. This has been issued to affected parties in the organisation and with engineers being held clearly to account for many health and safety obligations, they are unlikely to want to take any shortcuts, not meet required compliance standards or take needless risks.

Accident Statistics

The Safe Plus assessment has made a recommendation we move away from providing harm related lag indicators and instead focus on risks, proactive risk minimisation strategies and report on any significant incidents affecting these. It would be useful to have feedback from

Councillors about whether they wish to continue receiving information such as that below or instead focus on injuries and incidents the are life changing, or serious harm.

| Injury Type | Employees | Contractor | Public | Volunteers | Totals fourth quarter | Totals third quarter | Totals second quarter | Totals first quarter |
|---|------------------|-------------------|---------------|-------------------|------------------------------|-----------------------------|------------------------------|-----------------------------|
| WorkSafe NZ Notifiable event | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 |
| Lost time injury (injury needing days off) | 0 | 2 | 0 | 0 | 2 | 4 | 3 | 6 |
| Medical treatment Injury (visited doctor or physio) | 1 | 2 | 1 | 0 | 4 | 4 | 9 | 17 |
| Occupational health exposure | 1 | 0 | 0 | 0 | 1 | 0 | 0 | 6 |
| Minor injuries | 3 | 7 | 2 | 1 | 13 | 19 | 39 | 52 |
| Pain and discomfort reports | 19 | 2 | 0 | 0 | 21 | 13 | 13 | 24 |
| Incidents and near misses | 21 | 16 | 1 | 0 | 38 | 99 | 101 | 109 |

Table 3: Council workplace injuries 1 April – 30 June 2020.

| Incident Type | 2019-2020 YTD | 2018 - 2019 | 2017 - 2018 | 2016 - 2017 |
|----------------------------------|----------------------|--------------------|--------------------|--------------------|
| Injury notifiable to WorkSafe NZ | 1 | 0 | 0 | 3 |
| Lost Time Injuries | 15 | 16 | 11 | 11 |
| Medical Treatment Injuries | 34 | 40 | 77 | 51 |
| Occupational Health Exposure | 7 | 4 | 4 | 11 |
| Minor Injuries | 123 | 125 | 160 | 127 |
| Pain and Discomfort | 71 | 58 | 138 | 109 |
| Incidents | 347 | 256 | 389 | 283 |

Table 4: Council workplace injuries over last four financial years

Health and safety training undertaken since last report

Health and safety training is one of our lead indicators, but due to the ongoing COVID 19 situation, it has meant that little training was undertaken.

| Internal training | Number of sessions | Attendants | Hours | External training | Number of sessions | Attendants | Hours |
|---|--------------------|------------|-----------|------------------------------------|--------------------|------------|----------|
| New employee H&S induction | 1 | 7 | 14 | Emergency chair training (no cost) | 1 | 3 | 3 |
| Safetywhys- Occupational health and leader responsibilities | 2 | 24 | 12 | | | | |
| Totals | 3 | 31 | 26 | | 1 | 3 | 3 |

Table 5: Health and Safety Training undertaken from 1 April – June 30, 2020

5 Significance and engagement

The decisions or matters of this report do not trigger the significance criteria outlined in Council's Significance and Engagement Policy, and the public will be informed via report publication on the website.

4.4 Legislative Compliance – January to June 2020

Meeting: Risk and Audit Committee
Date of meeting: 23 September 2020
Reporting officer: Rebecca Rowsell (Legal Counsel)

1 Purpose

To inform Council of the status of the legislative compliance for the January – June 2020 period.

2 Recommendation

That the Risk and Audit Committee note the report.

3 Background

Under the Local Government Act 2002 council's role includes the performance of duties and the exercise of rights conferred on it under that Act and any other legislation. The bi-annual Legislative Compliance Review acts as an internal control function aimed at ensuring that council meets its legislative obligations. It also forms part of the broader compliance issues that are assessed during audit processes conducted by Audit New Zealand.

Department Managers have been allocated responsibility for ensuring departmental compliance with relevant New Zealand legislation and regulations. While all departments share common general responsibilities under various statutes, including but not limited to, the Local Government Acts 1974 and 2002, the Local Government Official Information and Meetings Act 1987, the Privacy Act 1993 and the Health and Safety at Work Act 2015, a number of departments also have compliance responsibilities in relation to specialist legislation affecting their particular areas of operation.

Department Managers are required to review compliance with relevant statutory every six months including noting where legislative changes may affect the department's operations and confirming the revision of processes where appropriate.

Each Legislative Compliance Review is signed off by the relevant Department Manager and countersigned by the corresponding General Manager and stored on Kete. In addition to being shared with Audit NZ during the annual audits, an overview of legislative compliance at a departmental level is reported periodically to council's Senior Leadership Team.

4 Discussion

Completion of bi-annual Legislative Compliance Reviews by Department Managers is administered by the Legal Team and updates are made to the review template as required to reflect legislative changes. The department manager is then asked to review the list, and confirm the following:

- Have there been any amendments or other changes to the legislation (including regulations and bylaws) affecting the department's operations in the review period?
- If yes, have the changes impacted on the department's policies, strategies, bylaws, warrants or delegations?
- If yes to any of the above, have the appropriate processes been followed to revise and update any associated documentation including warrants and the delegation's manual?

The Department Manager is then required to confirm that the department has operated within its policies and in line with any established audit processes. There is an option for additional comments, by way of example, see attached sample of the form prepared for the RMA Consents Department which includes both general and specialist legislation.

This report is providing Elected Members with awareness around this process to ensure legislative compliance. It is anticipated that this will be a regular agenda item that will come to the Risk and Audit Committee every six months following completion of the legislative compliance reviews by the Department Managers.

4.1 Risks

This is a risk mitigation control and has been put in place to ensure that Department Managers are aware and cognisant of their responsibilities under legislation. This report has no inherent risk.

5 Significance and engagement

The decisions or matters of this Agenda do not trigger the significance criteria outlined in Council's Significance and Engagement Policy, and the public will be informed via Agenda publication on the website.

6 Attachment

Template legislative compliance form.

Legislative Compliance Review

| | | | |
|---------------|--------------------------|-------------------|-------------------|
| Group | Planning & Development | Department | Resource Consents |
| Period | 1 January – 30 June 2020 | | |

All council departments have general responsibilities under various statutes, including but not limited to, the Local Government Official Information and Meetings Act 1987, the Privacy Act 1993 and the Health and Safety at Work Act 2015.

The following list identifies the primary statutes that the department is required to comply with in the undertaking of its day-to-day or regular operations and activities.

| Act | Act |
|------------------------------|--|
| Local Government Act 2002 | Unit Titles Act 2010 |
| Local Government Act 1974 | Te Ture Whenua Maori Act 1993 |
| Resource Management Act 1991 | Reserves Act 1977 |
| Overseas Investment Act 2005 | Marine and Coastal Area (Takutai Moana) Act 2011 |

| Review Process/System Check | Yes | No |
|--|-----|----|
| 1. Have there been any amendments or other changes to the legislation (including regulations and bylaws) affecting the department's operations in the review period? | | |
| 2. If yes, have the changes impacted on the department's policies, strategies, bylaws, warrants or delegations? | | |
| 3. If yes to any of the above, have the appropriate processes been followed to revise and update any associated documentation including warrants and the delegations manual ? | | |
| If no to question 3 please state the steps that are going to be taken to remedy this in the comments box below. | | |
| Comments: | | |
| | | |
| I confirm that for the above period the Resource Consents Department has: | Yes | No |

| | | | |
|---|------------------------|--------------|---|
| Operated within its policies, processes, procedures, guidelines and standards to support its statutory obligations. | | | |
| Has followed any established audit process. | | | |
| If no to either of the above questions please provide details and proposed actions to remedy or address the issue(s) in the comments box below. | | | |
| Comments: | | | |
| | | | |
| Name | Murray McDonald | Title | Resource Consents Manager |
| Signature | | Date | |
| Name | Alison Geddes | Title | General Manager Planning & Development |
| Signature | | Date | |

4.5 Internal Audit – Outstanding Actions Report

Meeting: Risk and Audit Committee
Date of meeting: 23 September 2020
Reporting officer: Emily Thompson (Senior Assurance Advisor)

1 Purpose

To report the status of outstanding actions from the Internal Audits conducted within Council.

2 Recommendation

That the Risk and Audit Committee notes the status of the outstanding internal audit actions.

3 Background

The internal audit strategy and three-year rolling plan was approved by the Audit and Risk Committee on March 2019. Since that approval the following internal audits have been completed on giving of grants and rates review process.

Recommendations resulting from these audits have been reported to the Risk and Audit Committee via the internal audit reports. It is important that this committee has oversight of progress with implementing agreed recommendations.

4 Discussion

There is usually a regular six-monthly cycle to report progress on internal audit actions to the committee. However, with the challenges this year this was not included on the June 2020 Risk and Audit Committee agenda.

On the internal audits are completed, staff progress the recommendations to completion. This are monitored and updated for reporting to the Risk and Audit committee.

There are currently 22 actions on the action summary, six of which have been closed since they were last reported. Attachment one provides a summary of the actions and their status.

5 Significance and engagement

The decisions or matters of this agenda do not trigger the significance criteria outlined in Council's Significance and Engagement Policy, and the public will be informed via Agenda publication on the website.

6 Attachment

Attachment 1: Internal audit action summary

| Audit | Date of Audit | Audit report Reference | Title | Internal Audit Key Finding (summary as detailed in report) | Status | IA Recommendation (Summary as detailed in report) | Management Commitment | Action (extracted from management comment) | Owner | Due date | Update | Status |
|-------------------|---------------|------------------------|---|--|--------|---|--|---|--------------------------------------|--|--|--------|
| Revenue | 16/11/2018 | 4.6 | Debtor account access – segregation of duties (Revenue) | There are 27 staff with debtor management roles within Tech1, and 3 of these staff have responsibilities that include cash handling. This creates a risk of inappropriate writing-off of customer balances. | Low | We recommend that a monthly review process is put in place, and where possible reduce the number of staff that have debtor management roles within Tech1. | WDC Accept the recommendation The development of a report to review all write off is being investigated. | Develop a report to review all write offs | Revenue (with ICT) | May-19 TBA CIA implementation delayed | Quote received to complete this report. Due to the nature of the work this would have to be completed again following the upgrades to the ICT systems. Management decision made to delay until after the implementation of CIA/nowhere | Open |
| Revenue | 16/11/2018 | 4.7 | Payments received in advance (Code of compliance – Buildings) | There has been an increased focus internally to monitor the balance of revenue received in advance for code of compliance fees. However a degree of long standing balances remain, some dating back to the 1990's. | Low | It is a financial reporting requirement that liabilities are recognised only to the extent there is a likely outflow of economic resources. Therefore it is important the balance is reviewed periodically to identify amounts where there is no longer a reasonable expectation the customer will request inspection. We recommend an exercise is completed periodically to remove old balances, whilst ensuring a record of the write-back is retained should the customer inquire and that legal obligations are met. Consideration of best practice from other Councils is also recommended. | WDC Accept the recommendation There is management support for option (i) as this would meet the requirements of the Building Act. If we record that the consent is essentially open and not completed, then it would be appropriate to write back the money. | | Finance Team | Nov-19 | | Open |
| Payroll Audit | 16/11/2017 | 4.4 | Documentation of pay run process and continuity risk | There is no documentation of payroll processes and staff cover to process to cover a pay run is limited. We recommend documenting the payroll process in a set of work instructions. Another staff member to be trained in payroll processes in the event staff cover is needed. | Medium | Implications: Payroll processes including the fortnightly pay run are critically important to Council operations and there would be widespread implications if the process was interrupted due to a lack of staff cover. Recommendations: 1. We recommend work instructions for payroll processes are completed immediately. These should include all practical steps that needs to be taken to perform key payroll processes including the processing of the fortnightly pay run. 2. While the P&C Manager is cover when one of the administrator is on leave, our recommendation is that another staff member from the HR Group should be trained to process pay in the event both administrators are away from work. We do not recommend this staff member is given ongoing access to the payroll system, but rather is granted access in the event it is needed. | Work has already started on creating formal payroll processes that can be followed by any member of the P&C or Finance team, should the need arise. It is expected that this will be completed by the end of 2017. | P&C team to develop payroll operating procedures so that in the absence of the payroll staff another member of the team can complete the payroll process. This will build on the checklist that already exists. | P&C - Jenny Antunovich/ Marie Notton | Dec-17 Sept-18 May-19 April 20 | Documentation on "How to process fortnightly payroll" has been finished and P&C Manager has access to be able to process P&C side of Payrun if required. No further action | Closed |
| Payroll Audit | 16/11/2017 | 4.5 | Documentation of payroll policies | There is no documented policy or principles for the payroll function. We recommend a payroll policy document is developed to address the overall objective and responsibilities of the payroll function. | Low | Implications: The implication of the payroll policy not being documented is a lack of clarity of the Councils responsibility and intent with regard to the payroll function. Recommendations: We recommend that a payroll policy is developed to reference the overall objective of the payroll function and address the following responsibilities: * Duty as an responsible employer to pay all employees accurately, on time and in accordance with employment agreements. * Compliance with applicable legislation * Compliance with income tax and IRD requirements * Security of payroll data * Description of the payroll function * Description of current calculation used to determine fortnightly payment * Segregation of duties * Reference to the location of instructional documentation and delegated authorities | Council agree that there is a need to have an overarching document relating to all payroll processes. This will be reviewed in line with an internal policy review that has just begun and is expected to continue through the first half of 2018. It may result in an alternate name to 'policy' but the principles of payroll will be included as detailed above. | P&C team to develop payroll process/ policy document for adoption. It has been agreed that it will include the details mentioned by the internal auditors and will be approved by the SLT(OLT via delegation) | P&C - Jenny Antunovich | April-18 Sept-18 Nov-19 April 20 | Documentation on "How to process fortnightly payroll" has been finished and P&C Manager has access to be able to process P&C side of Payrun if required. No Policy is currently planned. No further action | Closed |
| Procurement Audit | 17/05/2018 | 4.1 | Procurement environment | The procurement control environment at the Council can be described as a semi decentralised model, with limited use of centralised controls. There is an inconsistent knowledge base among staff responsible for procurement. We have recommended an immediate requirement for active oversight from Business Support to ensure compliance. There is an opportunity upon updating the procurement policies to redefine roles and responsibilities. We also recommend software is introduced to manage all procurements and contracts as a means of having visibility over procurements in progress, procurements completed and key details of the procurement. | Medium | We understand the Council is currently looking at redefining the roles and responsibilities within the procurement function. As such we have presented our recommendations in two phases – (i) Immediate action under the current environment; and (ii) Opportunities for the future. <u>Immediate action – the status quo</u> - Require oversight by the Business Support department for all procurements greater than \$100,000. We recommend oversight at a minimum includes initial meetings with the procurement leader to determine key features of the procurement plan and if support is required. Also oversight towards the end of the procurement to ensure the filing of procurement process documentation has been completed. - All variations to process should be reviewed by Business Support prior to Group GM and CEO approval. - To support the oversight function in the interim and future, BDO Northland are available to discuss ongoing assurance services to review procurement procedure compliance. We consider there to be value in this process for the Council and would follow a risk based approach. <u>Opportunities for the future</u> - We recommend the Council investigate software options for the managing of all procurements and contracts. In an ideal environment Business Support will have visibility over all procurements in progress, procurements complete and key details of procurement process followed (i.e. risk, tender method, evaluation method, variation used, etc.). Use of the tool could be extended to contract management and timelines for contract expiry to mitigate procurement risk throughout the life of the contract. - Responsibilities for compliance with procurement processes need to be clearly defined within the new procurement policies. We recommend consideration is given to thresholds (dollar value and risk) as to when active involvement of the Business Support team is necessary, and a threshold where external procurement process experts are used. It is our view that use of external experts should be limited to high value/ high risk procurements. This will ensure that skills and knowledge within the Council are developed and reduce the external costs attributed to a procurement. - Internal communication of new policies, procedures and responsibilities should be done with high prominence and communicated through multiple avenues to ensure maximum reach and impact. The procurement function should also | Affirmation of the Strategic Intent for Procurement is required by SLT. This will determine the model going forward, i.e. Centralised or decentralised or a hybrid model. Current resources in Business Support will not be able to achieve oversight of all procurement over \$100,000.00. Business Support will work with People and Capability to socialise the reviewed policy and provide learning and development opportunities for departments as required. | Business Support to confirm strategic intent for Procurement with SLT. Review of Policy to be shared with wider organisation, including if oversight slays with Business Support department. | Business Support - Manager | Dec-2019 Dec- 2020 | Procurement Policy has been updated was adopted by Council in October 2018. Associated documentation will be reviewed as operational priorities allow. A procurement checklist is currently being developed. | Open |
| Procurement Audit | 17/05/2018 | 4.2 | Policies - Structure and Content | The current suite of procurement policies are overdue for revision. We identified structural limitations with the current procurement manual and provide recommendations to improve usability, remove unnecessary requirements/rules and introduce a risk based procurement framework. | Low | Consideration of a risk based framework should be developed as part of the procurement policies, including a risk assessment matrix. Reference to the risk assessment matrix together with the financial value of the procurement will guide the way procurement is to be undertaken. - The layout of the procurement manual should be revised to allow a clear structure that is user friendly with superfluous information and requirements removed. Of benefit to users would be a clear flow chart that provides a practical tool to guide what type of procurement process is needed for any type of procurement. An unambiguous procurement manual reduces the risk of challenges to the decision-making process and may reduce the cost of procuring. Clear requirements assist in ensuring procurement policy is consistently followed. - The revised procurement policy and manual should be prepared in-house to ensure it is written within the context of how the Council operates and is congruent with the intended users. Internal consultation should occur with relevant stakeholders, including input from various levels of staff. External consultation is also of benefit to ensure the overall objective of effective procurement is met. We are available to assist at this stage to complement the process if required. - Going forward it is important that all policy and procedure is updated in accordance with the required timeframe. | A risk management framework will be included in the current policy review. The subsequent documentation required for implementation of the new Policy will be completed when the Policy has been approved. This will include a review of the Procurement Manual and the Quote Pack. | Policy to be reviewed and will include a risk management framework. Once policy completed then associated documentation will be reviewed to align. This includes a review of the procurement manual and the quote pack. | Business Support - Manager | Dec-2019 Dec- 2020 | Procurement Policy has been updated was adopted by Council in October 2018. Some preliminary work has been undertaken to establish the scope of work required regarding templates provided to the business. | Open |

| Audit | Date of Audit | Audit report Reference | Title | Internal Audit Key Finding (summary as detailed in report) | Status | IA Recommendation (Summary as detailed in report) | Management Commitment | Action (extracted from management comment) | Owner | Due date | Update | Status |
|---------------------|---------------|------------------------|--|---|-------------|--|---|---|---------------------------------|----------|---|--------|
| Procurement Audit | 17/05/2018 | 4.4 | Conflict of Interest - Implementation | During the testing phase of our review we identified 5 (out of 12) instances where conflict declarations had not been fully completed. We recommend immediate communication to set the expectation that the procurement leader is responsible to ensure conflict declarations are completed as required. | Medium | We recommend the procurement leader is responsible for ensuring conflict of interest declarations are completed by required staff. Communication of this responsibility should be completed by the Business Support department. Consider holding training sessions for staff to reinforce the need for complete and effective conflict of interest checks. As a broader consideration, a procurement checklist could be created to provide a visual, summarised document to work through to assess whether all required aspects of a procurement have been followed. Note – recommendations for conflict of interest compliance should also be read in conjunction with finding 4.3. | The conflict of interest processes will be reiterated in the reviewed procurement manual and training. | Procurement manual and associated documentation to be reviewed including conflict of interest requirements. This will follow the procurement policy review. | Business Support - Manager | Dec-2020 | Procurement Policy has been updated was adopted by Council in October 2018. A procurement checklist is currently being developed. | Open |
| Procurement Audit | 17/05/2018 | 4.5 | Variation of Procedure - Rationale | The variation to procurement procedure form does not provide guidance about how to consider risks that are created by using the variation. We recommend the form is enhanced to require risk based justification for the variation. | Low | We recommend the 'Variation to Procedure' form is enhanced to specify the requirement to provide supporting documentation (where necessary) and guidance to address risk. Example included in full report (justification for the variation and risks addressed). | The variation to procedure and/or policy form and process will be reviewed as part of the policy review and included in the training. | Procurement policy to be reviewed including variation to procedure requirements and process. | Business Support - Manager | Dec-2020 | The variation process and document has been amended to require the procurement coordinator to be informed of variations and enable reporting to be provided to Council. The template will be reviewed more fully as operational priorities allow. | Open |
| Procurement Audit | 17/05/2018 | 4.7 | Documentation of Procurement | During the testing phase of our review we identified 9 (out of 12) procurements that lacked complete documentation of procedures in Kete. We recommend requirements for documentation are communicated with staff and a checklist is developed to help staff ensure minimum documentation is filed. We also recommend the contract folder for high profile/ high value procurements are given restricted access permissions. | Low | We recommend communication to all staff regarding the requirement and responsibility to file documentation that supports a procurement. A checklist of key documentation needed to be stored on Kete could be developed to allow a simple check of completeness for the procurement leader. We recommend that contract folders of high profile/ high value are given restricted permissions for access. Also refer to our finding at 4.1 with regard to responsibilities within the current 'semi-decentralised' procurement environment at the Council. | Documentation will be reviewed as part of the review of the manual. Flow charts will be included. Business Support will work with People and Capability to socialise the reviewed policy and provide learning and development opportunities for departments as required. | Procurement manual and associated documentation to be reviewed including development of written process (ProMapp). This will follow the procurement policy review. | Business Support - Manager | Dec-2020 | Procurement Policy has been updated was adopted by Council in October 2018. Associated documentation will be reviewed as operational priorities allow. A procurement checklist is currently being developed. | Open |
| Giving grants Audit | 11/09/2019 | 4.1 | Identification of potential conflicts of interest | There is no specific policy or guidance around potential conflicts of interest and the giving of grants. A lack of specific process and transparency around conflicts of interest could place Council or management at unnecessary risk of alleged unfairness or unequal treatment. Robust and transparent process serves to protect both the applicant and the Whangarei District Council. | High | That the risk of potential conflicts of interest is clearly documented within policy and procedure pertaining to the giving of grants; this encompasses both concessions and loans. That applicants are requested to declare any potential conflicts of interest when completing applications – this question could be incorporated within the existing forms and will require explanation within the supporting guide. Where potential conflicts are identified the impact of the conflict, if any, should be documented within the funding decision framework/process and any action required due to the possible conflict should be appropriate and made clear to all. | Management accept the recommendation. Enhancements to application and impact assessment forms are scheduled for the March/April review of the new Funding Model – this will provide the mechanism to include this. Declarations are otherwise recorded within SOPs for Elected Members. | The application and impact assessment forms will be reviewed and will include a mechanism to register potential conflicts of interest. | Community Development - Manager | Jun-20 | Declaration of interest is included in the revised application form now in use. It will be reflected in the Policy at its next revision in 2021. | Closed |
| Giving grants Audit | 11/09/2019 | 4.2 | Central Management of Rent Concessions | There is currently some degree of cross over between the Community Funding and the District Development management divisions within Whangarei District Council. The documented policy and guidance appears to be relatively brief for concessions as compared with say the giving of grants. The current environment creates the opportunity for tension between the two departments and perhaps more importantly, creates a risk that controls could be compromised from a wider Council perspective in the event that roles are not clearly defined. | High | That the roles and responsibilities together with the underlying budgets pertaining to rent concessions are workshoped/reviewed. It is important that roles are responsibilities are clear and that all concessions are managed on a consistent basis that is underpinned by robust policy and procedure. | There is work to be done by SLT to approve the adoption of the model proposed by Community Development and this can then be implemented. | Consider and approve consistent approach to rent concessions. | Community Development - Manager | Jul-20 | A 3 year moratorium on new rent concessions is now in place as agreed upon in the 2020 Funding Model Review. This will allow time to work through the issues identified. | Open |
| Giving grants Audit | 11/09/2019 | 4.3 | Decentralisation of Pockets of Funding | Grants managed outside of Community Funding are not necessarily following the same process as those managed within Community Funding. This can lead to inconsistency of both process and follow up. From a transparency and fairness perspective it is important that all grants funded by Whangarei District Council are subject to the same procedure and rigor. | Medium | Grants managed outside of Community Funding are not necessarily following the same process as those managed within Community Funding. This can lead to inconsistency of both process and follow up. From a transparency and fairness perspective it is important that all grants funded by Whangarei District Council are subject to the same procedure and rigor. That all payments classified as grants by finance are reviewed to ensure that the department responsibility remains fit for purpose. Wherever possible, the giving of grants should be centralised and subject to consistent process. | Management accept the recommendation. This will be formalised and progressed to SLT for adoption so that Community Development and District Development can move this forward. | Engage across the organisation to ensure consistency in giving of grants. | Community Development - Manager | Aug-20 | Community Development continues to work with other departments of Council providing advice on policy and procedure and encouraging alignment where possible. In some cases, funding may be best managed outside of Community Development, such as the Event Development Fund (Venues and Events) and Waste Minimisation Fund (Waste). These will be considered on a case by case basis. | Open |
| Giving grants Audit | 11/09/2019 | 4.4 | Council Controlled Organisations | Because the funding of CCO's sits within various funding mechanisms the overall funding of CCO's as a group is not as clear/transparent as it could be. By nature CCO's are heavily influenced by WDC and it is difficult to apply a funding process that was essentially designed for independent entities. There is currently a lack of clarity/cohesion surrounding the responsibility for managing the funding arrangements of CCO's. | Medium | An internal WDC paper has been prepared to outline the current funding of CCO's and several options for change are presented. We recommend that this paper is formally reviewed with a planned outcome of making a recommendation to Council as to the best way forward to manage and monitor the funding of CCO's. | Management accept this recommendation. | review the funding model used for CCO's and provide options to Council on the way forward. | Community Development - Manager | Sep-20 | The responsibility for management and support of CCOs has been confirmed in the development of the CCO governance framework. Business owners and CCO points of contact have been identified for all CCO's. Specifically WAM funding has been reviewed and a new approach proposed by CD within the 2021 LTP. | Open |
| Giving grants Audit | 11/09/2019 | 4.5 | Amendments to Recommendations | The basis of recommendations from the community funding department are fully documented. When this decision is changed or overturned, there is no formal record as to the rationale for that outcome. This can create the risk of a loss of information and can serve to reduce the transparency of the decision. | Low | The basis of recommendations from the community funding department are fully documented. When this decision is changed or overturned, there is no formal record as to the rationale for that outcome. This can create the risk of a loss of information and can serve to reduce the transparency of the decision. That the means of documenting the approval of grant allocations by the Community Funding Committee of Council is reviewed. This is particularly in the context of when the grant recommendations put forward by management are either amended or not followed. | Management agree with the finding and support the recommendation | Review process to ensure that changes in decisions relating to the giving of grants is recorded appropriately. | Community Development - Manager | Dec-20 | Action straddles two departments - Community Development and Democracy and Assurance. Discussions have been initiated and approach to be confirmed by CD. | Open |
| Giving grants Audit | 11/09/2019 | 4.6 | Rent concession observations and peppercorn leases | Weaknesses in reporting by concession recipients have been identified by management and communicated to them. However to date there has been no financial penalty and the concessions continue. There is some inconsistency in the way in which peppercorn leases are negotiated and there appears to be a lack of formal policy in place. | Opportunity | That there is a clear policy to follow in the event of non-compliant reporting by recipients. We note that this finding should be read in conjunction with 4.2 above. That the impact of the capital grant to the Hihiaua Cultural Centre is formally documented with a conclusion formed as to the ongoing applicability of the rent concession. That a policy specific for peppercorn leases is approved and put into practice. We are aware that some rent concessions and peppercorn leases have an historical origin. It is important however that these are subject to consistent and regular review to ensure the benefit remains fit for purpose and is comparable/fair between similar entities. Also that the recipient is either fully compliant or subject to tangible penalties for non-compliance. | Management accept the recommendation. This will be presented to SLT for adoption and then allocated to departmental managers to action. | Opportunity to ensure fairness in the benefits a organisations receives via grants or rent concessions. Consider and approve consistent approach to rent concessions. | Community Development - Manager | Nov-20 | A moratorium is in place on new rent concessions falling under Community Development, allowing time for cross-department issues to be resolved. | Open |
| Giving grants Audit | 11/09/2019 | 4.7 | Reporting by Grant recipients | We observed that a number of grant recipients within our sample selected were overdue in the provision of their outcome reporting back to Council. We were pleased to note that reminders had been sent out advising the recipient to comply however a lack of timely response from recipients was noted as a general observation. Delays in reporting could be construed as leniency when compared to organisations who report effectively within the required timeframes. | Medium | That the follow up process and penalty for late or nil recipient reporting is reviewed as part of the overall grants policy and funding guide renewal. That a policy around the waiver of reporting is drafted inclusive of the types of circumstances that can lead to the appropriateness of a waiver. | Management accepts the recommendation, but would like to note that grant conditions require reporting and adherence to this is taken into account for future funding. | review policy around waivers and penalties for none compliance with reporting expectations. | Community Development - Manager | Dec-20 | No action required. Existing process and policy is adequate and is in line with our funding principles and community development approach. Late reporting accounts for less than 10% of grants allocated. | Closed |
| Giving grants Audit | 11/09/2019 | 4.8 | Policy definition and Clarity | We make the following observations from our review of the current policy 0031 – Grants, Concessions and Loans; □ Throughout our work we noted that there was sometimes a lack of clarity as to what constitutes a grant as opposed to some other form of funding. For example, the Sport Northland subsidy/grant, Northland Inc support, the Woman's Rugby World cup versus a more clear cut community or operations grant. The current policy does not define what constitutes a grant. □ Clauses 5.4 and 8 of the policy reference multiple grants. We observed that it is relatively common for an entity to receive grants from multiple WDC sources and that the policy could benefit from more specific guidance in this area. For example, we noted one trust had received a library grant, a resident and ratepayers grant and a capital grant. The combined quantum of these grants exceeds the \$15,000 delegated authority of the Community Fund Committee however individually they fall within the delegation. Clause 8 allows an entity that receives multiple grants to apply one funding agreement and consequently one set of reporting requirements. In practice however, this is not applied. □ Clause 6.7 states that within three months of the financial year, staff will submit a report to Council on the grants, concessions and loans for the previous financial year. We obtained this report and noted that it was tabled 11.9.18 at the Community Funding Committee. We recommend the audience is defined as pertains to Council or the Community Funding Committee. We note the terms of reference for the Community Funding Committee does not include all Council members. | Opportunity | That the following observations are considered when next updating the policy and related guidance. | Management accepts the recommendation. The next Policy review will address these. | Consider the observations to improve the policy during the next review | Community Development - Manager | Jan-21 | These will be considered at the Policy review in 2021/22 year. | Open |

| Audit | Date of Audit | Audit report Reference | Title | Internal Audit Key Finding (summary as detailed in report) | Status | IA Recommendation (Summary as detailed in report) | Management Commitment | Action (extracted from management comment) | Owner | Due date | Update | Status |
|----------------------------|---------------|------------------------|---------------------------|---|-------------|--|---|---|---------------------------------|----------|--|--------|
| Giving grants Audit | 11/09/2019 | 4.9 | Housekeeping Observations | We raise the following housekeeping observations identified from our sample based testing procedures; <div> <div>□ Annual Financial Statements were not provided for a Creative Communities Fund application. In this instance the applicant was a private company (allowed under this fund). We were advised that financials were not required in that particular circumstance however the standard application form for groups states that annual financial statements must be provided. Perhaps the term "group" would benefit from further expansion.</div> <div>□ There is a standard application form required for the community halls fund. We observed that the content of these applications is generally less detailed than those of other funds. The successful grant application we selected to review was not supported by financial statements, a quote had not been provided and the bank account number was not noted on the basis the entity had received prior funding. Further to this we observed that the maintenance schedule had identified the works required as low risk however the priority rating applied in the assessment was medium.</div> </div> | Opportunity | That the matters identified are considered when next updating the policy and related guidance. It might be that an abridged application form is more relevant for the community halls fund. | Management accept the recommendation | Consider the observations to improve the policy during the next review | Community Development - Manager | Feb-21 | These will be considered at the Policy review in 2021/22 year. | Open |
| Rates Review Process Audit | 30/03/2020 | 4.1 | Rates Review Framework | The method of setting rates, the types of rates that can be applied etc, is heavily influenced by legislation. With regard to the process for conducting a rates review however there is limited prescriptive guidance and consequently reasonable scope for Council representatives to decide how best to go about the process. In carrying out our internal audit we sought to obtain the current internal policy and or procedures. We noted there is currently no documented framework for the process of undertaking a rates review at Whangarei District Council. | Opportunity | That an internal procedural document is drafted to outline the process that Whangarei District Council will follow when carrying out a rating review. This should include frequency, methodology, timing/nature of consultation and roles and responsibilities. We anticipate that the procedure would be reviewed at the commencement of each rates review as it is important that it remains fit for purpose. | Management agree with the recommendation in principle, but note that while a procedural document will give guidance to the process, it will not provide a definitive approach in every situation. Each rates review is different depending on the objective of the review, with the timing driven largely by public interest or political cycles. It is therefore impractical to conduct reviews to a per-determined schedule. While there will be some common elements in every review (such as a trigger to conduct a rates review, definition and discussion of options, engagement, submissions, hearings and decisions etc.), the process of each review will be 'organic' as interim results are discussed with Elected members and subsequent direction is given to staff. The recommendations are noted and will be incorporated into council's ongoing business improvement initiatives where we are documenting our processes in Promapp, a central repository for all council business processes. We will map the rates review process as part of this initiative. | Formal documentaion to be developed for the next rating review. | Revenue - Manager | Dec-21 | | |
| Rates Review Process Audit | 30/03/2020 | 4.2 | Project management | A project plan was drawn up at the commencement of the most recent rating review. Audit felt that the document was reasonably comprehensive and it proved to be helpful from an audit perspective when comparing the original plan with what transpired in practice. Whilst the intent of the document was sound, from a project management perspective we noted the following aspects that could have been improved upon; <div> <div>· There was no evidence of formal approval of the plan.</div> <div>· It was not updated as the project progressed. This made it difficult to measure the outcome of the original objectives that were set.</div> <div>· It was unclear by reviewing the project plan as to whether each of the milestones were achieved/not achieved or whether there were any deviations from the planned events.</div> </div> It is important that there is robust and visible project management around the rating review process. | Medium | That project management is emphasised at the outset of the next rating review. The project plan should be formally agreed and updated throughout the process. The final document sho | Management note the recommendation. The 2017-2018 rates review project was managed by a contractor (as the Revenue Manager position became vacant), with the General Manager Corporate Services/CFO as project sponsor and did not require formal approval by Council. The project plan was followed until the project became part of the 2018-2028 Long Term Plan project. From this date, the rates review was absorbed into the 2018-2028 Long Term Plan project plan. Management will work to improve the process and in future the project planning documents will track progress through the process and refer to any superseding | Documentation of process for rates review which can be used for the next round. | Revenue - Manager | Dec-21 | | |
| Rates Review Process Audit | 30/03/2020 | 4.3 | Documentation | As part of our work we reviewed numerous documents in order to understand the process that took place. Audit found it difficult to track down the details of the process and identify key documents and meetings. A complex or multilayered filing system can lead to information being overlooked or misplaced. From a 3rd party and incoming employee perspective it is important that all key documents are easy to locate. | Low | That rules for cataloguing key documents are agreed at the outset of the process. These should be structured and indexed. Where possible hard copy documentation should be minimised or eliminated. | Management accept the recommendation and will continue to use Kete for future rate review projects. However management reject some of these findings. Management want to note that project meetings were between the General Manager Corporate Services/CFO, the contractor and the Revenue Manager (who was appointed towards the end of the process). Meeting were tracked in staff's Outlook calendars. Formal meeting agendas and minutes were not required as staff took their own notes and acted on the instructions, guidance or solutions agreed. The outcome of meetings were reflected in project documents. Staff disagree with the finding that documents in Kete are difficult to locate. The project documents specific to the Rates Review are found in the Kete folder PR16046. Any engagement, submission and hearing documentation that was concurrent with the 2018-2028 Long Term Plan is found in the 2018-2028 Long Term Plan folders. This approach is consistent with Council's overall information management policies and reflects the fact the Rates Review project was absorbed into the LTP process. However, it is agreed that a clearer link between these documents would be ideal and the addition of | No actions, considerations for next rates review process. | Revenue - Manager | N/A | Closed | Closed |
| Rates Review Process Audit | 30/03/2020 | 4.4 | Measuring Engagement | The consultative process (early and formal), is a key function of the rates review process. It is therefore important that measuring the level of engagement achieved through this process is assessed and reviewed for effectiveness. Learnings from as detailed in the report can then be taken forward to future reviews. | Medium | That how best to measure engagement is emphasised at the outset of the next rates review process. There may be some data collection tools that could assist such as the use of iPads (or similar) to collect simple base data from meeting attendees. Due to privacy and time constraint, this may be restricted to say 3 key questions. The use of a survey tool to a cross section of the public may also be useful with questions most likely tailored toward awareness of the rating review and satisfaction as to the level of consultation. | Management accept these recommendations, in principal. The use of iPads(or similar) is something that has been explored and we hope to utilise. As this Rates Review was run concurrently within the Long Term Plan consultation, it was not possible to distinguish which people were attending the meetings to hear about the Rates Review process and those there to hear about the rest of the Long Term Plan proposals. Numbers of people attending are collected, but only those who wish to receive follow up information are asked to provide additional information. Management will look at options to see about the practicalities of capturing additional data | No actions, considerations for next rates review process. | Revenue - Manager | N/A | Closed | Closed |

4.6 September 2020 Risk Report

Meeting: Risk and Audit Committee
Date of meeting: 23 September 2020
Reporting officer: Emily Thompson (Senior Assurance Advisor)

1 Purpose

To share the current status of the critical risks for Council.

2 Recommendation

That the Risk and Audit Committee notes the report.

3 Background

Council has a risk management framework. The framework details how each department of Council can record and manage their risks. It must be noted that risk management is a subjective activity and the framework aims to provide some consistency on the use of ratings identified for risks.

The senior assurance advisor provides support to all departments to identify risks and recognize any controls they have in place or intend to put into place around these risks. Department Managers manage their risks as part of the operational management of the department.

The senior assurance advisor collates all of the risk information and provides a risk report to every Risk and Audit committee. This includes both strategic level risks for the organisation as well as the top critical operational risks.

4 Discussion

The current risk management framework, adopted in April 2016, provides the following scale for risk categories following assessment of the risks for likelihood and impact. This scale has been used to identify the critical risks for the organisation which are included and articulated in the attached report.

| | | | | | | |
|-------------------|---------------|--------|----------|----------|----------|----------------|
| Impact | Catastrophic | High | Critical | Critical | Critical | Critical |
| | Major | High | High | Critical | Critical | Critical |
| | Moderate | Medium | Medium | High | High | Critical |
| | Minor | Low | Low | Medium | High | High |
| | Insignificant | Low | Low | Low | Medium | High |
| | | Rare | Unlikely | Possible | Likely | Almost Certain |
| Likelihood | | | | | | |

It must be noted that Operational risks have been recognized though out COVID-19 and some have cut across multiple departments. These have previously been reported separately via the COVID-19 response and risk report during the 14 May 2020 Council meeting. This risk report include COVID-19 impacts as a strategic risk as this has ongoing impacts to the organisation.

5 Significance and engagement

The decisions or matters of this Agenda do not trigger the significance criteria outlined in Council's Significance and Engagement Policy, and the public will be informed via Agenda publication on the website.

6 Attachment

September 2020 - risk report

September 2020 – Council Risk overview

This report has been created to provide an overview of the current risk profile of Council. The report includes 3 distinct sections:

1. Risk Matrix which shows the spread of risks across the organisation.
2. The current critical risks (those shown in red on the risk matrix), and those that have moved down from critical to high in the last quarter.
3. The current strategic risks which are derived from identifying trends in the departmental risk registers and discussions with the Strategic Leadership team.

1. Risk Matrix

Risk Matrix showing the spread of risks across the organization. This has been prepared for the Risk and Audit Committee in September 2020. The tables below shows the residual risk (after current controls) to Council of the operational risks at each quarter through the last year.

| | | | | |
|-----|-----|--------|------|----------|
| Key | Low | Medium | High | Critical |
|-----|-----|--------|------|----------|

Table one:
Residual risk spread of current Council risks (September 2020). (Total 389)

| | | | | | | |
|---------|---------------|------|----------|----------|--------|----------------|
| Impact | Catastrophic | 1 | Nil | 1 | 1 | Nil |
| | Major | 5 | 5 | 9 | 4 | 3 |
| | Moderate | 25 | 46 | 58 | 22 | 3 |
| | Minor | 17 | 50 | 72 | 20 | 8 |
| | Insignificant | 7 | 17 | 3 | 3 | Nil |
| | | Rare | Unlikely | Possible | Likely | Almost Certain |
| Summary | 94 | 146 | 109 | 21 | | |

Table two:
Residual risk spread of current Council risks (June 2020). (Total 352)

| | | | | | | |
|------------|---------------|------|----------|----------|--------|----------------|
| Impact | Catastrophic | 1 | Nil | Nil | 1 | Nil |
| | Major | 7 | 4 | 10 | 3 | 3 |
| | Moderate | 19 | 47 | 51 | 18 | 4 |
| | Minor | 14 | 48 | 68 | 20 | 8 |
| | Insignificant | 4 | 14 | 4 | 5 | Nil |
| | | Rare | Unlikely | Possible | Likely | Almost Certain |
| Likelihood | | | | | | |

Table three:
Residual risk spread of current Council risks (March 2020). (Total 341)

| | | | | | | |
|------------|---------------|------|----------|----------|--------|----------------|
| Impact | Catastrophic | 1 | Nil | Nil | 1 | Nil |
| | Major | 6 | Nil | 10 | 3 | 3 |
| | Moderate | 18 | 45 | 47 | 15 | 4 |
| | Minor | 16 | 44 | 65 | 17 | 9 |
| | Insignificant | 5 | 15 | 3 | 5 | Nil |
| | | Rare | Unlikely | Possible | Likely | Almost Certain |
| Likelihood | | | | | | |

Table four:
Residual risk spread of Council risks (September 2019). (Total 350)

| | | | | | | |
|-------------------|---------------|------|----------|----------|--------|----------------|
| Impact | Catastrophic | 1 | Nil | 2 | Nil | Nil |
| | Major | 7 | 3 | 5 | 2 | 1 |
| | Moderate | 23 | 43 | 50 | 18 | 6 |
| | Minor | 16 | 50 | 71 | 19 | 5 |
| | Insignificant | 3 | 16 | 4 | 5 | Nil |
| | | Rare | Unlikely | Possible | Likely | Almost Certain |
| Likelihood | | | | | | |

| | | | | |
|-------------------|----|-----|-----|----|
| Summary | 89 | 142 | 103 | 16 |
| Likelihood | | | | |

Please note that the health and safety risks are managed via a database portal and reported separately to the Audit and Risk Committee.

2. Current Critical Risks

Using the definitions provided in the risk management framework the following lists the current critical risks across the organization. Strategic risks are captured in the next section of the report as they are across the organisations and do not align to LTP activity groups.

It should be noted that when this table shows 2 LTP activity groups it represents 2 critical risks. The risk matrix for September 2020 above shows 21 critical risks, 7 of which are represented in the strategic risk table and not below.

The current critical rated risks have been split by operational group and then aligned to the LTP activity group. These should be read in conjunction with the Health and safety risk report which includes risk that may impact staff.

Table five: Council's current critical risks

| LTP Activity Group | Risk description | Current Controls - What we are already doing about it | Future treatment - What we plan to do |
|---|---|--|--|
| Group - Community | | | |
| Community Facilities and Services_Venue and Events | Replacement of Lighting Towers at NEC Stadium | 2019 Lux level testing occurred, levels not favourable for HDD coverage, therefore replacement brought forward to align to future televised events. Project on track but remains on critical risk list. | Avoid: Procurement process underway to ensure replacement in time for Women's Rugby World Cup 2021. Remains a high risk due to short timeframes to procure, consent, design and build. Project on track but risk remains until installation. |
| Group - Corporate Services | | | |
| Corporate Services_Support Services Infrastructure | Construction assessment of vested assets | Design assessments and construction inspections carried out by qualified personnel. Most sites visited but only a small proportion of all assets inspected during construction | Reduce. Ensure vested assets are constructed to high standard. Hold points for essential construction points. Ensure adequate capacity in team for construction assessments - may require additional WDC resources or third party assessments by consultant engineers. (Ref Marsden City example) See also BP-PLAN-6 |

Report created for September 2020 – Risk and Audit Committee

| LTP Activity Group | Risk description | Current Controls - What we are already doing about it | Future treatment - What we plan to do |
|---|--|--|--|
| Corporate Services_SupportServices | Internal Intrusion - Resulting in a virus or business outage, loss of data caused by an unknown threat | <p>AM18022019 - user devices operating systems and antivirus software updated regularly. Phriendly phishing training deployed to whole organisation. Quarterly security meeting held to discuss best practice.</p> <p>Mitigate: In place: Monitoring of all cyber threat activity on a daily basis.</p> <p>Updating of all Anti-Virus software on a daily basis – scheduled and managed by all Cloud providers and onto desktop equipment.</p> <p>Intrusion detection provided on all PC's.</p> <p>Separate “ghost” network for public spaces.</p> <p>By policy no Systems Administrator privileges applied to any devices to allow free install of applications by users.</p> <p>System policies employed to reduce ability to download or access black listed sites.</p> <p>Continuity plans in place to recover data.</p> | Reduce: Under constant review. |
| Group - Infrastructure | | | |
| Infrastructure Corporate Services_Support Services | Unclear legal liability for Council engineering and development approvals | <p>Construction supervisor in W&D team to oversee developer projects. However, insufficient resources to maintain adequate level of supervision.</p> <p>Env engineering standards in place, also bylaws. However no clear legal liability for Council.</p> <p>Internal Reference: BP-PLAN-4</p> | Reduce. Consider options to improve internal processes and clarify legal liability issues (ref Marsden City example) |

| LTP Activity Group | Risk description | Current Controls - What we are already doing about it | Future treatment - What we plan to do |
|--------------------|---|---|---|
| Infrastructure | Inadequate scoping of proposed projects for inclusion in LTP | Ad hoc scoping of projects, reliant on individual experience at a high level with no or little detail. Staff have put in place a project brief document to increase understanding. New resources have been approved for Waste and Drainage and Water Services which will assist in reducing this risk. | Accept and Reduce: New processes are required, and staff are looking at developing structured processes to improve establishment of new LTP projects, including how to respond to late project request e.g. through submissions. |
| Stormwater | Reliance on attenuation to cater for growth impacts on SW network | Vested assets assessed on application and inspected during construction but often are poorly maintained (no additional maintenance budget). Also, may be issues with inadequate attenuation or required upgrades to WDC SW system. Inadequate knowledge of system capacity to identify high-risk areas. Note that there is generally no DC component for any maintenance activities. | Reduce. Develop case for collection of SW DC charges to anticipate attenuation costs as well as future upgrades of network. LTP projects will feed into the DC policy review. |
| Transportation | Funding provision may be challenged. | Ensure correct application of DC cost allocations by workshops with developers of the DC programme, department guidance on best practice, process management document compiled to track how DC have been developed for Transport. Continued staff training. | Continue with existing controls, ensure continued review of database setup |
| Transportation | Unauthorised corridor activity | Council Policy requires Traffic Management Plan (TMP) and RON when working on the road. | Providing a utilities engineer, public education programme. Corridor manager and general roading staff observe the network to identify unauthorised activity and undertake site audits of worksites for compliance and training. |

| LTP Activity Group | Risk description | Current Controls - What we are already doing about it | Future treatment - What we plan to do |
|--------------------|--|---|---|
| Water | Risk of prolonged inability to supply potable water, | In place: Demand management strategy. Network maintenance strategy. Comply with NZ dam safety guidelines and comprehensive dam safety review regime every 5 years. Emergency action plan, understood by stakeholder and shared with contractors. Consent renewals for intakes (rivers and streams etc.) Work has started to reduce network leakage renewals and detections. Working across Council on education on customers minimising water use | This is a wider risk for managing in Council. Maintenance of the contingency plans and the specific requirements of key customers (Hospital/ refinery). Assumption is there may be pockets of outages as well as wide spread issues (note: widespread are covered by specific drought planning). Generators at key sites, Fairway Drive pump station upgrade to include a generator, What Valley Dam Chimney Drain project. Wairua River source and treatment at Poroti. Engineering Lifeline protocols for power restoration to key sites (Ruakaka) |
| Water | Risk of 1 in 50 yr drought | Arrangements made to use Poroti and Hatea to maximise storage. Work underway to reduce network leakage renewals and leak detection. New Wairau river water sources and treatment project will review this, reference Capital project WS05-02 and New water source report. | Continuing work on reducing network leakage renewals and leak detection. Manage pressure on reduce demand. Area wide - Demand management strategy. |
| Water | Current Whau Valley Treatment Plant - location | Relocation project has been initiated to move the WTP to the new Whau Valley Road site. Land purchase in progress and design in waiting Capital Project no. WS01-03 Whau Valley Upgrade | Continue with project activities to relocate Whau Valley treatment plant. Risk will be downgraded once new WTP in operation. Project WhauValley W14-W21. Completion Q1 2021 |

Report created for September 2020 – Risk and Audit Committee

| LTP Activity Group | Risk description | Current Controls - What we are already doing about it | Future treatment - What we plan to do |
|---|--|---|--|
| Parks and Recreation | High Risk Tree with old cabling system Due to the age of the original cabling system which has degraded there is a risk that it will fail and one of 3 leaders (trunks) will fail leading to the tree or a part of the tree falling on the footpath and road potentially hitting vehicles or pedestrians and causing loss of life., | Council are taking out some dead wood to reduce risk of falling branches. | Council are designing a new cable system to install once the old system is removed. The old system is under tension so as it is removed there is a risk of tree failure. Removal will be scheduled, and Council will have suitable traffic management in place at that time. |
| Group - Planning and Development | | | |
| Nil | | | |
| Group - Strategy and Democracy | | | |
| Nil | | | |

The next table shows items that have been successfully managed to reduce the overall risk rating. This means that they have moved from Critical to High risk rating on the risk registers.

Table six: Risks that have been moved from Critical to High risk rating since June 2020.

| LTP Activity Group | Risk description | Current Controls - What we are already doing about it | Future treatment - What we plan to do |
|---|---|--|---|
| Group – Community: Community Facilities and Services_Venue and Events | NECT governance arrangement runs out in June 2020 | External review conducted by RJ Robertson (external consultant). Health and safety management system review completed by IMPAC (external consultant). Working group developing actions plan and council workshops being held to consider options. | Reduce: Staff have worked with Elected Members on governance options, decision made in July 2020 to move to full trust. Work has begun on the transition planning. |
| Group – Planning and Development: Planning and Regulatory services – Building Control | Swimming pool inspections | Following identification of issue in March 2018 operation splash project was set up to work across the organisation to manage the response process regarding the lack of swimming pool audits in the preceding years. Audit process for all Whangarei District pools on the register (including notice to fix and support for owners) | Close watch on progress through first year of operation. Moved to BAU August 2020, as currently on track. Remains on watching brief as could re-emerge if resource constraints not rectified. |
| Group – Planning and Development: Planning and Regulatory services – Building Control | Modern methods of construction | The building industry is evolving fast with MMC being utilised across New Zealand. Some of these MMC create challenges for building controls as there is no knowledge base to work from for the consenting process. | Close watch on progress with other Councils across the country, working with external specialist to ensure an appropriate approach in line with the building act specifically BA04. Immediate discussions have halted so likelihood reduced. |

Table three: Councils strategic risks

| Area | Risk Description | Current Mitigation – what we are doing about it. |
|------|--|---|
| Data | Data sets across all systems and databases in Council are not currently aligned and interactive. This leads to lack of visibility of knowledge across management teams. Specific risk around GIS skill set within council | Reduce: Current work on Trilogy part 2, and focus in multiple departments on development of better datasets to improve modelling and knowledge. |

| Area | Risk Description | Current Mitigation – what we are doing about it. |
|--|--|---|
| Staffing | Recruitment and retention of staff in public sector in Whangarei, with specific concerns around specialist roles, contract termination clauses and loss of organisational knowledge. | Accept: We can only employ people who live or are willing to move to Whangarei. The direction of the district and its development is helping to encourage skills into the area. Staff continue to review roles when appropriate to ensure that job specifications align with the department requirements. |
| Regional growth | Growth of region is other than identified in current Statistics New Zealand projections. Leading to lack of budget on development of core infrastructure and amenities to support the population. | Accept: Monitor and work with facts as they are identified. New models of growth have been developed so information improving. |
| Litigation | Due to the increasingly litigious environment there is a potential for increase cases being brought against council. Some are appropriate however some are not. | Accept. Litigations brought against Council are being dealt with on a case by case basis with external legal support provided as required. Some transfer of risk under the insurance programme (statutory liability, public liability and professional indemnity insurances). |
| Government Policy Changes | Central government policy can be changed at any time outside the legislative process, this can impact Councils budget and the operational activities of the organisation. There is also potential for regulatory changes made through orders from Council which can cause significant costs to ratepayers with little consultation and no useful rights of appeal. | Accept: Until changes occur, we are not able to respond. There is a process to engage following legislative changes but changes to central government policy have to be managed by the senior and operational leadership teams as they occur. |
| Specific government policy changes: e.g. Four wellbeing's RMA reforms Three waters | Recent government level changes are creating both opportunities and risks for Council in a number of areas. | Accept: Staff provide balanced reports to Councils to support decision making in these areas. Unable to identify the operational impact based on current knowledge. Strategic leadership team are monitoring the situation and linking with appropriate operational leaders to monitor developments and respond as appropriate. Strategies and options are being worked through with elected members as information is made available. |
| Climate Change | Adaptation: A range of impacts to climate change have been projected for Northland by NIWA including sea level rise, more | Accept and respond: Currently part of expectations within the 30 year plan. |

| Area | Risk Description | Current Mitigation – what we are doing about it. |
|------|--|--|
| | <p>warmer days, more droughts, more extreme weather events. Potential impacts include damage to the transport and infrastructure networks, water shortages and droughts. Potential risks to Council include: Vulnerable infrastructure, parks and reserves.</p> <p>Financial: Large, long terms financial risks. Costs to protect, shift, future proof infrastructure and assets. Increasing insurance costs and potential inability to insure some areas. Council's ability to borrow money may be impacted if we have inadequate climate related financial risk disclosure.</p> <p>Legislative and reporting: Local authorities and lifeline utilities are legally required to provide information to the Minister for Climate Change on how they are responding to the risks (including transition risk) from climate change. MfE has indicated that the Minister will begin exercising his discretion to require reporting immediately.</p> <p>Communication: The Office of the Auditor General expects Councils to communicate risks, information gaps and what it plans to do to address climate change risks.</p> <p>Mitigation The price point for greenhouse gas emissions will likely increase through the Emissions Trading Scheme (ETS). So NRLLP will need to pay more for our carbon emissions generated through the waste operations.</p> <p>Reputational:</p> | <p>Regular monitoring on the progress and changes that are occurring. Climate Change adaptation working group established, and functioning (NRC lead). Local mitigation will not prevent predicted weather changes, so adaptation necessary. Development of a Council wide Climate Change Strategy that will include understanding of financial risks. Moved from critical risk list to the strategic risk register as requires wider organisational attention.</p> |

Report created for September 2020 – Risk and Audit Committee

| Area | Risk Description | Current Mitigation – what we are doing about it. |
|--|---|--|
| | Council adopted a Corporate Sustainability Strategy in November 2018 and then Council declared a Climate Emergency in 2019. Commitments made in the Corporate Sustainability Strategy need to be resourced to allow the organisation to gather the data needed to inform actions. | |
| Uncertainty relating to COVID-19 response. | <p>COVID-19 is providing challenges globally to how organisations operation and the way people interact with each other.</p> <p>This uncertainty is being noticed around the organisation from staff and customers and appears to be creating a more stressful environment.</p> | <p>Accept and reduce: The Strategic Leadership Team and department managers continue to work hard to prepare and respond to the changing environment created by this global pandemic, changes are being reflected in operational activities and departmental risk registers. The COVID-19 watch group continues to monitor the situation to allow Council to respond to future developments.</p> <p>More details in the health and safety risk report relating directly to staff safety and mental health wellbeing.</p> |

4.7 Risk Policy Update 2020

Meeting: Risk and Audit Committee
Date of meeting: 23 September 2020
Reporting officer: Emily Thompson (Senior Assurance Advisor)

1 Purpose

To present the updated Risk management policy to the Risk and Audit committee for agreement and provide the supporting risk management framework for awareness.

2 Recommendations

That the Risk and Audit Committee

1. Agree to the newly created Risk Management Policy and recommend for this to be referred to Council for adoption.
2. Note the updated Risk Management Framework.

3 Background

The purpose of risk management is to identify potential problems before they occur, or, in the case of opportunities, to try to leverage them to cause them to occur. Risk-management activities may change over time depending on the likelihood and potential impact of a risk. It is a continuous process consisting of achievable steps that enable improvements in decision making and performance.

Risk management is an important factor in any decision making and should be part of our operational processes. It is important to ensure that Council understand and manage the risks in the provision of services to our District. The risk management policy and framework should be embedded in both the operational and governance processes and thinking.

It is good practice for organisations to have a formal risk management framework that it reviews on a regular basis. Council has a risk management framework that was adopted in April 2016. This risk management framework is overdue for review.

4 Discussion

Under legislation there is no requirement for Council to have a risk management policy, however it is recognised as good business practice and aims to ensure effective risk management across the organisation and support ratepayer confidence across the district.

Following briefings with Elected Members in May and August staff have taken feedback from Elected Members to create a new risk management policy and a separate risk management framework.

The changes that have been made include:

- Splitting the existing framework into two documents, a policy and a supporting framework
- Developing Council's risk management principles (page 4 of the Policy)
- Specific reference to both internal (operational) and external Council risks (district wide)
- Additional references to positive risks (opportunities)
- Plain English review of risk terminology, keeping it simple.
- Updating the roles and responsibilities within the risk management framework
- Changing the categorization of Critical risks to include any risk that has the potential to create a catastrophic impact to Council. (table four, page 12 of the framework)

The risk management policy defines the Council's principles on risk management and sets the direction for Council.

The risk management framework provides a methodology to:

- identify Council risks,
- manage or treat the risks
- regularly monitor departmental risks
- report to Risk and Audit committee on the risks.

Council uses the Risk and Audit Committee to monitor the implementation of the risk management policy.

5 Significance and engagement

The decisions or matters of this Agenda do not trigger the significance criteria outlined in Council's Significance and Engagement Policy, and the public will be informed via Agenda publication on the website.

6 Attachments

1. Risk Management Policy
2. Risk Management Framework

Whangarei District Council

Risk Management Policy

Policy 210

| Policy title | | | |
|---------------------|----------------|-----------------------|-------------------------|
| Audience (Primary) | Internal | Business Owner (Dept) | Democracy and Assurance |
| Policy Author | Emily Thompson | Review Date | + 3 years from approval |

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| Policy title | | | |
|---------------------|----------------|-----------------------|----------------|
| Audience (Primary) | Internal | Business Owner (Dept) | Emily Thompson |
| Policy Author | Emily Thompson | Review date | TBC |

Legislative Requirement

Whangarei District Council strives for good governance. While there is no legal requirement for this policy, it aims to ensure effective risk management across the organisation and support ratepayer confidence across the district.

Purpose

To clearly state the principles needed to achieve effective risk management across the organisation.

Policy background

Risk is the impact of an uncertain event or situation that, if it occurs, has a positive or negative effect on the things that we value and want to achieve.

We seek to better understand risk because it informs the decisions that we make in order to achieve our vision for community outcomes.

Risk management is the knowledge and practices that we use to control the risks. Risk management aims to reduce threats and maximise opportunities.

Risk management is overseen by the Strategic Leadership Team and the Risk and Audit Committee of the Council, via regular reporting and escalation as appropriate.

Risk Management encompasses all risk assurance activities including, but not limited to:

- Health and Safety
- Finance
- Legal
- Operational processes
- Insurance placement
- Project risks (ICT and Infrastructure)
- Business Continuity.

This risk management policy aligns with the International Standard ISO 31000:2018 Risk Management principles and guidelines.

The ISO 31000 guidelines provide a statement of eight risk management principles.

1. Risk management activities must be proportionate to the level of risk faced by Council
2. Risk management activities need to be aligned with the other activities in Council.
3. In order to be fully effective, the risk management approach must be structured and comprehensive.
4. Risk management is an integral part of all Council activities and needs to be embedded across the organisation
5. Risk management activities must be dynamic and responsive to emerging and changing risks.
6. Risk management explicitly considers any limitations of available information.
7. Human and cultural factors influence all aspects of risk management.
8. Risk management is continually improved through learning and experience.

The first five principles provide guidance on how a risk management initiative should be designed, and principles six, seven and eight relate to the operation of the risk management initiative. These last principles confirm that the best information available should be used; human and cultural factors should be considered; and the risk management arrangements should ensure continual improvement.

These standards provide best practice guidance and are the foundation of similar processes for many local government entities across the country.

| Policy title | | | |
|--------------------|----------------|-----------------------|----------------|
| Audience (Primary) | Internal | Business Owner (Dept) | Emily Thompson |
| Policy Author | Emily Thompson | Review date | TBC |

Policy Statement

Whangarei District Council is committed to council-wide risk management principles that ensure consistent, efficient and effective assessment of risk in all planning, decision making and operational processes.

Council's risk principles:

- Support risk-based decision making for the vision and outcomes as agreed under the Long Term Plan.
- Support alignment of the four wellbeings and other requirements under the Local Government Act.
- Support alignment with other relevant legislative requirements.
- Ensure all staff are empowered, and expected, to identify risks and associated mitigation options.
- Create a transparent and inclusive risk processes based on the best available information
- Ensure that provision of essential services are prioritised and maintained with minimal risk exposure.

In considering risk to Council, we need to be aware that risk is a subjective process and understand the differences between "risks to the District" and "risks to the organisation".

It is important to consider both positive and negative risk for the organisation and the District.

A representation of this concept is included in Table One.

Table One: District/Organisation risk matrix.

| | Negative risk | Positive risk |
|---------------------------|--|---|
| District risks | Understanding risks for the District and assessing Council's role in managing those risks <i>e.g. The impact of a Tsunami on the district</i> | Understanding opportunities for the District and assessing Council's role in developing those opportunities <i>e.g. The opportunity of increase of domestic tourists to the district</i> |
| Organisation risks | Understanding and managing risks for Council and its immediate stakeholders <i>e.g. The operational impact of carrying staff vacancies</i> | Understanding and developing opportunities for Council. <i>e.g. The operational opportunity of working across departments.</i> |

Council's current risk management approach focuses on lower left quadrant and the organisational risk that will result in a negative impact. It is important to be aware of possibilities within the other three quadrants. This approach will be reviewed as the risk management framework matures.

Procedures, Processes, Standards & Guidelines

Council-wide risk management principles will be implemented in line with the approach detailed in the Risk Management Framework ([Risk Management Framework](#) Link) supporting documentation and associated processes.

Definitions

Definitions relating to this policy are in the Risk Management Framework.

| <i>Policy title</i> | | | |
|---------------------|----------------|-----------------------|----------------|
| Audience (Primary) | Internal | Business Owner (Dept) | Emily Thompson |
| Policy Author | Emily Thompson | Review date | TBC |

Related Policies and Documents

- Risk Management Framework
- Health and Safety Policy
- Risk and Audit Committee – terms of reference
- Legislative Compliance Policy
- ISO31000:2018

Adopted

Timelines and dates of adoption are captured in the Kete approval process.

Policy Review

This Policy was created in August 2020 and was agreed as follows:

Date of meeting: DD-MM-YYYY

By: Risk and Audit Committee

Risk Management Framework

August 2020

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1 Purpose

The purpose of risk management is to identify potential problems before they occur, or, in the case of opportunities, to try to leverage them to cause them to occur. Risk-management activities may change over time depending on the likelihood and potential impact of a risk. It is a continuous process consisting of achievable steps that enable improvements in decision making and performance.

Whangarei District Council is committed to council-wide risk management principles, that ensure consistent, efficient and effective assessment of risk in all planning, decision making and operational processes.

This document should be read in conjunction with the Risk Management Policy ([Link Here](#)) which sets out the purpose and direction of risk management within Council.

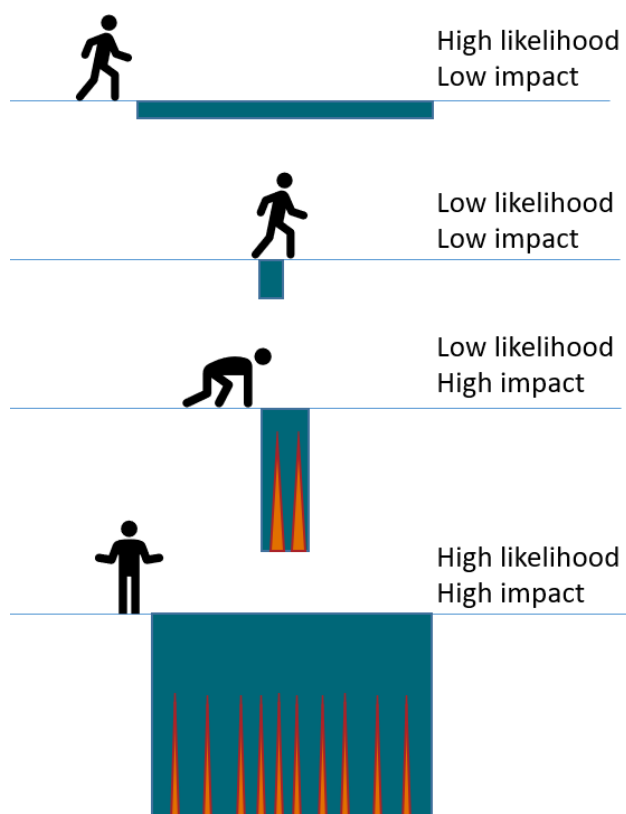
This risk management framework sets out the processes and procedures that are used to implement and embed good risk management practices across Council.

2 What is risk

Risk is the uncertainty of something occurring that effects, negatively or positively, on your ability to achieve your objectives. Generally, the focus of risk management is on negative impacts of uncertain events, however it must be recognized that uncertain events may also produce a positive impact on Council's objectives.

The following diagram provides a good overview of risk

2.1 Diagram one: what is risk?



The goal of risk management is not to eliminate all risks. Risk management is the knowledge, behaviours, and practices that we use to control the risks that, otherwise, would impact on the operations and services of Council.

Strategies to manage risk aim to reduce threats and maximise opportunities. This can be achieved by recognising that there may be a different approach to avoid or exploit an uncertainty (risk).

Under this initial framework the focus is on operational and service delivery risks. Over time the Council should also be considering District wide risks and opportunities.

2.2 Risk Types

There are a number of risk types that need to be considered across Council.

Strategic risks

Strategic risks are the major challenges Council faces in delivering the outcomes required in its Long Term Plan. This includes governance risks relating to decisions made in Council. Strategic risks can be raised by Elected Members, committee members and staff and they are managed by

the Strategic Leadership Team (SLT). Strategic risks are included in the quarterly risk report to the Risk and Audit Committee.

Operational risk

Operational risks are the operational challenges to delivering services required by the Long Term Plan. Operational risks are identified by departments and owned by department managers. Operational risks include compliance risks, for example, not complying with changes to legislation. These risks are collated quarterly and shared with the General Manager for each Council Group. Those with the highest risk ratings are reported to the Risk and Audit Committee.

Health and Safety

Health and Safety of our staff is also a risk type. This includes the risk of injury, weather, lost time, serious harm or fatality, directly attributable to organisations, mechanical or infrastructure failure. These are managed via the Workfare framework and collated via the My Safety application for all staff. Health and Safety risks are managed by the Health and Safety team and reported quarterly to the Risk and Audit Committee.

Project risks

Project risks are managed on a project basis and are the responsibility of the project manager. Project risks impacting on project delivery are managed via the Project process and reported to the appropriate Committee. These risks are not regularly included in the quarterly reporting to the Risk and Audit Committee.

3 Roles and responsibilities

Council and SLT are committed to ensuring all reasonable measures are taken to maintain a responsible risk management culture.

In order for risk management to be effective, staff at all levels of the organisation must understand their responsibilities and maintain the standards of this risk management framework.

This risk management framework is based on an organisation wide approach to implement best practice risk management throughout Council. Staff who have management responsibility (Group, Department, Activity/ Asset, Team or Project) use their expertise to evaluate risks, this ensures that different views are considered, and appropriate risk treatment practices can be applied. This collaborative approach ensures that Council staff are aware of their responsibilities in identifying and managing risk and the ownership of risk is at department manager level.

In a practical sense a risk management culture seeks to combine effective implementation, where risk management forms part of the process of doing business, with informed reporting, and regular monitoring of risk.

3.1.1 Table one: roles and responsibilities table.

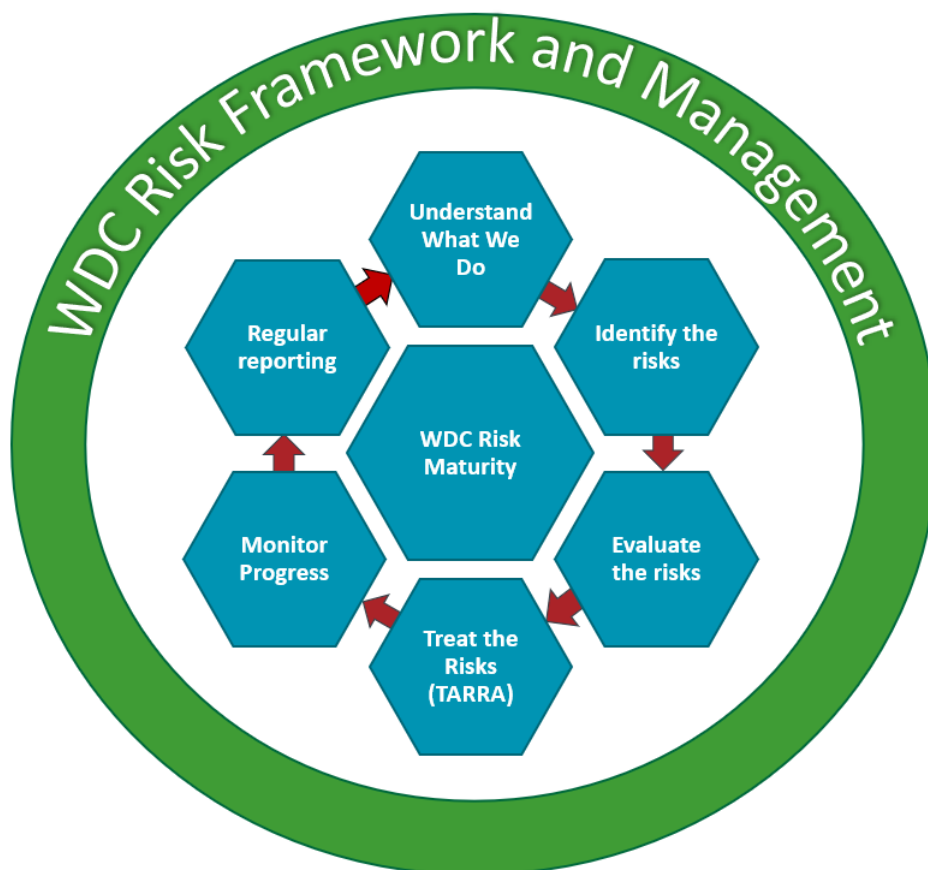
| Role | Responsibility |
|--------------------------|---|
| Council | <p>Council will:</p> <ul style="list-style-type: none"> • ensure an appropriate risk governance structure is in place • support the Risk management framework including risk management as an element of Council's Long Term Plan and Annual Plans as well as other strategies, plans and documents; |
| Risk and Audit Committee | <p>The Risk and Audit Committee will deliver on it's responsibilities and delegations as outlined in the Committee Terms of Reference.</p> <p>The Risk and Audit Committee should provide assurance to Council that robust, independent and operationally effective controls around operational and financial management practices are in place. They do this by:</p> <ul style="list-style-type: none"> • ensuring Council has appropriate risk management and internal controls in place; • approving and reviewing risk management programmes and risk treatment options for critical risks; |
| Chief Executive | <ul style="list-style-type: none"> • being the risk management sponsor • promoting a strong risk management culture by ensuring comprehensive risk management programmes operate throughout Council • ensuring that risk management is considered in everything Council undertakes and is incorporated in the messages given to the organisation |

| Role | Responsibility |
|--------------------------|--|
| Group Managers | <ul style="list-style-type: none"> • promoting a risk management culture within their group • advising on potential risk treatments for identified risks • Where applicable resolving or confirming criticality of risks • maintaining overall responsibility for the effective and efficient management of all types of risks related to Council activities and delivery of the risk management framework and objectives |
| Department Managers | <ul style="list-style-type: none"> • identifying departmental risks, including project risks • entering departmental risks onto the risk register and assessing the likelihood and impact for each risk • identifying risk mitigation options and monitoring their effectiveness • ensuring that emerging operational challenges are reviewed and, where identified, associated risks are included in risk registers e.g. legislative changes, the impact of climate change and external factors that affect the district. • quarterly update of departmental risk registers in line with reporting by the Senior Assurance Advisor to the Risk and Audit Committee |
| Senior Assurance Advisor | <ul style="list-style-type: none"> • providing direction and advice on risk management within Council and ensuring appropriate risk mitigation measures are in place • creating quarterly risk reports to the Risk and Audit Committee providing an overview of risks and highlighting critical risks • overseeing the embedding of the risk management framework • supporting the Risk and Audit Committee in delivering its duties; and supporting the internal audit process • ensuring Council's assets and operations, together with liability risks and hazards to the public, are adequately protected through appropriate risk planning and budgeting, internal audit processes, and appropriate internal systems and controls • communicating and raising awareness of risk management to department managers and staff |

4 Process

Below is an overview of Whangarei District Council's process for identifying, evaluating and managing risks within Council. This aligns with the International Standard for Risk Management – Principles and guidelines (ISO 31000:2018).

4.1.1 Diagram two: Council Risk Process:



4.2 Understand what we do

The first step in managing risk is to understand what we do. Each department should ask itself this following question:

What are our objectives in order to deliver our services to the district?

Once a team has identified their objectives then they can consider the risks that will stop them achieving their objectives.

4.3 Identify the risks

Department managers and their teams are responsible for identifying operational risks in their department. These should align with their objectives.

A good way to brainstorm risks within an area and to start a discussion on risk is to review the teams responses to the following questions:

- What has happened in the last 6 months?
- What has happened in the last 12 months?
- What bothers you, what keeps you awake at night?

To articulate the risk, staff should put the risk into a sentence:

Because of.....(e.g. a storm)

There is a risk that..... (e.g. waste water pipes break)

Leading to.....(e.g. Sewerage being expelled into the Whangarei harbour, negative publicity at a regional level, additional costs for Council to clear up, operational challenges to redirect staff/contractors to fix pipework)

In the example above the risk is the pipes breaking, and the impact is across multiple risk categories.

Once a risk has been identified it should be entered into the risk register and evaluated.

4.4 Evaluate the risks

Risks that have been identified by the department need to be evaluated against the likelihood and impact tables below. Then the risk rating can be calculated as shown in the risk matrix.

4.4.1 Table two: Likelihood of risk occurring

| Determine the likelihood of a risk event | | |
|--|--|---|
| | General Description | Frequency expression |
| 1 Rare | Risk event may occur only in exceptional circumstances | Up to 4% chance within next 12 months; or once in 25 years |
| 2 Unlikely | Risk event could occur at some time | 10% chance within next 12 months; or 1 out of every 10 years |
| 3 Possible | Risk event should occur at some time | 25% chance within next 12 months; or 5 out of every 20 years |
| 4 Likely | Risk event will probably occur in most circumstances | 55% chance within next 12 months; or 11 out of every 20 years |
| 5 Almost certain | Risk event expected to occur in most circumstances | 90% chance within next 12 months; or 18 out of every 20 years |

4.4.2 Table three: Impact of the risk

| Impact | Risk Category | | | | | | |
|------------------------|---|--|----------------------------|---|---|---|--------------------------------------|
| | Council Reputation/ Corporate Image | Environmental | Health & Safety | Council Third Party Loss | Operational capability of Council | Council Financial loss | Council Project completion delays |
| 1 Insignificant | Of interest to individuals | Aesthetic issue only, no damage or contamination | Minor injury | Council liability < \$10,000 | No loss of operational capability and/or minimal disruption to service levels. Access affected. Minimal loss of internal capacity. | No impact on achievement of output targets, business can continue as normal. Localised failure only. Financial loss <1% operating budget. | Total delay less than 6 months. |
| 2 Minor | Minor community interest, low key local media coverage | Minor damage with on-site release and immediately contained. Reversible within days. | Medical treatment required | Council liability >\$10,000 <\$100,000 | Loss of operational capability in some areas and/or some disruption to service levels Local roads impassable Loss of internal capacity up to 1 week | Up to 1% impact on targets Limited to a single business area of the organisation Financial loss 1-3% operating budget. | Total delay between 6 and 12 months. |
| 3 Moderate | Public /community discussion, broad adverse media coverage | Material damage of local importance. Prosecution possible. On-site release contained with outside assistance and impact reversible within 1 year. | Serious injury | Council liability >\$100,000 <\$250,000 Complaint to the Ombudsman or other statutory offices. | Serious loss of operational capability for over 6 weeks and /or disruption to service levels for 4-6 weeks Collector roads impassable Loss of internal capacity 1-3 weeks | Up to 5% impact on targets Financial loss 36% operating budget | Total delay between 1 and 3 years. |
| 4 Major | Loss of confidence in Council. National publicity. Public agitation for action. | Serious damage of national importance. Prosecution expected. Off-site release with significant detrimental effects and impact reversible within 5 years. | Fatality | Council liability >\$250,000 <\$1,000,000. Legislative non - compliance involving the prosecution or the potential for a fine or a significant criticism of Council by Judiciary or Ombudsman. Adverse ruling by the Ombudsman or other | Serious loss of operational capability for over 8 weeks and major disruption to service levels Major roads impassable. Loss of internal capacity 4-6 weeks | Up to 10% impact on targets. Financial loss 6-10% operating budget. Impact to multiple and diverse areas of the organisation. | Total delay between 3 and 5 years. |

| Risk Category | | | | | | | |
|-----------------------|--|---|---|--|--|---|-----------------------------------|
| Impact | Council Reputation/ Corporate Image | Environmental | Health & Safety | Council Third Party Loss | Operational capability of Council | Council Financial loss | Council Project completion delays |
| | | | | statutory officer with power to investigate or make rulings. | | | |
| 5 Catastrophic | Public investigation, international media coverage, management changes demanded, insertion of commissioner(s). | Severe damage of national importance. Prosecution. Toxic release offsite with major detrimental effect; non-reversible. | Multiple fatalities or district-wide epidemic | Council liability >\$1,000,000. Legislative non-compliance involving the potential for imprisonment of a Councillor or Senior Officer. Judicial review of a Council decision on a matter relating to funding or rates. | Serious loss of operational capability for 3 - 4 months and serious disruption to service levels. Loss of internal capacity >6 weeks | Greater than 10% impact on achievement of key performance targets. Financial loss >10% of operating budget. | Total delay more than 5 years. |

4.5 Rating the risks

Once the identified risks have a likelihood and impact value, the risks are mapped onto the risk matrix for the organisation. This gives the risk a risk rating which shows Council's risk appetite and which risks will be reported to the Risk and Audit Committee.

4.5.1 Table four: Risk Matrix

| | | | | | | |
|------------|---------------|------|----------|----------|--------|----------------|
| Impact | Catastrophic | C | C | C | C | C |
| | Major | H | H | C | C | C |
| | Moderate | M | M | H | H | C |
| | Minor | L | M | M | H | H |
| | Insignificant | L | L | M | H | H |
| | | Rare | Unlikely | Possible | Likely | Almost Certain |
| Likelihood | | | | | | |

Any risk will have 2 risk ratings

1. Inherent risk – the risk if no controls in place
2. Residual risk – the risk once controls, and mitigations have been taken into account.

Risks that are reported to Council are residual risks only, if a control is in place and is working well the residual risk will be low or medium. The risk is being well managed.

4.5.2 Table five: Risk rating

| Legend | Definition |
|---------------------|--|
| Critical (C) | Critical risk to Council. These risks are highly likely to occur or would create a large and catastrophic impact on Council |
| High (H) | High risk to Council These risks are likely to occur or would create a moderate to major impact on Council |
| Medium (M) | Medium Risk to Council These risks may occur or would create a moderate to minor impact on Council |
| Low (L) | Low Risk to Council These risks are unlikely to occur or would have minor to insignificant impact on Council |

4.6 Treat the risks (TARRA)

Council will determine what risks are tolerable and which risks are intolerable. Where possible Council will put into place risk treatments, also known as risk controls, to mitigate the occurrence or impact of a risk.

The treatment of risk is dependent on a number of factors including Council's risk appetite and selection of risk control actions:

- **Transfer the risk**– reducing exposure by transferring the risk to another party e.g. buy specific insurance coverage.
- **Avoid the risk** - avoiding the risk by not proceeding with the risk generating activity.
- **Reduce the likelihood** of occurrence through measures such as audit compliance, contract conditions, preventative maintenance, engineering controls, inspections, process policies and procedures. (Proactive Control)
- **Reduce the impact** through measures such as contingency planning, disaster recovery plans, contractual arrangements, financial management controls and risk minimisation plans. (Reactive Control)
- **Accept the risk** – recognise that WDC may accept a certain level of risk where the likelihood is low or the cost prohibitive to treat.

In managing opportunities that arise through uncertain events these treatments will become more positive. This may include accepting the opportunity risk, sharing (rather than transferring) the opportunity risk, taking action to increase the likelihood or impact of the opportunity risk etc. As the Council risk management framework matures these opportunity risk treatments will be developed.

4.7 Progress monitoring and regular reporting

Once risks have been identified, and controls put into place, the department needs to ensure that they monitor the risks on the risk register. Regular reviews ensure risks are discussed to understand if the likelihood or impact has changed.

Residual risks are reported to Risk and Audit Committee via the quarterly risk report. The risk report provides an overview of the spread of risks across the organisation and details any that appear in the critical category.

4.7.1 Table six: Management and reporting of risks

| Legend | How we manage the Residual Risk | Management and Reporting |
|---------------------|--|---|
| Critical (C) | Risks that appear here after controls will either have poor controls, a significant risk of occurring or an intolerable impact should they occur | These are reported, in detail, quarterly to Elected Members via the Risk and Audit committee |
| High (H) | Risks that have this risk rating will have controls and mitigation activities in place to reduce the likelihood of occurrence or the impact should this risk eventuate | These are managed as part of BAU and reviewed quarterly by department managers. All High risks are reported to Group Managers |

| | | |
|-------------------|--|---|
| Medium (M) | Medium risks are managed at departmental level and monitored to ensure appropriate controls remain in place | Department Managers will review these risks regularly. Minimum six monthly. |
| Low (L) | Low risks are managed at department level and monitored to ensure appropriate controls are valid and nothing changes about the potential risk. | Department Managers review these risks regularly. Minimum annually. |

5 Appendices

5.1 International Standard for Risk Management – Principles and guidelines (ISO 31000:2018). Definitions

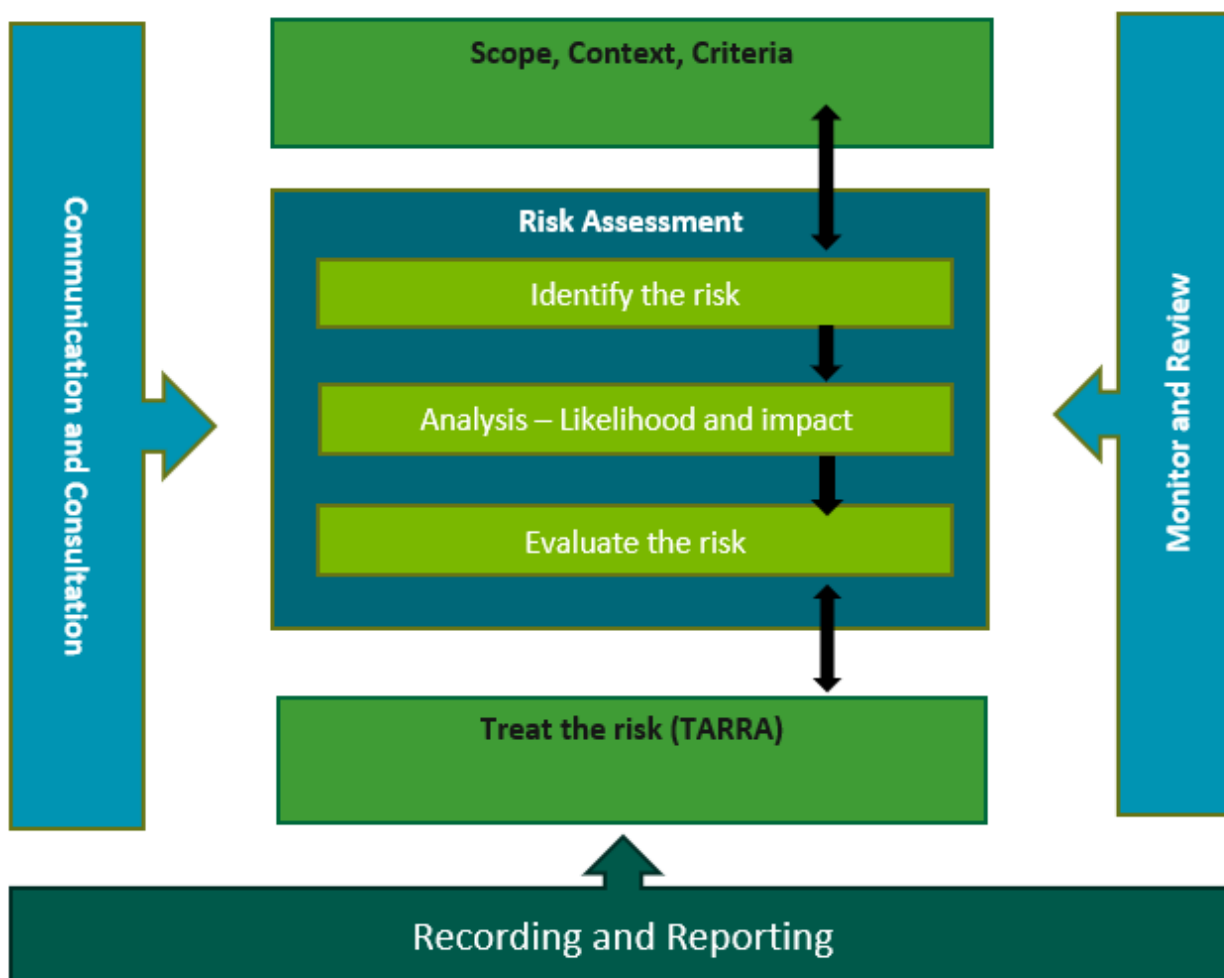
5.1.1 Table seven: Definitions

| | |
|------------------------|---|
| Risk | Effect of uncertainty on objectives. The effect may be positive or negative on the achievement of objectives. |
| Risk Management | Risk management refers to a coordinated set of activities and methods that is used to direct an organization and to control the many risks that can affect its ability to achieve objectives. The term risk management also refers to the programme that is used to manage risk. This programme includes risk management principles, a risk management framework, and a risk management process. |
| Risk Appetite | The level of risk that Council is willing to accept in achieving its objectives |
| Risk Owner | Person with the accountability and authority to manage a risk |
| Likelihood | Likelihood is the chance that something might happen. Likelihood can be defined, determined, or measured objectively or subjectively and can be expressed either qualitatively or quantitatively (using mathematics). |
| Impact | An impact is the outcome of an event and has an effect on objectives. A single event can generate a range of consequences which can have both positive and negative effects on objectives. Initial consequences can also escalate through cascading and cumulative effects. |
| Risk rating | The combination of likelihood and consequence described as Catastrophic, High, Medium and Low |
| Inherent risk | The risk rating before controls are put in place |
| Treatment | Process used to modify risk Note 1: can involve avoiding the risk, accepting/retaining the risk, removing the source of risk, changing the likelihood or consequence, sharing risk or creating controls to manage the risk. Note 2: May also be known as risk mitigation |
| Control | A control is any measure or action that modifies or regulates risk. Controls include any policy, procedure, practice, process, technology, technique, method, or device that modifies or regulates risk. Risk treatments become controls, or modify existing controls, once they are implemented. |
| Residual risk | Residual risk is the risk left over after you've implemented a risk treatment option. It's the risk remaining after you've reduced the risk, removed the source of the risk, modified the consequences, changed the probabilities, transferred the risk, or retained the risk. |

5.2 The process for risk management, simplified version of the diagram in ISO 31000:2018

Risk management is a continual process that involves the following key steps.

5.2.1 Diagram three



RESOLUTION TO EXCLUDE THE PUBLIC**Move/Second**

That the public be excluded from the following parts of proceedings of this meeting.

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 passing this resolution |
|--|-----------------------------------|--|--|
| 1.1 | ICT Risks Report – September 2020 | Good reason to withhold information exists under Section 7 Local Government Official Information and Meetings Act 1987 | 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 the relevant part of the proceedings of the meeting in public, are as follows:

| Item | Grounds | Section |
|-------------|--|-----------------|
| 1.1 | To prevent the disclosure or use of official information for improper gain or improper advantage | Section 7(2)(i) |

Resolution to allow members of the public to remain

If the council/committee wishes members of the public to remain during discussion of confidential items the following additional recommendation will need to be passed:

Move/Second

“That _____ be permitted to remain at this meeting, after the public has been excluded, because of his/her/their knowledge of Item _____.

This knowledge, which will be of assistance in relation to the matter to be discussed, is relevant to that matter because _____.

Note: Every resolution to exclude the public shall be put at a time when the meeting is open to the public.