

Risk and Audit Committee Agenda

Date: Wednesday, 9 December, 2020

Time: 1:00 pm

Location: Council Chamber
Forum North, Rust Avenue
Whangarei

Elected Members: John Isles (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 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 Meeting 23 September 2020	3
4. Information Reports	
4.1. Financial Management Activity Update Report	7
4.2. AON Insurance update	11
4.3. Health and Safety Report	25
4.4. Audit NZ - Verbal Update Report	31
4.5. Audit NZ - LTP Audit Plan	33
4.6. Risk Report	53
4.7. Policy status update report	69
4.8. Variations to Procurement Process Report	77
5. Public Excluded Business	
5.1. Confidential Minutes Risk and Audit Committee Meeting 23 September 2020	
5.2. ICT Risks Report	
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 - John Isles

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, 23 September, 2020
Time:	1:00 p.m.
Location:	Council Chamber Forum North, Rust Avenue Whangarei
In Attendance	John Isles (Chairperson) Her Worship the Mayor Sheryl Mai 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 Carol Peters Cr Simon Reid
Not In Attendance	Cr Gavin Benney
Also present	Carl Wessels (Audit New Zealand) Gerhard van der Berg (Audit New Zealand)
Scribe	C Brindle (Senior Democracy Adviser)

1. Declarations of Interest

There were no declarations of interest made.

2. Apology

Cr Gavin Benney

Moved By John Isles

Seconded By Greg Martin

That the apology be sustained.

Carried

3. Confirmation of Minutes of Previous Risk and Audit Committee Meeting

3.1 Minutes Risk and Audit Committee Meeting held 24 June 2020

Moved By Cr Ken Couper

Seconded By Vince Cocurullo

That the minutes of the Risk and Audit Committee meeting held on Wednesday 24 June 2020, having been circulated, be taken as read and now confirmed and adopted as a true and correct record of proceedings of that meeting.

Carried

4. Information Reports

4.1 Financial Management Activity Update Report - September 2020

Moved By Cr Shelley Deeming

Seconded By Cr Ken Couper

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

Carried

Cr Murphy was absent from the meeting from 1.18pm to 1.24pm during discussion on Item 4.1.

4.2 Audit NZ - Verbal Report September 2020

Carl Wessels provided a verbal update on audit related matters and answered questions from Councillors.

Moved By Cr Shelley Deeming

Seconded By Greg Martin

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

Carried

Cr Halse requested his vote against be recorded.

4.3 Health and Safety Report September 2020

Moved By Her Worship the Mayor

Seconded By Cr Greg Innes

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

Carried

Secretarial Note: General consensus that the way the accident statistics are reported should remain unchanged.

4.4 Legislative Compliance – January to June 2020

Moved By Cr Shelley Deeming

Seconded By Cr Carol Peters

That the Risk and Audit Committee note the report.

Carried

Cr Peters left the meeting at 1.49pm following Item 4.4.

4.5 Internal Audit – Outstanding Actions Report

Moved By Vince Cocurullo

Seconded By Cr Nicholas Connop

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

Carried

4.6 September 2020 Risk Report

Moved By Cr Ken Couper

Seconded By Vince Cocurullo

That the Risk and Audit Committee notes the report.

Carried

4.7 Risk Policy Update 2020

Moved By Vince Cocurullo

Seconded By Cr Shelley Deeming

That the Risk and Audit Committee

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

Carried

5. Public Excluded Business

Moved By Cr Shelley Deeming

Seconded By Cr Greg Innes

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 Risk Report – September 2020	Good reason to withhold information exists under Section 7 Local Government Official Information and Meetings Act 1987	Section 48(1)(a)
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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)

Carried

6. Closure of Meeting

The meeting concluded at 2.27pm.

Confirmed this 9th day of December 2020

John Isles (Independent Chairperson)

4.1 Financial Management Activity Update Report – December 2020

Meeting: Risk and Audit Committee
Date of meeting: 9 December 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 Whangarei District Council Annual Report was adopted on 26 November 2020.

At the time of writing this agenda the audit of Whangarei Art Museum Trust had been completed. The audit of the Whangarei District Airport and Northland Events Centre Trust were still in progress.

2021-31 Long Term Plan

Staff are currently working through the financial model to produce the first full draft of financial statements for the ten year period of the Long Term Plan. Matters being worked through prior to adoption of the financial statements for consultation include:

- confirmation of Tourism Infrastructure Fund and Crown Infrastructure Partners funding and associated projects
- NZTA subsidies
- opening reserve balances
- renewals to depreciation over the 30 years (infrastructure strategy)
- opening debt position

While draft projections show an increase in Council's debt level over the term of the plan, projected debt is well within Council's existing debt to revenue benchmark, and around half the LGFA limit. Staff will continue to work with our external treasury providers throughout this

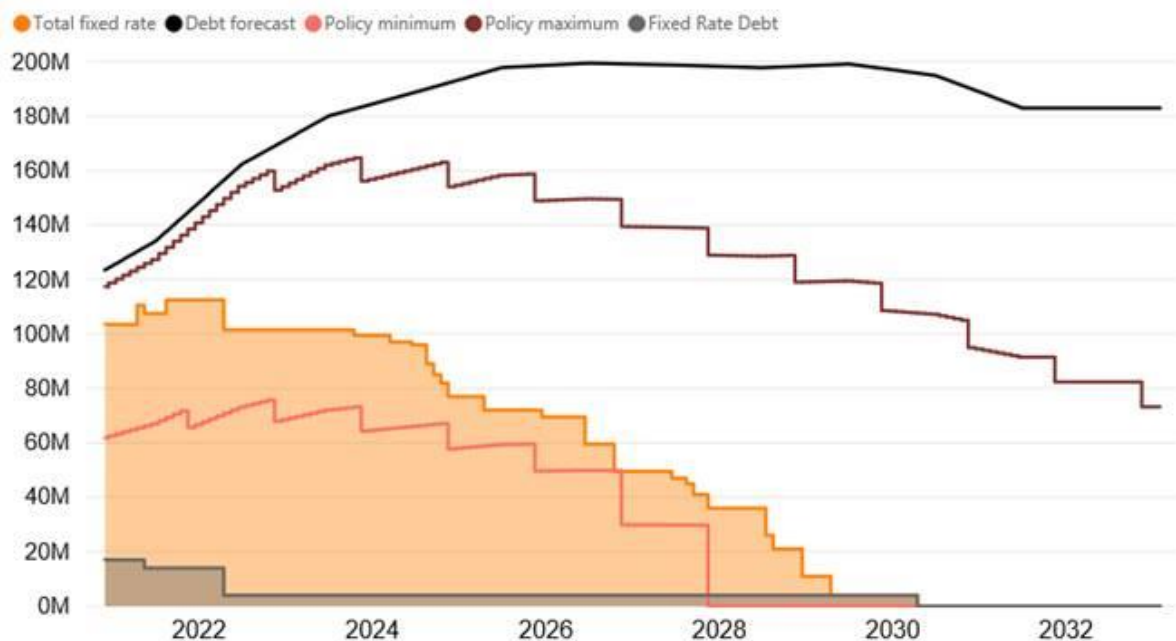
process to ensure our treasury management and risk is well managed over the life of the plan and beyond.

Treasury Risk Management

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

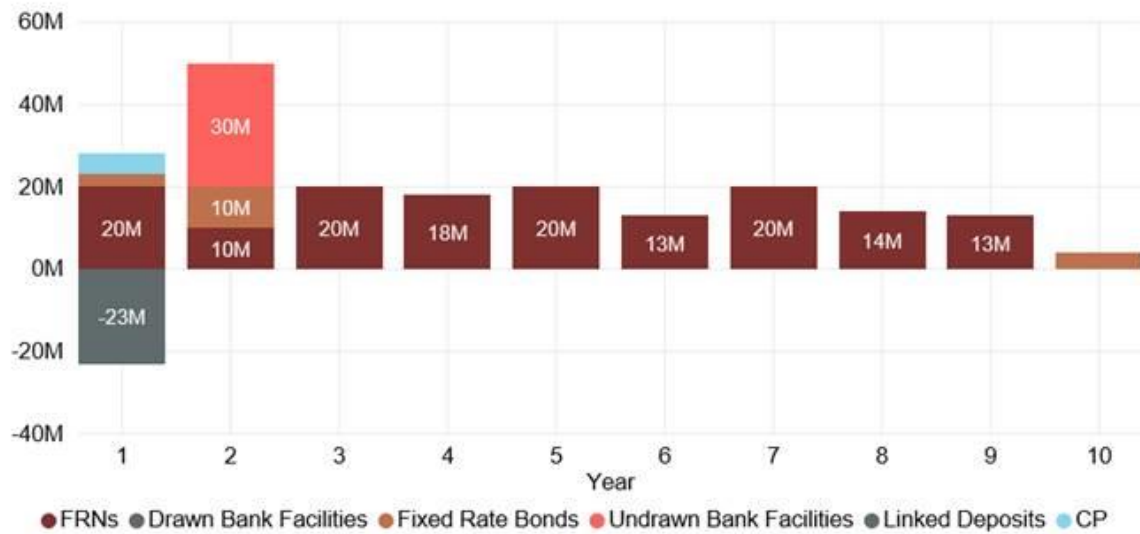
For local government, one of the main issues caused by the economic impact of Covid-19 will be tightened liquidity. Council is currently well placed with regards to this but will continue to monitor closely through this period of uncertainty.

Interest rate risk timeline



The black Debt forecast line in the above graph is updated monthly as we progress through the creation of the Long Term Plan 2021-31. This reflects debt forecasts at a point in time and will continue to change until the Long Term Plan 2021-31 has been adopted. This should therefore be read as indicative only.

Funding risk profile



The grey Drawn Bank Facilities of \$23m represent pre-funding Council is holding on term deposit for debt maturing in May 2021.

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.

4.2 AON Insurance Update

Meeting:	Risk and Audit Committee
Date of meeting:	09 December 2020
Reporting officer:	Emily Thompson (Senior Assurance Advisor) Richard Harrison (AON – Broker) Matthew Wilson (AON – Broker)

1 Purpose

To provide an update to Elected Members on the majority of Council's insurance policies for the 2020-21 insurance year (November to November).

2 Recommendation

That the Risk and Audit Committee notes the report.

3 Background

In June 2017 Council entered into a brokerage arrangement with AON insurance to place cover for the following Council held insurance policies, the details below are correct for the November 2020 renewal:

- Material Damage
- Business Interruption
- Motor Vehicle
- Trustee Liability
- Exemplary damages
- Crime /Fidelity
- Standing Timber (Forestry)
- Underground infrastructure (natural disaster only)
- Business travel
- Aviation operator
- Marine Hull.

AON provide broker services to 66 councils in various capacities and have over 15 years' experience in the Local Government sector. They facilitate the placement of the WDC Insurance programme and provide support to the Senior Assurance Advisor for the collation of data for the annual renewal. Throughout the policy period they act for WDC as our advocate in the local and global insurance market, provide advice on contracts, identification and discussion on emerging risks and insurance queries as well as offer access to bespoke workshops. AON manage the day to day claims and have a team with deep technical expertise to support WDC through more complex claims.

AON continue as our brokers for the policies mentioned and completed the renewal of all schedules for this insurance year that began on 01 November 2020.

4 Discussion

The insurance year runs from 4pm 01 November to 4pm 01 November the following year. Council has placed insurance for the nominated policies via AON for the last few years.

Each year insurance premiums increase, and the latest renewal has seen an increase over the expected budgeted amount indicated in our annual plan. Insurance premium increases are related to several factors including claims history and global conditions.

Council have had a number of claims in the last two years including the Old Municipal building fire and the July flooding which affected a number of sites across the district. It must also be recognised that the insurance market globally has been challenged with increased claims from all directions relating to increases in the devastation and destruction caused by:

- Extreme weather events (cyclones, droughts and floods),
- Forest fires
- Earthquakes.

All this with the backdrop of the global uncertainty relating to COVID -19.

This report provides an opportunity for Elected Members to hear about our insurance schedule from our brokers. AON will provide details on the shared procurement arrangement across the four northland councils, Whangarei District Councils current schedules, areas for consideration as we move towards next insurance year and areas of emerging risks to be considered.

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. AON presentation to WDC December 2020



Whangarei District Council

9th December 2020

Matthew Wilson and Richard Harrison



Agenda

- Welcome
- Northland Councils – shared procurement
- Current Programme
- Material Damage Review
- Insurance Strategy
- Questions

Northland Councils- shared procurement



- Benefits of Economies of Scale
- Greater Insurer interest
- Competitive Tension in Market
- Individual Risk Profile kept by Councils
- Liability Risk Profile different for Regional Councils
- Fee Based Broker Remuneration (other than London Infrastructure Placement)
- “Smoothing” of claims experience amongst members

Renewal Outcomes

16

Policy	Sum Insured			Premium		
	2019 -2020	2020-2021	% change	2019 - 2020	2020 - 2021	% change
MD/BI	\$378,201,158	\$394,181,092	4%	\$459,271	\$632,665	38%
Commercial Motor	\$2,148,509	\$2,368,675	10%	\$62,261	\$57,279	-8%
Statutory Liability	\$2,000,000	\$2,000,000	0%	\$13,610	\$14,298	5%
Employers Liability	\$1,000,000	\$1,000,000	0%	\$2,068	\$2,179	5%
Crime	\$1,000,000	\$1,000,000	0%	\$8,626	\$8,800	2%
Exemplary Damages	\$5,000,000	\$5,000,000	0%	\$3,200	\$3,360	5%
Machinery Breakdown Lower Hatea	\$2,805,400	\$2,838,373	1%	\$4,470	\$4,885	9%
Specified Perils Lower Hatea	\$26,200,000	\$27,200,000	4%	\$9,325	\$10,464	12%
Machinery Breakdown Waiarohia Bridge	\$523,713	\$529,863	1%	\$850	\$961	13%
Specified Perils Waiarohia Bridge	\$2,550,000	\$2,550,000	0%	\$948	\$1,035	9%
Hall Hirers Liability	\$10,000,000	\$10,000,000	0%	\$1,536	\$1,310	-15%
Travel	900	410	-54%	\$1,848	\$540	-71%
Forestry	\$961,683	\$872,007	-9%	\$1,413	\$1,666	18%
Trustees Liability	\$5,000,000	\$5,000,000	0%	\$17,050	\$17,060	0%
Aviation Liability	\$25,000,000	\$25,000,000	0%	\$3,700	\$4,050	9%
Marine Hull	\$16,278	\$16,278	0%	\$497	\$507	2%
Broker Service Fee				\$22,500	\$22,500	0%
Infrastructure	\$1,171,445,789	\$1,008,994,433	-14%	\$309,874	\$332,068	7%
Total				\$923,046	\$1,115,627	21%

2 Year Losses

- Material Damage \$3,036,967
- Commercial Motor \$12,224

Insurance Levers, Controlling the costs



How do I more effectively manage the cost of insurance?

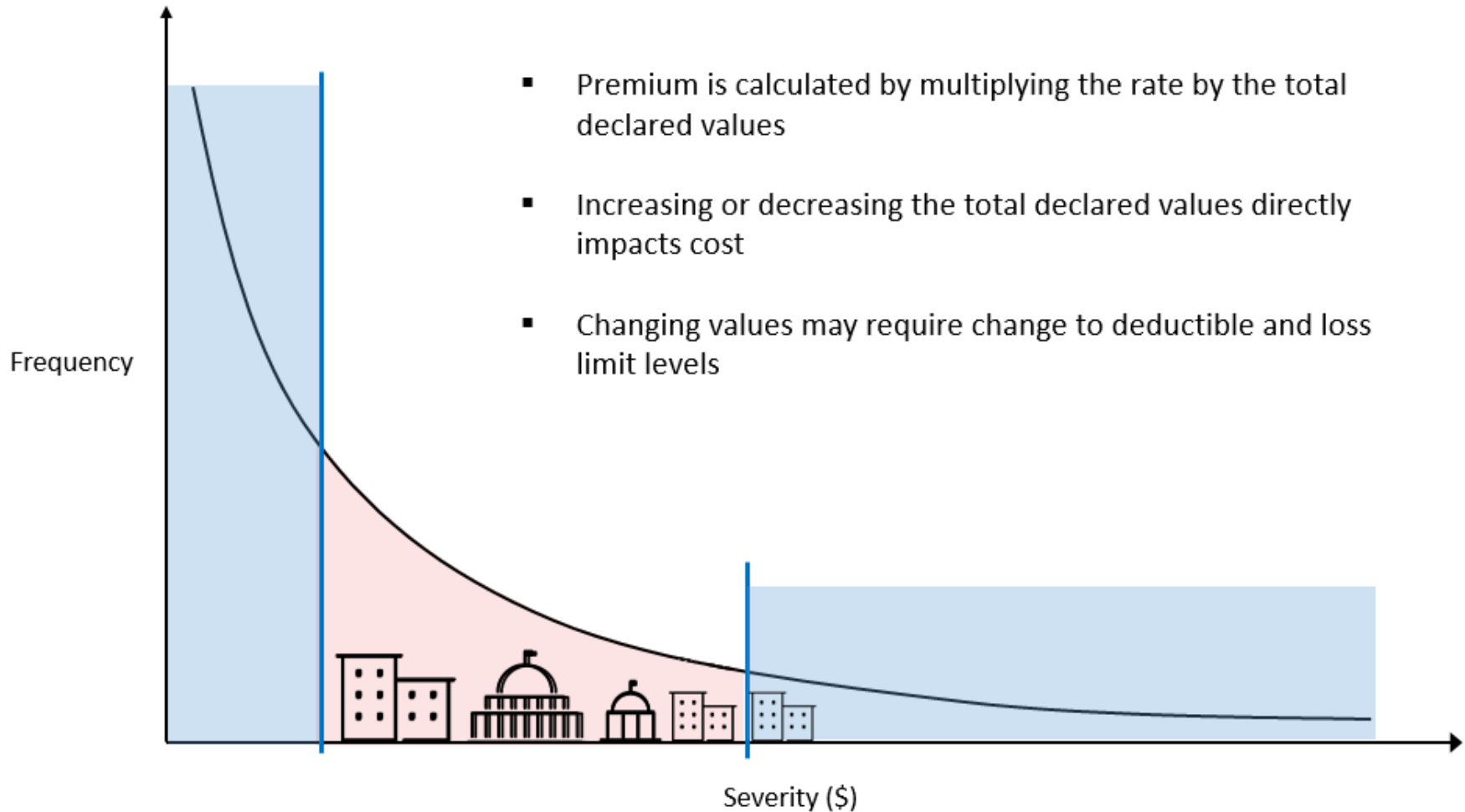


What is controllable and what is not?



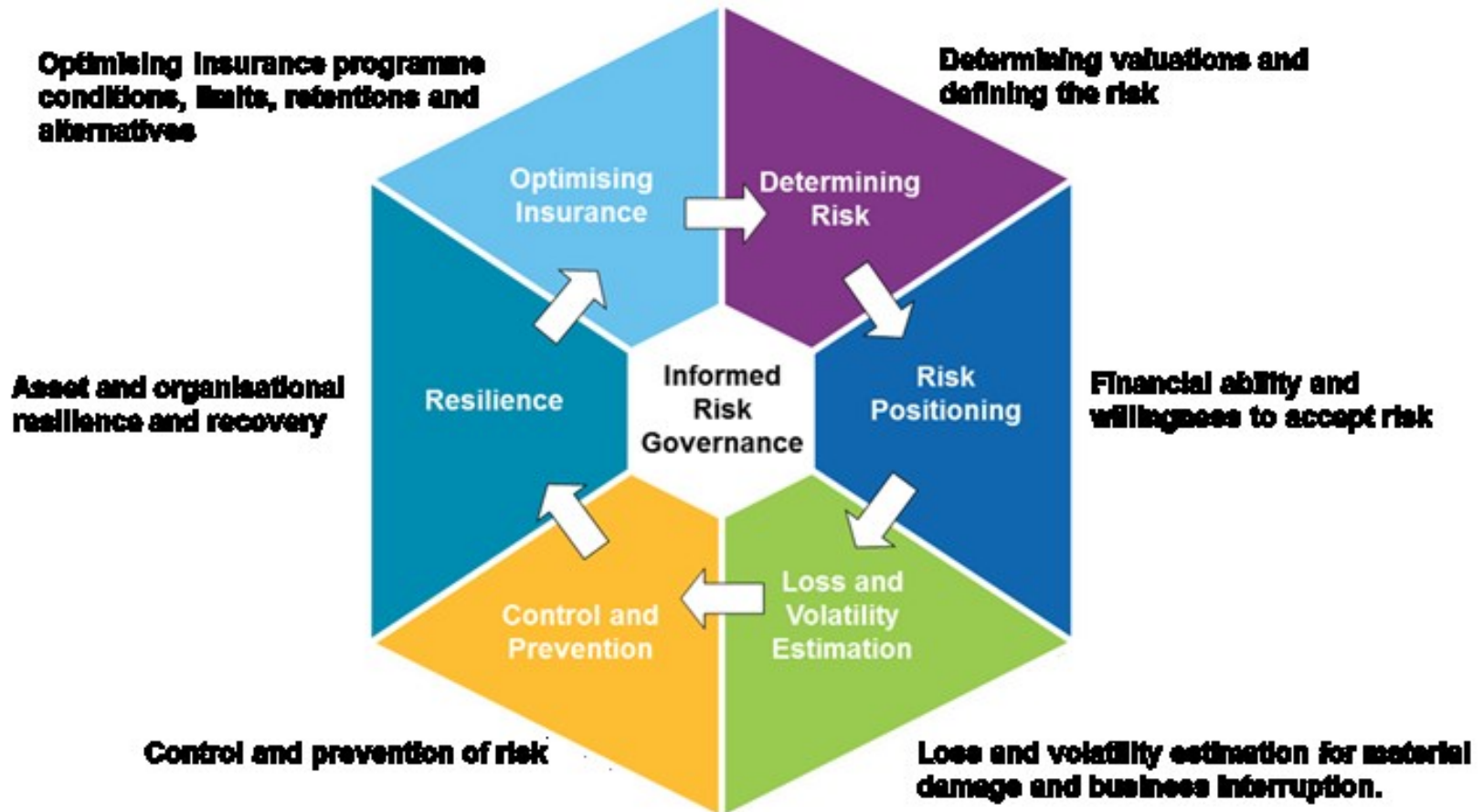
What do I need to understand to make informed decisions?

Declared Values



Levers Summary

Rate	Retention	Declared values
<p>What is controllable?</p> <ul style="list-style-type: none"> • Risk understanding • Risk management (asset management) • Active engagement with markets • Coverage 	<p>Can you retain more risk?</p>	<p>Are the values sufficient for you to rebuild what you need?</p> <p>Does everything need insuring?</p>
<p>Risk understanding</p> <p>Are you able to quantify your risks? Both severity and frequency?</p> <p>Is your cashflow/ balance sheet able to withstand these losses?</p> <p>Do you have the information to make informed decisions?</p>		



Questions

22



10

Thank you



4.3 Health and Safety Report

Meeting: Risk and Audit Committee
Date of meeting: 9 December 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 Council 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. Ten of these risks have been identified as critical risks affecting council staff. These are shown in the table below with any activity undertaken since the last meeting.

Health and safety risk	Activity since last Risk and Audit Committee meeting
Traffic	<p>We are still aiming to resolve some of the gaps identified in our traffic management risk area, which is one of our two highest risks.</p> <p>A driving off the road guideline has been developed for staff who must use non-metal accessways on to private property.</p>
Exposure to unacceptable behaviours	<p>Since the last Risk and Audit Committee meeting, we have had more aggressive person events. Eight of the Staff reported incidents involved aggressive persons and 27 of the Contractor incidents involved aggressive person encounters.</p> <p>Three of the staff reported incidents occurred at the Library or Customer Services. We have been finding City Safe presence is very valuable in these situations. The Officers are now an integral part of our planning when we are anticipating a visit from an aggressive customer.</p> <p>More incidents have already been reported this new financial quarter with almost daily incidents at either the Library or Customer Services.</p> <p>Trends from the Community Safety and City Safe statistics show a steady increase in unacceptable behaviours. While there have been five quite serious aggressive person incidents reported general feedback reflects an overall increase in aggressive behaviour. Of particular concern are the incidents occurring at night and the level of aggression involved. More resourcing in this area would be of value from a health and safety risk perspective. This could include more Police presence and visibility. This has been discussed with local Police.</p>
Exposure to hazardous substances	No activity to report since last meeting.
Working at height	No activity to report since last meeting,
Working while fatigued	No activity to report since last meeting.
Exposure to energy sources	No activity to report since last meeting.
Working in confined spaces	<p>A risk review and bow tie exercise has been completed providing valuable input.</p> <p>We had a recent confined space entry incident in the Whau Valley Piezo chamber, where the gas monitor alarmed and the contractor was requested to leave the chamber. As this is the second incident under similar circumstances some engineering and design work may be required to reduce the risk.</p>
Exposure to workplace psychological risks	<p>Internally, we are working on creating a culture where unreasonable behaviours are addressed early. These behaviours, if left unchecked can become bullying and harassment. The Pilot Whanau, in conjunction with the Peer Support Team and People and Capability Business Partners are working together on this. By addressing unreasonable behaviour and challenging it we can make a difference.</p> <p>Staff in many areas are reporting workload stress. Generally, they feel they are unable to provide the level of service they would like to provide or they feel unable to meet statutory obligations, due to lack of available resources. The initial belief by many that a post lockdown recession was likely has not transpired for most Council work. The July flood and storm event then added additional resourcing pressures to many of the teams.</p>

	<p>Health and Safety and People and Capability personnel are working with teams and individuals under pressure to aim to help resolve their pressure points.</p> <p>This quarter we have spent \$1798.82 on employee assistance services and counselling. Several staff have been referred to use these services during annual occupational health monitoring checks.</p>
Work alone	We have begun a process of reviewing our current work alone devices, with the aim to having something more user-friendly.
Asset failure	A minimum risk standard was developed.

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

Contractor Health and Safety risk

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	No activity to report since last meeting.
Felling trees	No activity to report since last meeting.
Respirable health risks	We plan to provide information to our contractors again as several issues were noted during contractor health and safety monitoring where contractors were observed not wearing or using the correct respiratory protection.
Working under suspended loads and rigging	No activity to report since last meeting.
Deep excavation	No activity to report since last meeting.

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

Health and Safety Assurance

Internal health and safety audits and monitoring

An internal monitoring system reviewing the permit to work, lock out tag out and contractor management systems has been set up for the New Year.

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

We undertook a Chlorine leak drill at Ruakaka, which highlighted some items that will need remedying.

External monitoring

The recommendations made in the SafePlus Assessment have all been included in the Health and Safety Strategic plan 2020-23, as actions. The Strategic Leadership Team formally adopted the recommendations of the SafePlus assessment and have also endorsed the three year health and safety strategic action plan 2020-23, which includes these.

Compliance and legislation

There have been no known updates to health and safety legislation since the last health and safety report.

The Privacy Act has been updated however, which could have some ramifications should there be a breach on information we hold, particularly regarding contractor health and safety information.

Accident Statistics

The increase in reported incidents has likely arisen from the post covid situation, as staff began returning to work, after many worked remotely.

Four of the members of public injuries occurred at Forum North carpark, with two involving trips on the sensors.

Three of the contractor lost time injuries involved Northland Waste Ltd contractors who suffered manual handling injuries or slip related injuries.

The medical treatment injury affecting a staff member occurred from a manual handling injury.

Injury Type	Employees	Contractor	Public	Volunteers	Elected members	Totals first quarter 2020-21	Totals last quarter
WorkSafe NZ Notifiable event	0	1	0	0	0	1	0
Lost time injury (injury needing days off)	0	4	0	0	0	4	2
Medical treatment Injury (visited doctor or physio)	1	12	5	0	1	19	4
Occupational health exposure	0	0	0	0	0	0	1
Minor injuries	3	10	2	0	0	15	13
Pain and discomfort reports	8	8	0	0	0	16	21
Incidents and near misses	29	51	1	0	0	81	38

Table 3: Council workplace injuries 1 July – 30 September 2020.

Incident Type	2020-21 YTD	2019-2020	2018 - 2019	2017 - 2018	2016 - 2017
Injury notifiable to WorkSafe NZ	1	1	0	0	3
Lost Time Injuries	4	15	16	11	11
Medical Treatment Injuries	19	34	40	77	51
Occupational Health Exposure	0	7	4	4	11
Minor Injuries	15	123	125	160	127
Pain and Discomfort	16	71	58	138	109
Incidents	81	347	256	389	283

Table 4: Council workplace injuries over last four financial years and first quarter of this year

Health and safety training undertaken since last report

Health and safety training is one of our lead indicators.

Internal training	Number of sessions	Attendants	Hours
Safetywhys – working remotely	2	17	8.5
Total			8.5
External training	Number of sessions	Attendants	Hours
Height refresher training	1	1	8
Mike Cosman Risk workshop	1	10	20
Total			28

Table 5: Health and Safety Training undertaken from 1 July – 30 September 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 Audit NZ – Verbal Report

Meeting: Risk and Audit Committee
Date of meeting: 9 December 2020
Reporting officer: Carl Wessels (Audit NZ)
Gerard van den Berg (Audit NZ)
Emily Thompson (Senior Assurance Advisor)

1 Purpose

To provide an update to the committee on the recently completed external audit for 2019-20.

2 Recommendation

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

3 Background

The external audit has been completed for the financial year end June 2020.

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

4.5 Audit NZ - LTP Audit Engagement Letter

Meeting: Risk and Audit Committee
Date of meeting: 09 December 2020
Reporting officer: Emily Thompson (Senior Assurance Advisor)
 Carl Wessels (NZ Audit)

1 Purpose

To inform the committee on the Audit NZ plan for the Long Term Plan 2021-24 Audit

2 Recommendation

That the Risk and Audit Committee notes the Long Term Plan Audit Engagement Letter.

3 Discussion

Audit NZ have provided the Long Term Plan letter of engagement which outlines their areas of focus, and the audit process for the Long-Term plan and Consultation Document for the period commencing 1 July 2021.

The letter was received in early November and is being provided in draft form for information. Staff will work with Audit NZ to confirm the approach and timelines prior to the meeting.

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

WDC – Letter of engagement 2021

2 November 2020

Level 6, 280 Queen Street, Auckland 1010
PO Box 1165, Auckland 1140

Sheryl Mai
Mayor
Whangarei District Council
Private Bag 9023
Whangarei

Ref: EN/LCA/03-0054
Copy: Director Auditor Appointments
Office of the Auditor-General
PO Box 3928
Wellington 6140

Dear Sheryl

Audit Engagement Letter: Audit of the consultation document and long term plan for the period commencing 1 July 2021

This audit engagement letter is sent to you on behalf of the Auditor-General, who is the auditor of all “public entities”, including Whangarei District Council (the Council), under section 14 of the Public Audit Act 2001. The Auditor-General has appointed me, Carl Wessels, using the staff and resources of Audit New Zealand, under sections 32 and 33 of the Public Audit Act 2001, to carry out the audit of the Council’s consultation document and long-term plan (LTP).

This letter outlines:

- the terms of the audit engagement and the respective responsibilities of the Council and me as the Appointed Auditor;
- the audit scope and objectives;
- the approach taken to complete the audit;
- the areas of audit emphasis;
- the audit logistics; and
- the professional fees.

1 Specific responsibilities of the council for preparing the consultation document and the long term plan

Our audit will be carried out on the basis that the Council acknowledges that it has responsibility for preparing the consultation document and LTP, by applying the Council's own assumptions, in accordance with the Local Government Act 2002 (the Act) (in particular, the requirements of Part 6 and Schedule 10) and in accordance with generally accepted accounting practice in New Zealand. We assume that elected members are familiar with those responsibilities and, where necessary, have obtained advice about them.

For clarity, we note the following statutory responsibilities as set out in the Act:

- section 93 of the Act requires the Council to have an LTP at all times, and Part 1 of Schedule 10 governs the content of the LTP;
- section 111 aligns the financial information with generally accepted accounting practice;
- section 83 (with reference to section 93A) sets out the special consultative procedure that the Council is required to follow to adopt the consultation document and LTP; and
- section 93C(4) requires an auditor's report on the consultation document, and section 94 requires a separate opinion on the LTP.

Please note that the audit does not relieve the Council of any of its responsibilities.

Other general terms are set out in the relevant sections of this letter and Appendix 1.

2 Our audit scope

The Act requires us to provide two separate reports, as follows:

On the consultation document, a report on:

- whether the consultation document gives effect to the purpose specified in section 93B; and
- the quality of the information and assumptions underlying the information in the consultation document.

On the LTP, a report on:

- whether the LTP gives effect to the purpose in section 93(6); and
- the quality of the information and assumptions underlying the forecast information provided in the LTP.

We expect our work to assess the quality of underlying information and assumptions to be a single, continuous process during the entire LTP preparation period.

Our focus for the first limb of each opinion will be to assess whether each document meets its statutory purpose. Given the different purposes of each document, we will assess the answers to different questions for each opinion.

Our focus for the second limb of each opinion will be to obtain evidence about the quality of the information and assumptions underlying the information contained in the consultation document and LTP. How we obtain this information depends on our judgement, including our assessment of the risks of material misstatement of the information and assumptions underlying the information contained in the consultation document and LTP, whether because of fraud or error.

Our audit opinions do not:

- provide a guarantee of absolute accuracy of the information in the relevant document;
- provide a guarantee that the Council has complied with all relevant legal obligations;
- express an opinion on the merits of any policy content; or
- include an opinion on whether the forecasts will be achieved.

3 Our approach to this audit

3.1 The content of the consultation document

The Act emphasises the discretion of the Council to decide what is appropriate to include in the consultation document and the associated consultation process. In deciding what to include in the consultation document, the Council must have regard to its significance and engagement policy, and the importance of other matters to the district and its communities.

We will need to understand how the Council has approached the task of applying its significance and engagement policy, and how it has considered the importance of other matters in deciding what to include in the consultation document. This will help inform our assessment of whether the consultation document achieves its statutory purpose.

3.2 Adopting and auditing the underlying information

Before adopting the consultation document, section 93G of the Act requires the Council to prepare and adopt the information that:

- is relied on by the content of the consultation document;
- is necessary to enable the Auditor-General to issue an audit report under section 93C(4); and
- provides the basis for the preparation of the LTP.

The information to be prepared and adopted needs to be enough to enable the Council to prepare the consultation document.

We consider that local authorities will need to have thought comprehensively about how best to meet the requirements of the Act. Consistent with the guidance of the Society of Local Government Managers (SOLGM), our view is that core building blocks of an LTP will be needed to support an effective consultation document. This will include, but not be limited to, draft financial and infrastructure strategies and the information that underlies them, including asset management information, assumptions, defined levels of service, funding and financial policies, and a complete set of financial forecasts.

If Council decide not to adopt a draft LTP as its underlying information, we will work with management to understand the information proposed to be adopted and assess whether it will enable us to issue an audit report under section 93C(4).

In addition, the time frames to consider and adopt the LTP after the consultation process will be tight. From a practical perspective, it will be important that the Council is well advanced with the preparation of the full LTP when it issues the consultation document. Otherwise, you may find it difficult to complete the work and adopt the full LTP before the statutory deadline. The same is true for the audit work. The more audit work that is able to be completed at the first stage of the process, the less pressure there will be on you and the audit team at the end of the process.

3.3 Control environment

The Council is responsible for establishing and maintaining accounting and internal control systems (appropriate to the size of the Council), supported by written policies and procedures, designed to prepare the consultation document and LTP, and to provide reasonable quality information and assumptions underlying the information contained in these documents.

Our approach to the audit will be to identify, confirm, and assess the Council's key processes and controls over the underlying information and the production of both the consultation document and the LTP. The purpose of this assessment is to enable us to plan the most effective and efficient approach to the audit work needed to provide our two audit opinions. Our assessment is not for the purpose of expressing an opinion on the effectiveness of the Council's internal controls.

We will carry out a review of the control environment to help us understand the approach taken to develop the consultation document and LTP, develop expectations of what should be included in the consultation document and LTP, and identify areas of potential audit risk. This will involve discussions with elected representatives and selected staff throughout the Council, review of publicly available information about the Council, updating our knowledge of Council issues developed during recent years, and a review of Council minutes since the last audit review.

Our review of your self-assessment response (see below) and key controls relating to the underlying information and development of the LTP is useful to our initial assessment of audit risk and so the nature and extent of our overall audit work.

3.4 Project management, reporting deadlines, and audit progress

The development of the consultation document and LTP is a significant and complex project, and a comprehensive project plan is required for a successful LTP process. It is also essential that there is commitment throughout the organisation for the project, starting with the elected representatives. The involvement of senior management and elected representatives is important in deciding what to include in the consultation document.

The LTP has complex and inter-related information needs and draws together plans, policies, decisions, and information from throughout the Council and its community. We recognise that the Council will be doing its LTP preparation over an extended period. A more efficient and cost-effective audit can be achieved when audit work and feedback is provided in “real time” or on an “auditing as you go” basis as the underlying information is developed.

Consequently, we will discuss with you and your staff the Council’s approach to preparing and completing the LTP. We expect that the Council is approaching its preparation on a project basis and recognise that our audit work should “shadow” that project timetable. The success of this “auditing as you go” approach will depend on the Council’s project management of the overall LTP process, which should include time for audit work at appropriate points in the process.

3.5 Self-assessment

To assist our audit planning, we intend to use a self-assessment process to assist with our risk assessment process. The self-assessment requires you to reflect on your most significant issues and risks, governance of the LTP project, and the systems and processes you have in place (particularly to meet the purposes in the Act for the consultation document and the LTP), asset management, performance management and reporting, and financial management.

We will shortly be forwarding the self-assessment to you under a separate cover. We ask for your co-operation in completing this assessment for return to us by 20 November 2020.

The self-assessment is similar to those used with our audit of previous LTPs. The information provided through the self-assessment will be confirmed with you through discussion after its completion.

4 Our particular areas of audit emphasis

4.1 Impact of the economic downturn caused by Covid-19 on the Council’s forecasts

The response to manage Covid-19 has created significant uncertainty for businesses, local and central government organisations, as well as communities and families. The impact to the economy is likely to be negative, and share a number of impacts on Council, including on Council’s revenue assumptions and the level of service Council provides in the future. In addition, Council will need to consider the impact on their financial and infrastructure strategies, and key underlying assumptions such as population growth, and impact on total debt, rates revenue, levels of service and user fees and charges.

We will review Council's approach to considering the impact of Covid-19 and how this has been factored into the underlying policies, strategies and assumptions used to prepare the LTP.

4.2 Financial strategy and infrastructure strategy

The Act requires a local authority to prepare two key strategies as part of the LTP: the financial strategy and the infrastructure strategy.

The purpose of the financial strategy is to:

- facilitate prudent financial management by the local authority by providing a guide for the local authority to consider proposals for funding and expenditure against; and
- provide a context for consultation on the local authority's proposals for funding and expenditure by making transparent the overall effects of those proposals on the local authority's services, rates, debt, and investments.

The purpose of the infrastructure strategy is to:

- identify significant infrastructure issues for the local authority during the period covered by the strategy; and
- identify the principal options for managing those issues and the implications of those options.

The Act expects close alignment between the two strategies, and section 101B(5) allows them to be combined into a single document.

Although the Act clearly sets the minimum requirements for these strategies, it does not define the only things that can be in a strategy. A good strategy should include what is needed to be a good quality strategic planning document.

For an infrastructure strategy to be effective, it should be clear about the condition of the Council's critical assets and what this means for the management of infrastructure assets, and it should outline the link between assets and the levels of services they support. The principles of ISO 55000 should be considered, particularly where the Council is seeking to prepare a best practice strategy.

We draw your attention to the Auditor-General's report following the 2018-28 local authority long-term plans, which is available at <https://oag.parliament.nz/2019/ltps>.

Our focus when reviewing both strategies is to assess whether the Council has met the purpose outlined in the Act and presented the strategies in a coherent and easily readable manner. Specifically, we will:

- confirm that the two strategies are appropriately aligned;
- understand the effect of the financial forecasts included in the infrastructure strategy on the prudence of the financial strategy; and

- assess the reasonableness of the prepared forecasts by:
 - understanding how the Council has applied the effect of its assumptions (for example, allowing for changing demographics, the implications of the changing climate, the condition and performance of critical assets) and levels of service on expenditure decisions and outlined the implications of these decisions in the strategies;
 - reviewing the Council's relationship between its renewal capital expenditure and depreciation expenditure forecasts; and
 - checking that the infrastructure strategy is appropriately inflated.

The Council's financial modelling is a significant component of the underlying information that supports both the financial strategy and infrastructure strategy. We will place particular emphasis on the integrity and effectiveness of the financial modelling of all local authorities.

An additional role played by these strategies is to facilitate accountability to the community. It is critical that these strategies are presented in such a way that they are engaging and informative, and support the presentation of issues, options, and implications presented in the consultation document.

4.3 Assumptions

The quality of the Council's financial forecasts is significantly affected by whether the assumptions on which they are based are defined and reasonable. The Act recognises this by requiring all local authorities to clearly outline all significant forecasting assumptions and risks underlying the financial estimates in the LTP (Schedule 10, clause 17). *Prospective Financial Statements* (PBE FRS 42) also requires the disclosure of significant assumptions.

We will review the Council's list of significant forecasting assumptions and confirm that they are materially complete. We will also test the application of selected assumptions in the financial forecasts to check they have been reasonably applied. Finally, we will confirm that:

- all significant forecasting assumptions disclose the level of uncertainty associated with the assumption; and
- for all significant forecasting assumptions that involve a high level of uncertainty, the uncertainty and an estimate of the potential effects of the uncertainty on the financial forecasts are appropriately disclosed in the LTP.

We consider that the significant forecasting assumptions are crucial to the underlying information for the consultation document and will complete our review during our audit of the consultation document.

Climate change assumption

We will be paying more attention to the assumptions that the Council has made about climate change and the adequacy of other information and disclosures relating to climate change.

We will review the Council's climate change assumptions to determine whether they are reasonable and supportable. We will assess the quality of the supporting information the Council is using in developing its assumptions and disclosures included in the LTP, the consultation document (if relevant), and the adopted underlying information.

Capital expenditure delivery assumption

We will also be paying more attention to the reasonableness of the assumptions the Council has made about capital expenditure delivery.

From our previous reports on local authorities, we have identified that local authorities have, on average, only spent 77% of their capital expenditure budgets from 2012/13 to 2018/19. In each of these financial years a majority of councils spent less than 80% of their capital expenditure budgets.

Under delivery of capital expenditure budgets can have significant implications to the local authority and the community, including reductions in levels of service, and ratepayers paying for work that has not been completed.

In forming a view of the reasonableness of Council's capital expenditure forecasts, we will review how well the Council has delivered against its previous forecasts, as well as understand how the Council plans to meet its delivery forecasts for the LTP period.

In developing realistic capital forecasts, the Council should consider:

- Does the Council have the dedicated staff needed to complete or manage the forecast capital expenditure?
- Are timeframes for capital projects realistic, and do they allow adequate lead-in time for project planning, detailed design, and obtaining necessary consents?
- Is there sufficient capacity within the local market for the contractors needed?
- Are assumptions about the level and sources of funding for capital projects (including third-party funding) reasonable and supportable?

4.4 Quality of asset-related forecasting information

A significant portion of the Council's operations relates to the management of its infrastructure: the roading network and the "three-waters" of water supply, sewerage, and stormwater drainage. These activities typically make up about 33% of operational expenditure (excluding finance and depreciation) and 92% of capital expenditure.

In previous LTP audits, we have found Council to have good controls in place over asset information and experienced staff involved in asset management. However, Council may

wish to consider obtaining an independent review of its Asset Management Plans to ensure the quality and accuracy of asset information and planning documentation remains appropriate.

To prepare reasonable quality asset information, the Council needs to have a comprehensive understanding of its critical assets and the cost of adequately maintaining and renewing them. An important consideration is how well the Council understands the condition of its assets and how the assets are performing.

In reviewing the reasonableness of the Council's asset-related forecasting information, we will:

- assess the Council's asset management planning systems and processes;
- understand what changes the Council proposes to its forecast levels of service;
- understand the Council's assessment of the reliability of the asset-related information;
- consider how accurate recently prepared budgets have been; and
- assess how matters such as affordability have been incorporated into the asset-related forecasts prepared.

Depending on what we identify in completing the above, we may have to complete further detailed testing on the Council's asset-related information.

5 Other matters

5.1 Our independence

It is essential that the audit team and Audit New Zealand remain both economically and attitudinally independent of the Council (including being independent of management personnel and the Council). This involves being, and appearing to be, free of any interest that might be regarded, whatever its actual effect, as being incompatible with integrity, objectivity, and independence.

5.2 Publication of the consultation document and adopted long-term plan on the Council's website

The Council is responsible for the electronic presentation of the consultation document and LTP on its website. This includes ensuring that there are enough security and controls over information on the website to maintain the integrity of the presented data. Please ensure that your project plan allows time for us to examine the final electronic file version of the respective documents, including our audit report, before their inclusion on the website.

We need to do this to ensure consistency with the paper-based documents that have been subject to audit.

6 Audit logistics

6.1 Audit timing

Due to Covid-19 and the continuing impact on audit work, there may be some unforeseen impact on the timeframes set out below.

The key dates in the audit timetable are as follows:

Self-assessment provided to Council	30 July 2020
Self-assessment returned to audit team for consideration	20 November 2020
First interim - initial assessment (two weeks)	7 December 2020
Second interim visit (four weeks)	18 January 2021
Proposed consultation document available	18 January 2021
Verbal Clearance on consultation document	19 February 2021
Audit opinion on consultation document required	25 February 2021
Draft Report to Council on consultation document engagement	19 February 2021
Finalised Report to Council on consultation document engagement	25 February 2021
Draft LTP available for Audit	21 May 2021
Final LTP Audit Commence (two weeks)	8 June 2021
Proposed LTP for adoption available	14 June 2021
Verbal Clearance on LTP	21 June 2021
Draft Report to Council on LTP engagement	21 June 2021
Final Report to Council on LTP Engagement	24 June 2021
Audit opinion on adopted LTP required	30 June 2021
Finalised Report to Council on LTP engagement	9 July 2021

Should we encounter any significant problems or delays during the audit, we will inform you immediately.

We have an electronic audit management system. This means that our auditors will complete most of their work on their laptops. Therefore, we would appreciate it if the following could be made available during our audit:

- a suitable workspace for computer use (in keeping with the health and safety requirements discussed in Appendix 1); and
- electronic copies of key documents.

As noted in section 3.4, our audit work needs to be done as you develop your underlying information and prepare your consultation document and LTP, to ensure the timely completion of our audit.

To ensure that we meet agreed deadlines, it is essential that the dates agreed be adhered to.

7 Professional fees

Our audit fee, covering both the consultation document and the LTP for the period commencing 1 July 2021, is \$130,400 (excluding GST and disbursements), as outlined in Appendix 2.

The proposed fee is based on the following assumptions:

- Information required to conduct the audit is complete and provided in accordance with the agreed timelines. This includes the draft consultation document and the full draft financial strategy, draft infrastructure strategy and key underlying assumptions and information that supports the draft consultation document.
- There will be an appropriate level of assistance from your staff.
- All documentation (consultation document, LTP, and all other underlying documentation) provided would be subject to appropriate levels of quality review before submission for audit.
- The consultation document and LTP will include all relevant disclosures.
- We will review, at most, two drafts of each of the consultation document and LTP during our audit.
- We will also review one printer's proof copy of the consultation document and LTP and one copy of the electronic version of the consultation document and LTP (for publication on your website).
- There are no significant changes in the structure or level of operations of the Council impacting on the audit, such as the establishment of a CCO to deliver core functions or a major restructuring of groups of activities.
- The local authority is preparing forecast financial statements for the "Council parent" only, rather than including consolidated forecast financial statements for the Council and any controlled entities in the adopted LTP.

If the scope and/or amount of work changes significantly (such as a change in direction during the development of the consultation document or between the development of the consultation document and the LTP), we will discuss the issues with you at the time.

If information is not available for the visits as agreed or the systems and controls the Council use to prepare the underlying information and assumptions cannot be relied on, we

will seek to recover all additional costs incurred as a result. We will endeavour to inform you as soon as possible should such a situation arise.

This fee is exclusive of any subsequent amendments the Council might make to the adopted LTP under section 93D.

We wish to interim bill as work progresses. We propose the following billing arrangements:

Month	\$
November 2020	19,560
December 2020	32,600
February 2021	32,600
March 2021	32,600
June 2021	13,040
July 2021	19,560
Total	\$149,960

8 Personnel

Our personnel involved in the management of the audit are:

Carl Wessels	Director
Leon Pieterse	Engagement Quality Control Review Director
TBC	SAAS Specialist
Gerhard van den Berg	Audit Manager
Jackie	Audit Supervisor

We have endeavoured to maintain staff continuity as far as possible.

9 Agreement

Please sign and return the attached copy of this letter to indicate that:

- it is in accordance with your understanding of the arrangements for this audit of the consultation document and LTP for the period commencing 1 July 2021; and
- you accept the terms of the engagement set out in this letter that apply specifically to the audit of the consultation document and LTP and supplement the existing audit engagement letter dated 14 May 2020.

If there are any matters requiring further clarification, please do not hesitate to contact me.

Yours sincerely



Carl Wessels
Director

cc Rob Forlong, Chief Executive
Pam Jenkinson, Project Manager – Corporate Planning

I acknowledge that this letter is in accordance with my understanding of the arrangements of the audit engagement. I also acknowledge the terms of the engagement that apply specifically to the audit of the consultation document and LTP, and that supplement the existing audit engagement letter dated 14 May 2020.

Signed: _____ Date: _____
Sheryl Mai
Mayor

Appendix 1: Terms of the engagement that apply specifically to the audit of the consultation document and LTP

Objectives

The objectives of the audit of the consultation document and LTP are:

- to provide independent opinions on the consultation document (under section 93C(4) of the Act) and on the LTP (under section 94(1) of the Act) about:
 - whether each document gives effect to the relevant statutory purpose; and
 - the quality of the information and assumptions underlying the information included in each document; and
- to report on matters relevant to the Council's planning systems that come to our attention.

Our audit involves performing procedures that examine, on a test basis, evidence supporting assumptions, amounts, and other disclosures in the consultation document and LTP, and evaluating the overall adequacy of the presentation of information.

We also review other information associated with the consultation document and LTP to identify whether there are material inconsistencies with the audited consultation document and LTP.

Provision of a management report to the Council

At a minimum, we will report to the Council at the conclusion of the engagement. The management report communicates matters that come to our attention during the engagement and that we think are relevant to the Council. For example, we will report:

- any weaknesses in the Council's systems; and
- uncorrected misstatements noted during the audit.

Please note that the Auditor-General may refer to matters that are identified in the audit of consultation documents and LTPs in a report to Parliament if it is in the public interest, in keeping with section 20 of the Public Audit Act 2001.

Materiality

Consistent with the annual audit, the audit engagement for the consultation document and LTP adheres to the principles and concepts of materiality during the 10-year period of the LTP and beyond (where relevant).

Materiality is one of the main factors affecting our judgement on the areas to be tested and the nature and extent of our tests and procedures performed during the audit. In planning and

performing the audit, we aim to obtain assurance that the consultation document and LTP, and the information and assumptions underlying the information contained in these documents, do not have material misstatements caused by either fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence a reader's overall understanding of the consultation document and LTP.

Consequently, if we find material misstatements that are not corrected, we will refer to them in the audit opinion. Our preference is for any material misstatement to be corrected, avoiding the need to refer to misstatements in our opinion.

The standards applied when conducting the audit of the consultation document and adopted long-term plan

Our audit is carried out in accordance with International Standard on Assurance Engagements (New Zealand) 3000 (Revised): Assurance Engagements Other Than Audits or Reviews of Historical Financial Information. In meeting the requirements of this standard, we took into account particular elements of the Auditor-General's Auditing Standards and International Standard on Assurance Engagements 3400: The Examination of Prospective Financial Information that were consistent with those requirements.

Responsibilities

General responsibilities

The general responsibilities of the Council for preparing and completing the consultation document and LTP are consistent with those for the annual report, as set out in the audit engagement letter dated 14 May 2020 – but noting that the consultation document and LTP include forecast information.

These responsibilities include those set out in Appendix 1 of that audit engagement letter as detailed below:

- Appendix 1: Respective specific responsibilities of the Council and the Appointed Auditor:
 - responsibilities for compliance with laws and regulations; and
 - responsibilities to establish and maintain appropriate standards of conduct and personal integrity.

Specific responsibilities

The Council is responsible for:

- Maintaining accounting and other records that:
 - correctly record and explain the forecast transactions of the Council;

- enable the Council to monitor the resources, activities, and entities under its control;
 - enable the Council's forecast financial position to be determined with reasonable accuracy at any time; and
 - enable the Council to prepare forecast financial statements and performance information that comply with legislation.
- Providing us with:
 - access to all information and assumptions relevant to preparing the consultation document and LTP, such as records, documentation, and other matters;
 - additional information that we may request from the Council for the purpose of the audit;
 - unrestricted access to Council members and employees that we consider necessary; and
 - written confirmation of representations made to us in connection with the audit.

Health and safety of audit staff

The Auditor-General and Audit New Zealand take seriously their responsibility to provide a safe working environment for audit staff. Under the Health and Safety at Work Act 2015, we need to arrange with you to keep our audit staff safe while they are working at your premises.

We expect you to provide a safe work environment for our audit staff. This includes providing adequate lighting and ventilation, suitable desks and chairs, and safety equipment, where required. We also expect you to provide them with all information or training necessary to protect them from any risks they may be exposed to at your premises. This includes advising them of emergency evacuation procedures and how to report any health and safety issues.

Appendix 2: Team mix and hours for the audit of the consultation document and LTP for the 10-year period commencing on 1 July 2021

	Total hours
Appointed Auditor	80
Engagement Quality Review Director	12
Sector Specialists	35
Audit Manager	110
Other staff	450
Sector Specialist	1
Total	688

Fee calculations	
	\$
Net fee	130,400
OAG overhead contribution*	NIL
Total fee (including overhead contribution)	130,400
GST	19,560
Audit fee for the LTP for the period commencing 1 July 2021	\$149,960

*No OAG overhead is charged in relation to the audit of the LTP.

We will charge the actual and reasonable cost of disbursements, including travel and accommodation where necessary.

4.6 Risk Report

Meeting: Risk and Audit Committee
Date of meeting: 9 December 2020
Reporting officer: Emily Thompson (Senior Assurance Advisor)

1 Purpose

To provide an update on the status of risks across 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 policy and framework, adopted in October 2020, 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	Critical	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						

The report details the critical risks and includes information about current emerging risks such as the impact of COVID-19 on staff, ratepayers and the district as well as Climate Change 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

December 2020 – Risk Report

December 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
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Table one:

Residual risk spread of current Council risks (December 2020) (Total 431)

Note: change in risk categorization following the adoption of new Risk Management Framework by Council in October 2020.

Impact	Catastrophic	1	1	1	0	0
	Major	8	8	13	2	2
	Moderate	24	52	67	23	3
	Minor	19	55	79	22	9
	Insignificant	9	17	4	5	0
		Rare	Unlikely	Possible	Likely	Almost Certain
Summary		104	160	137	23	

Table two:

Residual risk spread of current Council risks (September 2020). (Total389)

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 three:
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 four:
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						

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	Likelihood rating	Impact rating	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.	Almost Certain	Moderate	Avoid: 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

LTP Activity Group	Risk description	Current Controls - What we are already doing about it	Likelihood rating	Impact rating	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:</p> <p>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>	Almost Certain	Major	Reduce: Under constant review.

LTP Activity Group	Risk description	Current Controls - What we are already doing about it	Likelihood rating	Impact rating	Future treatment - What we plan to do
Group - Infrastructure					
Waste and Drainage	Flood risk to CBD	Public perception is that the construction of Kotuku Dam will prevent flooding of CBD but concerns this will not be sufficient for significant storm events in the future.	Rare	Catastrophic	Catchment management plans should show flood risk, (however CMPs out of date, low confidence in modelling assumptions, poor communication of Los to community) Flood modelling project under development
Infrastructure Corporate Services_Support Services	Unclear legal liability for Council engineering and development approvals	Construction supervisor in W&D team to oversee developer projects. However, insufficient resources to maintain adequate level of supervision. Env engineering standards in place, also bylaws. However no clear legal liability for Council. Internal Reference: BP-PLAN-4	Possible	Major	Reduce. Consider options to improve internal processes and clarify legal liability issues (ref Marsden City example)
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.	Almost Certain	Major	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.

LTP Activity Group	Risk description	Current Controls - What we are already doing about it	Likelihood rating	Impact rating	Future treatment - What we plan to do
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	Likelihood rating	Impact rating	Future treatment - What we plan to do
Water	Risk of prolonged inability to supply potable water,	<p>In place: Demand management strategy.</p> <p>Network maintenance strategy.</p> <p>Comply with NZ dam safety guidelines and comprehensive dam safety review regime every 5 years.</p> <p>Emergency action plan, understood by stakeholder and shared with contractors.</p> <p>Consent renewals for intakes (rivers and streams etc.)</p> <p>Work has started to reduce network leakage renewals and detections.</p> <p>Working across Council on education on customers minimising water use</p>	Unlikely	Catastrophic	<p>This is a wider risk for managing in Council. Maintenance of the contingency plans and the specific requirements of key customers (Hospital/ refinery).</p> <p>Assumption is there may be pockets of outages as well as wide spread issues (note: widespread are covered by specific drought planning).</p> <p>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)</p>

LTP Activity Group	Risk description	Current Controls - What we are already doing about it	Likelihood rating	Impact rating	Future treatment - What we plan to do
Group - Planning and Development					
Group – Planning and Development: Planning and Regulatory services – Building Control This has moved back into the Critical	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)	Almost Certain	Moderate	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 - 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	Likelihood rating	Impact rating	Future treatment - What we plan to do
Group – Infrastructure: 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.	Likely	Major	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.
Stormwater	Reliance on attenuation to cater for growth impacts on SW network Risk description updated to: Increase in localised flooding for ratepayers due to SW attenuation not closely aligned with growth.	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.	Likely	Major Minor	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. Deep dive completed identifying low level rate payer impact, however high impact for those affected. Residual risk reduced.

LTP Activity Group	Risk description	Current Controls - What we are already doing about it	Likelihood rating	Impact rating	Future treatment - What we plan to do
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	Possible	Major Moderate	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
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.	Rare	Catastrophic Major	Continuing work on reducing network leakage renewals and leak detection. Manage pressure on reduce demand. Area wide - Demand management strategy.

Councils Strategic Risks:

As in previous reports we present the table of current strategic risks for Council. These are risks that have been identified by the strategic leadership team or have been identified by multiple departments and therefore create a strategic risk.

Particular mention must be made of the uncertainty relating to COVID-19. The impact of the global uncertainty is multifaceted and links to multiple potential impacts on Council, including but not limited to:

- Staff mental wellbeing
- Ratepayers uncertainty and therefore increases in expectations on council
- The impact of additional visitors to Northland over Summer.

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.
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:	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.

Area	Risk Description	Current Mitigation – what we are doing about it.
e.g. Four wellbeing's RMA reforms Three waters		<p>Unable to identify the operational impact based on current knowledge.</p> <p>Strategic leadership team are monitoring the situation and linking with appropriate operational leaders to monitor developments and respond as appropriate.</p> <p>Strategies and options are being worked through with elected members as information is made available.</p>
Climate Change	<p>Adaptation: A range of impacts to climate change have been projected for Northland by NIWA including sea level rise, more 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:</p>	<p>Accept and respond: Council declared an emergency in June 2019.</p> <p>Adaptation: Climate Change adaptation working group established, and functioning (NRC lead). Local mitigation will not prevent predicted weather changes, so adaptation necessary. Understanding risk for borrowing and construction of new infrastructure.</p> <p>Financial: Development of a Council wide Climate Change Strategy that will include understanding of financial risks.</p> <p>Legislative and reporting: Currently part of expectations within the 30 year plan. LTP to include climate change</p> <p>Communication/ Mitigation and Reputational: Climate Change adaptation working group established, and functioning (NRC lead). Local mitigation will not prevent predicted weather changes, so adaptation necessary. Regular monitoring on the progress and changes that are occurring. Development of a Council wide Climate Change Strategy that will include understanding of financial risks.</p>

Area	Risk Description	Current Mitigation – what we are doing about it.
	<p>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: 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.</p>	<p>Moved from critical risk list to the strategic risk register as requires wider organisational attention.</p>
<p>Uncertainty relating to COVID-19 response.</p>	<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 Policy Status Report

Meeting: Risk and Audit Committee

Date of meeting: 9 December 2020

Reporting officer: Joanne Tasker (Assurance Co-ordinator)
 Emily Thompson (Senior Assurance Advisor)

1 Purpose

To update the status of the internal policy programme and the progress of ongoing management of both internal and external policies.

2 Recommendation

That the Risk and Audit Committee notes the policy status report for December 2020.

3 Background

Council has many policies covering a wide range of topics. A policy is a document that outlines what Council expects in terms of behaviour, actions, and processes.

The Risk and Audit Committee has the responsibility to monitor how policies are reviewed and updated across Council, including both internal and external policies. The last policy register update was provided to the Risk and Assurance Committee on 24 June 2020.

Policies are reviewed through a workflow process in Kete. A review date is assigned to each policy and the operational owner of the process will receive notifications as the review date nears. Policies are updated by the operational owner and go through an approval process in Kete.

Training has been provided to staff on this process, although the Kete workflow system is still fairly new. The default review period for a policy on Kete is every 3 years, but this can be adjusted to be more appropriately tailored to the policy. As a result, there may be staff who have yet to undertake a policy review.

4 Discussion

The current policy register is attached. This was compiled from the Kete register and exported to an excel spreadsheet view. It shows that Council has 109 active policies.

- 57 external policies
- 52 internal policies

This data does not include draft or inactive policies. This spreadsheet demonstrates that there are 61 policies overdue for review. 51 of these policies become overdue in 2019 or earlier (highlighted in orange), while 10 policies have become overdue during 2020 (highlighted in yellow). Staff have been working proactively with Department managers to reduce the number of policies that are overdue.

Since the policy register was last presented to Risk and Audit the following seven policies have been updated:

Policy ID	Title	Date of Council Resolution or Senior Leadership Team Approval
081	Significance and Engagement Policy (Policy081)	26/11/2020
210	Whangarei District Council Risk Management Policy.docx	22/10/2020
035	Dangerous, Affected and Insanitary Buildings Policy (Policy035)	24/09/2020
099	Health and Safety Policy (Policy099)	1/07/2020
032	Community Libraries - Services Policy (Policy032)	30/06/2020
075	Water Demand Management Policy (Policy075)	11/06/2020

Policies are categorised as statutory and non-statutory. Focus is given to ensuring we have appropriate statutory policies. Of the overdue policies the only statutory policy on the register is the Psychoactive Substances Policy (policy 079).

This policy is developed under section 66 of the Psychoactive Substances Act 2013, which does not require that Council develop a policy, but states that a policy may be created relating to the sale of approved products within the district. The policy was created in 2014 and the review period was set for every 5 years. As a result, the policy was due to be reviewed on 31 May 2019. The act does state that "A local approved products policy does not cease to have effect because it is due for review or is being reviewed.". Therefore this policy remains in force without the need for review, presenting minimal risk to Council.

4.1 Risk

The creation of a policy is considered to be important as this ensures that Council has consistent guidelines relating to specific topics that arise. These may be internal and operationally focused, or external with a public facing responsibility.

Policies that have been approved by Council resolution or by the Strategic Leadership Team remain relevant until they are reviewed. Following a review, they may be updated or made inactive. However, for some policies there has been failure to prioritise timely reviews once created. Therefore, the attachment to this report shows a number of policies that have gone beyond their review deadlines.

For some of these the policy will remain fit for purpose, but a review has not been prioritised. For others it may be that a review has been undertaken and not signed off, or that the system has not been updated following sign off.

Reporting to Risk and Audit Committee provides assurance oversight for this function, highlighting areas where improvement is required. Through this reporting we can identify where there is a need to improve on internal processes, and ensure that fit for purpose policies are presented to the Strategic Leadership team or Council.

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

1. Policy Register for December 2020

Policy Register for December 2020

			Date of Council Resolution or Senior Leadership Team Approval	Review Period in Years	Review Next Due	
Policy ID	Link	Policy or Strategy Type				Controlled Document Owner
Statutory Policies						
079	Psychoactive Substances Policy (Policy079)	Policy External	1/06/2014	5	31/05/2019	Role - Manager - Community Development
081	Significance and Engagement Policy (Policy081)	Policy External	26/11/2020	3	26/11/2023	Role - Consultation Adviser
080	Rates Remission and Postponement Policy Including Maori Freehold Land (Policy080)	Policy External	28/06/2018	3	27/06/2021	Role - Manager - Revenue
060	Revenue and Financing Policy (Policy060)	Policy External	1/07/2018	3	30/06/2021	Role - Manager - Finance
021	Board Venue Policy (Policy021)	Policy External	28/03/2019	3	27/03/2022	Role - Strategic Planner
135	Class 4 Gambling Venues Policy (Policy135)	Policy External	25/07/2019	3	24/07/2022	Role - Manager - Health and Bylaws
018	Appointments to Outside Organisations Policy (Policy018)	Policy External	27/02/2020	3	26/02/2023	Role - Assurance Coordinator
038	Dog Management Policy (Policy038)	Policy External	1/03/2013	10	27/02/2023	Role - Manager - Health and Bylaws
203	Drinking-water quality policy (Policy203)	Policy External	28/05/2020	5	27/05/2025	Role - Asset Engineer - Water
035	Dangerous, Affected and Insanitary Buildings Policy (Policy035)	Policy External	24/09/2020	5	23/09/2025	Role - Manager - Building Control
139	Easter Sunday Shop Trading Policy (Policy139)	Policy External (Voluntary)	21/02/2019	10	18/02/2029	Role - Strategic Planner
Non Statutory Policies						
186	Subsoil drainage policy.pdf	Policy External	12/10/2011	3	11/10/2014	Role - Manager - Waste and Drainage
050	Pensioner Housing Policy.docx	Policy external	25/03/2015	2	24/03/2017	Role - Manager - Community Development
017	Alfresco Dining Policy.pdf	Policy external	13/02/2013	4	12/06/2017	Role - Manager - Health and Bylaws
033	Release of Confidential Items Policy (Policy033)	Policy External	19/12/2007	10	16/12/2017	Role - Manager - Democracy and Assurance
053	Policy for Variations and Plan Changes (Policy053)	Policy External	11/03/2015	3	10/03/2018	Role - Manager - District Plan
089	Fees Policy - Tree Protection - District Plan (Policy089)	Policy External	1/04/2015	3	31/03/2018	Role - Manager - District Plan
073	Tree Policy (Policy073)	Policy External	1/04/2015	3	31/03/2018	Role - Manager - Parks and Recreation
056	Pressure Sewer Policy (Policy056)	Policy External	1/05/2012	6	30/04/2018	Role - Manager - Waste and Drainage
061	River Management Policy.docx	Policy External	1/05/2015	3	30/04/2018	Role - Manager - Waste and Drainage
076	Water Revenue Policy 2015.docx	Policy external	1/05/2015	3	30/04/2018	Role - Manager - Water Services
052	Policy for Undertaking Enforcement Action under the Building Act 2004 (Policy052)	Policy External	1/06/2015	3	31/05/2018	Role - Manager - Building Control
136	Development Contributions Policy 2018.pdf	policy external	1/07/2015	3	30/06/2018	Role - Manager - Revenue
057	Private-Charitable Organisations - Transfer of Title.DOCX	policy external	1/08/2015	3	31/07/2018	Role - Manager - Parks and Recreation
058	Property - Sale of Reserve Land Policy (Policy058)	Policy External	12/08/2015	3	11/08/2018	Role - Manager - Parks and Recreation
064	Road Naming Policy 2009.pdf	Policy External	1/09/2015	3	31/08/2018	Role - Manager - RMA Consents
025	Camping Ground Exemption Policy (Policy025)	Policy External	1/11/2015	3	31/10/2018	Role - Manager - Health and Bylaws
063	Road Encroachment Licenses for Permanent Structures (Policy063)	Policy External	1/11/2015	3	31/10/2018	Role - Manager - Roading
067	Spray Use Policy (Policy067)	Policy External	1/02/2016	3	31/01/2019	Role - Manager - Parks and Recreation
074	Uncompleted Works Bonds Policy (Policy074)	Policy External	1/02/2016	3	31/01/2019	Role - Manager - RMA Consents
034	Council Owned Sportsparks Playgrounds and Neighbourhood Reserves - Smoke Free Policy (Policy034)	Policy External	9/09/2015	4	8/06/2019	Role - Manager - Parks and Recreation
070	Structures on Coastal Reserves (Policy070)	Policy External	31/03/2014	5	29/06/2019	Role - Manager - Parks and Recreation
042	Independent Qualified Persons Policy (Policy042)	Policy External	1/07/2015	4	30/06/2019	Role - Manager - Building Control

Policy ID	Link	Policy or Strategy Type	Date of Council Resolution or Senior Leadership Team Approval	Review Period in Years	Review Next Due	Controlled Document Owner
059	Retirement Villages Policy (Policy059)	Policy External	1/08/2015	4	31/07/2019	Role - Manager - Community Development
124	Road Closure Policy for Motor Vehicle Events (Policy124)	Policy External	1/08/2016	3	1/08/2019	Role - Manager - Venues and Events WHANGAREI
082	Accessibility Policy (Policy082)	Policy External	1/11/2014	5	31/10/2019	Role - Manager - Community Development
077	Youth Policy (Policy077)	Policy External	8/02/2017	3	8/02/2020	Role - Manager - Community Development
022	Building Over Public Sewers Policy.pdf	Policy External	10/06/2015	5	9/05/2020	Role - Manager - Waste and Drainage
189	Engineering Standards (Policy189)	Policy External	30/05/2019	1	29/05/2020	Role - Manager - Infrastructure Development
020	Backflow Prevention Policy and Code of Practice (Policy020)	Policy External	1/06/2015	5	30/05/2020	Role - Manager - Water Services
037	Disposal of Crown Owned Reserves where Management is Vested in Council (Policy037)	Policy External	1/07/2015	5	29/06/2020	Role - Manager - Parks and Recreation
049	On Road Parking Restrictions Policy (Policy049)	Policy External	1/09/2015	5	30/08/2020	Role - Manager - Roading
069	Strategic Seal Extension Policy (Policy069)	Policy External	1/11/2015	5	30/10/2020	Role - Manager - Roading
072	Traffic Constraints Policy (Slow Streets) (Policy072)	Policy External	1/11/2015	5	30/10/2020	Role - Manager - Roading
066	Service Connections - Water Policy (Policy066)	Policy External	1/11/2015	5	30/10/2020	Role - Manager - Water Services
129	Stabilisation Systems for Land Development (Policy129)	Policy External	10/05/2018	3	9/05/2021	Role - Manager - Infrastructure Development
031	Grants, Concessions and Loans Policy (Policy031)	Policy External	27/05/2015	6	25/05/2021	Role - Manager - Community Development
026	Civic Honours Awards Policy (Policy026)	Policy External	22/06/2016	5	21/06/2021	Role - Manager - Community Development
028	Coastal Erosion Protection Policy (Policy028)	Policy External	9/09/2015	6	7/09/2021	Role - Manager - Parks and Recreation
138	Smoke Free District (Policy138)	Policy External	25/10/2018	3	24/10/2021	Role - Manager - Strategy
086	Procurement Policy (Policy086)	Policy External	25/10/2018	3	24/10/2021	Role - Manager - Business Support
150	Delegations Policy (Policy150)	Policy External	29/11/2018	3	28/11/2021	Role - Audit and Risk Analyst
087	Tax Governance Framework (Policy087)	Policy External	19/12/2019	3	18/12/2022	Role - Manager - Finance
054	Policy on Elected Members Allowances and Recovery of Expenses (Policy054)	Policy External	27/02/2020	3	26/02/2023	Role - Manager - Democracy and Assurance
181	Community Gardens Policy (Policy181)	Policy External	31/05/2018	5	30/05/2023	Role - Manager - Parks and Recreation
075	Water Demand Management Policy (Policy075)	Policy External	11/06/2020	5	10/06/2025	Role - Manager - Water Services
032	Community Libraries - Services Policy (Policy032)	Policy External	30/06/2020	5	29/06/2025	Role - Manager - Libraries
147	Support for Fitness Activities Policy - February 2008 [08-8930].docx	Policy Internal	1/02/2008	3	1/02/2011	Role - Business Partner - People & Capability
044	Leases - Parks and Recreation Policy.DOCX	Policy Internal	1/03/1999	15	1/03/2014	Role - Manager - Parks and Recreation
148	Staff Purchasing Policy 2011- in review [11-80484].docx	Policy Internal	1/02/2015	3	1/02/2015	Role - Manager - Finance
141	Fleet Management Policy Manual 2012 [10-21359].pdf	Policy Internal	1/09/2012	3	1/09/2015	Role - Team Leader - Business Support
116	Travel Policy [POLICY0116].docx	Policy Internal	24/02/2014	2	24/02/2016	
008	ICT Policy - IT Access Control - July 2016 [POLICY0008].pdf	Policy Internal	1/07/2014	2	1/07/2016	Role - Manager - ICT
016	ICT Policy - All ICT System Acceptable Use - April 2014 [POLICY0016].docx	Policy Internal	1/04/2014	3	1/04/2017	Role - Manager - ICT
014	ICT Policy - IT Infrastructure On-Call - April 2014 [POLICY0014].DOCX	Policy Internal	1/04/2014	3	1/04/2017	Role - Manager - ICT
015	ICT Policy - Contractor Engagement and Exit - October 2014 [POLICY0015].doc	Policy Internal	1/10/2014	3	1/10/2017	Role - Manager - ICT

Policy ID	Link	Policy or Strategy Type	Date of Council Resolution or Senior Review			Controlled Document Owner
			Leadership Team Approval	Period in Years	Review Next Due	
013	ICT Policy - Software Procurement and Changes - October 2014 [POLICY0013].doc	Policy Internal	1/10/2014	3	1/10/2017	Role - Manager - ICT
007	ICT Policy - Asset Refresh- October 2014 [POLICY0007].docx	Policy Internal	1/10/2014	3	1/10/2017	Role - Manager - ICT
012	ICT Policy - Crime and Incident - October 2014 [POLICY0012].DOCX	Policy Internal	1/10/2014	3	1/10/2017	Role - Manager - ICT
006	ICT Policy - Data and Information Compliance - October 2014 [POLICY0006].doc	Policy Internal	1/10/2014	3	1/10/2017	Role - Manager - ICT
005	ICT Policy - Equipment Purchases and BYOD - October 2014 [POLICY0005].docx	Policy Internal	1/10/2014	3	1/10/2017	Role - Manager - ICT
003	ICT Policy - Electronic Transmission and Transaction - October 2014 [POLICY0003].doc	Policy Internal	1/10/2014	3	1/10/2017	Role - Manager - ICT
002	ICT Policy - Staff Moves Additions and Changes - October 2014 [POLICY0002].docx	Policy Internal	1/10/2014	3	1/10/2017	Role - Manager - ICT
019	Arts Culture and Heritage Policy.pdf	Policy Internal	1/04/2009	9	30/03/2018	Role - Manager - Community Development
128	Work At Heights Policy [POLICY0128].docx	Policy Internal	1/10/2016	2	1/10/2018	Role - Health and Safety Manager
078	Property Policy [POLICY0078].docx	Policy Internal	1/03/2016	3	1/03/2019	Role - General Manager - Planning and Development
085	Pain and Discomfort Policy (Policy085)	Policy Internal	24/03/2017	2	24/03/2019	Role - Health and Safety Manager
119	Sensitive Expenditure Policy [POLICY0119].pdf	Policy Internal	27/07/2016	3	17/07/2019	Role - Manager - Finance
122	Property_ Plant and Equipment - Disposal Policy [POLICY0122].docx	Policy Internal	31/07/2016	3	31/07/2019	Role - Manager - Finance
090	Property_ Plant and Equipment - Capitalisation Policy [POLICY0090[v2]].docx	Policy Internal	31/07/2016	3	31/07/2019	Role - Manager - Finance
143	Flexible Working Policy [09-47728].docx	Policy Internal	31/12/2016	3	31/12/2019	Role - Business Partner - People & Capability
083	Leave Policy [POLICY0083].docx	Policy Internal	31/12/2016	3	31/12/2019	Role - Business Partner - People & Capability
111	Auditing Monitoring Planning and Review Policy [POLICY0111].docx	Policy Internal	22/02/2017	3	22/02/2020	Role - Health and Safety Manager
176	Workplace Noise Exposure Policy (Policy 0176).docx	Policy Internal	1/12/2018	2	1/12/2020	Role - Health and Safety Manager
144	Higher Duties Policy (Policy144)	Policy Internal	31/12/2017	3	30/12/2020	Role - Business Partner - People & Capability
121	Disciplinary Policy [POLICY0121].docx	Policy Internal	31/12/2017	3	30/12/2020	Role - Business Partner - People & Capability
041	Fraud and Whistleblowing Policy (Policy041)	Policy Internal	12/03/2018	3	11/03/2021	Role - Audit and Risk Analyst
093	First Aid Policy (Policy093)	Policy Internal	7/05/2019	2	6/05/2021	Role - Health and Safety Manager
097	Accident and Incident Management Policy (Policy097)	Policy Internal	10/05/2019	2	9/05/2021	Role - Health and Safety Manager
104	Workplace Hazard and Risk Management Policy (Policy104)	Policy Internal	1/07/2019	2	30/06/2021	Role - Health and Safety Manager
102	Fatigue Prevention Policy (Policy102)	Policy Internal	1/07/2019	2	30/06/2021	Role - Health and Safety Manager
095	Working Alone Policy (Policy095)	Policy Internal	6/07/2019	2	5/07/2021	Role - Health and Safety Manager
096	Eye Care and Protection Policy (Policy096)	Policy Internal	8/07/2019	2	7/07/2021	Role - Health and Safety Manager
101	Volunteer Health and Safety Policy (Policy101)	Policy Internal	1/09/2019	2	31/08/2021	Role - Health and Safety Manager
098	Emergency Management Policy (Policy098)	Policy Internal	1/09/2019	2	31/08/2021	Role - Health and Safety Manager
106	Workplace Drug and Alcohol Policy (Policy106)	Policy Internal	1/10/2019	2	30/09/2021	Role - Health and Safety Manager
110	Workplace Security Policy (Policy110)	Policy Internal	1/11/2019	2	31/10/2021	Role - Health and Safety Manager
140	Employee Assistance Programme Policy (Policy140)	Policy Internal	31/12/2018	3	30/12/2021	Role - Business Partner - People & Capability

Policy ID	Link	Policy or Strategy Type	Date of Council Resolution or Senior Review			Controlled Document Owner
			Leadership Team Approval	Period in Years	Review Next Due	
146	Service Recognition Policy [08-19287].docx	Policy Internal	31/12/2018	3	30/12/2021	Role - Business Partner - People & Capability
084	Preventing and Responding to Unreasonable Behaviours in the Workplace [POLICY0084].docx	Policy Internal	31/12/2018	3	30/12/2021	Role - Health and Safety Manager
105	Smoke-Free Workplace Policy (Policy105)	Policy Internal	1/02/2020	2	31/01/2022	Role - Health and Safety Manager
091	Visitor Policy (Policy091)	Policy Internal	9/02/2020	2	8/02/2022	Role - Health and Safety Manager
094	Worker Participation Policy (Policy094)	Policy Internal	1/03/2020	2	1/03/2022	Role - Health and Safety Manager
092	Contractor Health and Safety Management Policy (Policy092)	Policy Internal	10/04/2020	2	10/04/2022	Role - Health and Safety Manager
107	Occupational Health Monitoring Policy (Policy107)	Policy Internal	1/05/2020	2	1/05/2022	Role - Health and Safety Manager
113	Health and Safety Training, Supervision and Information Policy (Policy113)	Policy Internal	1/07/2019	3	30/06/2022	Role - Health and Safety Manager
142	Employee Code of Conduct Policy (Policy142)	Policy Internal	13/08/2019	3	12/08/2022	Role - Business Partner - People & Capability
099	Health and Safety Policy (Policy099)	Policy Internal	1/07/2020	3	1/07/2023	Role - Health and Safety Manager
210	Whangarei District Council Risk Management Policy.docx	Policy Internal	22/10/2020	3	22/10/2023	Role - Senior Assurance Advisor

4.8 Variations to Procurement Process Report

Meeting: Risk and Audit Committee
Date of meeting: 9 December 2020
Reporting officer: Eddie Wotherspoon (Manager – Business Support)

1 Purpose

To report on policy adherence as required by the Procurement Policy.

2 Recommendation

That the Risk and Audit Committee notes the variations to procurement process report.

3 Background

Council's Procurement Policy (the Policy) was adopted in October 2018 and requires the reporting of adherence to the Policy. This is monitored via the approval of Recommendations for a Variation in Procedure to Council's Procurement Policy (Variations). These Variations record instances where Council has varied from processes and procedures prescribed in the Policy.

The need for Variations from time to time is defined and allowed for in the Policy.

It should be noted that these are different to Contract Variations, which vary the terms that Council has agreed with a supplier.

Variations are required to outline the area of Policy being varied from along with background, scope, options, reasoning, risks and other relevant information. Variations require approval by the relevant Department Manager, General Manager and the Chief Executive.

4 Discussion

This is the second of a regular six-monthly cycle to report Variations that have been approved. Variations are generated across the organisation and are collated and reported on by Business Support. The process of capturing Variations has been reviewed and updated during this reporting period.

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

Register of procurement policy variations

Register of Variation from Policy Requests

Date signed	Project/Contract	Policy area varied from	Variation Recommendation
31/03/2020	Recreational Services – Pensioner Housing Grounds Maintenance – CON15048	Requirement to go to market at the end of the contract term	Extended for one year by variation due to COVID-19
9/06/2020	CON17029 - Building Consent Consultants	Going to market at the expiry of the existing contract	<p>It is recommended that approval is given to vary from Council's Procurement Policy to allow the expiry date of CON17029 Building Consent Consultants Contract to be extended to October 2021 at current terms and conditions for an estimated cost of approximately \$525k for the 12 month period.</p> <p>The cost estimate is based on using the contractor at the established rate of around 50% processing of all applications, as required by the type and technical nature of the applications received.</p> <p>With the new market conditions, post Covid-19 lock down, this rate and cost could be reduced. Staff competency is also a consideration, this could increase over this time period and increase the in-house processing ability, acknowledging this is a long-term process.</p> <p>The costs of the Contractor are largely on-charged to.borne by the applicant, and therefore, the cost of this extension will be based primarily on the number of applications submitted during this time as the contractor is used for 'overflow' purposes of either volume or competency limitations.</p>
13/06/2019	CON17026 - LED Streetlight Conversion – Northern Installation Package (P Category)	Procurement plan for projects under \$250,000	Approval to allow wastewater and stormwater renewal projects under LTP Indicator 00019 Stormwater Improvements and 00031-Wastewater Treatment with low risk and value under \$250,000 to be procured through the blanket procurement plan.
2/07/2020	CON20003 - Town Basin Lighting Renewals	Requirement to open tender	That approval is given to vary from Council's Procurement Policy to allow CON20003 Town Basin Lighting Renewals to be procured through a selected supplier quote pack
7/07/2020	CON20037 - Stadium Generator	Requirement to open tender	It is recommended that approval is given to proceed with the procurement of CON20037 Stadium Generator using the Quote Pack procurement method to a maximum of \$250,000.
9/07/2020	PRO19022 - Civic Centre Construction Project	Requirement to open tender	It is recommended that approval is given to vary from Council's Procurement Policy to allow PRO19022 - Civic Centre Construction Project - Provision of Structural Steel to be procured through direct engagement with Culham Engineering predicated on an agreed rate per tonne.
31/07/2020	Independent Election Services	Requirement to open tender	It is recommended that the Chief Executive, under delegated authority, approves the variation to Council's Purchasing and Tendering Policy by approving the appointment of Dale Ofoske and Independent Election Services Limited to undertake the services required for the triennial election on 8 October 2022 and general electoral consultancy services to 30 June 2023.
16/07/2020	Worker Redeployment Package	Requirement to open tender	<p>It is recommended that approval is given to vary from Council's Procurement Policy to allow Te Tai Tokerau Worker Redeployment Package – Parks Projects to be procured through direct appointment of Te Hau Āwhiowhio o Otangarei Trust, Northland Parkcare and Recreational Services without the requirement to go to market for the provision of the following projects:</p> <ul style="list-style-type: none"> •\$200,000 - Vegetation clearance and Park clean ups •\$600,000 - Tikipunga Cycleway •\$200,000 - Litter pick ups <p>Through the following supplier arrangements:</p> <ul style="list-style-type: none"> •Te Hau Āwhiowhio o Otangarei Trust \$202,000 plus GST •Northland Parkcare \$350,000 plus GST •Recreational Services \$200,000 plus GST <p>The balance of funding will be required to deliver training through suitable external providers.</p>
27/07/2020	Track Repairs July 2020 Flood	Effective market competition - emergency procurement	Recommendation for approval to vary from Council's Procurement Policy to allow Track repairs July 2020 Flood to be procured through CON17033 Tracks and Walkways Maintenance Contract
11/08/2020	CON20046 Kamo Shared Path - Kensington Ave Links	Requirement to open tender	It is recommended that approval is given to vary from Council's Procurement Policy to allow CON20046 for Kamo Shared Path - Kensington Avenue Connections to be procured through a closed competition process

Date signed	Project/Contract	Policy area varied from	Variation Recommendation
19/08/2020	Alexander Bridge Replacement - July 2020 storm damage	Going to market for work between \$100k and \$250k	It is recommended that approval is given to vary from Council's Procurement Policy to allow Alexander Track bridge replacement July 2020 storm damager to be procured through direct appointment of Bridge It NZ to the value of 148,200 plus GST without the requirement to get 3 or more quotes.
19/08/2020	PRO17028 Camera Obscura Landscape Works	Going to market for work between \$100k and \$250k	It is recommended that approval is given to directly negotiate a price with Steve Bowling Contracting to construct the landscape works for the Camera Obscura on Pohe Island
31/08/2020	PRO20036 - Pohe Island - Bike Park	Requirement to open tender	It is recommended that approval is given to vary from Council's Procurement Policy to allow PRO20036 Pohe Island - Bike Park to be procured through a Contract for Service with Bike Northland to the value of \$1,200,000.
1/09/2020	Whangarei City Wastewater Model and Masterplan	Going to market for work between \$100k and \$250k	It is recommended that approval is given to: 1. vary from the procurement policy to directly appoint Mott MacDonald instead of seeking three or more quotes 2. accept Mott MacDonald's fee offer of \$102,500
3/09/2020	CON19040 Ruakaka Sand Ridge Removal	Requirement to open tender	It is recommended that approval is given to vary Council's Procurement Policy to allow the Contract CON19040 Ruakaka Sand Ridge Removal to be procured by sole-sourcing (Earthworx Rural and Civil Ltd) for the removal of the first 50,000 m3 of the sand ridge.
4/09/2020	PRO20030 - Riverside Drive Culvert Replacement	Going to market for work between \$100k and \$250k	It is recommended that approval is given to vary from Council's Procurement Policy to allow PRO20030 Riverside Drive Culvert Replacement to be procured by direct appointment of Clements Contractor Ltd based on the provision of an acceptable quote
9/09/2020	PRO20041 Service Desk as a Service	Requirement to open tender	It is recommended that approval is given to vary from Council's Procurement Policy to allow PRO20041 to be procured through direct appointment of Northcloud for a period of two years at a total life (2 years) cost of \$392,856
16/10/2020	Online Building Consents	Requirement to open tender	It is recommended that approval is given to vary from Council's Procurement Policy to allow CON20047/PRO20034 Online Building Consents to be procured through use of the Quote Pack process rather than open RFP process
19/10/2020	KDC maintenance Contract 888	Requirement to open tender	It is recommended that the contract for MBIE Redeployment Footpath Works (CON888) be awarded to Ventia NZ Operations for the negotiated sum of \$447,453.52 excluding GST
4/11/2020	Kamo Shared Path Pedestrian Bridge	Requirement to open tender	It is recommended that approval is given to vary the Procurement Policy for the procurement of the Preparation of the Kamo Shared Path Pedestrian Bridge to allow the works to be procured via a closed competition between Culham Engineering Co and BDX Group.
26/11/2020	Heretaunga Sewer Rehabilitation	Requirement to open tender	It is recommended that approval is given to: 1. Vary the Procurement Policy to invite Hydrotech and MOD Shoring only to submit quotes instead of open tender. 2. Award the project to MOD Shoring for a quoted amount of \$890,867-29 + GST 3. Allow an extra \$50,000 contingency amount to cover project risks such as striking rock, dewatering and clash with unknown underground services

RESOLUTION TO EXCLUDE THE PUBLIC

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:

1.	The making available of information would be likely to unreasonably prejudice the commercial position of persons who are the subject of the information. {Section 7(2)(c)}
2.	To enable the council (the committee) to carry on without prejudice or disadvantage commercial negotiations. {(Section 7(2)(i))}.
3.	To protect the privacy of natural persons. {Section 7(2)(a)}.
4.	Publicity prior to successful prosecution of the individuals named would be contrary to the laws of natural justice and may constitute contempt of court. {Section 48(1)(b)}.
5.	To protect information which is the subject to an obligation of confidence, the publication of such information would be likely to prejudice the supply of information from the same source and it is in the public interest that such information should continue to be supplied. {Section 7(2)(c)(i)}.
6.	In order to maintain legal professional privilege. {Section 2(g)}.
7.	To enable the council to carry on without prejudice or disadvantage, negotiations {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.