

Risk and Audit Committee Agenda

Date: Wednesday, 24 March, 2021

Time: 9:00 am

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 9 December 2020	3
4. Decision Reports	
5. Information Reports	
5.1. Financial Management Activity Update Report - March 2021	9
5.2. Health and Safety Report March 2021	13
5.3. Audit NZ - LTP CD Audit Report 2021	21
5.4. Internal Audit Report - Permits to Work	39
5.5. Internal Audit Strategy - Three year rolling plan 2021-24	61
5.6. Local Government Health, Safety and Wellbeing Survey Results	71
5.7. Sensitive Expenditure Policy Review	75
6. Public Excluded Business	
6.1. Confidential Minutes Risk and Audit Committee meeting 9 December 2020	
6.2. ICT Risks Report - March 2021 - Confidential	

7. 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, 9 December, 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 Phil Halse Cr Greg Innes Cr Greg Martin Cr Anna Murphy Cr Carol Peters Cr Simon Reid
Not In Attendance	Cr Gavin Benney Cr Jayne Golightly
Also present	Carl Wessels (Audit New Zealand) Richard Harrison (AON Insurance) Mathew Wilson (AON Insurance)
Scribe	C Brindle (Senior Democracy Adviser)

1. Declarations of Interest

There were no declarations of interest made.

2. Apologies

Crs Gavin Benney and Jayne Golightly (absent)
 Crs Tricia Cutforth, Greg Martin, Anna Murphy and Simon Reid (late arrival)

Moved By Cr Vince Cocurullo

Seconded By Cr Shelley Deeming

That the apologies be sustained.

Carried

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

3.1 Minutes Risk and Audit Committee Meeting held Wednesday 23 September 2020

Moved By Cr Vince Cocurullo

Seconded By Cr Greg Innes

That the minutes of the Risk and Audit Committee meeting held on Wednesday 23 September 2020, including the confidential section, 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 – December 2020

Moved By Cr Shelley Deeming

Seconded By Cr Vince Cocurullo

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

Carried

Cr Reid joined the meeting at 1.09pm during discussions on Item 4.1.

4.2 AON Insurance Update

Moved By John Isles

Seconded By Cr Vince Cocurullo

That the Risk and Audit Committee notes the report.

Carried.

4.3 Health and Safety Report

Moved By Cr Greg Innes

Seconded By Cr Shelley Deeming

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

Carried

4.4 Audit NZ - Verbal Update Report

Moved By Cr Shelley Deeming

Seconded By Cr Greg Innes

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

Carried

Cr Murphy (2.04pm) and Cr Cutforth (2.05pm) joined the meeting during discussions on Item 4.4.

4.5 Audit NZ - LTP Engagement Letter

Moved By Her Worship the Mayor

Seconded By Cr Vince Cocurullo

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

Carried

Item 4.9 was taken after Item 4.5.

4.6 Risk Report

Moved By Cr Nicholas Connop

Seconded By Cr Carol Peters

That the Risk and Audit Committee notes the report.

Carried

4.7 Policy Status Report

Moved By Cr Nicholas Connop

Seconded By Cr Anna Murphy

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

Carried

4.8 Variations to Procurement Process Report

Moved By Cr Ken Couper

Seconded By Cr Nicholas Connop

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

Carried

Cr Halse requested his vote against be recorded.

Extra ordinary business

Subsequent to the agenda being circulated Item 4.9 – final Audit NZ Report at 30 June 2020 was distributed separately but not within the timeframe specified in LGOIMA. Council's Standing Orders (9.12) require a council resolution to deal with items of business that cannot be delayed.

The item was not included on the agenda for the reason that the report had not been received from Audit NZ at the time of the agenda closure.

The Committee are asked to consider Item 4.9 at today's meeting rather than delay to the next scheduled Risk and Audit Committee meeting which is some time away on 24 March 2021.

Moved By Cr Greg Innes

Seconded By Cr Vince Cocurullo

That council consider Item 4.9 Final Audit NZ Report at 30 June 2020 at this meeting.

Carried

4.9 Final Audit NZ Report at 30 June 2020

Moved By Cr Ken Couper

Seconded By Cr Vince Cocurullo

That the Risk and Audit Committee

a) Notes the Final Audit Management Report issued by Audit NZ for the 2109/20 Financial Year.

b) Notes the recommendations raised by Audit NZ.

Carried

Cr Martin joined the meeting at 2.28pm during discussions on Item 4.9.

5. Public Excluded Business

Moved By Cr Shelley Deeming

Seconded By Cr Vince Cocurullo

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	Confidential Minutes Whangarei District Council Meeting 23 September 2020	Good reason to withhold information exists under Section 7 Local Government Official Information and Meetings Act 1987	Section 48(1)(a)
1.3	ICT Risks Report		

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	For the reasons as stated in the open minutes	
1.4	To prevent the disclosure or use of official	Section 7(2)(j)

	information for improper gain or advantage	
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Carried**6. Closure of Meeting**

The meeting concluded at 3.09pm

Confirmed this 24th day of March 2021

John Isles (Chairperson)

5.1 Financial Management Activity Update Report – March 2021

Meeting: Risk and Audit Committee
Date of meeting: 24 March 2021
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

2021-31 Long Term Plan

The 2021-31 Long Term Plan is currently out for consultation. Staff will continue to refine budgets throughout this period. The February forecast result will feed into the LTP model to determine our updated starting point for debt, as well as anticipated carry forwards that will need to be factored in to the LTP.

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.

2020-21 Annual Report

Audit New Zealand is yet to provide the Audit Plan and suggested dates for the interim and final audit for the 2020-21 Annual Report. Staff expect there will be added complexities with the preparation and audit of the annual report due to:

- central government funding packages: the application of financial reporting standards and timing of recognition of income and commitments
- property transactions: classification of properties purchased, valuations, complex GST issues where properties are mixed use (e.g. grazing/farming and residential accommodation).

Tax Compliance

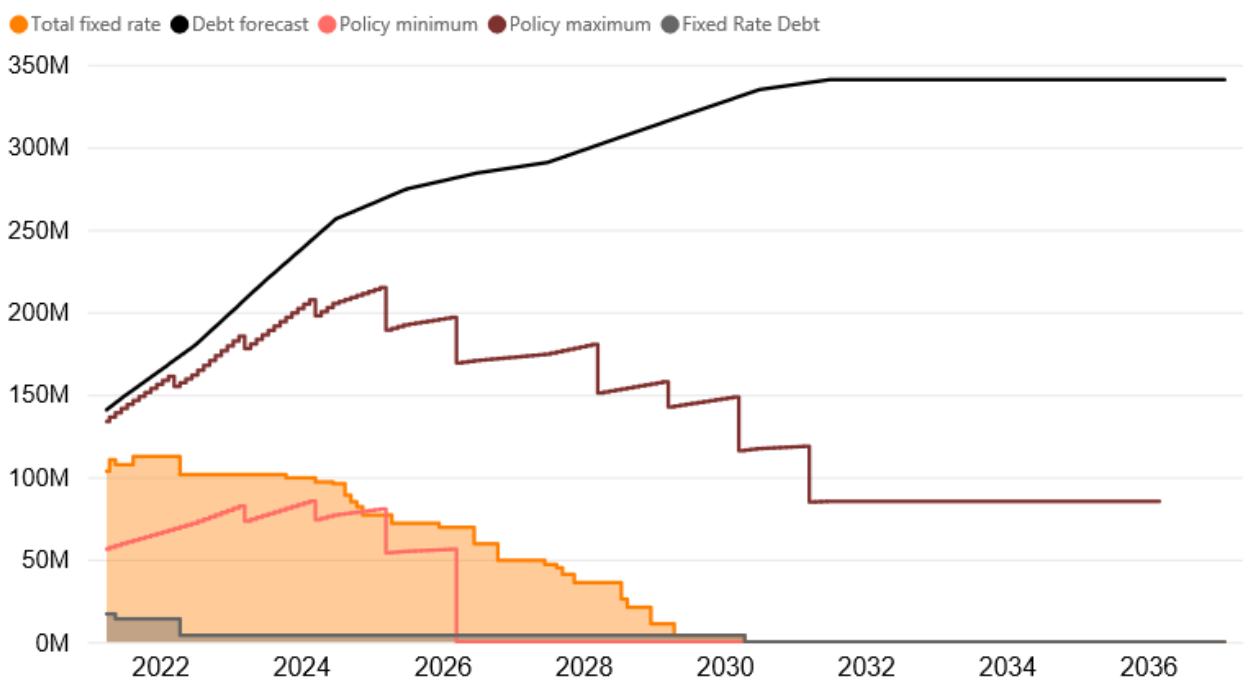
Recent property transactions have been an area of focus for Council's tax compliance. Staff will continue to work with our external tax advisors PwC to minimise risk in what is a very complex area of the Goods and Services Tax Act 1985.

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



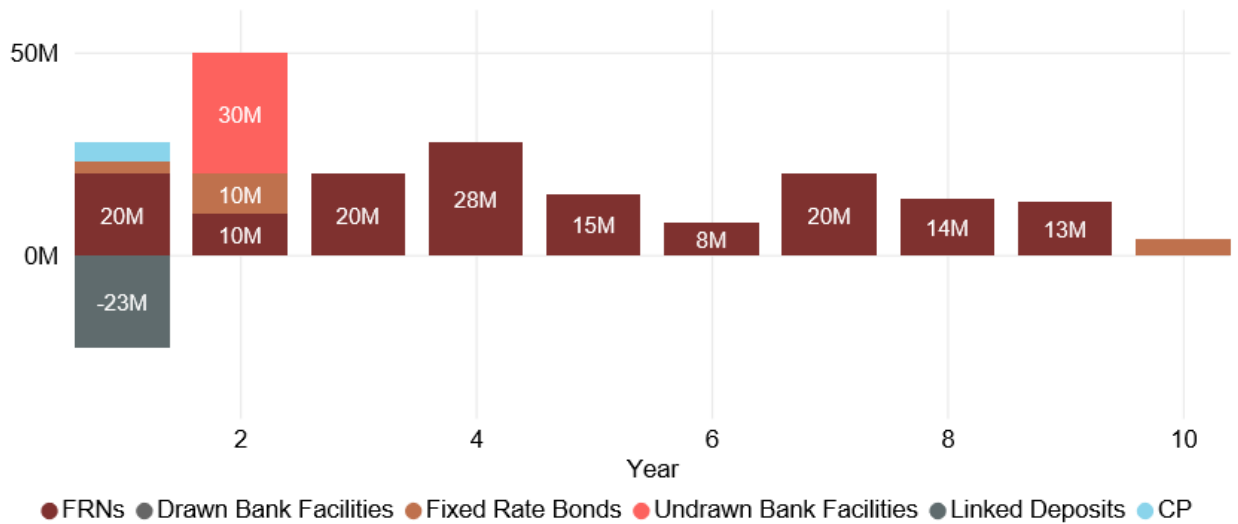
The black Debt forecast line in the above graph has been updated to reflect the draft Long Term Plan 2021-31. This reflects debt forecasts at a point in time and will continue to change until the Long Term Plan 2021-31 has been adopted. This should therefore be read as indicative only.

The above graph shows that based on our forecast debt position (as per the draft 2021-31 LTP) we fall just below our fixed rate policy minimum around year 2025. Actual debt levels may vary to this forecast and will be used to determine the most appropriate action. Our interest rate swap portfolio is currently being reviewed against our updated debt profile to ensure we remain within our policy limits.

Council's Treasury Risk Management Policy has been reviewed, with the revised Policy included in the March 2021 Council meeting agenda. The above graph reflects suggested changes to policy bands included within the Treasury Risk Management Policy.

Staff will continue to monitor and review our treasury management as the Long Term Plan progresses, and debt increases.

Funding and liquidity risk timeline



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.

5.2 Health and Safety - March 2021

Meeting: Risk and Audit Committee
Date of meeting: 24 March 2021
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

Legislation and risks

In the recent SafePlus assessment, the Assessor, Mike Cosman pointed out that when reducing risks, we must always look at elimination as the preferred option. Sometimes elected members are in a position to influence and affect health and safety risks, especially when minimisation strategies are employed to reduce a health and safety risk level, rather than eliminating.

Our highest health and safety risks

We have 63 identified generic council wide health and safety risks which are reviewed on a two-yearly rotational basis and 435 department health and safety hazards which are reviewed on an annual basis.

Eleven of the generic risks have been identified as critical health and safety risks affecting council staff, with a further five affecting many of our high-risk contractors. These are shown in the tables below, with any activity undertaken since the last December 2020 meeting, noted.

Health and safety risk	Activity since last Risk and Audit Committee meeting
Working in and around traffic	We are actively working on means to resolve some of the gaps identified in our traffic management risk area, which is one of our two highest risks, particularly in relation to working in the road corridor.
Exposure to unacceptable behaviours	In the last quarter 50% of staff reported incidents involved aggressive person incidents, while 20% of the contractor reported incidents involved aggressive person encounters. Refer below for further information on this. Graph one on the following page, shows the increasing trend of these incidents over the last five and half years.
Exposure to hazardous substances	WorkSafe have issued a number of consultation documents relating to this area especially in relation to flammable substances. These have been reviewed but we have had nothing further to comment on.
Working at height	Our working at height procedure and minimum risk standard have been reviewed and updated since the last meeting.
Working while fatigued	<p>During the summer several of our contractors reported incidents where workers became dizzy and faint through sun exhaustion and/or dehydration. These reports were taken very seriously. Council staff gave particular focus to this risk in February as they went about doing their usual contractor health and safety checks on worksites.</p> <p>Although the figures are not shown in this report, one of our highest risk contractors, Northland Waste showed an upward trend of serious injuries in December and January. After reviewing this with the them in February the main cause was identified as fatigue with some possible heat exhaustion and dehydration related causes. One of the key reasons for working extended hours over the Christmas period, potentially causing the fatigue was the second run arranged each week out to coastal areas.</p>
Exposure to energy sources	No activity to report since last meeting.
Working in confined spaces	The permit to work audit reviewed this area as part of the audit process. We are now awaiting the audit report.
Work over water	Some work over water activities have been undertaken and there has been an increased attention to planning this work. All tasks were completed without incident.
Exposure to workplace psychological risks	<p>This quarter we have spent \$880 (compared to \$1799 in the previous quarter) on employee assistance services and counselling. As many staff took annual leave through this time, the lesser amount was expected.</p> <p>A session for Health and Safety Representatives on mental health and wellbeing is planned for March.</p> <p>We had a shared wellbeing event with NRC where Dr Tom Mulholland presented to staff at the Captain Bougainville Theatre. He gave a motivational speech about caring for both your physical and mental health with several staff known to have taken his advice to see their GP to get diagnoses and treatment.</p>
Work alone	No activity to report since last meeting.
Asset failure	No activity to report since last meeting.

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

Exposure to unacceptable behaviours - aggressive person risk

Several of our frontline Customer Service areas have had a number of aggressive person incidents since the last report to the committee.

An example of this is Te Manawa, The Hub in the Town Basin, where the primary cause of these incidents involves bus passengers. The issues may be due to late buses, ticket refunds, or occasionally domestic situations at the bus stop which spill into the Hub. Incidents of the later kind have greatly reduced since Mana/Naked bus services ceased to operate. The Hub has had a8 reported aggressive person incidents in the past 5 ½ years. These incidents, although fairly infrequent, still pose a risk to the staff and whilst there is a duress alarm, it can take over 10 minutes for a guard to arrive, by which time the incident is usually over. Similarly, response from the Police is slow.

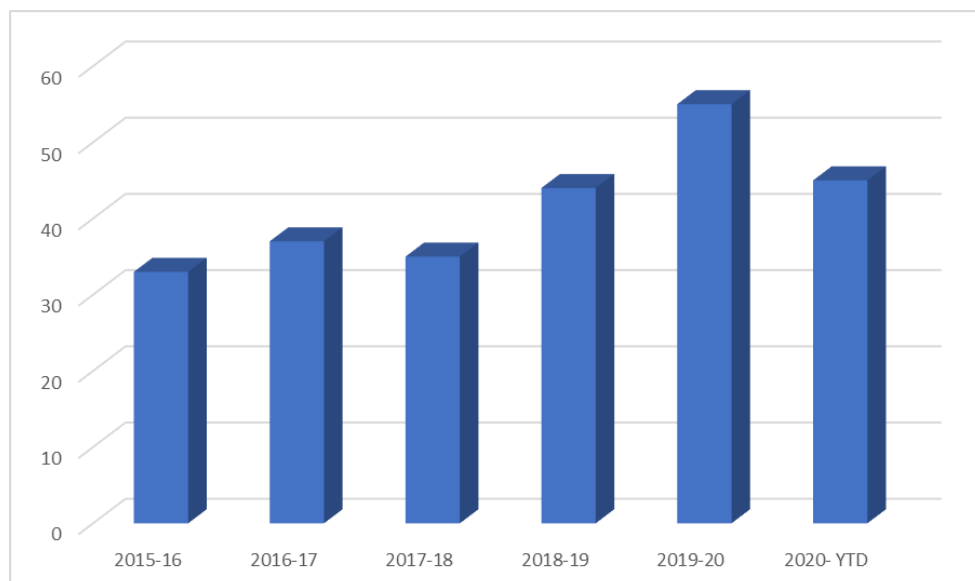
There are many regular local customers to the Hub (in particular elderly and special needs) who buy bus tickets with no issues at all, and whilst bus ticket revenue is relatively low, it is a service to our local people and visitors which brings people into our information centre and WAM, consequently increasing opportunity to market our district. If we stopped selling tickets, we would still have to deal with aggrieved customers due to this, and most of the other issues would still exist due to the proximity of the Hub to the regional bus stop.

In the past Elected Members have expressed a desire for Council to maintain the Intercity bus ticketing service and although incidents have declined, we still need to be mindful of the risk to staff this continued service poses.

Front line workplace design is another area left unaddressed in many of our workplaces and we are failing to meet some recommendations made by the judge of the Ashburton WINZ shooting case, where organisations need to provide three clear zones, where there are public facing areas;

- Zone One – where the public can meet or be
- Zone Two – staff areas, where the public are invited in
- Zone Three – staff only areas, or safe zones, where staff can escape to during aggressive person incidents.

This is an area where some capital spend is required to meet our obligations. This concern is being addressed with the strategic leadership team and key stakeholders across the organisation.



Graph 1: Aggressive person incidents reported by employees from July1, 2015 to January 31, 2021.

There is a noted increased trending of incidents being reported by employees and contractors, although the above graph only shows those of employees.

Drowning risk mitigation update

Following the death of a toddler at a Gore Council waste water facility, further good practice advice has been issued to local government. Eleven deaths have been reported from drowning in sewage and treatment ponds over recent years. One of the recommendations in the advice involves the fencing of treatment ponds to a swimming pool fencing standard which is an 'isolation of the risk' control. We had identified three waste water treatment sites requiring extra fencing last year and work is well underway on this project. Another recommendation we have been addressing is providing a means of escape if someone does accidentally fall into a pond. Our Waste Water team have researched what is most suitable for our needs and are installing chain link ladders as a means of escape from our waste ponds. The other recommendations about signage and other access requirements were already in place.

COVID 19 Pandemic

The COVID 19 situation has had a high health and safety profile since the last meeting in December 2020. There were many rumours of an intended lockdown situation through summer, which the government advised were false rumours. However, on the urging of local government advisory bodies to be prepared for a lockdown over the Christmas period, we did ensure we were prepared for the worst, just in case. This did not eventuate but gave many comfort that we were prepared. A COVID 19 planning and execution manual was put together and all protocols for each alert level change reviewed and updated. In February 2021 we moved from level 1 to 2 within a matter of hours with no effect on business continuity. The subsequent moves back down and up were made simply and without fuss.

Our Council Covid Watch Team continues to meet fortnightly, however during the February level change situation met daily.

Public safety

The Dunedin Council has been in the media through January and February 2021 regarding high levels of lead in the water supply. We thought it wise to check our own situation and extra lead tests were conducted in all catchment areas. Andrew Venmore, Water Services Manager advised that the lead pipes in our water distribution area were removed decades ago although negligible amounts may be leached into the water from some soldered pipework. Sampling has taken place, but at the time of writing these results were not yet available.

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 overleaf.

Health and safety risk	Activity since last Risk and Audit Committee meeting
Working around mobile plant and moving machinery	<p>The minimum risk standard was reviewed by the health and safety committee with minor amendments made. Updated standards get issued to our high-risk contractors.</p> <p>Council staff were recommended to focus on this as an area to monitor during contractor checks, due to several contractor injuries and incidents involving working around moving machinery and vehicles.</p>

Felling trees	No activity to report since last meeting.
Respirable health risks	No activity to report since last meeting.
Working under suspended loads and rigging	No activity to report since last meeting.
Deep excavation	The minimum risk standard was reviewed by the health and safety committee with minor amendments made. Updated standards are issued to our high-risk contractors.

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

PCBU overlapping health and safety duties

Some work has been undertaken operationally to review how we are fulfilling our health and safety obligations in terms of Persons conducting a Business or Undertaking (PCBU), using the *WorkSafe good practice guideline – PCBUs working together*.

We are checking and formalising existing health and safety responsibilities where we have or may have overlapping health and safety duties. For example, with Council Controlled Organisations (CCOs).

Northland Event Centre Trust (NECT) is an example of this. The health and safety agreement with the NECT Board has been reviewed and updated and will likely serve as a template for the other CCOs.

A review of the health and safety obligations in relation to the new farm purchase and subsequent lease arrangement has also been reviewed with the health and safety and overlapping duties identified and documented.

An important part of our contractor health and safety management in this regard involves high risk contractors gaining a health and safety pre-qualification. The majority are SiteWise (a subsidiary of SiteSafe) pre-qualified but some are already prequalified by other agencies and we accept several of these as a substitute to SiteWise. It has been pleasing to note the improvement in contractor assessment scores. Diagram 1 below shows the most recent summary report from SiteWise, showing our contractors assessment scores are now 8% above the national level which is a dramatic improvement from when we first began this process.

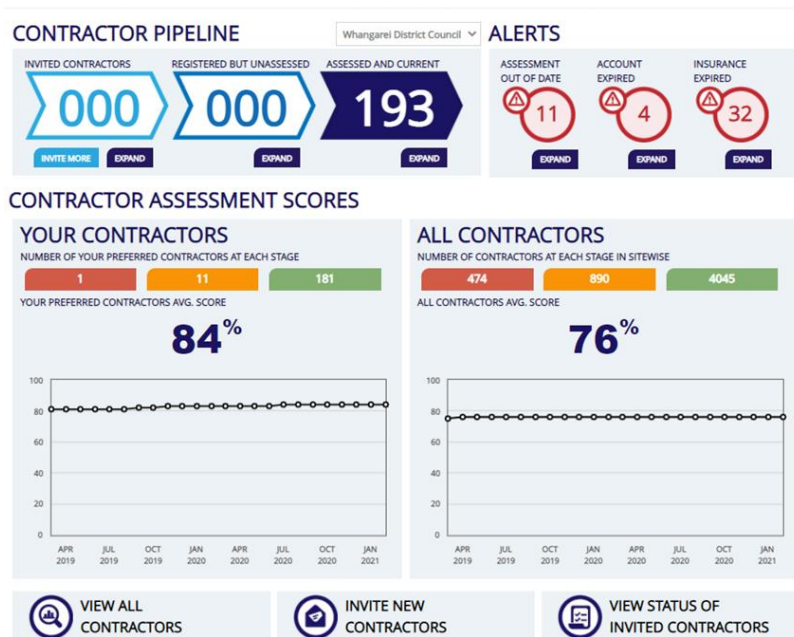


Diagram 1: SiteWise Scoring Summary Report February 2021

Health and Safety Assurance

Health and safety audits

An internal audit of the permit to work system has been arranged. At the time of writing, we are awaiting the report, but some known minor improvements have been recommended.

An external consultant provided a free consultation on security measures required in the customer services area at Forum North. His recommendations have been included in a security risk report, presented to the strategic leadership team.

Monitoring

To ensure we are meeting the WorkSafe good practice guidelines on the monitoring of contractor health and safety and meeting our PCBU obligations we have completed an internal review of how the health and safety of the Sustainable Solvent site at Ruakaka was undertaken. The review found the situation was managed in an exemplary manner, with no reasonable recommendations for improvement to be made.

Health and safety survey

An in-depth health and safety culture survey was conducted by Ask Your Team late last year. Details of this will be provided in the next health and safety report to the committee. We are waiting further information on some aspects of this with plans to develop actions from the results.

Compliance and legislation

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

Accident Statistics

In relation to lost time injuries, we are slightly less than the previous quarter. Also, less than the same time, as the previous year.

There were more than usual medical treatment injuries affecting employees this quarter, with two involving slips, trips and falls, two involving manual handling and one resulting in an eye infection after the wind caused some waste water to become an aerosol spray that went into the eyes of a lab technician taking samples. Safety eye protection requirements are now in place for this last risk.

There has been an increase in incidents reported since the last quarter and more than the same time in the previous year, with more employees reporting incidents, half of which involved aggressive person incidents.

Injury Type	Employees	Contractor	Public	Volunteers	Elected members	Totals second quarter	Totals (last) first quarter 2020-21	Totals second quarter 2019-20
WorkSafe NZ Notifiable event	0	0	0	0	0	0	1	0
Lost time injury (injury needing days off)	0	1	2	0	0	3	4	3
Medical treatment Injury (visited doctor or physio)	5	5	1	0	0	11	19	9
Occupational health exposure	0	0	0	0	0	0	0	0

Minor injuries	5	25	5	0	0	35	15	39
Pain and discomfort reports	8	4	0	0	0	12	16	13
Incidents and near misses	40	113	1	0	0	126	81	101

Table 3: Council workplace injuries 1 October – 31 December 2020.

In terms of how we are comparing to previous years, it seems mid-year we are tracking in a similar manner to last year, details of which are shown in table 2 below.

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	7	15	16	11	11
Medical Treatment Injuries	30	34	40	77	51
Occupational Health Exposure	0	7	4	4	11
Minor Injuries	50	123	125	160	127
Pain and Discomfort	28	71	58	138	109
Incidents	207	347	256	389	283

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

Health and safety training undertaken since last report

Health and safety training is one of our lead indicators. During this period, the majority of externally provided health and safety training involved dealing with aggressive person situations.

Internal training	Number of sessions	Attendants	Hours	External training	Attendants	Hours
Safetywhys- Occupational health and leader responsibilities	2	24	12	Fear Free - Customer Conflict and personal safety	16	48
Safetywhys Asbestos 101	1	12	36	Fear free - Armed Robbery, personal safety and customer conflict	12	42
Safetywhys - Permit to work 101	1	1	1	Fear Free - Dealing with Aggressive phone calls	16	32

Fire warden training - Walton Plaza	1	3	0.75	Fear Free workshop - Laboratory staff safety	4	4
Volunteers and dealing with aggressive person encounters	1	6	6	Site safe passport	4	16
Induction	2	17	34	Permit to work	1	8
Chairing meetings	1	4	4	First aid refresher	20	80
Fire warden training - Walton Plaza	5	0.25	1.25	Traffic Control training	1	16
Totals		67.25	95		74	246

Table 5: Health and Safety Training undertaken from 1 October – 30 December 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.

5.3 Audit NZ – Long Term Plan – Consultation Document Report –2021

Meeting: Risk and Audit Committee
Date of meeting: 24 March 2021
Reporting officer: Carl Wessels (Audit NZ)
Gerard van den Berg (Audit NZ)

1 Purpose

To provide the Long Term Plan Consultation Document Audit report to the committee.

2 Recommendation

That the Risk and Audit Committee notes the 2021- 31 Long Term Plan (LTP) Consultation Document Audit report.

3 Background

Audit NZ performs an audit of the Council's LTP Consultation Document prior to it being made available to the public for submissions. This audit relates to the Consultation Document for the 2021- 31 LTP.

4 Discussion

The draft Audit NZ report on the Consultation Document for the 2021- 31 LTP is attached. At the time of writing management comments have not been included, these will be added into the final report.

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

Audit NZ – LTP CD Audit Report 2021 - draft

Report to the Council on the audit of

Whangarei District Council LTP Consultation Document

For the period 1 July 2021 to 30 June 2031

Contents

Key messages	3
1 Our audit report	5
2 Audit scope and objective.....	6
3 Control environment.....	6
4 Areas of audit emphasis.....	7
5 Other areas of audit focus	11
6 Content of the CD	12
7 Financial strategy	12
8 Infrastructure strategy	13
9 Flow of information between documents	13
Appendix 1: Disclosures	14

Key messages

We have completed the audit of the Whangarei District Council's (the Council) Long-Term Plan Consultation Document (CD) for the period 1 July 2021 to 30 June 2031.

The development of the Long-Term Plan (LTP) is a significant undertaking. The Council had an effective control environment and good quality review processes for the development of the underlying information and the CD.

The Council produced a CD that fulfilled its primary purpose of providing an effective basis for public participation in decisions on the content of the LTP. The CD included all the major matters that we expected, provided preferred and alternative options to address these issues and encouraged the community to provide feedback.

We assessed the overall quality of the underlying information adopted by the Council as reasonable to support the CD. However, our review of the Infrastructure Strategy highlighted the lack of information on asset condition and performance, specifically the data on the Three Waters. Refer to paragraphs 1.1 and 8 below for more detail.

Audit opinion

We have issued a nonstandard unmodified audit opinion dated 25 February 2021. Without modifying our opinion, we included an Emphasis of Matter paragraph to draw attention to the disclosure on pages 15 to 16, outlining the Government's intention to make three waters reform decisions during 2021.

We found the underlying information and assumptions used to prepare the CD provided a reasonable and supportable basis for the preparation of the LTP.

This meant we were satisfied the Council's CD meets the statutory purpose and provides an effective basis for public participation in Council's decisions about the proposed content of the 2018-28 LTP.

Matters identified during the audit

Our areas of audit focus were:

- Climate change.
- Capital do-ability.
- Impact of 3 water reform.
- Impact of Covid-19.
- Growth- including impact of 2018 census.

- Life cycle of assets (for example, depreciation).
- Inflation.

We confirmed the abovementioned areas have been adequately included in the underlying information and where applicable, included in the CD.

Future focus

As well as the opinion issued on the CD we will also issue an opinion on the final LTP that will be adopted before 1 July 2021.

The Council needs to ensure that there are systems in place to monitor its actual performance against budgets, levels of service and performance measures included in the LTP. These systems will assist with internal monitoring and reporting to the Council, as well as annual reporting.

Thank you

We would like to thank the Council, management and staff for their preparedness for audit and for assistance received throughout.



Carl Wessels
Appointed Auditor
12 March 2021

1 Our audit report

1.1 We issued a non-standard unmodified audit report



We issued a non-standard unmodified audit report on the Council's CD on 25 February 2021. Without modifying our opinion, we included an Emphasis of Matter paragraph to draw attention to the disclosure on pages 15 to 16, outlining the Government's intention to make three waters reform decisions during 2021. The effect that the reforms may have on three waters services provided is currently uncertain because no decisions have been made. The consultation document was prepared as if these services will continue to be provided by the Council, but future decisions may result in significant changes, which would affect the information on which the consultation document has been based.

We also found the underlying information and assumptions used to prepare the CD provided a reasonable and supportable basis for the preparation of the LTP.

This meant we were satisfied the Council's CD meets the statutory purpose and provides an effective basis for public participation in Council's decisions about the proposed content of the 2018-28 LTP.

1.2 Unadjusted misstatements

The CD is free from material misstatements, including omissions. However, in the course of the audit, we found certain misstatements that are individually and collectively not material to the CD.

We have discussed any misstatements that we found with management. We are satisfied that these misstatements are individually and collectively immaterial.

2 Audit scope and objective

The scope of our audit engagement and our respective responsibilities are contained in our audit engagement letter dated 16 December 2020.

3 Control environment

Our approach to the audit was to identify, confirm and assess the Council's key processes and controls over the underlying information and ultimate production of both the CD and LTP. The purpose of this assessment was to enable us to plan the most effective and efficient audit approach to the audit work needed to provide our two audit opinions.

From a review of the self-assessment, SOLGM health check and key controls relating to the underlying information and development of the LTP, we noted that:

- the overall control environment is sound;
- project planning and quality processes are robust;
- financial modelling processes are effective;
- the budgeting/planning processes are thorough; and
- the asset management planning environment is complete.

The Council's quality review process was reflected in the high quality of the draft documents presented for audit.

Due to the nature of the LTP not all controls were able to be tested and therefore we took a more substantive approach. No significant issues were noted during our audit.

4 Areas of audit emphasis

During the planning stage of the audit, and our review of the content of the CD, we identified the following key business risks and issues. In this section of the report, we comment on our findings on those matters.

Audit risk/issue	Outcome
Climate change	
<p>On-going challenges due to impact of climate changes, in particular rising sea levels and increased frequency and intensity of storm events.</p>	<p>We reviewed how climate change has been articulated within the consultation document.</p> <p>Assumptions and challenges associated with climate change have been disclosed within the consultation document. Council has declared a climate change emergency and Te Taitokerau councils agree to establish a joint climate change adaptation standing committee which includes representation from hapu and iwi.</p> <p>Council is consulting on putting \$3.7 million of new funding towards climate change mitigation and waste minimisation across the 10 years of the LTP. This would include:</p> <ul style="list-style-type: none"> • Adaptation - funding to work with the community to better understand risks to the things Council value from climate change (things like sea level rise, drought and flooding) and plan a response. • Mitigation – funding to better understand and then reduce emissions from the services they provide for the community. • Waste minimisation - funding to improve community awareness and delivery of their waste minimisation programme. <p>We have assessed that the assumption and underlying information is reasonable.</p>

Audit risk/issue	Outcome
Impact of Covid-19	
<p>We expect judgements and underlying assumptions made by local authorities to be significantly impacted by Covid-19.</p>	<p>We have reviewed the appropriateness of the Covid-19 assumption. In an effort to understand the risk profile of Whangarei District Council and the environment it operates in, we have considered the following:</p> <ul style="list-style-type: none"> • The District has a Diverse economy. • There are no particular international vulnerabilities (that is, reliance on international tourism or international students). • Continued population growth (high growth Council). • There is no reasonable evidence that would indicate that Council's key objectives are at risk as a result of Covid-19. <p>Given the above, we do not consider that the impacts of Covid-19 pose a high risk for the District Council. We therefore consider the Covid-19 assumption as reasonable.</p>
Capital programme do-ability	
<p>We have identified that local authorities have, on average, only spent 77% of their capital expenditure budgets from 2012/13 to 2018/19.</p> <p>This can lead to doubt over the reasonableness of Council forecast capital expenditure budgets.</p> <p>Under delivery of capital expenditure budgets can have significant implications to the Council and the community, including reductions in levels of service, and ratepayers paying for work that has not been completed.</p>	<p>Council have a good track record with regards to the delivery of their capital programme. This is supported by an average actual to budget capital expenditure forecast for the last three years of 90%. This calculation excludes March 2020 to June 2020 which had a sudden reduction attributed to Covid-19.</p> <p>The Long-Term Plan contains a step change in the capital programme primarily related to projects that are "shovel-ready" from the Government's Covid-19 response, or CIP funded projects.</p> <p>Council has a programme to resource these projects, is utilising recently installed project management functions on Tech One, has a matured project team and will put more emphasis on the whole project life cycle.</p>

Audit risk/issue	Outcome
	<p>Council are also in constant communication with external suppliers in order to understand market capacity and have built strong relationships with key market suppliers.</p> <p>Council has disclosed the uncertainty around the dependency on government funding as well as the uncertainties around the pricing of material and availability of contractors and the impact any fluctuations on these may have on the council's ability to complete their capital programme.</p>
Critical Assets – Condition and performance	
<p>Local authorities own, operate and maintain key infrastructure that provides vital services to their communities.</p> <p>We have seen the effects of historical under investment, which results in asset failures and service disruptions.</p>	<p>The Council's documented knowledge of its infrastructure networks indicates:</p> <ul style="list-style-type: none"> • The Council has reliable information on which to base its transportation asset management planning and forecasts. • Council has a lower level of confidence in the reliability of underlying data for 3 Waters assets. • Overall Council's infrastructure assets are mid-life and Council are generally not experiencing the failures that older networks may face. • Council's renewal plans are based on good data and meet the future needs of the district. <p>Based on the above we have requested Council to add specific disclosure on the lower level of confidence in the reliability of underlying data for 3 Waters assets. From the additional disclosure Council has indicated that wastewater, storm water and flooding have reasonable data condition but storm water has poor quality and location data. Storm water represents 11% of the total asset value and therefore there is no significant risk to the issues that are being consulted on.</p>

Audit risk/issue	Outcome
	We considered the asset management processes appropriate to meet and support the Council's level of service.
District wide growth and demographic changes	
<p>There is high growth in certain urban areas, with projected declining growth in some district areas.</p> <p>The district has an ageing population and population trends suggest pattern of settlement may change to more urban lifestyles.</p>	<p>WDC develop their own growth model. The growth model uses Statistics New Zealand data sets as well as WDC information about consents and subdivision as well as our potential to growth through the land they zone for development. This model has been developed in collaboration with .id the population experts on behalf of Whangarei District Council. We have reviewed the appropriateness of the growth assumption applied by the District Council. We are satisfied that this assumption is consistently applied throughout the underlying information.</p> <p>We have reviewed the assumptions around the timing of expected growth and are satisfied that these assumptions have been reflected within the financial forecast.</p>
Three waters reform	
<p>The Government intends to make three waters reform decisions during 2021. The effect that the reforms may have on three waters services provided is currently uncertain because no decisions have been made.</p>	<p>Whangārei District Council signed the Memorandum of Understanding with Central Government opting in to the first stage of the reform and stimulus programme. Council has disclosed the uncertainty that there is currently insufficient detail regarding the possible changes to services, and therefore it is prudent to plan on a business as usual approach to service delivery.</p> <p>We have reviewed the disclosure made and have added an Emphasis of Matter paragraph in our audit report to draw user's attention to the uncertainty.</p>

5 Other areas of audit focus

5.1 Content of the CD

The Council produced a CD that fulfilled its primary purpose of providing an effective basis for public participation in decisions on the content of the LTP. The CD included all the major matters that we expected, provided preferred and alternative options to address these issues and encouraged the community to provide feedback.

5.2 Adopting and auditing the underlying information

The Council prepared and adopted the underlying information necessary to support the CD. These were adopted before the adoption of the CD as required by the Act on 25 February 2021.

5.3 Project management, reporting deadlines and audit progress

The development of the CD and LTP is a significant and complex project and a comprehensive project plan is required for a successful process.

The Council had detailed project plans and timelines for different parts of the LTP, plus overall project plans and timelines. We received most of the documents as per the agreed timeframe. However, some of the key documents received for audit was in draft with various changes made throughout the process. Also, with the deficiencies identified in the Infrastructure Strategy as per 8 below, management had to go back obtain further information and update the Infrastructure Strategy contributing to the delays in providing audit clearance.

6 Content of the CD

The Council produced a CD that fulfilled its primary purpose of providing an effective basis for public participation in decisions on the content of the LTP. The CD included all the major matters that we expected, provided preferred and alternative options to address these issues and encouraged the community to provide feedback.

7 Financial strategy

We concluded that overall the financial strategy is reasonable, financially prudent, based on financial forecast and complies with relevant legislation.

The overall structure and key principles that drive the financial strategy have not changed. Previous financial strategies have been adopted against the backdrop of high debt, with an emphasis on debt reduction. Council is no longer operating in the same environment and will be taking on more debt (a deliberate approach). Council has the strategic goals of continuing to manage levels of service, manage rates and invest in communities and the future of the district. The key elements of the financial strategy are to:

- Limit the average rates increase to 6.5% for 2021/22 and to 4.5% from 2022/23 onwards.
- Limit rates income to a maximum of 70% total revenue.
- Ensure that net debt does not exceed 175% of total revenue.
- Capital expenditure is funded by a combination of operating surplus, rates, debt, development contributions and government subsidies. Council is expected to receive NZTA subsidies of 53% for subsidised roading projects over the lifetime of the plan.
- Fund growth-related infrastructure through financial contributions, rates, targeted rates and user charges.
- Use debt to fund assets with a long life where Council can recover the cost from ratepayers over the life of the asset.

Council have forecasted operating surpluses each year. The average surplus over the forecasted 10 years is \$33.2 million which represents an average revenue to expenditure ratio of 118% (min 111% max 130%). We consider the forecasted operating surpluses to be a prudent approach.

We are satisfied that the financial strategy is fit for purpose and the supporting underlying information is considered reasonable.

8 Infrastructure strategy

The Council's Infrastructure Strategy highlights the issues and implications that the Council face over the next 30 years. This is the only area where the Council is required to prepare a 30-year strategy plan. This plan highlights the Council's capital works programme.

The infrastructure strategy has not significantly changed from the previous long term plan. The 2021-31 strategy is to continue with a business as usual approach for infrastructure activities. This means looking after existing assets by ensuring they continue to meet the needs of the community and providing infrastructure to enable further growth to occur.

We did identify that the draft infrastructure strategy submitted for audit did not contain information on the data quality and performance of infrastructure assets. The council subsequently updated the Infrastructure Strategy and also included additional information on the condition data and performance of the stormwater assets in the consultation document.

The asset data information is critical for readers to understand the following:

- what the Council knows about the condition of their assets;
- how these assets perform;
- what the Council is doing to improve what know about their assets; and
- How the Council uses the above information to prioritise their capital expenditure projects in the LTP.

We are satisfied that the infrastructure strategy adopted with the CD is fit for purpose and the supporting underlying information is considered reasonable.

The infrastructure strategy appears to fulfil the legislative purpose, broadly meets our expectations of such a document and is consistent with our knowledge of asset management planning

9 Flow of information between documents

As part of our audit, we reviewed the flow of information from the Asset Management Plans into underlying forecasts and strategies, and where appropriate, into the CD. Our initial review noted some minor inconsistencies which were discussed with staff and corrected. We also reviewed the base data for inflation adjustments and growth projections.

We are satisfied the source information has flowed appropriately into the forecast model including the assumptions around inflation and growth.

Appendix 1: Disclosures

Area	Key messages
Our responsibilities in conducting the audit	<p>We carried out this audit on behalf of the Controller and Auditor-General. We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001.</p> <p>The audit of the financial statements does not relieve management or the Council of their responsibilities.</p> <p>Our Audit Engagement Letter contains a detailed explanation of the respective responsibilities of the auditor and the Council.</p>
Auditing standards	<p>We carried out our audit in accordance with the Auditor-General's Auditing Standards. The audit cannot and should not be relied upon to detect all instances of misstatement, fraud, irregularity or inefficiency that are immaterial to your financial statements. The Council and management are responsible for implementing and maintaining your systems of controls for detecting these matters.</p>
Auditor independence	<p>We are independent of the District Council in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): <i>Code of Ethics for Assurance Practitioners</i>, issued by New Zealand Auditing and Assurance Standards Board.</p> <p>Other than the statutory audits, we have no relationship with, or interests in, the District Council or its subsidiaries.</p>
Fees	<p>The audit fee for the Long -Term Plan for the period commencing 1 July 2021 is \$130,400, as detailed in our Audit Engagement Letter.</p>
Other relationships	<p>We are not aware of any situations where a spouse or close relative of a staff member involved in the audit occupies a position with the District Council that is significant to the audit.</p> <p>We are not aware of any situations where a staff member of Audit New Zealand has accepted a position of employment with the District Council during the period from 1 July 2020.</p>

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5.4 Internal Audit Report – Permit to Work

Meeting: Risk and Audit Committee

Date of meeting: 24 March 2021

Reporting officer: Emily Thompson (Manager – Democracy and Assurance)
 Desarae Williams (Health and Safety Manager)

1 Purpose

To present the internal auditors report on Council Health and Safety – Permit to work process that has been recently completed by BDO

2 Recommendation

That the Risk and Audit Committee notes the findings in the internal audit report on Council's Health and safety permit to work process.

3 Background

As part of our internal audit programme staff engaged BDO to complete a limited assurance internal audit review of the Council's Health and safety permit to work process.

4 Discussion

An operational audit was included within the Internal Audit Strategy and Three-year rolling plan 2019-2022. 2020 Was the original anticipated year of completion however due to Covid-19, was deferred until early 2021.

Specifically, management have identified the permit to work system as pertains to Health and Safety to form the basis of the scope for this audit.

One of the key drivers for selecting this topic has resulted from the existence of recent policy updates in 2020. Some internal checks have been undertaken by the WDC Health and Safety Manager, however as that person was instrumental in drafting the policy there is an inherent limitation around independence.

There is also a view that an independent presence on site at the locations selected will be beneficial from an oversight and awareness perspective.

The objective of the internal audit is to assess Council's compliance with policy in regard to permit to work and related procedure. This is deemed to be an operational compliance audit however in the event that BDO observe potential weaknesses in those processes or procedures they will draw them to WDC's notice for consideration.

The work was undertaken in February and the auditor identified that the issue of a permit to work is by nature subjective.

With this in mind BDO have recommended some specific processes are put in place to more bring more objectivity into the process.

Full details are in the attached report but the overview of the recommendations are in the table below.

REF	TITLE	TYPE	RATING
4.1	Control-of-Permit-to-Work-Documentation	Risk	Medium
4.2	Second-Signatory	Risk	Medium
4.3	Continuity-&-Consistency-when-Issuing-Permits →	Opportunity	Low
4.4	Flow-Chart/Decision-Tree →	Opportunity	Low
4.5	Authority-to-Sign	Risk	Medium
4.6	Training-of-Permit-Issuers	Opportunity	Medium
4.7	Decentralisation-of-Issuing-Permits	Risk	Medium
4.8	Permit-to-Work--Close-out-(Completion)	Opportunity	Low

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

BDO Internal Audit Report – Permit to work



WHANGAREI DISTRICT COUNCIL

Internal Audit
Permit to Work
Final Report
March 2021

TABLE OF CONTENTS

1.	SCOPE AND APPROACH	1
2.	EXECUTIVE SUMMARY OF FINDINGS	3
3.	CONCLUSION	5
4.	DETAILED FINDINGS	6
5.	INTERNAL AUDIT WORK CONDUCTED	14
	APPENDIX 1 - FINDINGS RATING	16
	APPENDIX 2 - LIMITATIONS OF INTERNAL AUDIT PROJECT	17



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Private & Confidential

11 March 2021

Emily Thompson/Desarae Williams
Democracy and Assurance Department
Whangarei District Council
Private Bag 9023
WHANGAREI 0148

Dear Emily and Desarae

We are pleased to present our report pertaining to the Internal Audit of Health and Safety - permit to work.

In accordance with the relevant AoG Consultancy Services Order the Whangarei District Council (the 'Council') engaged BDO Wellington and Northland to undertake an internal audit over the procedures associated with issuing permits to work. This report sets out a summary of the work we have performed, our findings, the conclusion that we reached, and recommendations we have made.

We would like to take this opportunity to acknowledge our appreciation for the assistance and co-operation provided to us in addressing our information requests and dealing with our queries as they arose during the course of the audit.

Yours sincerely

BDO Wellington

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1. SCOPE AND APPROACH

Our internal audit has been performed in accordance with the Consultancy Services Order dated 19 January 2021. The objective of the internal audit is to assess Councils compliance with policy in regard to permit to work and related procedure.

Our overall approach was to review and where applicable test existing controls in relation to permit to work procedures. Specifically, we undertook site visits to the Whau Valley treatment plant and the wastewater treatment plant. Also within scope, however to a lesser extent, were Business Support (property maintenance) and Venue and Events.

The agreed focus areas included;

- Review of the current internal policy & process in place - obtained copies of key policies but also arranged direct access to Kete so that linked documents could be reviewed as and when required.
- Initial interviews between the Audit and Risk Analyst, Health and Safety Manager (WDC). We then conducted Interviews with key staff at each of the locations within scope.
- Carried out walkthroughs at each site to determine how the system is operating with a view to designing testing.
- Sample test for compliance.
- Considered how permit to work documentation is recorded and retained.
- For waste water we considered how the immunisation records are updated and maintained.
- Carried out a light touch assessment of how administration occupational safety is assessed and monitored.

It was agreed that the following matters are out the scope of this audit; Major projects (individual H&S plan), contractor health and safety, Council Controlled operations and Health & Wellbeing.

Based on our review of the above areas, we have highlighted in this report the issues identified, implications and our recommendations for continuous improvement as applicable.



Key Activities

To complete the objectives of this engagement, we have performed the following activities:

Interviewed	• Relevant personnel from focus areas and elsewhere within Council.
Reviewed	• Council policies and guidance relevant to the permit to work process.
Evaluated	• The adequacy and effectiveness of policies and controls in place to manage associated risks relevant to issuing a permit to work.
Tested	• Permits to work for a judgemental sample of 10* per location. Our work was concentrated to 2020.
Reported	• Work completed and significant issues identified together with our recommendations.

* The nature of a limited assurance audit determines that selection sizes for testing are judgemental. As such the selection size of transactions/ activities tested are deemed appropriate in the context of the scope of this limited assurance audit. It is important to note, due to the nature of the limited assurance audit, we cannot conclude over the entire population of permits during the period. The work completed by BDO Northland is subject to the limitations set out in APPENDIX 2.

BDO's reference points

We have used interviews with relevant Council management and staff as a fixed point of reference for conducting our review. The management and staff interviewed included:

Interviewee	Position
Desarae Williams	Health and Safety Manager
Emily Thompson	Senior Audit and Risk Analyst (Democracy & Assurance)
Andrew Phillips	Senior Water Technician
Gail Watson	Order Administrator
Nic McCully	Team Leader Operations and Events
Sam Park	Senior Wastewater Technician
Andy Keith	Waste and Storm Water Manager - Operations Manager
Claire Walls	Team Leader - Facilities Management



2. EXECUTIVE SUMMARY OF FINDINGS

We have delivered upon the agreed scope of work and we take this opportunity to thank Council management and staff that assisted us throughout the process.

As with other internal audit topics that have been conducted at Council by BDO we noted that there is some degree of decentralisation that should be reviewed to ensure consistency of policy and procedure. In the case of issuing a permit internally we observed different approaches between departments.

The issue of a permit to work is by nature subjective. With this in mind we have recommended some specific processes are put in place to more bring more objectivity into the process.

REF	TITLE	TYPE	RATING
4.1	Control of Permit to Work Documentation	Risk	Medium
4.2	Second Signatory	Risk	Medium
4.3	Continuity & Consistency when Issuing Permits	Opportunity	Low
4.4	Flow Chart/Decision Tree	Opportunity	Low
4.5	Authority to Sign	Risk	Medium
4.6	Training of Permit Issuers	Opportunity	Medium
4.7	Decentralisation of Issuing Permits	Risk	Medium
4.8	Permit to Work - Close out (Completion)	Opportunity	Low



Positive Findings

TITLE	SUMMARY OF KEY FINDINGS
Waste Water Plant	<p>It was immediately observed that there was a specified place for all active permits to work to be accessed and inspected when required.</p> <p>Further to this there was a display board which was used to clearly indicate which equipment was isolated for work.</p> <p>When inspecting the permit to work and substantive documents, it was generally noted that all toolbox minutes were kept which included a health and safety and a rescue plan.</p>
Asbestos Management - awareness	<p>It was noted during the discussions with the relevant department heads that they were aware of an asbestos management plan and that all asbestos handling is to be done through a contractor. I.e., there was a good level of awareness in regard to risks associated with asbestos.</p>
Water Treatment Plant - job safety analysis	<p>During our inspection of the internal work performed by this department we observed that a Job Safety Analysis is performed.</p> <p>A simple example of this in practice was in respect to the movement of a breathing apparatus between locations. The Job Safety Analysis was performed to ensure from a health and safety perspective the movement was safe however also provided a trail to where this piece of equipment is now located.</p>
Venue and Events -reference to policy	<p>During our interview we noted that the Team Leader had the policy at hand when determining whether or not to issue a permit to work.</p> <p>This was encouraging from an awareness perspective and demonstrated that there is good understanding as to the importance placed on following policy and procedures.</p>



3. CONCLUSION

Based on our work performed, as specified in the scope of work in our terms of reference we have formed the following conclusions:

SCOPE OF WORK	CONCLUSION	EFFECTIVENESS
Adequacy and effectiveness of internal policies and controls in place to manage key risks associated with the issuing a permit to work.	We have made some recommendations to refine and enhance policy and procedure.	Effective with further refinement recommended.
Compliance of current management processes against Council policies and controls.	We raised no critical or high risk findings. Generally there is a good level of compliance and a willingness to continue to do so. Section 4 of our report contains recommendations for improvement and also some opportunities to enhance existing controls.	Partially effective

Because of the inherent limitations of limited assurance audits, it is possible that fraud, error or non-compliance may occur and not be detected. A limited assurance audit is not designed to detect all instances of non-compliance within the areas reviewed by BDO, as it generally comprises making enquiries, primarily of the responsible party, and applying analytical and other review procedures. The opinion expressed in this report has been formed on the above basis. Our firm provides no other services to the Council and we have no other relationship or interests in the Council.

4. DETAILED FINDINGS

4.1 Control of Permit to Work Documentation

Type	Risk
Rating	Medium

Audit Findings:

There is no specific document or register that captures permits that have been issued by WDC. We are aware that there are various individuals across different departments that issue permits of this nature and that it is currently a manual process.

Reliance on manually derived documentation in lieu of a software solution means that visibility and the ability to report is restricted.

We noted that permit to work templates are currently obtained from Kete and are manually completed. Filing of completed documentation varies between departments, for example waste water file these manually in paper form whereas water treatment uploads completed forms to Kete.

When inspecting the current permit template we observed that there is no sequential numbering system in place. This made it difficult to isolate the scope of permits which had been issued and therefore the sample population to include within our testing.

The absence of a central register of manual documents that have been issued further limits visibility but also restricts the ability to monitor and internally review permits to work that have been issued.

Implication:

Because there is no central register it is currently cumbersome to review the number and nature of permits that have been issued. This in turn reduces the effectiveness of oversight and the ability to effectively review and audit.

Further to this, the lack of sequential numbering creates an environment where completeness cannot be established.

Recommendations:

In the long term it would seem that the process of issuing permits to work could be automated through a software solution that is accessible across all Council departments. We appreciate that this would require both a budget and time to implement.

In the interim we recommend that a sequential numbering system be introduced. The simplest way of achieving this could be the introduction of a pre-printed, duplicate copy, sequential permit to work form.

These forms should be the same throughout Council with a register of where the sequentially numbered books have been issued centrally maintained.

Alternatively, it may be possible for the IT department to facilitate sequential numbering from within Kete.

Management Comments:

Council agrees with the recommendation. Staff will look into arranging printed permit to work books, with sequential numbering as a means of providing better review.

4.2 Second Signatory

Type	Risk
Rating	Medium

Audit Finding:

During our discussions with various employees, it was noted that often, more than one individual is required to complete a permit to work. In practice this takes the form of one person reviewing another's to ensure completeness of the permit. There are also instances where one person will complete a permit on behalf of another i.e. upon a phone instruction or similar.

Currently the form only provides one space for sign off.

Irrespective of the one space for sign off, it was noted that two individuals at the waste water treatment plant sign off the permit to work.

Conversely, at the water treatment plant, there was no evidence noted on the form of two persons being involved in the process. In practice however this is not the case and often a dual practice occurs.

The permit to work procedure makes reference to circumstances which can lead to requirements being jointly shared or with separate responsibilities assigned. It then stipulates that this should be worked through prior to the job commencing with clear accountabilities designated. It makes sense therefore that these responsibilities are accounted for within the permit to work sign off.

Complete sign off procedures also help serve to protect the one individual that may have signed either on behalf or has another person contributing to the overall responsibility for the work.

We also reference this finding to 4.5 Authority to Sign.

Implications:

A lack of signatories from all those who are responsible for undertaking the work can lead to a loss of documentation. There is a risk of either mis-information or a loss of information under the current system.

Having a second signatory or evidence of another person reviewing the permit to work adds additional comfort that all risks have been considered.

Recommendations:

That a second signatory line be added to the permit to work to capture persons who are individually responsible. Where more than one person is responsible the specific tasks should be isolated within the form.

Management Comments:

Council agrees with the recommendation. The form will be reviewed prior to arranging sequential numbered "permit to work" books as identified in recommendation 4.1. This will include adding an additional space for a second signatory.

4.3 Continuity & Consistency when Issuing Permits

Type	Opportunity
Rating	Low

<p>Audit Finding: During our site visit at the water treatment plant we noted some inconsistency of practice between team members. For example, when discussing how and when a confined space entry permit is issued one team member issues both a permit to work and a permit to enter a confined space. (This is a similar practice to that followed at the Waste Water Treatment plant). Conversely another employee at the water treatment plant was of the opinion that the confined space entry permit supersedes the permit to work and therefore it was only necessary to issue the one permit.</p> <p>The Standard Operating Procedure applicable to confined space entry is very clear that all confined spaces must have a permit to work. This is then supplemented by the specific confined entry form.</p>
<p>Implications: From a risk perspective it is important that all procedures are followed consistently both within and between Council departments.</p> <p>Recommendations: To assist with continuity, it is likely that some form of central training or refresher course will be required. This does not have to be a time-consuming undertaking and could be facilitated on the back of this internal review and following any agreed changes to process.</p>
<p>Management Comments: Council accepts the recommendation. Staff will review the training arrangement.</p>

4.4 Flow Chart/Decision Tree

Type	Opportunity
Rating	Low

Audit Findings:

It was noted in the permit to work policy that there is a good outline of what work would require a permit to work. The policy also indicates what type of work does not require a permit to work.

Despite this, it is subject to various interpretation and on this basis we felt that some form of flow chart or decision tree would assist users through this process. Also, often good discussion takes place on site regarding whether a permit is required - or not. If it is determined that one is NOT required there is no evidence of the thought process that has been followed. A flow chart could also serve as a tool to record the steps that were taken to support the ultimate decision that was made.

To illustrate our point, we note the following examples that employees considered when deciding whether or not to issue a permit to work;

Water treatment plant:

There was no clear distinction provided to BDO as to when a permit to work should be issued apart from "when contractors" work on site or when working with high pressure or heights etc.

Venue and Events:

The Team Leader had the policy at hand and demonstrated a good level of understanding. She noted that when she is unsure she would contact the Health and Safety manager to clarify. This is encouraging behaviour; potentially a flow chart would further assist with interpreting what is required.

Waste water plant:

The Senior Technician displayed good insight into when a permit should be issued and defined the following indicators as to when a permit should be issued:

- Reference to the maintenance register
- An unusual sound or operation
- Visual inspections of plant and equipment
- When areas of the plant are isolated

These were good benchmarks that would benefit from the support of a formal flow diagram that references the parameters of the policy.

There is currently no illustrative guidance to determine when something should be documented - i.e., when the decision is made not to issue a permit to work there is no documentation of this or how it has been considered.

Implication:

We have observed some inconsistency in practice and take a view that a simple visual tool will further enhance the current process.

Additionally, there is no documentation currently in place to record the decision-making process in practice and to support that decision when it is determined that no permit to work is required.

Recommendations:

We recommend that a decision tree be developed to help guide users of the policy and also to formally record the decision making process when it is determined that no permit is required.

The decision tree should be limited to one page with clear stop / start indicators provided.

Management Comments:

Council accept the recommendation. Staff are already planning to create and implement a decision tree.

4.5 Authority to Sign

Type	Risk
Rating	Medium

Audit Finding:

During our interviews and as corroborated during our testing we observed that there are some instances where the permit to work is signed off by a person who is not a "permit authority holder". This was most prevalent at the Water Treatment plant.

For example the order administrator at the water treatment plant has issued permits to work. The general consensus at the water treatment plant was that anyone could issue a permit to work.

Within the permit to work health and safety procedure, reference is made to an associated document called 'list of permit authorities'. The document lists all the individuals who are authorised to issue a permit to work. When inspecting this document we concluded that there are permits being issued at the water treatment plant by persons who do not fall within the current authority to do so.

Technically some instances of unauthorised individuals were also noted at the waste water treatment plant however these exceptions appeared to be more administrative in nature. For example; permits were issued at waste water by an individual that is not included on the "list of permit authorities", however the Senior Wastewater technician (who is authorised), would be the receiver of the permit. In this case it is recommended that the senior and authorised team member issues the permit to a receiver who will undertake the work.

Implications:

Currently there is evidence that unauthorised individuals are issuing permits to work. This creates a risk that Individuals with insufficient training may inappropriately assess and identify risks associated with the relevant job.

Recommendation:

That extra training is provided in regard to who can issue permits to work.

We further recommend that the current list of permit authorities is reviewed to ensure that all relevant persons are captured.

Management Comments:

Council accepts the recommendation. Staff will undertake a review of the current permit list, those trained and who is issuing permits to work.

4.6 Training of Permit Issuers

Type	Opportunity
Rating	Medium

Audit Findings:

Training registers are maintained, and we accessed these as part of this engagement.

We noted that some employee's qualifications have expired for example the confined space entry training for the senior wastewater technician expired 18 June 2020. There are a number of accreditations that display as expired per the accreditations report however we are unsure of the significance of this. There is a required/not required field however this does not appear to be utilised.

There is a potential link between the number of permits issued and the training received. In finding 4.7 we note for example that no permits have been issued by business support. The key employee in this division has not received any accreditation training since mid 2019 and has not undertaken asbestos risk training. There is potential that this department would be exposed to maintenance involving asbestos.

As noted within this report we have noted some inconsistency between departments and some exceptions to current process. Some general training on revised policy following this review would likely be beneficial in this regard.

Implication:

Regular training coincides with procedural compliance. On this basis it is important that refreshers are regularly run and that all training records are reviewed and as up to date as possible.

Recommendations:

That refresher training is provided and undertaken on internal policy and procedure.

That the accreditations report is reviewed for key employees with any gaps or anomalies addressed. For example, at the time of our review we noted that Senior the Waste Water technician is the only individual that uses the boat however had not attended Boat Safety Awareness training (currently in the process of being addressed).

Management Comments:

Council acknowledges the recommendation. Staff recognise that this is quite a big piece of work and will need to involve cross organisational co-ordination (including as a minimum our People and capability team and ICT team). A cross organisational group will be able to assist in making this work, and will review our current training database that is currently a work in progress.

4.7 Decentralisation of Issuing Permits

Type	Risk
Rating	Medium

Audit Findings:

Each of the departments issue their own permits to work. The permits are issued on their own merit within the various departments. This allows for a degree of decentralisation which creates a risk of inconsistent policy and process.

The following are current examples of decentralisation:

Venues & Events

Only one permit has been issued from this department in 12 months.

Business Support

No permits have been issued from this department in 12 months - the general expectation is that this area would generate a need for permits to work.

Waste Water Treatment Plant

Permits are regularly issued from this department. When an internal permit is issued, a permit to work is issued on the same basis as would have been if a contractor executed the work.

Water Treatment Plant

Permits are regularly issued from this department. No permit to work is issued unless a Job Safety Analysis has been received or conducted. Job safety analyses do not appear to be routinely used in the other departments we visited.

Implications:

Permits to work issued from various departments are not necessarily following the same process. This can lead to inconsistency of both compliance with policy and follow up. From a transparency and safety perspective it is important that all permits to work issued by Whangarei District Council are subject to the same procedure and safety rigor

Recommendation:

We recommend a more streamlined manner of issuing permits is introduced - refer 4.1. Training staff across various departments and having regular refresher courses to ensure there is continuity between departments when issuing these permits is key.

Regular internal reviews and spot checks should be undertaken once the updated procedures are operational. This will assist in identifying training gaps but also serve to minimise non compliant interpretation before it becomes established practice.

Management Comments:

Council acknowledge this recommendation. Staff consider that this will be easier to review once we have printed permit to work forms in a book (recommendation 4.1). A permit to work book will assist in picking up problem areas. Staff will work on determining refresher expiry dates, as well as content of the training.

4.8 Permit to Work - Close out (Completion)

Type	Opportunity
Rating	Low

Audit Findings:

It was noted that permits were not signed off as 'completed' by the respective issuer.

This seemed to be administrative in nature. I.e. it did not seem like the work was not actually completed, rather that there was no formal documented close out process.

Whilst this seems quite basic and straightforward it can be very important that the work is formally closed out. I.e. that it was completed to standard, the site is returned to a ready to business as usual state, any mess is cleared away and so forth.

Close out process would also cover instances where a second permit to work is issued to replace an expired order due to an elapsed time period.

Recommendations:

That a formal process is put in place to record when the permit to work has been formally closed out and completed.

Management Comments:

Council acknowledges this recommendation. Regular monitoring and improvements to training (recommendation 4.6) will assist in this too.

5. INTERNAL AUDIT WORK CONDUCTED

The following summarises the work that we conducted during our internal audit. The purpose of this summary is to provide an understanding of the areas we covered.

Scope Required	Work Completed	Conclusion
Adequacy and effectiveness of internal policies and controls in place to manage key risks associated with issuing a permit to work.	<ul style="list-style-type: none"> Interviewed relevant Council staff to identify and assess the adequacy and effectiveness of all relevant policies and controls. Assessed the adequacy and effectiveness of the Council's: <ul style="list-style-type: none"> Health and Safety Procedure - Permit to Work Standard Operating Procedure - Confined Space Entry Occupational Health and safety Asbestos Management Documented and communicated where we perceived there to be policy limitations or control gaps. 	Based on the work completed we acknowledge that the current policy and guide is reasonably sound. We noted some limitations with regard to the permit itself and the capture of permits issued. We have recommendations for further refinement in terms of documenting.
Compliance of current management practices against Council policies and guidance.	<ul style="list-style-type: none"> Evaluated actual practices against policy and controls through testing of a selection of recently issued permits. 20 permits were tested in total and our review involved assessment of Council documentation to support conformance of the following key activities: <ol style="list-style-type: none"> Completeness of the permit to work. Timely sign off of permits issued. Inspection of any additional permits or checklists that were required to be issued with the permit. Link the permit issuer back to the list of authorities. Inspect training records to ensure permit issuer has received adequate training to identify safety risks to issue a permit to work. The sample size of 20 permits was discussed and with the Health & Safety Manager. Our samples selected related to 2020. As a point of the reference, the 20 selected permits contained the following attributes: 	<p>The results of our testing were generally inconsistent. We have made some recommendations for refinement as noted within section 4 of this report.</p> <p>The nature of our findings are procedural in nature - to either increase or decrease the sample size would not change the key recommendations made within this report.</p> <p>Our comments relate to our selected sample as the level of sampling would not represent a statistical sample that would be seen to represent all Permits to Work.</p>

Selected	Permit to Work
10	Confined Space Entry
8	Job Safety Analysis
2	Working from Heights
1	Scuba and Diving
10	Cold Work
4	Other
1	Hot Work



<p>Reviewed a selection of new employees. Ensure that they are captured occupation for an health and safety self assessment</p>	<ul style="list-style-type: none"> Assessed and enquire from management as to the occupational health and safety procedure. Inspected the 10 last employees appointed by the Whangarei District Council and ensure self-assessment has been done. 	<p>The results of the testing was generally positive. One exception was noted.</p> <p>This was due to a formal notification that was not received (SCAP). This was followed up by management.</p>
<p>A review of the process around issuing a permit to work for asbestos.</p>	<ul style="list-style-type: none"> Enquiry of management Review current asbestos management plan and assess staff implementation Enquiry from staff regarding the process followed when working with asbestos 	<p>The results were generally the same and positive noting that only contractors are to work with asbestos. It was also noted that there is generally a low risk of exposure at the Water Treatment Plant and Waste Water Plant.</p> <p>We recommend training for Business Support and Venue and Events to ensure the permits are correctly issued when required.</p>
<p>Assessed the clarity of roles & responsibilities & consistency of approach between Council departments.</p>	<ul style="list-style-type: none"> Interviews with various council departments Sample testing to cover a cross section of departments Review of supporting documentation included with permits in each department where issued. 	<p>There is decentralised issuing of permits. We have made recommendations to improve inconsistencies.</p>


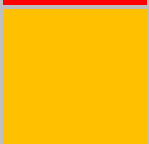


APPENDIX 1 – FINDINGS RATING

We classify our findings according to whether the matter raised represents, in our view, either a risk or an opportunity to the company. A risk is generally linked to an internal control weakness whereas an opportunity represents the identification for a potential efficiency.

To enable Management to set priorities on their action plans we will report our findings in four categories, namely, critical, high, medium and low based on our assessment of the importance of each finding.

Definitions for each category are provided below.

Explanation	
	Risk A risk may represent a source of potential harm or negative impact.
	Opportunity Opportunities may represent sub-optimal performance or potential for an efficiency to be gained.

Explanation	
	Critical Severe breakdown in controls exposing Council to substantial risk, requiring immediate management attention and resolution as soon as practicable.
	High Significant breakdown in controls exposing the organisation to risk, requiring urgent management attention and resolution.
	Medium Breakdown in controls requiring timely management attention and resolution.
	Low Process inefficiencies or non-compliance with policies and procedures of a housekeeping nature.



APPENDIX 2 – LIMITATIONS OF INTERNAL AUDIT PROJECT

This limited assurance quality assurance audit has been conducted in accordance with New Zealand Audit Standard ISAE 3000. This quality assurance audit is limited primarily to inquiries of entity personnel, inspection of evidence and observation of, and enquiry about, the operation of the control procedures for a small number of transactions or events. This audit is designed to provide a limited level of assurance in relation to the areas included within the terms of reference. An audit providing a high level of assurance has not been performed.

The engagement was performed on the basis of the following limitations:

- As a result of the inherent limitations of any internal control structure it is possible that errors or irregularities may occur and not be detected. Further, the internal control structure, within which the control procedures that we have reviewed operate, has not been reviewed and no view is expressed as to its effectiveness.
- The engagement is not designed to detect all weaknesses in control procedures as it is not performed continuously throughout the period and the tests performed are on a sample basis. Also, this engagement does not provide all the evidence that would be required in high level positive assurance audit.
- Any projection of the evaluation of the procedures reviewed for selected processes to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.
- Our comments refer specifically to the items sampled as the level of sampling would not represent a statistical sample that would be seen to represent all Permits to Work.
- In terms of the Asbestos management plan we have validated existence however cannot comment on the quality of these reports.

The matters raised in this report are only those which came to our attention during the course of our limited quality assurance audit and are not necessarily a comprehensive statement of all the weaknesses that exist or improvements that might be made. We cannot, in practice, examine every activity and procedure, nor can we be a substitute for management's responsibility to maintain adequate controls over all levels of operations and their responsibility to prevent and detect irregularities, including fraud. Accordingly, management should not rely on our report to identify all weaknesses that may exist in the systems and procedures reviewed, or potential instances of fraud that may exist. Findings within this report may have been prepared on the basis of management representations and should be read in the context of the scope of our work.

The Council should assess management actions for their full commercial impact before they are implemented. This report has been prepared by BDO Northland and Wellington for the purpose of, and with a view to access by the Council. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose.

5.5 Internal Audit Strategy – Three Year rolling Pan 2021-2024

Meeting: Risk and Audit Committee
Date of meeting: 24 March 2021
Reporting officer: Emily Thompson (Manager – Democracy and Assurance)

1 Purpose

To present the updated internal audit strategy and the three-year rolling plan for 2021-24.

2 Recommendation

That the Risk and Audit Committee adopts the updated internal audit strategy and three year rolling plan for 2021-24

3 Background

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve Whangarei District Council's operational processes. It helps Council accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

4 Discussion

The plan is an evolution from previous annual rolling plans for our internal audit programme. Due to the cancellation of the March Risk and Audit Committee in 2020, there was no plan which was adopted for the 2020-23 period. The 2021-24 version has been updated using information from the recently created departmental risk registers and discussions with departments.

Internal Audits planned for the next financial year are:

Audit topic	2021-22 Indicative effort (days)	2018 /19 Indicative budget (excl GST)	Year/ Quarter
H&S – permits to work	10	\$15,000	2021-Q1
H&S – PCBU responsibilities	10	\$15,000	2021 – Q3

Privacy of Data	10	\$15,000	2022- Q1
Total	40	\$45,000	-

A focus of internal audit this year will be reviewing key Health and Safety processes. Historically these reviews have been managed by the Health and Safety team who conduct their own internal audit of how processes are working. However, it was decided that this year we should request an external auditor to review the policies and processes for Permits to work and PCBU management to allow for independent review of these important Health and safety activities.

The internal audit of privacy policy and processes was delayed in order to allow for the new breach reporting process to be implemented, with the audit now scheduled for Q1 of 2022. This process has been developed in line with the update to the Privacy Act which came into force in December 2020.

It must be noted that the focus of internal audits may change throughout the year if an area of concern is raised or other factors are identified to change the priority.

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

Internal Audit Strategy – Three year rolling plan 2021-24

Internal Audit Strategy and Three-year Rolling Plan 2021-24

Contribution to Council's Strategies

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve Whangarei District Council's (WDC) operational processes. It helps the Council accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Background

According to Council's Internal Audit Methodology, the Assurance Advisor is responsible to develop and maintain internal audit strategies, plans, initiatives and processes. The Assurance Advisor is also responsible to plan, co-ordinate and report on internal audits and other assurance related activities with support from contracted auditors/expertise where necessary.

Under the Risk Management Framework, the primary way risks are identified, analysed and managed is based around the four types of risks:

Strategic - through governance reports and workshops

Operational - through departmental risk workshops, and planning process.

Compliance - through management processes which identify the applicable requirements defined for example in laws, regulations, contracts, strategies and policies

Health and safety - through governance reports and management of all high-risk hazards identified and recorded in the workplace

Internal Audit Planning Process

The Rolling Internal Audit Strategic Plan has been updated to cover the next three years from 2021 to 2024.

The approach to assessing the internal audit needs of WDC included the following phased risk based approach:

Inputs

Review of key documents including the LTP, previous Audit Committee minutes, previous internal audit reports and prior year external audit management letters; to research the potential auditable areas for the Council, and understand the key strategic outcomes, objectives, issues, opportunities and changes anticipated

Internal Audit Strategy and Three-year Rolling Plan 2021-24

Identifying potential sources of obtaining assurance, e.g. external audit – year end audit and review of LTP, third party certification / review (ACC, IANZ, NZTA)

Risk assessment workshops undertaken with the Council's departmental teams to identify key areas of risk for the council, and reports provided to SLT and Audit & Risk Committee are used to inform Internal audit items.

Process

From the above key inputs, the auditable areas for the Council were identified.

A review of resourcing and available budget indicates that Council currently has the capacity to complete 2-3 audits per annum. This is based on budget constraints and an average of 10 working days per audit and allowing for advisory and consulting activities related to risk management and internal controls

Classifying the audit areas for review as:

Governance audits – where established practice indicates regular oversight and review is required, e.g. legislative compliance, sensitive expenditure;

Core audits – focusing on the core processes and functions within Finance, Human Resources and ICT, e.g. procurement, accounts payable, leave management, network security

Strategic Plan

Prioritising the audits for 2021 based on Council's risk profile, management concerns and internal audit's insights to date.

Outputs

The deliverables from our planning process are the following internal audit plans, which are recommended to WDC management for approval and the Audit and Risk Committee for noting:

- An Internal Audit Work Programme for 2021.
- A 3-Year Rolling Internal Audit Strategic Plan and the Internal Audit Annual Plan for 2021-24 that will be tabled for approval by the Audit and Risk Committee in March 2021.

High level objectives and scopes for each review anticipated are detailed in the 3-Year Rolling Internal Audit Strategic Plan and the Internal Audit Work Programme.

The agreed 3-Year Rolling Internal Audit Strategic Plan allows for flexibility to ensure appropriate coverage and alignment with Council's key risks. Any material changes to the plan will be communicated to the Audit and Risk Committee, as and when required.

Internal Audit's Completed

In line with the previous Internal Audit strategy.

Internal Audit Strategy and Three-year Rolling Plan 2021-24

Task	Completion date	Reported to Audit & Risk Committee
Contact Management Review	May 18	June 18
Giving of Grants Review	Sept 18	Dec 18
Rate process review	Feb 20	June 20
Permits to Work	Feb 21	March 21

Note Health and Safety internal audit programme is managed by the Health and Safety team and is an ongoing programme or work across all areas of the hazards management and health and safety operations. However, in line with good practice and when appropriate, we may include some Health and Safety processes as part of our internal audit programme.

Internal Audit 2021 Work Programme

Through the Internal Audit planning process, an Internal Audit Work Programme for **2021-24** has been developed. This is in line with the budget allocated for Internal Audit in the annual plan.

High level objectives and scopes for the reviews included in the Internal Audit Work Programme have been detailed in Appendix A of this report in the 3-Year Rolling Internal Audit Strategic Plan.

The proposed work programme for the next year (2021 -22) is as follows:

Audit topic	Year/ Quarter
H&S – permits to work	2021-Q1
H&S – PCBU responsibilities	2021 – Q3
Privacy of Data	2022- Q1
Total	-

Internal Audit Strategy and Three-year Rolling Plan 2021-24

In compiling this plan, consideration was given to the management's views relating to anticipated spend for the overall internal audit programme. Further considerations were WDC's overall internal audit needs assessment and plan in relation to how the work is allocated over the three years and how the plan compares to other organisations of a similar nature and size.

The above plan will be delivered by the Assurance Advisor, once in post, with support from contracted auditors/expertise where necessary. Fees have been determined based on the expected mix of contracted auditors and agreed discounted rates through a tender process.

The timing of the audits will be discussed with management on an ongoing basis, and any material change in timing or audit coverage will be communicated to the Audit and Risk Management Committee, as and when required.

Internal Audit Strategy and Three-year Rolling Plan 2021 - 24

Audit Topic	Indicative Scope	Lead BU	Expected Year	Notes
Health and Safety – Permits to work	<p>Review the current permit to work policy relating to High risk activities undertaken by staff.</p> <p>Ensure that the policy is followed and all high risk work is approached with appropriate H&S requirements. Including but not limited to:</p> <ul style="list-style-type: none"> Covering lock out/ tag in Confined space entry Asbestos related work 	People and capability	2021	<p>Work undertaken in Feb 2021.</p> <p>Presented to Risk and Audit committee during the March 2021 meeting</p>
PCBU responsibilities	Health and safety monitoring of high-risk contractors	People and capability	2021	
Privacy of data	Review the retention and management of personal data in line with the privacy act.	Democracy and Assurance	2022	
Delegations	Assess the appropriateness of financial delegations to ensure processes are safeguarded and adherence with policy. Consider inclusion of non-financial delegations.	Finance	2022	
Development Contributions	A review of the process which is being utilised to calculate, charge and collect contributions, including mechanisms used to levy developers. Will also include review of the policy and models used to determine DC contributions including accounting for and applying of proceeds.	Infrastructure Development	2022	Development contributions policy undergoes consultation in line with the LTP, so an audit of this area could occur within the year or two following adoption of new policy.

Internal Audit Strategy and Three-year Rolling Plan 2021 - 24

Audit Topic	Indicative Scope	Lead BU	Expected Year	Notes
Training and development	To determine the effectiveness of staff training and development processes to support the business achieving its objectives. Includes the Council's development of leadership capability.	HR	2023	
Debt management and credit control	Review of the controls in place over recording and collection of revenue, credit control, and debt management.	TBC	2023	
Other operational Audit	Annual review of a key Council operation, to ensure risks are managed and controlled. Scope to include assessing budget control, performance measurement, compliance with resource consents / legislation, monitoring and reporting. 2019/20 = Pools /water treatment plants/sewerage treatment plants or other.	TBC	2023	
Revenue Charges	Assess that Council approved fees and charges are consistently and effectively applied (excludes rates and water charges as reviewed in point 20).	TBC	2024	
Property Leases	Review of rents on Council owned properties including setting the rent, income collection, and renewals.	TBC	2024	

Internal Audit Strategy and Three-year Rolling Plan 2021 - 24

Audit Topic	Indicative Scope	Lead BU	Expected Year	Notes
Management Reporting	Assess the design of performance reports that are submitted to Boards, LT, CE and Finance Committee - to determine the effectiveness of the reports in enabling Council / Officers to carry out its mandate, roles and to inform decision making.	TBC	Future	
Water Billing	Review of the process for recording water usage, processing of invoices and debt collection.	TBC	Future	
Capital Expenditure	Assessing the management, monitoring and reporting of capital expenditure.	TBC	Future	
Recreation and Civic Contributions	Review the process for recording and controlling recreation and civic financial contributions to ensure transactions are accurately and completed recorded and to ensure risks are	TBC	Future	
Asset Management	Review of the condition of asset register and alignment to assets owned and managed by Council.	Asset Managers	Future	Due to current work in this space this audit has been delayed until after AMS project completion.
Forecasting and budgetary control	Review of the processes for forecasting operational and capital expenditure budgets, the budget setting and approval processes and the monthly budgetary control and re-forecasting processes for completeness and accuracy.	TBC	Future	Reviewed by External audit, may be removed from this schedule

Note: COO's have not been included in the scope of this internal audit schedule. Touch points with Council may be reviewed as part of specific audits. Specific exclusions to internal audit schedule are NTA, Landfills/ Northland Waste Ltd, HAPT or other COO's operational processes.

5.6 Health, Safety and Wellbeing Survey for Local Government Results

Meeting: Risk and Audit Committee
Date of meeting: 24 March 2021
Reporting officer: Jenny Antunovich (General Manager People & Capability)

1 Purpose

To present the results of the Health, Safety and Wellbeing Survey for Local Government.

2 Recommendation

That the Committee notes the results of the Health, Safety and Wellbeing Survey for Local Government.

3 Background

In November 2020 Ask Your Team partnered with Equip to conduct an in-depth Health, Safety and Wellbeing survey for Local Government. The survey results are presented for the Committee's information.

4. Discussion

The survey contained 79 questions broken into 7 categories:

- Post Covid-19 Lockdown Workplace
- Psychological Wellbeing
- Workplace Stressors
- Psychological Safety
- Processes and Policies
- Leadership
- Culture.

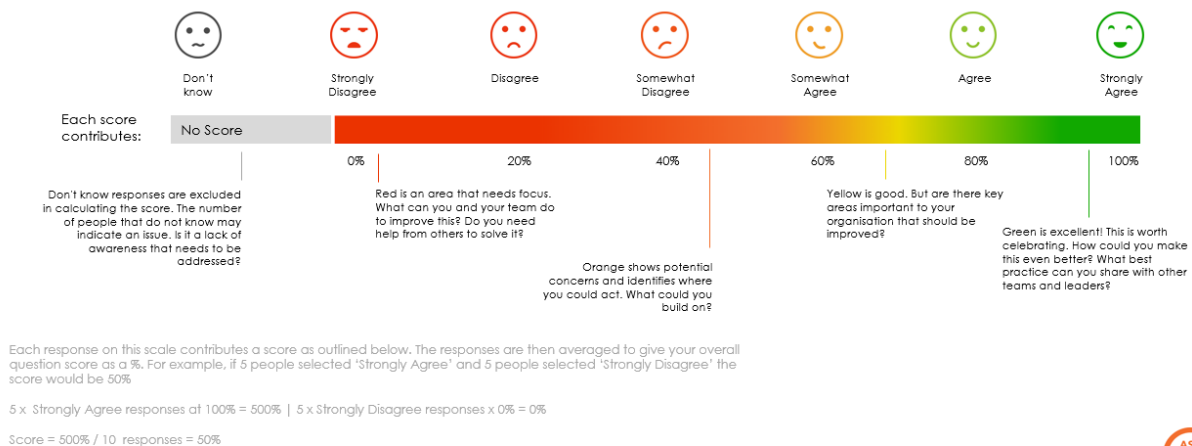
179 (45%) WDC employees completed the survey. WDC overall score was 68%.

When compared with the other 18 Councils who participated in the survey the average participation rate was 42%, the average overall score was 68%. The median participation rate was 44% the median overall score was 69%

The responses are based on a 7 point scale as detailed below.

Understanding your results

How Strongly Agree to Strongly Disagree Likert scale questions are scored



With a 45 % participation rate we can view these results as indicative but not necessarily reflective of WDC's position.

The value of participating in a survey like this is to get some idea of how WDC compares with other similar organisations. Are we doing ok? Are there areas we should be putting more focus?

This graph shows WDC results across the 7 categories and compares them with the results of the other 18 Councils who participated in the survey.

Sector Comparison

Category	Sector wide average score	WDC Score	Difference
Post COVID-19 Lockdown workplace	72%	76%	+4%
Psychological Wellbeing	61%	59%	-2%
Workplace Stressors	71%	71%	-
Psychological Safety	67%	67%	-
Processes and Policies	68%	73%	+5%
Leadership	68%	69%	+1%
Culture	64%	65%	+1%

WDC results were higher than or equal to other participating Councils in 6 of the 7 categories with Processes and Policies scoring 73% to the other participating Councils average of 68%.

The only area we are behind the national average is Psychological Wellbeing where WDC score at 59% was below the 61% of other participating Councils.

WDC 10 highest scoring questions are shown below:

Question	Category	Score
My reporting lines are clear	Workplace Stressors	81%
My manager proactively supported the team's wellbeing during COVID-19 lockdown	COVID-19	80%
I know how to keep myself and others safe and healthy at work	Processes & Policies	80%
I have the skills and knowledge necessary to perform my job competently	Workplace Stressors	80%
I understand my role's responsibilities and know what is expected of me	Workplace Stressors	80%
My manager is prepared to adapt and be flexible to support our organisation successfully transitioning into the next phase of post COVID-19 recovery	COVID-19	79%
Our council continually reviews the effectiveness of our health and safety practices	Processes & Policies	78%
My team works well together	Workplace Stressors	78%
Our council ensures we are involved in identifying health and safety risks in our area	Processes & Policies	77%
Our council's working from home options have improved as a result of COVID-19	COVID-19	77%

There are some areas for celebration here – 5 of the top 10 scoring questions are from the Workplace Stressors category. This indicates we have some sound practices that support our people in their day to day work.

WDC 10 lowest scoring questions are detailed below:

Question	Category	Score
There is good communication in the council about psychological wellbeing	Psychological Wellbeing	58%
We're encouraged to discuss psychological wellbeing	Psychological Wellbeing	57%
The senior leadership team consider psychological wellbeing to be as important as productivity	Psychological Wellbeing	56%
I am confident that our elected officials are aligned in regard to zero tolerance of intimidating behaviour and bullying	Culture	55%
Our council encourages us to think about our social, community, financial, career, personal growth, and wellbeing	Psychological Wellbeing	55%
Elected officials treat staff and each other the way they ask us to treat customers	Culture	53%
Our elected officials genuinely support those who speak up and act against bullying and intimidating behaviour	Culture	52%

Our elected officials model the behaviours they expect of us	Culture	51%
My team has the resources (e.g. people, budget, facilities, equipment) we need to perform our roles well	Workplace Stressors	50%
Elected officials consider psychological wellbeing to be as important as productivity	Psychological Wellbeing	46%

You will note that 5 of the 10 lowest ranked questions relate to elected members. We aren't alone, we understand other councils also had lower scores for elected members. This is an area we need to work on. Resourcing and is also highlighted in the second to lowest scoring questions. This is not unexpected, as staff have borne the brunt of the 2020 budget cuts and subsequent recruitment freeze which were instituted to deal with the COVID19 crisis.

When looking at survey results it is important to make a plan that:

- continues to build on the areas that are going well and
- focuses on some areas for improvement.

Taking small steps is better than doing nothing at all. If we ask for feedback and then don't do anything with it people will stop giving feedback and our opportunity to improve becomes more and more limited.

Understanding the results is the first step. There is an opportunity here for Elected Members to better understand the expectations of the employees. Elected Members may wish to discuss the survey and consider actions.

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.

5.7 Review of Sensitive Expenditure Policy and Reporting

Meeting: Risk and Audit Committee
Date of meeting: 24 March 2021
Reporting officer: Delyse Henwood (Manager – Finance)

1 Purpose

To review proposed amendments to the Sensitive Expenditure Policy.

2 Recommendations

That the Committee

1. Recommends the following amendments to the draft Sensitive Expenditure:
 - a. The reporting of sensitive expenditure of Elected Members and the Strategic Leadership Team to the Risk and Audit Committee.
 - b. A two-step approval process for the Mayor's sensitive expenditure. First approval by the Chair of the Risk and Audit Committee, with the final approval by Council Secretary under their delegated financial authority.

3 Background

Sensitive expenditure is defined as: "any spending by an organisation that could be seen to be given private benefit to staff, additional to the business benefit to the organisation".

Public organisations spend public money. Any spending must meet the required standards to support the maintenance of trust and confidence in the public sector, and to be able to withstand any scrutiny.

Council's Sensitive Expenditure Policy is currently under review to ensure it follows best practice guidelines provided by the Office of the Auditor General (OAG).

The current policy is attached. This will be updated with any changes approved at this meeting.

One of the recommendations included in these guidelines is the reporting of Sensitive Expenditure to support the principle of transparency.

This matter is also an outstanding recommendation in Audit New Zealand's audit report as follows:

Recommendation	First raised	Status
Sensitive expenditure testing We recommended that management remind staff that tax invoices are retained for all credit card expenditure and ensure these are approved on a one-up basis. We further recommend that Council considers implementing processes that require sensitive expenditure to be reported.	2019	Management comment <i>Our sensitive expenditure policy is currently being reviewed. Part of this process will include a recommendation to R&A Committee concerning the reporting of General Manager and Elected Member sensitive expenditure.</i> Ongoing No issues identified during our testing of sensitive expenditure during the audit but we will continue to follow-up and review the updated policy in the 21J audit to ensure alignment with the update sensitive expenditure guidance issued by the OAG (refer section 7).

4 Discussion

The purpose of the Sensitive Expenditure Policy

The purpose of this policy is to:

- Set out clearly the principles, responsibilities, and decision guidelines for sensitive expenditure of WDC Staff and Elected Members.
- Set out clearly defined parameters for sensitive expenditure to help users of the policy determine what is reasonable and appropriate.
- Outline clear approval processes to ensure that sensitive expenditure is assessed, authorised and reviewed consistently for all staff and elected members and that no reciprocal arrangement exist in approval delegations.
- To provide guidance on the issue, use and authorisation of credit cards.
- To provide guidance for the reporting and internal auditing process for sensitive expenditure as incurred by the Mayor, Elected Members and the Strategic Leadership Team (SLT).

Principles-based approach

Council and staff should take a principles-based approach to making sensitive expenditure decisions. Although a principles-based approach requires careful judgement, it is also flexible and more enduring and practical to administer than a large number of rules. The key principles that underpin decision-making about sensitive expenditure include:

- have a justifiable business purpose
- preserve impartiality
- be made with integrity
- be moderate and conservative
- be made transparently
- be made with proper authority.

Transparency and reporting

To increase transparency and adhere to the Office of the Auditor General's good practice guidelines, staff recommend that a summary of sensitive expenditure (applying to Elected Members and the Strategic Leadership Team) be reported to the Risk and Audit Committee every quarter.

Publishing clear and detailed disclosures helps build and maintain the public's trust and confidence.

Types of sensitive expenditure

Historically Council's sensitive expenditure has been minimal. Although the amount of money spent is small compared to Council's total expenditure, improper spend could harm Council reputation and trust.

Due to the inherent judgement required when making sensitive expenditure decisions, the reporting of such expenditure will require a similar level of judgement.

Staff will take a conservative approach when determining which transactions to report, and include more rather than less. The types of expenditure that will be reported will include (but is not limited to):

- travel and accommodation (excluding any expenses reimbursed)
- meals and transport while travelling
- entertainment and hospitality
- credit card transactions (excluding those described below)
- Koru club memberships for frequent travellers
- social club funding
- gifts and donations.

The following types of transactions are proposed to be excluded:

- credit card transactions that do not meet the definition of sensitive expenditure (e.g. software subscriptions to non-NZ companies)
- staff support and welfare expenditure (e.g. farewells and retirements) that are within the limits provided within the sensitive expenditure policy
- elected member allowances set by the Remuneration Authority under the Elected Member Allowances and Recovery of Expenses Policy.

Approval of sensitive expenditure

The OAG guidelines state "it is essential that there should be no reciprocal arrangement for approving sensitive expenditure (that is, with a person approved expenditure having their own expenditure approved by the person whose expenditure they are approving)".

To ensure no reciprocity exists, staff recommend that the Mayor's sensitive expenditure be approved following a two-step process. The first approval should be provided by the Chair of the Risk and Audit Committee, with reference to the principles included within the Sensitive Expenditure Policy, with the second and final approval by Council Secretary under their delegated financial authority. The Mayor's sensitive expenditure has previously been approved by the Chief Executive.

Review of Sensitive Expenditure Policy

The recommendations in this agenda will allow for the Sensitive Expenditure Policy to be updated in order to comply with the OAG guidelines prior to presenting to Council for adoption. Further minor amendments to align Council's Sensitive Expenditure Policy with best practice guidelines will also be made prior to the policy being presented to 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. Sensitive Expenditure presentation – Controller and Auditor-General
2. Current draft Sensitive Expenditure Policy



Sensitive Expenditure





What is sensitive expenditure?

- Sensitive expenditure is defined as:
“any spending by an organisation that could be seen to be giving private benefit to staff, additional to the business benefit to the organisation.”
- Public organisations spend public money – any spending must meet required standards to support the maintenance of trust and confidence in the public sector.

Need for a principles-based approach

- Public organisations should take a principles-based approach to making sensitive expenditure decisions.
- This is more flexible and practical than set rules.
- All decisions:
 - require careful judgement, it is important to be clear when sensitive expenditure is appropriate;
 - should reflect the 'tone from the top' - clear leadership is required.





Applicable principles

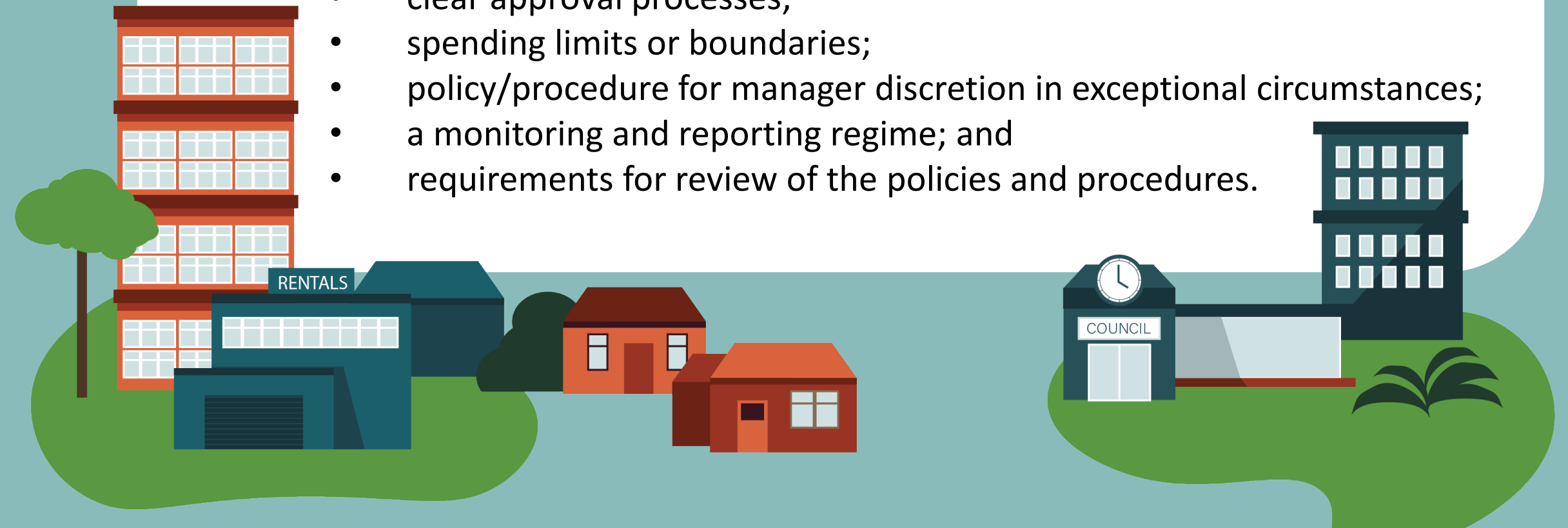
Sensitive expenditure decisions should:

- have a justifiable business purpose that is consistent with the public organisation's objectives;
- preserve impartiality;
- be made with integrity;
- be moderate and conservative, having regard to the circumstances;
- be made transparently; and
- be made with proper authority.

Policies and procedures

Every public organisation needs to have a sensitive expenditure policy that includes:

- clarity on what types of expenditure are and are not allowed;
- clear approval processes;
- spending limits or boundaries;
- policy/procedure for manager discretion in exceptional circumstances;
- a monitoring and reporting regime; and
- requirements for review of the policies and procedures.



Types of sensitive expenditure

Examples of sensitive expenditure include:

- using credit and purchasing cards;
- spending while travelling;
- entertainment and hospitality;
- obtaining, disposing of, or using goods and services;
- Staff support and well-being (e.g. social club funding);
- donations, gifts, and use of ICT resources.



Recurring issues

- A level of expenditure that is, or could be regarded as, extravagant or immoderate for the public sector.
- Expenditure incurred without a justifiable and adequately documented business purpose that has a clear link to the organisation's objectives.
- Poorly defined sensitive expenditure policy and procedures.
- Expenditure that is not adequately substantiated by invoices, receipts, or other relevant documentation to support claims or payments.
- Expenditure that is made before appropriate authority has been obtained.
- Expenditure that is made without proper scrutiny to ensure that it complies with an organisation's policy and procedures.

OAG good practice guide

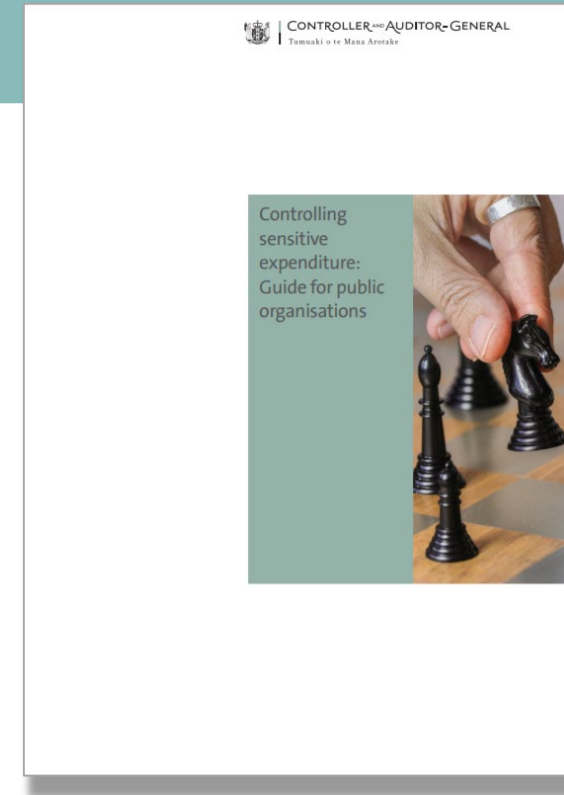
Aims to assist anyone who might deal with sensitive expenditure, including:

- board members, CEs, and managers.

Sets out the:

- basic principles that apply;
- provides a good practice approach to managing sensitive expenditure, through policies and procedures; and
- describes specific types of sensitive expenditure.

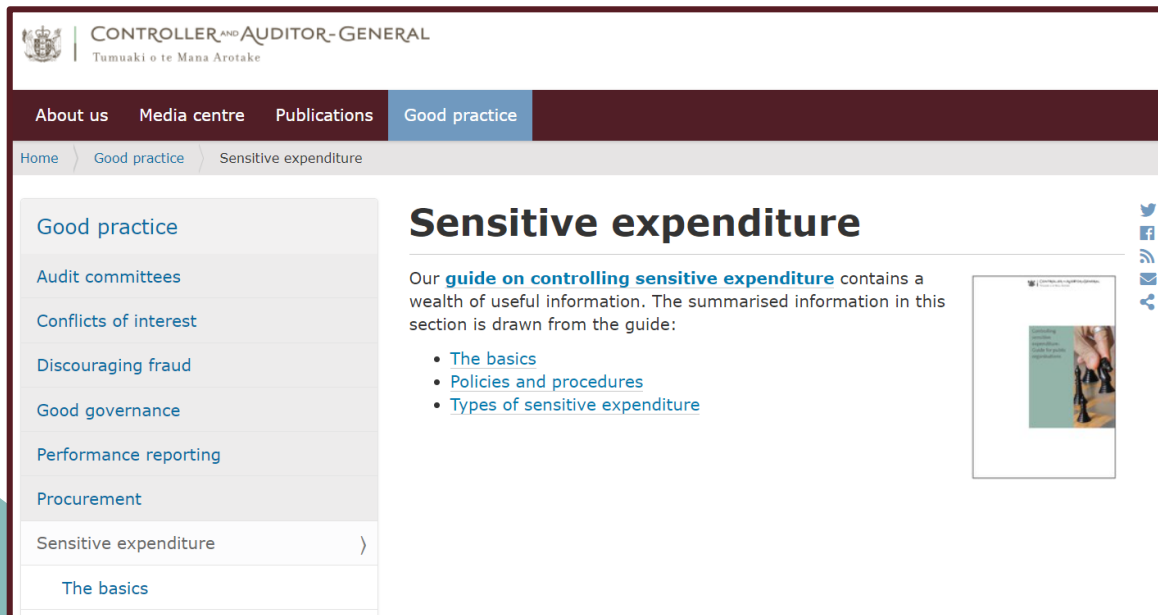
Available at: <https://oag.parliament.nz/2020/sensitive-expenditure>



Further resources

Further resources are available on the Controller and Auditor-General's website (www.oag.parliament.nz), including:

- Summary document of the sensitive expenditure basics.
- *Integrity Town* – which provides an interactive quiz on integrity matters.
- Links to our sensitive expenditure resources.



Whangarei District Council Policy

Sensitive Expenditure Policy

**Policy
#0119**

Policy title			
Audience (Primary)	Internal	Business Owner (Dept)	Alan Adcock
Policy Author	Pieter Labuschagne	Last review date	June 2016

Table of contents

Table of contents	2
Purpose	3
Policy	3
Definitions	12
Related Policies and Documents	13
Adoption	13

Purpose

The purpose of this policy is to:

- Set out clearly the principles and decision guidelines for sensitive expenditure.
- Set out clearly defined parameters for sensitive expenditure.
- Ensure that sensitive expenditure is assessed, authorised and reviewed consistently for all staff and elected members.
- To consolidate existing policies into one place for ease of reference.

Sensitive Expenditure (as defined by the Auditor General) is spending by Council that could be seen to give some benefit to a staff member or elected member or could be considered unusual for Council. Expenditure is **not** normally considered sensitive where it has the following attributes:

- Does not result in a perceived or real private benefit to the individual.
- Would not be an unusual expenditure item for Council.
- Directly aligns with the core business of Council or has a strong link to the business purposes of Council.
- Is not usually a discretionary expenditure item.
- Is not likely to be difficult to justify to the public.
- Does not involve a conflict of interest (legal or ethical).
- Would not be considered an extravagant or immoderate expenditure.

Application

This policy applies to all staff, internal contractors (for services) and elected members of the Whangarei District Council.

Policy

1. Principles applicable to sensitive expenditure

Council is spending public money – it is not the property of staff or elected members to do with as they please. Consequently, all expenditure should be subject to a standard of probity and financial prudence that is to be expected of a local authority and be able to withstand public scrutiny.

These standards apply the principle that expenditure decisions:

- Have a justifiable business purpose.
- Preserve impartiality.
- Are made with integrity.
- Are moderate and conservative, having regard to the circumstances.
- Are made transparently.
- Are appropriate in all respects.

In practice, an authorised staff member will make the decision on, and/or payment for, each item of sensitive expenditure. They will need to exercise careful judgement in accordance with these principles and this policy. This will always be about balance in the particular context. The principles must also be applied as a set as all are equally important.

In the case of expenditure incurred by the Mayor or other elected members (not explicitly approved by Council), this is subject to review by the Chief Executive for compliance with this policy in conjunction with the policy on elected members allowances and recovery of expenses.

2. Deciding when sensitive expenditure is appropriate

The quantity of money spent on an item of sensitive expenditure may be small relative to Council's total expenditure. However, each sensitive expenditure decision is important, because improper expenditure could harm the reputation of, and trust in, Council as well as local authorities in general.

In deciding what appropriate sensitive expenditure is, Council staff and elected members need to take account of both individual transactions and the total amount of sensitive expenditure.

Even when expenditure decisions can be justified at the item level, the combined amount spent on a category of expenditure may be such that, when viewed in total, the entity could be criticised for extravagance and waste.

3. The responsibilities of Group Managers, Chief Executive, the Mayor and Councillors

To be truly effective, this sensitive expenditure policy, procedures and other controls must be embedded in the Council's values, philosophy, practices and business processes. When this occurs everyone at Council becomes involved in the proper and prudent management of sensitive expenditure.

Overall responsibility for this policy rests with the elected members and management. This group must make it clear to staff what is and is not acceptable sensitive expenditure. This group also must model those behaviours to the highest standard.

4. Good controls and judgement

The responsibilities of elected members and management at Council include being accountable for properly and prudently spending the public money under their control. This includes sensitive expenditure and the internal controls that support this.

While the good controls at Council will assist good sensitive expenditure decisions, good judgement will also be required. This is because it is not possible or desirable to attempt to set rules for every possible situation that may arise. In the absence of a specific rule for a given situation, management is expected to exercise good judgement by taking the principles in this policy into account in the context of the given situation.

Elected members and management are required to ensure transparency in both sensitive expenditure and remuneration systems, to avoid any trade-off between the two. Items of expenditure that may not be justified under the principles of this policy should not be included as part of an employee's remuneration for the purposes of avoiding scrutiny against sensitive expenditure principles.

5. General controls for sensitive expenditure

Sensitive expenditure requires the same approval as any other Council expenditure i.e. unless there are valid reasons otherwise, expenditure requires pre-approval by a higher ranked staff member by raising a Purchase Requisition or Credit Card Authorisation.

Approval of sensitive expenditure

Must only be given where the person approving the expenditure is satisfied that a justified business purpose and other principles have been adequately met

To determine the appropriateness/reasonableness of sensitive expenditure the principles in section 1 of this policy must be applied.

In addition the following questions should be considered:

- Does the expenditure support the Council's Vision, Mission and Values?
- Could the expenditure be justified to a stakeholder, e.g. the public?
- Could publicity about the expenditure or occasion adversely affect the Council?

Must be given before the expenditure is incurred, wherever practical

Must be made strictly within their delegated authority in accordance with the delegations register and only where budgetary provision exists

Must be given by a person senior to the person who will benefit or might be perceived to benefit from the expenditure, wherever practical

Elected Members expenses must be submitted within a financial year, minimum quarterly or more frequently if possible and approved in accordance with the elected members allowances and recovery of expenses policy

The Mayor must approve the CE's expenses.

Reimbursement of sensitive expenditure

In certain circumstances expenditure will be made by an employee on behalf of Council e.g. unexpected circumstances when on business-related travel.

All claims must be submitted promptly after the expenditure is incurred. Except in exceptional circumstances this means within one month of the expenditure being incurred.

Sensitive expenditure will only be reimbursed if it is deemed to be reasonable, actual and has been incurred directly in relation to Whangarei District Council business.

Valid original GST compliant invoices/receipts and other supporting documentation must be maintained/submitted for all sensitive expenditure. Credit card statements do not constitute adequate documentation for reimbursement.

All claims must clearly state the business purpose of the expenditure where it is not clear from the supplier documentation supporting the claim.

All claims must document the date, amount, description, and purpose for minor expenditure (<\$20) when receipts are not available.

Wherever possible Council's preferred suppliers are to be used.

6. Issue and operation of Council credit cards

All expenditure charged on the corporate credit card(s) shall be reviewed and approved by management at least one level higher than the card holder.

Using credit cards is not automatically a type of sensitive expenditure. They are, however, a common method of payment for such expenditure. This policy is designed to minimise the risks associated with their use, namely:

- Inappropriate business-related expenditure (in both quantity and type).
- To obtain cash for a business purpose, with subsequent expenditure being poorly documented or justified; and
- For personal benefit, by obtaining cash or paying for personal items.

Eligibility for credit cards:

- The issue of credit cards to the Mayor and Chief Executive is authorised under this policy.
- The Chief Executive may approve the issue of additional cards to staff where that is appropriate. Before authorising the issuing of additional cards the Chief Executive must be satisfied that they are strictly necessary to cover either regular travel or are to be used for administrative efficiencies, e.g. payment of properly authorised purchases from overseas.

In approving the issue of a card the Chief Executive will also confirm the approved credit limit. The credit limit will be set based on the minimum amount necessary to enable the cardholder to undertake their Council duties. The credit card limit for the Mayor shall be set at \$5,000 unless a higher limit can be justified.

Credit card use is monitored monthly by the Group Manager - Support Services. Items will be coded by the card holder for posting in the accounting system. Credit card payments must be authorised like other invoices and in accordance with the delegations register.

On the card holder's termination of employment the card will be returned to the Financial Controller who will arrange with the bank to cancel the card, physically destroy the card and confirm this to the Group Manager - Support Services.

The use of Council credit cards for private expenditure or credit is prohibited except in exceptional circumstances, where prior approval is required. In these rare cases the expenditure is to be fully reimbursed to Council prior to the monthly credit card payment being due.

All credit card transactions must be supported by original documentation to explain and corroborate transactions. The business reason and other parties (if any) must be recorded along with the purpose of the meeting for all entertainment and travel transactions.

Credit cards may not be used for cash advances unless:

- Cash is required in an emergency (usually related to travel on Council business).
- Cash is required for official purposes (in rare circumstances) and there has been express prior approval.
- The unauthorised use or the misuse of a Council credit card is treated as a significant event that will result in formal disciplinary action being taken. For repeat offenders or where the breach of this policy is significantly serious, the card will be automatically cancelled.

In certain circumstances Council credit cards will be used by people other than the cardholder e.g. for the purchase of software licences which can only be made via the internet

- Such transactions require pre-approval using the appropriate form (Trim 15/114792)

Credit card payments over the internet need to reflect good security practice:

- Purchase only from established reputable companies known to Council
- The card holder must print out and keep a copy of the online order form and invoice to support the payment.
- Online purchases must comply with Council's normal purchasing policies and controls.

7. Tipping, travel and accommodation expenditure – principles

Elected members and Council staff may need to incur travel and accommodation costs while conducting Council business elsewhere in New Zealand or overseas. The principles of a justified business purpose, moderate and conservative expenditure, are particularly relevant for travel and accommodation expenditure.

The Travel Policy (Trim: Policy#0119) defines the process to be used and the obligations of staff who are travelling on behalf of Whangarei District Council

8. Entertainment and hospitality expenditure – principles

Entertainment and hospitality can cover a range of items from tea, coffee and biscuits to catering, such as meals and alcohol. It also includes non-catering related items, such as Council funded entry to sporting or cultural events.

Expenditure on entertainment and hospitality is sensitive because of the range of purposes it can serve, the opportunities for private benefit and the wide range of opinions on what is appropriate.

Five business purposes of entertainment and hospitality have been identified.

- building relationships
- representing the organisation
- reciprocity of hospitality where this has a clear business purpose and is within normal bounds – acceptance of hospitality is expected to be consistent with the principles and guidance for provision of hospitality
- recognising significant business achievement
- building revenue

Supporting the Council's internal organisational development may, in occasional circumstances, also be a legitimate business purpose for moderate expenditure.

Given the many non-commercial functions of Council, there will only be limited justification for expenditure under some of the five purposes of entertainment and hospitality above, except in commercial business units.

The principles of a justified business purpose, moderate and conservative expenditure are particularly relevant to Council. Council requires tight control of expenditure and transparent reporting.

9. Entertainment and hospitality expenditure – general

All entertainment and hospitality expenditure must be pre-approved where practical and always supported by clear documentation. This documentation must identify the date, venue, costs, recipients and benefits derived and/or reasons for the event. The most senior person present should approve and confirm the expenditure as being appropriate.

Expenditure on liquor will only be approved when consumed along with food and the amount involved is reasonable and moderate.

10. Goods and services expenditure – disposal of surplus assets

This section covers obtaining, disposing or using goods and services that are not covered by the terms and conditions of employment.

Sale of Surplus Assets – As part of normal business Council will from time to time dispose of assets. Typically this is when the assets have become obsolete, worn out or surplus to requirements. Council's disposals are intended to be both transparent and fair.

Company vehicles provided to the Mayor and staff; the disposal of these vehicles will occur using the same process as the disposal of other Council vehicles. Particular attention will be paid to ensuring the disposal is at arms length and that there can be no suggestion of advantage or personal benefit gained by the staff involved or the Mayor that is not available to the general public at large.

The principles of preserving impartiality and integrity are particularly relevant. Council expects staff disposing of assets not to benefit personally from the disposal. All disposals are to be handled in a manner that ensures the staff's personal judgement or integrity is not compromised.

To ensure transparency, fairness and receipt of best value for Council, the disposal of assets, which have become obsolete, worn out or surplus to requirements, shall normally be conducted on the open market or by way of trade-in on a replacement asset.

Where disposal to officers or elected members is approved by the Chief Executive, the following principles shall apply:

- Officers involved in disposing of the asset shall not benefit from the disposal
- All assets identified for disposal to officers shall be valued and subject to a tender or other process that is appropriate to the value of the asset
- Assets shall not be sold at a discounted rate to officers or elected members if a greater value could be realised by an alternative method of disposal.

11. Goods and services expenditure – loyalty reward scheme benefits and Koru Club

Koru Club is available to the Leadership Team only with the approval of the CE.

Loyalty reward schemes provide a benefit to the customer for continuing to use a particular supplier of goods or services. Generally, the rewards tend to be given in the name of the individual who obtains the goods or service, regardless of who has paid for them.

Where a reward/prize is obtained by chance and without inducement, it may be retained by the individual otherwise it will be the property of Council e.g. a reward is offered to select one supplier over another.

Generally prizes received from a free competition entry obtained while undertaking an entity's business are also considered a loyalty or reward scheme for the purposes of the Council policy with the exception of:

- Air Points schemes
- Prizes received from competitions at training or conference events or through membership of professional bodies are treated as the property of the individual. However where their value exceeds \$75 they are to be disclosed to the manager or supervisor.

In situations where receiving a prize or loyalty reward could be perceived as inappropriate, even if the entity rather than the individual would benefit from it, Council expects the prize or reward to be declined.

The principles of preserving impartiality and integrity are particularly relevant.

Air Points accrued by Staff travelling are considered to be acceptable, however should legislation be introduced that would make them taxable this provision could be withdrawn..

12. Goods and services expenditure – private use of Council assets

Any physical item owned, leased or borrowed by Council is considered an asset for the purpose of this policy. This includes photocopiers, telephones, cell phones, cameras, means of accessing the internet, and stationery.

The principles of transparency, moderate and conservative expenditure, are particularly relevant. Private use for personal purposes will only be permitted in defined limited circumstances.

The costs to Council of private use will be recovered, unless it is impractical or uneconomic to separately identify those costs.

The use of Council assets in any private business that any employee or elected member may operate is strictly prohibited.

13. Goods and services expenditure – Council use of private assets

Council may decide that reimbursing staff for use of private assets is appropriate for reasons such as cost, convenience or availability. Council may also decide to do this in circumstances where it would not fully use an asset of the same type if it acquired it directly. Examples include private motor vehicles, private cell phones and private computers.

The main issue associated with Council's use of private assets is the risk of the Council paying or reimbursing amounts that inappropriately benefit the staff member or elected member. Therefore pre-approval by the Department Manager is required. In assessing the request, the Department Manager will pay particular attention to the principles of a justified business purpose and preserving impartiality and integrity.

Staff members must not approve or administer payments to themselves for the Council's use of their private assets.

14. Goods and services expenditure - Private use of Council suppliers

Elected Members are Trustees of the District. They should not be able to obtain any advantage or personal benefit from their position that a member of the public would not be able to obtain. For this reason Elected Members are not permitted to access Council suppliers through the Council's procurement processes or on the same or similar basis as Council. This is to ensure that they may not receive preferential access to goods and services, and potentially a preferential price, which is not available to the public.

The private use of Council's member procurement processes is not permitted. Council will not enable staff to obtain goods or services from a supplier on the same or similar basis to Council except in the limited way provided before below. If staff had access to some Council suppliers on the same or similar basis as Council, they may receive preferential access to goods or services, and potentially at a preferential price, which is not available to the public. There is a risk that the availability of the discount to staff will influence the choice of Council suppliers. In particular the selection of suppliers must be in Council's interest and is not affected by the availability or possibility of purchasing privileges for staff.

Staff may however make moderate use of any access to goods or services through Council's suppliers only under the approved Council's Staff Purchasing Policy. All transactions are directly with suppliers and on a cash sale basis only. Staff may not use Council purchasing privileges on behalf of any third party. This includes family members or friends.

In rare circumstances a Council order may cover expenditure with a personal component, e.g. travel or accommodation booking. In this case payment to Council for the personal component must be made on the earlier of the confirmation of the cost or the receipt of the invoice from the supplier.

15. Staff support and welfare expenditure – clothing

Other than member uniforms and health and safety-related clothing, staff will not be clothed at the Council's expense, when they are engaged in normal business activity.

Council guidelines on the provision of and subsidy on Council branded clothing are contained in the Council's Staff Purchasing Policy.

16. Staff support and welfare expenditure – care of dependants

The Chief Executive may authorise in exceptional circumstances – such as when the staff member is unexpectedly required to perform additional duties at very short notice, or a dependant unexpectedly requires additional care that the staff member cannot provide because of the essential nature of their duties at the time – the reimbursement of actual and reasonable costs. In all other instances care of dependants is to be treated a personal and private expense of the staff member.

17. Staff support and welfare expenditure – financing Social Club activities

Staff social clubs typically provide the opportunity for staff to have social interaction with both immediate work colleagues and other people in Council with whom they would not normally have contact. Social clubs may also assist staff to gain a better understanding of the wider roles and functions of Council and its business units.

Council may make a prudent and reasonable monetary contribution to a social club(s). The contribution may be in the form of an all-purpose grant towards the club's annual budget, or it may be a grant or subsidy for a specific event.

Before approving a grant to be made, the Chief Executive must be satisfied that there is a justified business purpose for the contributions. This purpose would typically be connected with organisational development and staff welfare.

18. Staff support and welfare expenditure – farewells and retirements

Expenditure on farewells and retirements includes spending on functions/morning tea, contribution to gifts and other items when staff are leaving or retiring from Council or its Business Units.

Expenditure on farewells and retirements should not be extravagant or inappropriate to the occasion. The principle of moderate and conservative expenditure is particularly relevant.

Expenditure on farewells or retirements is to be pre-approved by the Department Manager. The express approval of the Chief Executive is required to step outside the following monetary guidelines.

Years of Service (all staff)	Expenditure allowance
1-5 years	\$100
5+ years	\$300

19. Staff support and welfare expenditure – sponsorship of staff or others

Staff taking part in an activity that is not part of their job – such as a sporting event – would not normally be sponsored by Council through the provision of, or payment for, goods or services (for example, a t-shirt or an entry fee).

Sponsorship should have a justified business purpose, which could include both publicity for the Council and its objectives and organisational development. The cost to Council must be moderate and conservative. If the sponsorship does not have a justified business purpose, the cost is a donation.

In normal circumstances sponsorship will be provided through a social club rather than directly to the staff member.

Sponsorship of people who are not staff must be undertaken in a manner that is transparent. It is also preferable that, if non-staff are sponsored, the sponsorship is of an organisation they belong to, rather than directly of the individual.

20. Other types of expenditure – donations

A donation is a payment (in money or by way of goods or services) made voluntarily and without the expectation of receiving goods or services in return.

Council requires donations to be:

- lawful in all respects
- disclosed in aggregate in the Council's annual report
- made to a recognised organisation by normal commercial means (not to an individual) and not in cash; and non-political.

21. Other types of expenditure – Koha

Koha are unconditional gifts and given with the intention of aroha - kindness, goodwill, support and/or appreciation of the occasion.

Council acknowledges the important practice of koha as a taonga and integral part of Tikanga Maori, under the Treaty of Waitangi.

Any koha given on behalf of Council should be reflective of the occasion and more importantly the prestige of Council in its relations with Tangata Whenua.

If there is a group or collective of Council representatives, only one koha should be given which represents the entire group or organisation.

The amount of koha should reflect the occasion, the mana and prestige of Council representatives in attendance, e.g. if the Mayor, Councillors, or Senior Management are attending a hui, then a koha which is befitting their status should be given. Koha should not be confused with payments for services, i.e. when attending a Marae or function the koha or gift is just that, and for which no receipt is expected. Separate and in addition to koha there may be catering, accommodation and venue hireage costs, for which an invoice is required. These costs are to be confirmed and agreed upon separately with the hosts prior to the event taking place, unless there is a specific request from the host that only a koha be given.

Generally money in the form of a cheque is provided as a koha. In some situations it is appropriate for koha to be in the form of gifts and taonga which is appropriate to the giver or the department being represented e.g. books, or plants may be presented to Tangata Whenua as a koha.

Budget Managers have delegated authority to authorise koha financial contributions from their respective budgets. Iwi Liaison is responsible for the advice and support on this policy.

22. Other types of expenditure – communications technology

Communications technology – such as cell phones, telephones, email and internet access - is widely used in the Council workplace. While some personal use of this technology may be unavoidable, excessive use incurs costs, including lost productivity to Council.

Council's policies on general and personal use of communications equipment is contained within Council's Information Technology policies.

Where it is administratively possible and cost effective Council will require reimbursement of personal use.

23. Other types of expenditure – gifts given

From time to time Council is required to give a gift as a token of recognition or mutual exchange. Typically visits to and from overseas delegations may require the Mayor, Councillors and staff to give gift(s)

Gifts will be selected by the Mayor and/or Councillors, and require the prior approval of the Chief Executive. If the gift exceeds \$50 in value it must be recorded in the Mayor's Gifts Register (Trim reference 15/17653).

Gifts to be given by staff require the prior approval of the Chief Executive, and if exceeding \$50 in value must be recorded in the Gift Register (Trim reference 16/21207).

In each instance, the purchase of an appropriate gift is at the discretion of the Chief Executive.

24. Other types of expenditure – gifts received

The receiving of a gift is not strictly sensitive expenditure however it nevertheless is a sensitive issue. This policy below aims to ensure that staff and elected members' impartiality or integrity can not be called into question as a result of receiving gifts.

- Councillors and staff may not seek prizes or gifts
- Council staff are permitted to accept gifts if they are infrequent and inexpensive and are openly distributed by suppliers and clients. (e.g. pens, badges, calendars etc)
- Infrequent is defined as no more than three times in any 12 month period and inexpensive having a monetary value of less than \$50.
- In all instances staff must inform their Departmental Manager or Chief Executive that they have received a gift for service or appreciation.
- The practice of Departmental "collective distribution" of prizes and gifts at Christmas time is encouraged.
- The Chief Executive shall determine, after consultation with LT, ownership of prizes won by staff where the value exceeds \$50. In determining ownership, the following criteria will apply:
 - The value of the prize or gift
 - The transferability of the item
 - The contribution of the individual in winning the prize or being offered the gift
 - The contribution of Whangarei District Council
 - The usefulness of the item to the individual or Whangarei District Council

Any prizes or gifts offered to a member of the LT are to be discussed and recorded in the minutes of the LT meetings and recorded in the Prizes and Gifts Register.

Gifts that are accepted for any reason must be declared in the Gift Register if they are estimated to be \$50.00 or over in value (Trim 16 /21207)

Any council expenditure where there may be a perceived personal benefit to staff or elected members, or expenditure that could be considered unusual for a council is deemed to be sensitive expenditure

Definitions

Sensitive expenditure - Any council expenditure where there may be a perceived personal benefit to staff or elected members, or expenditure that could be considered unusual for a council is deemed to be sensitive expenditure

Credit card has the normal meaning, but should also be read as applying to vehicle fleet cards, purchase cards, and equivalent cards used to obtain goods and services before payment is made.

Proper and prudent behaviour, in relation to expenditure, includes identifying and managing conflicts of interest (or situations with the potential to be perceived as conflicts of interest); being fair, honest, transparent, circumspect, and careful to avoid undesirable consequences; and being accountable for complying with council controls over expenditure.

Conflicts of interest exist when staff, internal contractors (for services) and elected members duties to the Council could be, or could be perceived to be, affected by some other separate interest or duty. Conflicts of interest can have both legal and ethical dimensions.

Controls are the means to promote, direct, restrain, govern and check on various activities.

Related Policies and Documents

This policy requires adherence to:

The Office of the Auditor General Guidelines on Staff Purchasing Schemes (*Controlling Sensitive Expenditure*);

Travel Policy (TRIM 12/26009);

Elected Members Allowances and Recovery of Expenses Policy (TRIM POLICY 0054);

Staff Purchasing Policy (TRIM 11/80484);

Council's Procurement Policy (TRIM POLICY0086);

Council's Financial Authority Delegations (TRIM 08/5522);

Contracts Procedures Manual (TRIM 08/56928);

Procurement Procedures Manual (TRIM 13/46841);

Fleet Policy (TRIM 10/21359);

Expense Claim form (TRIM 10/55912)

Adoption

This Policy has been approved for adoption by the:

Chief Executive

Date

Policy adopted by Council Resolution on 27 July 2016

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

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

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

General subject of each matter to be considered		Reason for passing this resolution in relation to each matter	Ground(s) under Section 48(1) for passing this resolution
1.1	Confidential Minutes Risk & Audit Committee 9 December 2020	Good reason to withhold information exists under Section 7 Local Government Official Information and Meetings Act 1987	Section 48(1)(a)
1.2	ICT Risks Report March 2021		

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	For the reasons as stated in the previous minutes	
1.2	To prevent the disclosure or use of official information for improper gain or improper advantage	Section 7(2)(j)

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.