

Risk and Audit Committee Agenda

Date: 23 June, 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.

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6. Closure of Meeting

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

Please refer to minutes for resolutions.

Risk and Audit Committee – Terms of Reference

Membership

Chairperson Independent Chair - John Isles

Members Her Worship the Mayor Sheryl Mai

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

Meetings Quarterly

Quorum 7

Purpose

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

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

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

Key responsibilities

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

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

Delegations

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

Item 3.1
Risk and Audit Committee Meeting Minutes

Date: Wednesday, 24 March, 2021
Time: 9:00 a.m.
Location: Council Chamber
 Forum North, Rust Avenue
 Whangarei

In Attendance

 John Isles (Chairperson)
 Her Worship the Mayor Sheryl Mai
 Cr Gavin Benney
 Cr Vince Cocurullo
 Cr Nicholas Connop
 Cr Tricia Cutforth
 Cr Shelley Deeming
 Cr Phil Halse
 Cr Anna Murphy
 Cr Simon Reid

Not in Attendance

 Cr Ken Couper
 Cr Jayne Golightly
 Cr Greg Innes
 Cr Greg Martin
 Cr Carol Peters

Also present

 Carl Wessels (Audit New Zealand)
 Jaimala Singh (Audit New Zealand)
 Adelle Allbon (BDO Whangarei)
 Jaun Heiberg (BDO Whangarei)

Scribe

 C Brindle (Senior Democracy Adviser)

1. Declarations of Interest

Item 5.7 - Sensitive Expenditure Policy

2. Apologies

Crs Ken Couper, Jayne Golightly, Greg Innes, Greg Martin and Carole Peters (absent) and Crs Shelley Deeming and Anna Murphy (late arrival)

Moved By John Isles

Seconded By Cr Phil Halse

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 9 December 2020

Moved By Cr Vince Cocurullo

Seconded By Cr Nicholas Connop

That the minutes of the Risk and Audit Committee meeting held on Wednesday 9 December 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

Cr Murphy joined the meeting at 9.02am following Item 3.1.

4. Decision Reports

There were no decision making reports.

5. Information Reports

5.1 Financial Management Activity Update Report - March 2021

Moved By Cr Vince Cocurullo

Seconded By Her Worship the Mayor

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

Carried

Cr Deeming joined the meeting at 9.04am during discussions on Item 5.1.

Cr Cutforth joined the meeting at 9.07am during discussions on Item 5.1.

5.2 Health and Safety - March 2021

Moved By Cr Vince Cocurullo

Seconded By Cr Shelley Deeming

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

Carried

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

Moved By Her Worship the Mayor

Seconded By Cr Shelley Deeming

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

Carried

Cr Cocurullo left the meeting at 9.49am during discussions on Item 5.3.

5.4 Internal Audit Report - Permits to Work

Moved By Cr Shelley Deeming

Seconded By Cr Tricia Cutforth

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

Carried

Cr Cocurullo re-joined the meeting at 10.05am during discussions on Item 5.4.

Cr Murphy left the meeting at 10.14am during discussions on Item 5.4.

5.5 Internal Audit Strategy - Three year rolling plan 2021-2024

Moved By Cr Shelley Deeming

Seconded By Cr Anna Murphy

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

Carried

Cr Murphy re-joined the meeting at 10.16am during discussions on item 5.5.

5.6 Health, Safety and Wellbeing Survey for Local Government Results

Moved By Cr Nicholas Connop

Seconded By Cr Vince Cocurullo

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

Amendment

Moved By John Isles

Seconded By Cr Phil Halse

That the Committee notes the results of the Health, Safety and Wellbeing Survey for Local Government and workshops this at a future date.

**The amendment was Carried
and subsequently Carried
as the substantive Motion**

5.7 Review of Sensitive Expenditure Policy and Reporting

Moved By Cr Gavin Benney

Seconded By Cr Tricia Cutforth

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.

Carried

Declaration of Interest:

Her Worship declared an interest for Item 5.7 (in relation to Mayor's Sensitive expenditure).

6. Public Excluded Business

Moved By Cr Phil Halse

Seconded By Cr Gavin Benney

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)

Carried

7. Closure of Meeting

The meeting concluded at 11.29am.

Confirmed this 23rd day of June 2021

John Isles (Chairperson)

4.1 Financial Management Activity Update Report – June 2021

Meeting: Risk and Audit Committee
Date of meeting: 23 June 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

Audit NZ have been onsite completing the final audit. Staff have been working with audit to resolve queries as they arise.

2020-21 Annual Report

Whangarei District Council

Audit New Zealand is yet to provide the final Audit Plan, however staff have received suggested dates for the final audit for the 2020-21 Annual Report. These dates indicate that the final audit report will not be provided to Council until mid October. This will result in adoption not occurring until the October Council meeting.

The timely completion of the audit of Whangarei Art Museum Trust (WAMT) is critical to enable the completion and adoption of Council's Annual Report. Audit New Zealand have identified WAMT as a significant component of Whangarei District Council's Annual Report due to the Hundertwasser project. This means that WAMT's financial statements may have a significant and/or material impact on the Group's financial statements.

Council Controlled Organisations

Audit NZ have advised they are facing resource shortages. To manage this shortage Audit NZ in consultation with the Office of the Audit General, have designed a priority framework to ensure the delivery of key priority audits (government and NZX listed entities). Audit NZ have advised their staff are now resourced on a national basis (based on the priority framework) and not on a regional basis.

We have been advised that this priority framework may impact the timing of the audit of our CCOs, and this creates a risk that audits may not be completed within statutory deadlines. Audit NZ have advised we will be informed immediately if this is the case.

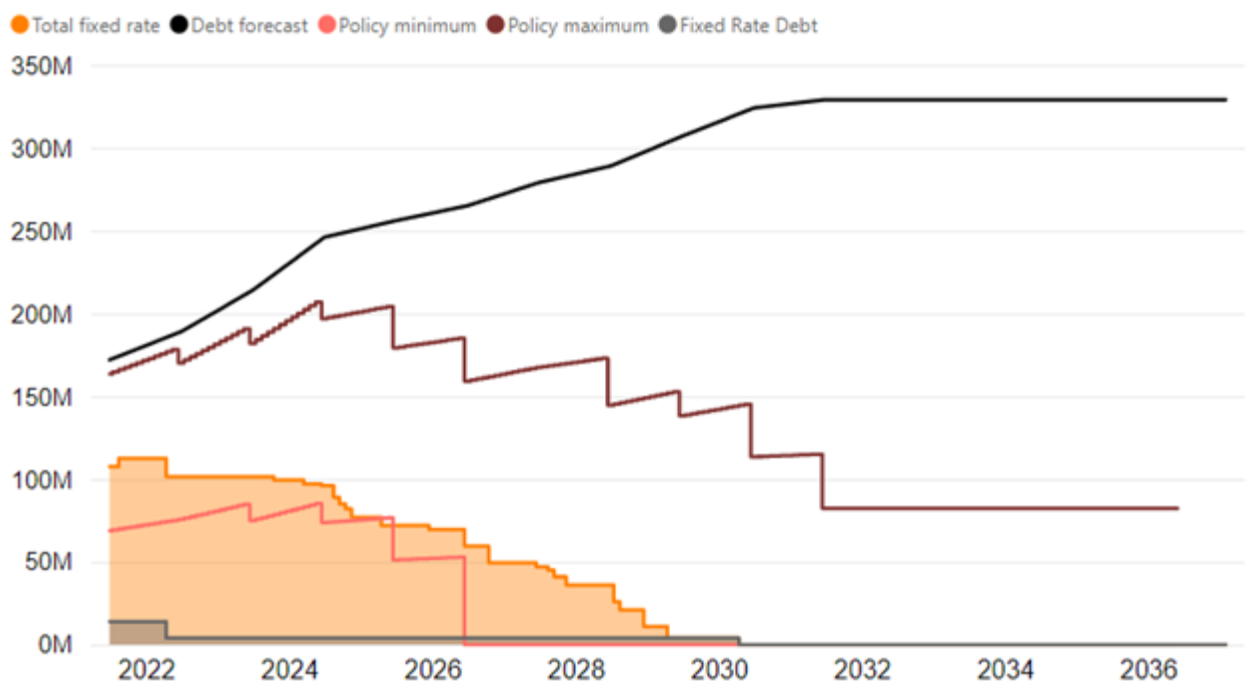
Tax Compliance

Staff recently met with external tax advisors PwC. Discussions involved recent property purchases, private developer agreements, donation deductibility and income tax, GST & FBT compliance, and Inland Revenue areas of focus.

Treasury Risk Management

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

Interest rate risk timeline

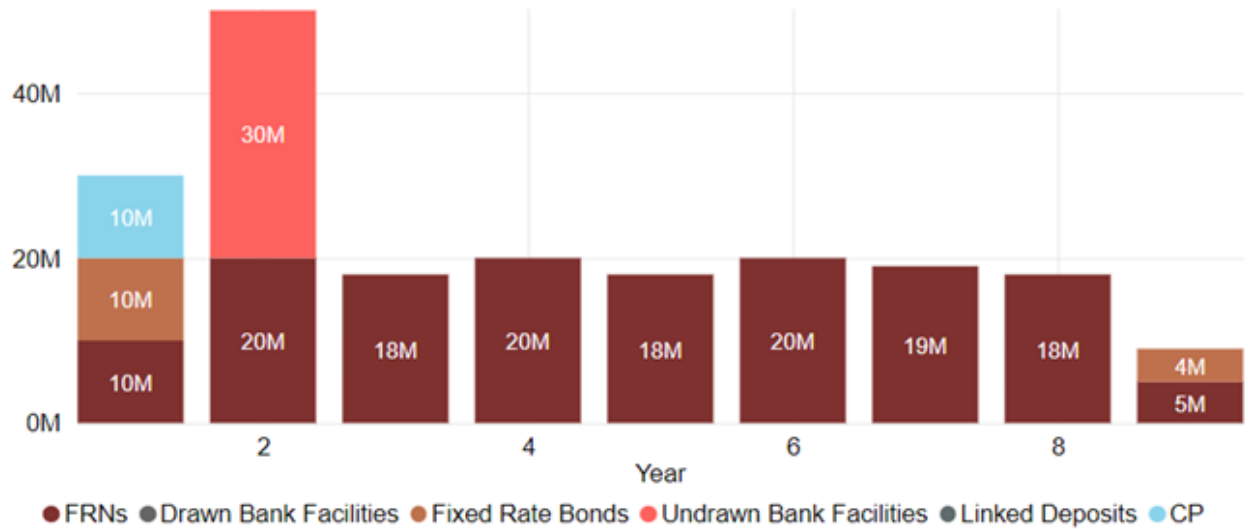


The black Debt forecast line in the above graph is based on management forecasts and has been updated to reflect the draft Long Term Plan 2021-31. This reflects debt forecasts at a point in time and will continue to change. This should therefore be read as indicative only.

The above graph shows that based on our forecast debt position 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.

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

Funding and liquidity risk timeline



\$23m of pre-funding was used to repay debt that matured in May 2021, at which time a further \$20m of new borrowings was drawn down.

4 Significance and engagement

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

4.2 Health and Safety Report June 2021

Meeting: Risk and Audit Committee
Date of meeting: 23 June 2021
Reporting officer: Desarae Williams, Health and Safety Manager

1 Purpose

To inform the Risk and Audit Committee 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 Committee notes the health and safety report.

3 Background

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

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

4 Discussion

Our highest health and safety risks

We have 63 identified generic council wide health and safety risks which are reviewed on a two-yearly rotational basis. We also have 445 (up 10 from last report) department health and safety hazards, which are reviewed on an annual basis.

Critical risks affecting Council employees

Health and safety risk	Activity since last Risk and Audit Committee meeting
Working in and around traffic	Since the last meeting, there have been significant changes made to the traffic management compliance requirements and along with the rest of local government and civil contractors, we are struggling to meet the new requirements. In many cases the new requirements do not yet exist. Councillors need to be aware that new compliance criteria are likely to see a

	<p>significant increase in costs related to roading projects and maintenance and any other jobs where traffic management is required. There are significant changes and increased costs for training, gaining approved traffic management plans and the actual requirements.</p> <p>Contractors have been regularly reporting cars driving aggressively into their civil worksites.</p>
Exposure to unacceptable behaviours	<p>In the last quarter staff reported nine incidents aggressive person encounters and contractors reported 19 incidents.</p> <p>The Library in particular is reporting an increasing number of incidents involving aggression from members of the public behaving in unacceptable manner, including youths who are truant from school and other youth behaving inappropriately in the Library surrounds. A number of trespass orders have been served or are waiting to be served. Library staff report that the readily available CitySafe Officers have been instrumental in helping them cope with this escalating situation.</p> <p>Walton Plaza staff were involved with two separate lockdown events generated by unhappy WINZ clients.</p>
Exposure to hazardous substances	No issues arising since the last report.
Working at height	No issues arising since the last report.
Working while fatigued	No issues arising since the last report.
Exposure to energy sources	No activity to report since last meeting.
Working in confined spaces	No issues arising since the last report.
Work over water	No issues arising since the last report.
Exposure to workplace psychological risks	<p>This quarter we have spent \$1904 (compared to \$880 in the previous quarter) on employee assistance services (EAP) and counselling. While this figure is relatively low, there are some Counselling services offered that are government funded and so costs are not shown or known.</p> <p>One staff member officially reported feeling workplace stress in this quarter, although we are aware of a number of staff receiving EAP assistance, who decline to report these in our systems.</p> <p>Staff receiving external help, universally report how much this is helping them.</p> <p>The amount of time and effort put in by the People and Capability Team, Team Leaders and Managers should also not be underestimated to support employees reporting feeling under stress. Not all stress in these situations is attributed to work, often these involve a personal aspect.</p> <p>A session for Health and Safety Representatives was undertaken on mental health and wellbeing, where several internal programmes were piloted. Another is planned for June.</p>
Work alone	Our high-risk contractors have been sent out our Council minimum risk standard on working alone, in their June monthly update.
Asset failure	No activity to report since last meeting.

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

We had several reported incidents about people impersonating a Freedom Camper Ambassador, one of these situations reported that the person became aggressive with campers and demanded money.

Critical risks affecting Council Contractors

Health and safety risk	Activity since last Risk and Audit Committee meeting
Working around mobile plant and moving machinery	Eight incidents have been reported by contractors relating to moving machinery. Council staff have been asked to remain vigilant when doing health and safety checks out on worksites and question safety activities about this risk.
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	No activity to report since last meeting.

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

While we had identified work under powerlines as a risk primarily to contractors, when it became due for review, it was decided to develop a Council minimum risk standard for this work. During the past few years several incidents have been reported involving close calls under powerlines. A group of suitable experts worked on this, including a representative from a civil contracting company, collating the necessary information required. This will be forwarded out to high risk contractors for discussion and then implemented.

Exposure to unacceptable behaviours - Aggressive person risk

At the last meeting, there was a request for further information on how our very high-risk contractors are dealing with aggressive behaviours, particularly CitySafe and Armourguard. Separate discussions have been held with Council employees who manage these areas to establish what they have in place to protect their workers.

Control	CitySafe	Armourguard
Minimisation - Admin	<ul style="list-style-type: none"> Given clear instruction of policy – stand back and observe, and phone Police. Only physically intervene if someone knocked to the ground and in danger of becoming unconscious. Note - There are some rare occasions that Police have requested City Safe officer hold a person until they arrive. 	<ul style="list-style-type: none"> Policy to try to de-escalate, or retreat and avoid, where practicable. In cases where there are known or suspected highly aggressive people or situations, particularly related to dog control, a Police presence is requested before entering a private property.
	<ul style="list-style-type: none"> Officers encouraged to report incidents that made them feel unsafe.. 	<ul style="list-style-type: none"> Officers encouraged to report incidents that made them feel unsafe.
	<ul style="list-style-type: none"> Officers generally in pairs. 	<ul style="list-style-type: none"> Officers sometimes in pairs, unless high risk situation evaluated.

Minimisation Controls - Training	<ul style="list-style-type: none"> • Training is provided by the company • Specialised training is provided by the Police. • Some recent Council provided awareness training. 	<p>Training is provided by the company.</p> <p>Some recent Council provided awareness training.</p>
PPE Controls	Have a Police radio, with instant access to police comms.	
	Wear a body camera that records conversations when activated	Wear a body camera that records conversations when activated
	Compulsory wearing of a stab proof vest when on duty.	Have stab proof vest available and used in some dog uplift situations – wearing is determined on risk evaluation

The CitySafe officers provide a service, not just to the public, but are also a vital component of managing the safety of employees at the Library and Customer Services at Forum North and to a lesser extent the Hub, at the Town Basin. Our Armourguard Parking Wardens report being heavily reliant on their assistance too. Police are often reported to be slow to attend all our reported incidents, due to resourcing issues or other matters taking priority. They are rarely seen walking about in the CBD, as they used to.

There are increasing reports of youths with unacceptable behaviours in the district. Also, the increased level of the homeless and vehicle dwellers brings extra public aggression concerns. The level of aggression by other members of the public are noted by Armourguard, Animal Control Officers, Noise Compliance Officers and Parking Wardens.

One area we checked into was the level of support and welfare for workers who are involved with volatile and intense incidents. Both companies provide this support, along with care and concern from Council representatives managing their contracts and even on occasion access to the Council Employee Assistance Programme.

Both contracting companies also have regular meetings where health and safety, including any aggressive incidents, new health and safety controls and mitigation measures are discussed.

PCBU overlapping health and safety duties

We have commenced some work on checking and formalising existing health and safety responsibilities where we have or may have overlapping health and safety duties. More work is planned on this for later in the year in relation to Council Controlled Organisations.

Sitewise

The majority of our contractors are SiteWise (a subsidiary of SiteSafe) pre-qualified but some are already prequalified by other agencies. This quarter our average contractor Sitewise score was 85%, up from 84. The national average is currently 74%.

Emergencies

In March of this year, we had a Tsunami warning event. While this had occurred slightly before the previous meeting, the report had been written and submitted. The Risk and Audit Committee can feel reassured we were one of the few organisations who had prepared for this event and while we did have a few learnings, which we have taken on board, overall, we can all be quite proud of how well this went for us as an organisation. While many staff

evacuated to the Whangarei Primary School, there were a number of other staff assembly points, with good communication in place to keep in touch.

Health and Safety Assurance

Health and safety audits

An internal audit of the permit to work system was reported during the last meeting. The committee expressed interest in knowing more details about this. These have been developed into corrective actions, located in the health and safety corrective action register and are reviewed on a monthly basis.

Compliance and legislation

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

However, we have recently had two coroner court findings come to our attention that have a potential impact on Councils. One involved a drowning at Cooper Beach in 2018, where a father drowned while saving his child. The Coroner recommended that Far North District Council (FNDC) should have had a warning sign and life preserver in place. While this is not necessarily *legally* binding to other Councils, it does have far reaching implications. FNDC are still reportedly working through how and if they will manage this, going forward.

A second situation involved a draft coroner court finding related to a drowning at Otuihau (Whangarei Falls). This coroner too made recommendations related to warning signage and life preservers.

As signage is frequently vandalised and life preservers stolen or vandalised, this is potentially a costly exercise if applied to all beaches and waterways where drowning incidents could occur. This is not a situation covered under the Health and Safety at Work Act, nor by any public safety legislation. In addition Council has received a letter from the chief Coroner that confirms this approach is impractical.

Policies reviewed

We have a large number of internal Council health and safety policies, procedures and guidelines, plus associated forms and documents. These are generally reviewed on a two-yearly basis although emergency procedures tend to be reviewed annually.

Policies in particular go through many consultation processes involving; those affected, the Health and Safety Committee, Team Leaders, Department Managers and the Strategic Leadership team. Following the completion of this process, health and safety policies are then approved by the Chief Executive.

In 2021 we have reviewed, updated and re-published the following internal policies;

- H&S Auditing, Monitoring, Planning & Review Policy
- Accident & Incident Management Policy
- Pain & Discomfort Policy
- Asbestos Policy
- First Aid Policy

While most of these needed little change, there had been quite a bit of change in WorkSafe guidance about asbestos, so this needed more work than the others.

Accident Statistics

Lost time injuries have increased, primarily due to a high volume of injuries sustained by Northland Waste Employees.

Injury Type	Employees	Contractor	Public	Volunteers	Elected members	Totals Third Quarter	Totals Second Quarter	Totals First Quarter
WorkSafe NZ Notifiable event	0	0	0	0	0	0	0	1
Lost time injury (injury needing days off)	1	9	0	0	0	10	3	4
Medical treatment Injury (visited doctor or physio)	1	8	0	0	0	9	11	19
Occupational health exposure	2	0	0	0	0	2	0	0
Minor injuries	5	33	1	0	0	39	35	15
Pain and discomfort reports	1	0	0	0	0	1	12	16
Incidents and near misses	28	60	1	0	0	89	126	81

Table 3: Council workplace injuries 1 January – 31 March 2021.

Comparing previous years, it seems mid-year we are tracking in a similar manner to last year, although pain and discomfort reporting is down. Details are shown in table 4 below.

Incident Type	2020-2021 YTD	2019-2020	2018 - 2019	2017 - 2018	2016 - 2017
Injury notifiable to WorkSafe NZ	1	1	0	0	3
Lost Time Injuries	17	15	16	11	11
Medical Treatment Injuries	30	34	40	77	51
Occupational Health Exposure	2	7	4	4	11
Minor Injuries	89	123	125	160	127
Pain and Discomfort	29	71	58	138	109
Incidents	296	347	256	389	283

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

Injuries affecting the public, not in workplaces

Injury Type	Public	
Medical treatment Injury (visited doctor or physio)	4	Three of these involved falls of some kind directly outside of a workplace, where staff provided first aid and in once case had to phone the Police for assistance. One involved a person in a wheelchair who fell out of it as they went down an obscure curb – this was corrected promptly by Roading staff.
Minor injuries	1	A person fell over and was provided with first aid assistance by a staff member.
Incidents and near misses	2	We had two reported incidents about people impersonating freedom camper ambassadors, one of which involved becoming aggressive with campers and demanding money.

Health and safety training undertaken since last report

Internal training	Number of sessions	Attendants	Hours	External training	Attendants	Hours
Fire warden training	3	6	2	Site Safe Passport - Civil	4	16
Hearing conservation Awareness	1	6	3	Construct safe competency assessment	12	24
New Team Leader and Manager H&S Induction	3	16	32	Mental health 101	3	24
Inergen induction	3	4	2	Presentation by Dr Tom Mulholland on well being	Unknown	1 hour duration
How to access the Tech One H&S Contractor database	2	3	1	Construct safe competency testing	11	22
Fire warden training		2	1	Traffic Control training	1	8
Mental Health and Wellbeing	1	18	54	First Aid refresher	5	20
Health and safety induction	2	16	32	First Aid	6	48
				Manual Handling	9	18
<i>Totals</i>	14	58	98		51	180

Table 5: Health and Safety Training undertaken from 1 January – 31 March 2021

Changes to health and safety personnel

Our Council Health and Safety Field Officer, Jeff Foster retired at the end of March and was replaced by Luke Colmer, Health and Safety Adviser.

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.

6 Attachment

Appendix 1 – Corrective Actions from the Permit to Work Audit, 2021.

Appendix 1 – Corrective Actions from the Permit to Work Audit 2021.

Brief description of issue	Agreed Action	Who responsible	Due by	Progress notes or comments	Completed
Sequential permit numbering system and register lacking	Sequential permit numbering system and register to be developed	Desarae Williams	30/06/2021	Sufficient time for printing required as part of this action	
A lack of a place for signatories providing peer checks.	The permit to work form to be altered, with consultation from affected parties	Desarae Williams	30/06/2021	A draft form developed and being trialed. Key users have had explanation about this. Hope to have published by end of June	
A lack of a place for signatories providing peer checks.	Those affected informed of the signatory requirements during follow up training	Desarae Williams	30/08/2021	This is on the training plan. The PTW procedure is also under amendment to cover this aspect.	
Lack of consistency noted amongst permit issuers	Those affected informed of the requirements during follow up training	Desarae Williams	30/08/2021	Procedure initially being amended and training to roll out after this. Trainer identified	
Lack of a decision tree about what work needs a permit to work or not and no means of capturing this.	Develop a means (Keep simple) so that it can be noted somehow and somewhere when there is a decision not to use a permit to work for high risk work. This is to be done in consultation with those affected	Desarae Williams	30/06/2021	Decision tree developed and sent out for consultation. Will be linked to the amended PTW procedure	
Unauthorised individuals are issuing permits to work	Review the current permit authority list. This may need several layers of permission. This will be done in consultation with those affected.	Desarae Williams	30/06/2021	DMs have identified who they want to be permit issuers. Training has commenced on this. The amended procedures also go into requirements in detail.	

The training for permit to work authorities is inconsistent	Establish who has done what training and work out the training gap analysis	Desarae Williams	30/05/2021	This is under development, based on the amended PTW procedures.	27/05/2021
Refresher training for permit issuers has been inconsistent	Identify what the needs are and implement.	Desarae Williams	30/06/2021	This has been identified and added to amended PTW procedures	20/05/2021
Compliance training for staff issuing permits needs to be consistent and the audit showed that it was not.	Review the current compliance training spreadsheet and ensure vital H&S compliance training is arranged	Desarae Williams	30/06/2021	This training and requirements is now showing on the Permit Authority register	3/06/2021
Lack of consistency in permit issuing	Develop a schedule of spot checks	Desarae Williams	30/04/2021	This is now part of the PTW procedure.	20/05/2021
Lack of permit closure noted	To be covered in permit to work training.	Desarae Williams	30/08/2021	This will be included in the upcoming training.	
Lack of consistency about using the permit to work system across departments	To be covered in permit to work training.	Desarae Williams	30/08/2021	This has become a full Council requirement with permit issuers and DMs fully aware of requirements. However, will be helped when all receive internal PTW training. The scope of work for when a permit is required has been reviewed and broadened to include when a permit is and is not required.	

4.3 Audit NZ Draft Interim Audit Report - June 2021

Meeting: Risk and Audit Committee
Date of meeting: 23 June 2021
Reporting officer: Carl Wessels (NZ Audit)
 Emily Thompson (Manager – Democracy and Assurance)

1 Purpose

To present Audit NZ's draft interim audit report of Whangarei District Council for the year ending June 2021.

2 Recommendation

That the Risk and Audit Committee notes the Draft Interim Audit Report issued by Audit NZ for the year ended 30 June 2021

3 Background

Each financial year, Audit NZ performs an audit on the Council's financial statements and supporting processes. This is agreed with management prior to the audit commencement.

Audit NZ issues two Audit Management Reports each financial year, highlighting areas where they have identified Council's processes can be improved. The first report is called an Interim Audit Management Report following their interim audit visit prior to 30 June.

The second (and final) report is issued after conclusion of their final audit after 30 September every year. The final report incorporates the items in the Interim report as well as those items identified in their final audit visit.

Council management receives the draft Audit Management Reports and provides commentary to Audit NZ to clarify matters, provide explanations and address any technical concerns.

Audit NZ considers the comments and adjusts their findings, if needed, before finalising and issuing the Audit Management Reports to Council. The Audit Management Reports are reported to the Risk and Audit Committee.

Council is committed to ensuring that any areas for improvement agreed with Audit NZ are monitored, addressed and implemented.

4 Discussion

The Audit NZ draft interim audit report for the 2019/20 Financial year is attached. At this time management comments have not been collated for inclusion, but 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 Draft Interim Audit Management Report

Report to the Council on the interim audit of

Whangarei District Council

For the year ending 30 June 2021

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Key messages

We have completed our interim audit for the year ending 30 June 2021 for Whangarei District Council (the District Council). This report sets out our findings from the interim audit and draws attention to areas where the District Council is doing well or where we have provided recommendations for improvement.

The main purpose of the interim audit visit was to review and perform testing on the District Council's control environment and internal control systems. Our assessment is for the purpose of planning an effective and efficient audit approach to enable us to express an audit opinion on the District Council's financial statements and performance information.

We continue to encourage management to implement the recommendations from prior year audits. The status of open and closed recommendations from prior years is set out in Appendix 1. We will also follow-up at year-end on the progress made by management to address our recommendations.

The District Council is undertaking revaluations on roading assets, investment properties, pensioner housing and forestry assets for the 2020/21 year. We intend to review the revaluations as part of our final audit.

Thank you

We would like to thank management and staff for their assistance during the interim audit.



Carl Wessels
Appointed Auditor
14 June 2021

1 Recommendations



Our recommendations for improvement and their priority are based on our assessment of how far short current practice is from a standard that is appropriate for the size, nature, and complexity of your business. We use the following priority ratings for our recommendations.

Priority	Explanation
Urgent	<p>Needs to be addressed <i>urgently</i></p> <p>These recommendations relate to a significant deficiency that exposes the District Council to significant risk or for any other reason need to be addressed without delay.</p>
Necessary	<p>Address at the earliest reasonable opportunity, <i>generally within six months</i></p> <p>These recommendations relate to deficiencies that need to be addressed to meet expected standards of best practice. These include any control weakness that could undermine the system of internal control.</p>
Beneficial	<p>Address, <i>generally within six to 12 months</i></p> <p>These recommendations relate to areas where the District Council is falling short of best practice. In our view it is beneficial for management to address these, provided the benefits outweigh the costs.</p>

1.1 New recommendations

The following table summarises our recommendations and their priority.

Recommendation	Reference	Priority
Review access settings for the payroll masterfile to ensure adequate segregation of duties.	2.2.1	Necessary

1.2 Status of previous recommendations

Set out below is a summary of the action taken against previous recommendations. Appendix 1 sets out the status of previous year's recommendations in detail.

Priority	Priority			
	Urgent	Necessary	Beneficial	Total
Open (including matters in progress)	0	4	3	7
Implemented or closed	0	0	1	1
Total	0	4	4	8

2 Assessment of internal control



The Council, with support from management, is responsible for the effective design, implementation, and maintenance of internal controls. Our audit considers the internal control relevant to preparing the financial statements and the service performance information. We review internal controls relevant to the audit to design audit procedures that are appropriate in the circumstances. Our findings related to our normal audit work, and may not include all weaknesses for internal controls relevant to the audit.

2.1 Control environment

The control environment reflects the overall attitudes, awareness and actions of those involved in decision-making in the organisation. It encompasses the attitude towards the development of accounting and performance estimates and its external reporting philosophy, and is the context in which the accounting system and control procedures operate. Management, with the oversight of those charged with governance, need to establish and maintain a culture of honesty and ethical behaviour through implementation of policies, procedures and monitoring controls. This provides the basis to ensure that the other components of internal control can be effective.

We have performed a high-level assessment of the control environment, risk management process, and monitoring of controls relevant to financial and service performance reporting. We considered the overall attitude, awareness, and actions of the Council and management to establish and maintain effective management procedures and internal controls.

We consider that a culture of honesty and ethical behaviour has been created. The elements of the control environment provide an appropriate foundation for other components of internal control.

2.2 Internal controls

Internal controls are the policies and processes that are designed to provide reasonable assurance as to the reliability and accuracy of financial and non-financial reporting. These internal controls are designed, implemented and maintained by the Council and management.

We reviewed the internal controls, in your information systems and related business processes. This included the controls in place for your key financial and non-financial information systems. In addition, we followed up on some of the open recommendations:

The areas where the internal control environment can be improved are reflected in Appendix 1 and below:

2.2.1 Access to the payroll masterfile

We noted that a duly delegated employee reviews any changes made to the employee masterfile data. However, this person also has the ability to edit the masterfile. We understand the person has not and will not make any adjustments to the masterfile without consultation with the Team Leader and the Payroll Coordinator. However, having edit access creates a segregation of duties risk (that is, the potential to review one's own changes).

Recommendation

We recommend that the access settings for the payroll masterfile be reviewed to ensure there are adequate segregation of duties in place.

Management comment

3 Other matters

3.1 Quality and timeliness of information provided for audit



Management is required to provide information for the audit. For our interim audit, the Finance team provided us with the documents and information requested on a timely basis and by the due dates set, with minimal outstanding items by the end of interim audit engagement. This allowed the resourced phase of the audit to proceed efficiently and reduced the level of interruption of the Finance team.

During 2021, Audit New Zealand implemented AuditDashboard, a new client portal. AuditDashboard is an online tool that allows for easier collaboration and file sharing between our teams and for easy tracking of audit document requests.

AuditDashboard will be used during the final audit for the first time. We will liaise with the Finance team and management to ensure this is setup and able to be used effectively for the final audit.

4 Useful publications



Based on our knowledge of the District Council, we have included some publications that the Council and management may find useful. This are in addition to the publications mentioned in our previous years' reports to Council.

Description	Where to find it
Client updates	
<p>As part of our response to the Covid-19 situation, we developed online client updates to replace the in-person sessions that were cancelled.</p> <p>This year's material is accessible via video presentations on our website. You can explore the material at a pace that takes account of your busy schedule.</p> <p>The themes respond to challenges that our clients now face, such as planning for unexpected events or dealing with additional reporting requirements related to Covid-19 and climate change.</p>	<p>On our website under publications and resources.</p> <p>Link: Client updates</p>
Matters arising from the 2018/19 audits	
<p>The OAG has published a report on the results of the 2018/19 audits for the sector.</p>	<p>On the OAG's website under publications.</p> <p>Links: Local Government</p>

Appendix 1: Status of previous recommendations

Open recommendations (including matters in progress)

Recommendation	First raised	Status
Necessary		
Carry forwards We recommend management continue to progress the carry forwards to avoid any decline in service delivery and escalated project costs.	2019	In progress Council's progress on the carry forwards will be assessed during the final audit. We will follow-up and report our findings on this matter in our final report to Council. Management comment – May 2021 <i>Infrastructure project delivery continues to improve with the largest capex spend recorded for the 2021 financial year.</i>
Stormwater, flood protection, solid waste, wastewater, water and parks and recreation We recommend that management carry out a review over the pipe depth information and ensure this is updated and taken into account for the next valuation round.	2019	Open These assets are not scheduled to be revalued during the 2020/21 financial year. We will only be able to follow-up the implementation during the next revaluation (as at 30 June 2022). Management comment – May 2021 <i>Infrastructure assets are due to be revalued at 30 June 2022. Audits comment will be taken into consideration during the revaluation process.</i>
Redundant network user accounts We recommended that a review of user accounts and access rights at network level is carried out to ensure that unused accounts are disabled.	2018	We will follow-up and report our findings on this matter in our final report to Council. Management comment – May 2021

Recommendation	First raised	Status
<p>Sensitive expenditure testing</p> <p>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.</p>	2019	<p>In progress</p> <p>No issues identified during our testing of sensitive expenditure during the interim audit. We noted Council is in process of updating the policy. We will follow-up and review the updated policy at final audit to ensure alignment with the update sensitive expenditure guidance issued by the OAG.</p> <p>Management comment – May 2021</p> <p><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></p>
Beneficial		
<p>Procurement policy</p> <p>We recommended that the District Council considers including the improvements noted to the Procurement Policy to ensure it is in line with best practice.</p>	2019	<p>In progress</p> <p>Management comment – May 2021</p> <p><i>The Procurement Policy and the Procurement Manual will go to Council for sign-off imminently. The reason it has not gone sooner, or when we expected it to was because we wanted to include more on Social Procurement and also consider how the principles of Te Tiriti o Waitangi could be incorporated into how we manage our procurement process.</i></p>
<p>Project management</p> <p>We identified the following areas for improvement.</p> <p>The project management framework was last updated in 2009. This project management framework and guidance should be reviewed:</p> <ul style="list-style-type: none"> there needs to be more clear guidance on what projects are required to be managed by the project management team; 	2018	<p>Open</p> <p>Project scoping recommendation is implemented with requirement to complete the project brief for every project. Audit has sighted an example for the project Recreation and Ecological Linkages – Tracks and Walkways.</p> <p>Hatea Walkway – track upgrade</p> <p>The following areas are pending on client feedback:</p> <ul style="list-style-type: none"> Project Management Framework Review implementation;

Recommendation	First raised	Status
<ul style="list-style-type: none"> the scope of projects need to be more clearly defined so management can ensure the projects have achieved what they set out to achieve; and post implement reviews over projects should be performed, documented and reported. <p>The project management system is currently being maintained on a spreadsheet. To gain efficiency and reduce the likelihood of human error it would be beneficial to improve this project management reporting system to enable better reporting. This system should be integrated with financial management and asset management and could be considered as part of the planned updates to the asset management systems.</p>		<ul style="list-style-type: none"> clearer guidance on what project is required to be managed by the project management team; and whether project management has moved from spreadsheet-based to an improved reporting system (that is, integrated to an upgraded AMS). <p>Management comment – May 2021</p> <p><i>The Asset Management System and GIS System upgrades are not yet complete. Business Improvement functions moved to the ICT department, however resources from that department have not been available to assist with the project management framework review. (Shelley Wharton Manager – Infrastructure Planning & Capital Works Department)</i></p>
<p>Inappropriate set-up of Wastewater Mandatory measure</p> <p>We recommended that the District Council reviews all long term planning (LTP) measures uploaded into their Corporate Performance Module and ensure these are in-line with both the performance framework approved in the 2018-28 LTP and in line with the DIA regulations.</p>	2019	<p>In progress</p> <p>Management comment – May 2021</p> <p><i>This has been assessed through the preparation of the Long-Term Plan 2021-2031 and will be incorporated into our Corporate Management System. This will be reported through the 2021-2022 Annual Report. (Tony Horton, DM Strategy)</i></p>

Implemented or closed recommendations

Recommendation	First raised	Status
Beneficial		
<p>Roading assets</p> <p>We recommend management carry out a condition assessment of its roading assets.</p> <p>We recommended that asset condition data should be incorporated into the asset management system. This will ensure that the assets are consistently and objectively valued.</p>	2019	<p>Closed</p> <p>Although there is some room for improvement, we have not noted any significant concerns during this audit or the 2021/31 LTP audit. This matter is therefore closed.</p>

Appendix 2: Disclosures

Area	Key messages
Our responsibilities in conducting the audit	<p>We carry out this audit on behalf of the Controller and Auditor-General. We are responsible for expressing an independent opinion on the financial statements and performance information. 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 carry out our audit in accordance with the Auditor-General's Auditing Standards. The audit cannot and should not be relied upon to detect every instance of misstatement, fraud, irregularity or inefficiency that are immaterial to your financial statements. The Council and management are responsible for implementing and maintaining 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>To date, in addition to the audit, we have carried out the 2021/31 Long Term Plan audit, which is compatible with those independence requirements. Other than the audit and the LTP engagement, we have no relationship with or interests in the District Council or its subsidiaries.</p>
Fees	<p>The audit fee for the year is \$212,065 (excluding GST and disbursements) as detailed in our Audit Fee Letter.</p> <p>To date, other fees charged in the period are \$130,400 (excluding GST and disbursements) for the 2021/31 Long Term Plan audit.</p>
Other relationships	<p>To date, 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 or its subsidiaries that is significant to the audit.</p> <p>We are not aware of any situations to date where a staff member of Audit New Zealand has accepted a position of employment with the District Council or its subsidiaries during or since the end of the financial year.</p>

AUDIT NEW ZEALAND

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4.4 Internal Audit Action Status Update – June 2021

Meeting: Risk and Audit Committee
Date of meeting: 23 June 2021
Reporting officer: Emily Thompson (Manager – Democracy and Assurance)

1 Purpose

To report the status of outstanding action from the internal Audits conducted within Council.

2 Recommendation

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

3 Background

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

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

4 Discussion

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

There are currently 20 actions on the action summary. The 20 actions include the actions identified in the recent Permit to work internal audit conducted in February 2021. The other actions are from earlier audits, one of these actions has been closed since they were last reported. Attachment one provides a summary of the actions and their status.

5 Significance and engagement

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

6 Attachment

Attachment 1: Internal audit action summary

Audit	Date of Audit	Audit report Reference	Title	Internal Audit Key Finding (summary as detailed in report)	Status	IA Recommendation (Summary as detailed in report)	Management Commitment	Action (extracted from management comment)	Owner	Due date	Update	Status
Revenue	16/11/2018	4.6	Debtor account access – segregation of duties (Revenue)	There are 27 staff with debtor management roles within Tech1, and 3 of these staff have responsibilities that include cash handling. This creates a risk of inappropriate writing-off of customer balances.	Low	We recommend that a monthly review process is put in place, and where possible reduce the number of staff that have debtor management roles within Tech1.	WDC Accept the recommendation The development of a report to review all write off is being investigated.	Develop a report to review all write offs	Revenue (with ICT)	May 19 TBA CiA implementation delayed	Quote received to complete this report. Due to the nature of the work this would have to be completed again following the upgrades to the ICT systems. Management decision made to delay until after the implementation of CiAnywhere.	Open
Revenue	16/11/2018	4.7	Payments received in advance (Code of compliance – Buildings)	There has been an increased focus internally to monitor the balance of revenue received in advance for code of compliance fees. However a degree of long standing balances remain, some dating back to the 1990's.	Low	It is a financial reporting requirement that liabilities are recognised only to the extent there is a likely outflow of economic resources. Therefore it is important the balance is reviewed periodically to identify amounts where there is no longer a reasonable expectation the customer will request inspection. We recommend an exercise is completed periodically to remove old balances, whilst ensuring a record of the write-back is retained should the customer inquire and that legal obligations are met. Consideration of best practice from other Councils is also recommended.	WDC Accept the recommendation There is management support for option (i) as this would meet the requirements of the Building Act. If we record that the consent is essentially open and not completed, then it would be appropriate to write back the money.		Finance Team	4/11/2019 Dec 21	All sundry debtors (including building consent debt) are reviewed monthly. Debtors are contacted if a refund is due.	Open
Procurement Audit	17/05/2018	4.1	Procurement environment	The procurement control environment at the Council can be described as a semi decentralised model, with limited use of centralised controls. There is an inconsistent knowledge base among staff responsible for procurement. We have recommended an immediate requirement for active oversight from Business Support to ensure compliance. There is an opportunity upon updating the procurement policies to redefine roles and responsibilities. We also recommend software is introduced to manage all procurements and contracts as a means of having visibility over procurements in progress, procurements completed and key details of the procurement.	Medium	We understand the Council is currently looking at redefining the roles and responsibilities within the procurement function. As such we have presented our recommendations in two phases – (i) Immediate action under the current environment; and (ii) Opportunities for the future. Immediate action – the status quo · Require oversight by the Business Support department for all procurements greater than \$100,000. We recommend oversight at a minimum includes initial meetings with the procurement leader to determine key features of the procurement plan and if support is required. Also oversight towards the end of the procurement to ensure the filing of procurement process documentation has been completed. · All variations to process should be reviewed by Business Support prior to Group GM and CEO approval. · To support the oversight function in the interim and future, BDO Northland are available to discuss ongoing assurance services to review procurement procedure compliance. We consider there to be value in this process for the Council and would follow a risk based approach. <i>Opportunities for the future</i>	Affirmation of the Strategic Intent for Procurement is required by SLT. This will determine the model going forward, i.e. Centralised or decentralised or a hybrid model. Current resources in Business Support will not be able to achieve oversight of all procurement over \$100,000.00. Business Support will work with People and Capability to socialise the reviewed policy and provide learning and development opportunities for departments as required.	Business Support to confirm strategic intent for Procurement with SLT. Review of Policy to be shared with wider organisation, including if oversight stays with Business Support department.	Business Support Manager	Dec 2019 Dec 2020 Oct- 2021	Procurement Policy 2018 is currently under review and will determine the timeline for future activities. Associated documentation will be reviewed as operational priorities allow. A procurement checklist is currently being developed.	Open

Audit	Date of Audit	Audit report Reference	Title	Internal Audit Key Finding (summary as detailed in report)	Status	IA Recommendation (Summary as detailed in report)	Management Commitment	Action (extracted from management comment)	Owner	Due date	Update	Status
Procurement Audit	17/05/2018	4.2	Policies - Structure and Content	The current suite of procurement policies are overdue for revision. We identified structural limitations with the current procurement manual and provide recommendations to improve usability, remove unnecessary requirements/rules and introduce a risk based procurement framework.	Low	Consideration of a risk based framework should be developed as part of the procurement policies, including a risk assessment matrix. Reference to the risk assessment matrix together with the financial value of the procurement will guide the way procurement is to be undertaken. · The layout of the procurement manual should be revised to allow a clear structure that is user friendly with superfluous information and requirements removed. Of benefit to users would be a clear flow chart that provides a practical tool to guide what type of procurement process is needed for any type of procurement. An unambiguous procurement manual reduces the risk of challenges to the decision-making process and may reduce the cost of procuring. Clear requirements assist in ensuring procurement policy is consistently followed. · The revised procurement policy and manual should be prepared in-house to ensure it is written within the context of how the Council operates and is congruent with the intended users. Internal consultation should occur with relevant stakeholders, including input from various levels of staff. External consultation is also of benefit to ensure the overall objective of effective procurement is achieved.	A risk management framework will be included in the current policy review. The subsequent documentation required for implementation of the new Policy will be completed when the Policy has been approved. This will include a review of the Procurement Manual and the Quote Pack.	Policy to be reviewed and will include a risk management framework. Once policy completed then associated documentation will be reviewed to align. This includes a review of the procurement manual and the quote pack.	Business Support Manager	Dec-2019 Dec-2020 Oct- 2021	Procurement Policy has been updated was adopted by Council in October 2018. Some preliminary work has been undertaken to establish the scope of work required regarding templates provided to the business.	Open
Procurement Audit	17/05/2018	4.4	Conflict of Interest - Implementation	During the testing phase of our review we identified 5 (out of 12) instances where conflict declarations had not been fully completed. We recommend immediate communication to set the expectation that the procurement leader is responsible to ensure conflict declarations are completed as required.	Medium	We recommend the procurement leader is responsible for ensuring conflict of interest declarations are completed by required staff. Communication of this responsibility should be completed by the Business Support department. Consider holding training sessions for staff to reinforce the need for complete and effective conflict of interest checks. As a broader consideration, a procurement checklist could be created to provide a visual, summarised document to work through to assess whether all required aspects of a procurement have been followed. Note – recommendations for conflict of interest compliance should also be read in conjunction with finding 4.3.	The conflict of interest processes will be reiterated in the reviewed procurement manual and training.	Procurement manual and associated documentation to be reviewed including conflict of interest requirements . This will follow the procurement policy review.	Business Support Manager	Dec-2019 Dec-2020 Oct- 2021	Procurement Policy has been updated was adopted by Council in October 2018. A procurement checklist is currently being developed.	Open
Procurement Audit	17/05/2018	4.5	Variation of Procedure - Rationale	The variation to procurement procedure form does not provide guidance about how to consider risks that are created by using the variation. We recommend the form is enhanced to require risk based justification for the variation.	Low	We recommend the 'Variation to Procedure' form is enhanced to specify the requirement to provide supporting documentation (where necessary) and guidance to address risk. Example included in full report (justification for the variation and risks addressed).	The variation to procedure and/or policy form and process will be reviewed as part of the policy review and included in the training.	Procurement policy to be reviewed including variation to procedure requirements and process.	Business Support Manager	Dec-2019 Dec- 2020	The variation process and document has been amended to require the procurement coordinator to be informed of variations and enable reporting to be provided to Council. The template will be reviewed more fully as operational priorities allow.	Open

Audit	Date of Audit	Audit report Reference	Title	Internal Audit Key Finding (summary as detailed in report)	Status	IA Recommendation (Summary as detailed in report)	Management Commitment	Action (extracted from management comment)	Owner	Due date	Update	Status
Procurement Audit	17/05/2018	4.7	Documentation of Procurement	During the testing phase of our review we identified 9 (out of 12) procurements that lacked complete documentation of procedures in Kete. We recommend requirements for documentation are communicated with staff and a checklist is developed to help staff ensure minimum documentation is filed. We also recommend the contract folder for high profile/ high value procurements are given restricted access permissions.	Low	We recommend communication to all staff regarding the requirement and responsibility to file documentation that supports a procurement. A checklist of key documentation needed to be stored on Kete could be developed to allow a simple check of completeness for the procurement leader. We recommend that contract folders of high profile/ high value are given restricted permissions for access. Also refer to our finding at 4.1 with regard to responsibilities within the current 'semi-decentralised' procurement environment at the Council.	Documentation will be reviewed as part of the review of the manual. Flow charts will be included. Business Support will work with People and Capability to socialise the reviewed policy and provide learning and development opportunities for departments as required.	Procurement manual and associated documentation to be reviewed including development of written process (ProMapp). This will follow the procurement policy review.	Business Support Manager	Dec-2019 Dec-2020 Oct- 2021	Procurement Policy has been updated was adopted by Council in October 2018. Associated documentation will be reviewed as operational priorities allow. A procurement checklist is currently being developed.	Open
Giving grants Audit	11/09/2019	4.2	Central Management of Rent Concessions	There is currently some degree of cross over between the Community Funding and the District Development management divisions within Whangarei District Council. The documented policy and guidance appears to be relatively brief for concessions as compared with say the giving of grants. The current environment creates the opportunity for tension between the two departments and perhaps more importantly, creates a risk that controls could be compromised from a wider Council perspective in the event that roles are not clearly defined.	High	That the roles and responsibilities together with the underlying budgets pertaining to rent concessions are workshopped/reviewed. It is important that roles are responsibilities are clear and that all concessions are managed on a consistent basis that is underpinned by robust policy and procedure.	There is work to be done by SLT to approve the adoption of the model proposed by Community Development and this can then be implemented.	Consider and approve consistent approach to rent concessions.	Community Development - Manager	Jul-20	A 3 year moratorium on new rent concessions is now in place as agreed upon in the 2020 Funding Model Review. This will allow time to work through the issues identified.	Open
Giving grants Audit	11/09/2019	4.4	Council Controlled Organisations	Because the funding of CCO's sits within various funding mechanisms the overall funding of CCO's as a group is not as clear/transparent as it could be. By nature CCO's are heavily influenced by WDC and it is difficult to apply a funding process that was essentially designed for independent entities. There is currently a lack of clarity/cohesion surrounding the responsibility for managing the funding arrangements of CCO's.	Medium	An internal WDC paper has been prepared to outline the current funding of CCO's and several options for change are presented. We recommend that this paper is formally reviewed with a planned outcome of making a recommendation to Council as to the best way forward to manage and monitor the funding of CCO's.	Management accept this recommendation.	review the funding model used for CCO's and provide options to Council on the way forward.	Community Development - Manager	Sep-20	The responsibility for management and support of CCOs has been confirmed in the development of the CCO governance framework. Business owners and CCO points of contact have been identified for all CCO's. Specifically WAM funding has been reviewed and a new approach proposed by CD within the 2021 LTP.	Open

Audit	Date of Audit	Audit report Reference	Title	Internal Audit Key Finding (summary as detailed in report)	Status	IA Recommendation (Summary as detailed in report)	Management Commitment	Action (extracted from management comment)	Owner	Due date	Update	Status
Giving grants Audit	11/09/2019	4.6	Rent concession observations and peppercorn leases	Weaknesses in reporting by concession recipients have been identified by management and communicated to them. However to date there has been no financial penalty and the concessions continue. There is some inconsistency in the way in which peppercorn leases are negotiated and there appears to be a lack of formal policy in place.	Opportunity	That there is a clear policy to follow in the event of non-compliant reporting by recipients. We note that this finding should be read in conjunction with 4.2 above. That the impact of the capital grant to the Hihiaua Cultural Centre is formally documented with a conclusion formed as to the ongoing applicability of the rent concession. That a policy specific for peppercorn leases is approved and put into practice. We are aware that some rent concessions and peppercorn leases have an historical origin. It is important however that these are subject to consistent and regular review to ensure the benefit remains fit for purpose and is comparable/fair between similar entities. Also that the recipient is either fully compliant or subject to tangible penalties for non-compliance.	Management accept the recommendation. This will be presented to SLT for adoption and then allocated to departmental managers to action.	Opportunity to ensure fairness in the benefits a organisations receives via grants or rent concessions. Consider and approve consistent approach to rent concessions.	Community Development - Manager	Nov-20	A moratorium is in place on new rent concessions falling under Community Development, allowing time for cross-department issues to be resolved.	Open
Rates Review Process Audit	30/03/2020	4.1	Rates Review Framework	The method of setting rates, the types of rates that can be applied etc, is heavily influenced by legislation. With regard to the process for conducting a rates review however there is limited prescriptive guidance and consequently reasonable scope for Council representatives to decide how best to go about the process. In carrying out our internal audit we sought to obtain the current internal policy and or procedures. We noted there is currently no documented framework for the process of undertaking a rates review at Whangarei District Council.	Opportunity	That an internal procedural document is drafted to outline the process that Whangarei District Council will follow when carrying out a rating review. This should include frequency, methodology, timing/nature of consultation and roles and responsibilities. We anticipate that the procedure would be reviewed at the commencement of each rates review as it is important that it remains fit for purpose.	Management agree with the recommendation in principle, but note that while a procedural document will give guidance to the process, it will not provide a definitive approach in every situation. Each rates review is different depending on the objective of the review, with the timing driven largely by public interest or political cycles. It is therefore impractical to conduct reviews to a per-determined schedule. While there will be some common elements in every review (such as a trigger to conduct a rates review, definition and discussion of options, engagement, submissions, hearings and decisions etc.), the process	Formal documentation to be developed for the next rating review.	Revenue - Manager	Dec-21	No action as yet	Open

Audit	Date of Audit	Audit report Reference	Title	Internal Audit Key Finding (summary as detailed in report)	Status	IA Recommendation (Summary as detailed in report)	Management Commitment	Action (extracted from management comment)	Owner	Due date	Update	Status
Rates Review Process Audit	30/03/2020	4.2	Project management	<p>A project plan was drawn up at the commencement of the most recent rating review. Audit felt that the document was reasonably comprehensive and it proved to be helpful from an audit perspective when comparing the original plan with what transpired in practice.</p> <p>Whilst the intent of the document was sound, from a project management perspective we noted the following aspects that could have been improved upon;</p> <ul style="list-style-type: none"> · There was no evidence of formal approval of the plan. · It was not updated as the project progressed. This made it difficult to measure the outcome of the original objectives that were set. · It was unclear by reviewing the project plan as to whether each of the milestones were achieved/not achieved or whether there were any deviations from the planned events. <p>It is important that there is robust and visible project management around the rating review process.</p>	Medium	That project management is emphasised at the outset of the next rating review. The project plan should be formally agreed and updated throughout the process.	Management note the recommendation. The 2017-2018 rates review project was managed by a contractor (as the Revenue Manager position became vacant), with the General Manager Corporate Services/CFO as project sponsor and did not require formal approval by Council. The project plan was followed until the project became part of the 2018-2028 Long Term Plan project. From this date, the rates review was absorbed into the 2018-2028 Long Term Plan project plan. Management will work to improve the process and in future the project planning documents will track progress through the process	Documentation of process for rates review which can be used for the next round.	Revenue - Manager	Dec-21	No action as yet	open
Permit to work	1/03/2021	4.1	Control of Permit to Work Documentation	<p>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.</p> <p>Reliance on manually derived documentation in lieu of a software solution means that visibility and the ability to report is restricted.</p> <p>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.</p> <p>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.</p> <p>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.</p>	Medium	<p>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.</p> <p>Further to this, the lack of sequential numbering creates an environment where completeness cannot be established.</p> <p>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.</p> <p>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 permit to work has been issued.</p>	Council agree with the recommendation. Staff will look into arranging printed permit to work books, with sequential numbering as a means of providing better review.	Arrange for printed permitted work books with sequential numbering	Manager - Health and Safety	TBC	Update on this action is included in Health and safety risk report presented to Risk and Audit Committee in 23 June meeting	Open

Audit	Date of Audit	Audit report Reference	Title	Internal Audit Key Finding (summary as detailed in report)	Status	IA Recommendation (Summary as detailed in report)	Management Commitment	Action (extracted from management comment)	Owner	Due date	Update	Status
Permit to work	1/03/2021	4.2	Second Signatory	<p>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.</p> <p>Currently the form only provides one space for sign off.</p> <p>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.</p> <p>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.</p> <p>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.</p>	Medium	<p>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.</p> <p>Having a second signatory or evidence of another person reviewing the permit to work adds additional comfort that all risks have been considered.</p> <p>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.</p>	Council agree 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.	review of form prior to creating printed work books as identified in action 4.1, this will include second signatory space.	Manager - Health and Safety	TBC	Update on this action is included in Health and safety risk report presented to Risk and Audit Committee in 23 June meeting	Open
Permit to work	1/03/2021	4.3	Continuity & Consistency when Issuing Permits	<p>During out 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>	Low	<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>	Council accept the recommendation. Staff will review the training arrangement.	Staff to review training arrangements	Manager - Health and Safety	TBC	Update on this action is included in Health and safety risk report presented to Risk and Audit Committee in 23 June meeting	Open

Audit	Date of Audit	Audit report Reference	Title	Internal Audit Key Finding (summary as detailed in report)	Status	IA Recommendation (Summary as detailed in report)	Management Commitment	Action (extracted from management comment)	Owner	Due date	Update	Status
Permit to work	1/03/2021	4.4	Flow Chart/Decision Tree	<p>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.</p> <p>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.</p> <p>To illustrate our point, we note the following examples that employees considered when deciding whether or not to issue a permit to work;</p> <p>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.</p> <p>Venue and Events: The Team Leader had the policy at hand and</p>	Low	<p>Implication: We have observed some inconsistency in practice and take a view that a simple visual tool will further enhance the current process.</p> <p>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.</p> <p>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.</p> <p>The decision tree should be limited to one page with clear stop / start indicators provided.</p>	Council accept the recommendation. Staff are already planning to create and implement a decision tree.	Staff are already planning to create and implement a decision tree.	Manager - Health and Safety	TBC	Update on this action is included in Health and safety risk report presented to Risk and Audit Committee in 23 June meeting	Open
Permit to work	1/03/2021	4.5	Authority to Sign	<p>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.</p> <p>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.</p> <p>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.</p> <p>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</p>	Medium	<p>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.</p> <p>Recommendation: That extra training is provided in regard to who can issue permits to work.</p> <p>We further recommend that the current list of permit authorities is reviewed to ensure that all relevant persons are captured.</p>	Council accept the recommendation. Staff will undertake a review of the current permit list, those trained and who is issuing permits to work.	Staff will undertake a review of the current permit list, those trained and who is issuing permits to work.	Manager - Health and Safety	TBC	Update on this action is included in Health and safety risk report presented to Risk and Audit Committee in 23 June meeting	Open

Audit	Date of Audit	Audit report Reference	Title	Internal Audit Key Finding (summary as detailed in report)	Status	IA Recommendation (Summary as detailed in report)	Management Commitment	Action (extracted from management comment)	Owner	Due date	Update	Status
Permit to work	1/03/2021	4.6	Training of Permit Issuers	<p>Training registers are maintained, and we accessed these as part of this engagement.</p> <p>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.</p> <p>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.</p> <p>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.</p>	Medium	<p>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.</p> <p>Recommendations: That refresher training is provided and undertaken on internal policy and procedure.</p> <p>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).</p>	Council acknowledge 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 out current training database that is currently a work in progress.	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 out current training database that is currently a work in progress.	Manager - Health and Safety	TBC	Update on this action is included in Health and safety risk report presented to Risk and Audit Committee in 23 June meeting	Open
Permit to work	1/03/2021	4.7	Decentralisation of Issuing Permits	<p>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.</p> <p>The following are current examples of decentralisation:</p> <p>Venues & Events Only one permit has been issued from this department in 12 months.</p> <p>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.</p> <p>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.</p> <p>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</p>	Medium	<p>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</p> <p>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.</p> <p>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.</p>	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.	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.	Manager - Health and Safety	TBC	Update on this action is included in Health and safety risk report presented to Risk and Audit Committee in 23 June meeting	Open

Audit	Date of Audit	Audit report Reference	Title	Internal Audit Key Finding (summary as detailed in report)	Status	IA Recommendation (Summary as detailed in report)	Management Commitment	Action (extracted from management comment)	Owner	Due date	Update	Status
Permit to work	1/03/2021	4.8	Permit to Work – Close out (Completion)	<p>It was noted that permits were not signed off as “completed” by the respective issuer.</p> <p>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.</p> <p>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.</p> <p>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.</p>	Low	Recommendations: That a formal process is put in place to record when the permit to work has been formally closed out and completed.	Council acknowledge this recommendation. Regular monitoring and improvements to training (recommendation 4.6) will assist in this too.	Staff will look at a formal close out process for permit to work activities. Regular monitoring and improvements to training (recommendation 4.6) will assist in this too.	Manager - Health and Safety	TBC	Update on this action is included in Health and safety risk report presented to Risk and Audit Committee in 23 June meeting	Open



4.5 Internal Audit for Airport – May 2021

Meeting: Risk and Audit Committee
Date of meeting: 23 June 2021
Reporting officer: Emily Thompson (Manager – Democracy and Assurance)

1 Purpose

To advise the committee of the recent internal audit for the Whangarei District Airport and the report that has been received.

2 Recommendation

That the Risk and Audit committee notes the internal audit report on the Whangarei District Airport.

3 Background

Internal Audits are governance tools used by many organisations. Council related organisations (CCO's and CCTO's) conduct operational internal audits as they consider operationally appropriate. It is not always appropriate or necessary that the results of these audits, via the reports, are shared with Council. When we receive these reports, they are provided to the Risk and Audit committee to note.

4 Discussion

The letter and report in attachment 1 was commissioned by the Whangarei Airport Operations and safety Manager on behalf of the Airport Manager and was shared with Council's Chief Executive in his capacity as Chief Executive of the Whangarei District Airport Authority.

No areas of non compliance were identified and there are no matters outstanding from previous audits.

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 for Airport – May 2021

GRG Consulting

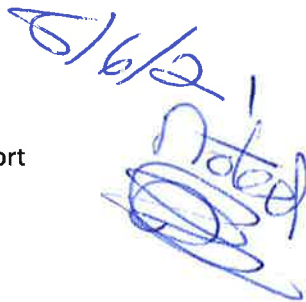
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27 May 2021

Mr Rob Forlong
Whangarei District Airport
P O Box 3226
Onerahi
WHANGAREI



Dear Sir

WHANGAREI DISTRICT AIRPORT – INTERNAL AUDIT

Whangarei Airport is certificated by the Civil Aviation Authority of NZ (CAA) pursuant to civil aviation rules CAR Part 139.

The certification relies on an 'Exposition' that sets out how the airport will be managed to comply with the rules. In the case of Whangarei Airport the Exposition is a suite of 4 volumes.

As part of the airport's Safety Management System, the Exposition provides for a number of internal quality assurance audits including one to be undertaken annually. The responsibility for initiating internal audits sits with the Airport Manager (Vol 1 of the Exposition, p.20 "139.75 Internal Quality Assurance (139.557)"), and requires the Airport Manager to retain quality records, including internal quality assurance audit reports.

This report is the annual internal audit and was commissioned by the Whangarei Airport Operations & Safety Manager on behalf of the Airport Manager.

This letter is to provide you with an internal aviation safety and security audit report in your capacity as Chief Executive of the Whangarei District Airport Authority for the purposes of the civil aviation rules.

Background to the annual Internal Audit

The purpose of the internal audit is to annually review compliance with all systems, plans, procedures, or programmes defined in the Exposition.

The internal audit is independent of the CAA audits.

While not a specific requirement for the internal audit, I have approached this internal audit with some independence from the airport's management. Apart from this engagement, I have no other relationship with Whangarei Airport, or its management.

The audit cannot examine every document or process identified in the Exposition, nor can a guarantee be given that every requirement of the Exposition or the rules has been complied with. The audit has relied upon sampling of the requirements of the Exposition and the information and explanations made available during the course of the audit. Some oversight of compliance with CAR Part 139 has been incorporated in the audit. The Exposition is otherwise relied upon as the means of compliance with the rules.

The last internal audit was undertaken in June 2020. Due to the reduced levels of aviation activity at that time due to Covid-19, and limitations on travel in New Zealand, that audit did not involve any on-site inspection and was conducted by remote interview. There were no areas of non-compliance identified at that time.

Internal Audit

I was assisted in this audit by the Airport Manager Mr Mike Chubb and the Operations and Safety Manager, Bernard Luiten. I have been given access to all of the information sought by me and have had satisfactory explanation from airport management of all questions raised in the course of the audit. The audit included an on-site inspection and interview with both managers on Thursday 27 May 2021.

Although New Zealand's Covid-19 health emergency had a significant impact on aviation from March 2020, Whangarei Airport flight activity has been recovering well and is in the order of 80-90% of pre-covid passenger movements.

The Airport Operating Certificate is current (to 3 May 2023), having been issued by the Civil Aviation Authority on 1 May 2018. I have sighted the CAA 'specifications' relating to the Certificate and all are being complied with.

Exemptions remain in place for –

- (i) Rule 139.103(b)(3) requiring real-time surface condition reporting until 5 Nov 2022 (exemption dated 31 October 2020);
- (ii) Rule 139 Appendix C.2.2 concerning the runway strip width until 3 May 2023 (exemption dated 11 Dec 2018) together with a corresponding exemption ISSUED to Air Nelson as the affected operator of Q300 aircraft (expiring 31 December 2022).

Both exemptions are being monitored in the airport's bring-up system (part of "IRIS"). The runway condition reporting exemption is consistent with exemptions that have been issued to all New Zealand CAR Part 139 certificate holders.

The Airport is operated as an Aerodrome Reference Code 2C airport.

Senior Persons (as defined and required by the rule) are current as per the Exposition.

No areas of non-compliance were identified.

It was noted that although there is no formal agreement between the Airport and Airways Corporation of NZ for the infrastructure services that they provide (PAPI, standby generator, etc), there is evidence of a good working relationship, compliance and responsiveness to ensuring delivery. (This situation is not uncommon for other "uncontrolled airports").

Access of vehicles to the operational area continues to be well managed with records of driver training and approvals in place.

The level of aircraft movements (549 in last 3-month period) has been reviewed by management. Prior to Covid-19 the numbers (687) were starting to approach the criteria that triggers the need for a rescue fire service category (700 movements), and some planning has been done to anticipate that arising when the current recovery again approaches that level of activity.

Monthly reporting of aircraft movements to the Civil Aviation Authority is being carried out.

The Safety Management System (SMS) required CAR 100.3 and CAR 139.75 is now implemented. The audit of SMS by the CAA in November 2019 found that additional more regular internal audits (over and above the annual audit) were required. Those audit provisions are now in place and the CAA audit is closed. The next stage of the SMS Implementation Plan (delivering evidence that SMS indicators are effective and achieving the desired outcome) is being addressed by management.

Incident reporting appears current. With data accumulating since 2018, there is evidence of active review and initiation of system changes where trends occur.

Processes for issuing NOTAMs and publishing aeronautical data for users are active. The Aviation Information Publication (AIP) is up to date and reflecting the airport conditions.

The online "Safe As" training module is actively used for security awareness training and bring-up is in place for review training.

The Emergency Plan has been reviewed and has been exercised in accordance with the Exposition – the last exercise was a table-top exercise based on an aircraft emergency landing in the harbour after takeoff.

There is evidence of the Safety Management Committee and the Users Group both being convened and being actively involved in the wider users of the airport.

Attached as 'Appendix A' is tabulated detail of areas that were subject to attention during the audit.

Summary

There are no matters outstanding from previous audit reports.

No issues of non-compliance were observed.

SMS is being embraced and progressing towards the next stage of maturity.

I wish to thank Mr Chubb and Mr Luiten for their co-operation and ready access to all material required for the audit.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'G. Goodman', with a horizontal line underneath.

Garry Goodman
Principal

Cc Mr Mike Chubb, Airport Manager
Cc Bernard Luiten, Operations & Safety Manager

APPENDIX "A"

Whangarei Airport – Internal Audit May 2021

The following are areas that were subject to attention during the audit:

[a] Exposition Vol1 Standards & Ops

Area of focus	Observation
139.75(b) Record and report on all Non-Compliance (Occurrence). Ensure that the corrective actions are taken and evidence that the corrective actions have been effective in restoring the facility or service to its required performance level.	Sighted data in system going back to 2018 (304 report records). Sighted follow through of recent report resulting investigation and a Part 12 report to CAA.
139.75(f) Carry out a six-monthly analysis of non-compliances to detect and rectify any adverse trends, or recurring deficiencies in any facility or service.	Sighted evidence of analysis and trends being sought. Procedure is in DropBox. Analysis by hazard types, and area. Shared with User Group and Airport Manager. Identifying causes.
139.75(a) All airport personnel who detect a non-complying condition in any aerodrome facility or service shall immediately report it to APM using the safety system (IRIS)	Sighted reporting and range of personnel engaging. One system for all incidents.
139.77 (2) Senior Personnel: (i) Mr Rob Forlong (ii) Mr M B Chubb (iii) Mr Bernard Luiten	Confirmed all unchanged from Exposition and current.
139.77(4) Organisation structure	Discussed multiple organisation charts in documents, and suggested consistency.
139.77 (6) Exemptions Note exemption Rule 139.103(b)(3) requiring real-time surface condition reporting and Rule 139 Appendix C.2.2 concerning the runway strip width.	Expiry 'Bring-up' sighted in IRIS and CAA documents sighted (Rwy Cond'n Reports dated 31 Oct 2020 expiring 5 Nov 2022; & Strip width issued 11 Dec 2018 expiring 3 May 2023). Air Nelson exemption dated 8 Dec 2017 expiring 31 Dec 2022.
139.77 (8) Rescue and Firefighting. 700movement/3mth threshold	Current 3 months is at 549 and pre-covid was 687.
139.77 (12A) Collection and Reporting of Traffic Movement Data.	Quarterly data going to CAA sighted including VFR adjustment.
39.77 (11) Notification of Aerodrome Data and Information	Sighted recent NOTAM issued. No problems for management as 'originators'. Checked currency of AIP and no problems as Originator.
139.77 (13) Aerodrome Maintenance Programme	Discussed scheduled maintenance in system. Example of windsock maintenance in 2020 followed through.
139.77 (14) Visual aids for Navigation	Identified arrangements with Airways & confidence with responsiveness.

139.77 (17) Aerodrome Inspection Programme.	Sighted evidence of Programme and inspections carried out and sample of remedial action being created and followed through.
Procedures for operation of vehicles on the Movement Area.	Sighted evidence of signed off driving rules (by drivers being authorised)
Security Contingency: WDA shall supply sufficient partitions and screens to reconfigure the terminal	Plan to create timber framing and covering when required. Will consider whole of terminal to be sterile if necessary. 15 Dec 2018 contingency plan in place.
Emergency lights (and standby generator) are stowed at the Airport in hangar and kept charged. Each month they are inspected and tested for function as part of the usual airport inspection checks.	Sighted emergency lighting and battery packs – in charged condition. Inspection checks in place.
Rule 139-205 (c) requires that every person who is employed, engaged, or contracted by the certificate holder has the appropriate level of security awareness applicable to the person's function; (Airport manager will also manually check the dates as part of the Annual planning schedule.	Confirmed these are up to date and using 'SafeAs' module for training and qualification.
139.77 (22) Control of Exposition	Understand that all 4 volumes are up to date with holders and the CAA
Airport Reference Code	Confirmed Ref Code 2C
On-site inspection of Paint marking	Red equipment limit line satisfactory but faint. Other markings observed as OK. New paint marking equipment in-house enabling progressive repainting programme.
On-site inspection of Security fencing/gates in vicinity of terminal	Immediate area of terminal well controlled with higher fences topped by barbed wire. CAA operational area signage evident. New autogate. Includes signage re drones within 4km.
On-site inspection of Visual check of OLS	Checked obvious potential penetrations. Found all OK. Trees southern side of 24 end are 1:7.5 (1:7 required); Trees west side of Grass32 are 1:5.7 (1:5 required); Trees southern side of 06 are 1:8.8 (1:7 required)
On-site inspection of Signage on operational area incl illuminated hold	Signage is well-maintained. Illuminated hold sign in place. Taxiways signed.
On-site inspection of Pavement condition – incl visual of surface friction	No problems identified in pavement (some depression on stands where wheels park aggravated by oil spills to be followed up). No loose material. No rubber buildup on runway.

On-site inspection of Wind socks	All present and appeared in good condition.
On-site inspection of Passenger access control and supervision	Observed arrival and departure processes for 'full' Q300 flight. All good control and use of guidance to/from the aircraft. Auto doors working well.
On-site inspection of Perimeter safety fencing and access control	Safety fencing in place; gates closed; CAA signage evident; Some private property fences not animal proof (but aircraft hangered on property so owner aware of safety issues – no animal problem incidents)
Identify any changes in operational area layout since last audit	New hangars sighted and discussed. New auto gate by terminal includes a pedestrian width stop by user code.

[b] Exposition Vol2 Airport Emergency Plan

Document content	Response sought
Review of Vol 2	Updated Plan sighted (last update 9 July 2020)
Working on mud - The airport will purchase a supply of pallets to be kept on the field.	Discussed – outcome of exercise is prompting purchase of crates and reviewing role of small boats.
From Vol 1: d) The plan is exercised yearly with full staff involvement and oversight. e) The plan is reviewed at no longer than two yearly intervals.	Tabletop exercise held 24 Feb 2021 – based on aircraft ditching in harbor.
Appendix J Emergency Numbers	Discussed comfort with currency of the Appendix. Last updated July 2020.
Isolated aircraft designated position	Management were able to describe and are ready to use if required.

[c] Exposition Vol3 Lighting Manual

Document content	Response sought
Phone contacts list	Discussed comfort with currency of the List
Any bump from mowers (or anything at all) must be reported immediately and a NOTAM issued notifying pilots that the PAPI lights at relevant runway end is out of service.	No incidents reported. Air NZ finger problems with PAL – over-ride button being installed to enable ground staff to start lights and alter PAPI intensity.
Inspections	Discussed relationship with Airways for maintenance and follow-up.

[d] Exposition Vol4 Safety Management Manual

Document content	Response sought
CAA approved SMS Implementation Plan	Discussed
Safety Management System audited by CAA and certified as Present and Suitable.	Complete and discussed next phases for development
Evidence that all implementation indicators are in use and an output is being produced.	Discuss progress and indicators being monitored
Each month review progress - Documented reports and notes supplied monthly to WDC	Being undertaken
Monthly bird numbers are below last years.	OK. CAA bird report analysis being received. Status is 'Low and constant' (Last year was 'Low and Declining')
DOC approval to disturb and kill protected species	Advised this is in place and current.
Method of Works Plan for contract works on airport	Sighted two recently issued (one for hangars; other for terminal roof).
Safety Management Committee meets approximately every eight weeks	Last minutes Feb '21; Apr '21; (including attendance) sighted. Next scheduled for 29 Jul '21.
User Group - three operator (User Group) meetings every year	Discussed – active.
A register of Aviation Hazards is kept on IRIS.	Sighted hazard list
Each year we will analyse how Risk factor of each of the Airports hazards is tracking by completing the same audit, analysing occurrence data and assessing the implementation of existing controls	Samples of graphing of data for trends sighted.
Programmed audits are conducted and include detailed checks of specific areas	Discussed overview and actions to address root causes where identified.

[e] Follow up from previous audits

Document content	Response sought
Internal Audit Report 17 June 2020.	No issues of non-compliance nothing to follow up from this or previous report
Last CAA Audit.	Finding from SMS audit re programme of internal audits (Element 10) discussed and actioned. Corrective action plan closed.

4.6 Risk Report June 2021

Meeting: Risk and Audit Committee
Date of meeting: 23 June 2021
Reporting officer: Joanne Tasker (Assurance Coordinator)

1 Purpose

To provide an overview to the Committee of the current risks across the organisation.

2 Recommendation

That the Risk and Audit Committee notes the risk report.

3 Background

Council's risk management framework details how departments record and manage their risks. While risk management is a subjective activity the framework provides some consistency on the use of ratings identified for risks.

Currently Council is seeking a Risk Management Adviser who will support departments to identify risks and recognise any controls they have in place, or intend to put in place, around these risks. This will fill the vacancy left by the Senior Assurance Coordinator Role.

The Assurance Coordinator has pulled together all the risk information for this risk report. This report includes a matrix demonstrating the spread of risks across Council, of which there are currently 363. The report also includes the critical risks that affect various departments, Council's focus areas to minimize future operational risk, and the strategic risks that affect Council as a whole. Also included is the highest-level risks identified by the Northland Transport Alliance on their risk register.

4 Discussion

Risks are given a rating based on the likelihood of the risk occurring and the impact if the risk were to occur. Based on this, risks are categorised as either low, medium, high, or critical

This is demonstrated on the below table:

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

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. June 2021 Council Risk Overview

June 2021 – Council Risk Overview

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

1. Risk matrix which shows the spread of risks across the organisation.
2. The current critical risks (those shown in red on the risk matrix)
3. Focus areas to minimize future operational risk
4. The current strategic risks i.e. risks that effect Council as a whole.
5. Northland Transport Alliance highest level risks.

1. Risk Matrix

The risk matrix shows the spread of risks across the organisation. It reflects the residual risk to council after considering the current controls that are in place.

Key	Low	Medium	High	Critical
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Table one:

Residual risk spread of current Council risks (June 2021) (Total 363)

Impact	Catastrophic	0	1	1	0	0
	Major	8	5	4	3	2
	Moderate	18	40	64	17	2
	Minor	17	47	71	19	9
	Insignificant	8	19	4	4	0
		Rare	Unlikely	Possible	Likely	Almost Certain
Likelihood						

Summary	95	133	122	13
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Table two:**Residual risk spread of current Council risks (March 2021) (Total 398)**

Impact	Catastrophic	1	1	1	0	0
	Major	8	7	4	5	2
	Moderate	25	45	61	19	4
	Minor	20	54	78	20	10
	Insignificant	7	16	5	4	1
		Rare	Unlikely	Possible	Likely	Almost Certain
Likelihood						

Table three:**Residual risk spread of current Council risks (December 2020) (Total 424)**

Note: there was a change in risk categorisation following the adoption of new Risk Management Framework by Council in October 2020.

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

Table four:
Residual risk spread of current Council risks (September 2020). (Total 380)

Impact	Catastrophic	1	0	1	1	0
	Major	5	5	9	4	3
	Moderate	25	46	58	22	3
	Minor	17	50	72	20	8
	Insignificant	7	17	3	3	0
		Rare	Unlikely	Possible	Likely	Almost Certain
Likelihood						

Please note that the health and safety risks are managed via a database portal and reported separately to the Risk and Audit Committee. Similarly, ICT risks are not reported on in detail in this report as the Committee regularly receives an ICT Update Report. ICT risks are discussed under the 'data and systems' strategic risk.

2. Current Critical Risks

Department managers have been asked to review the appropriateness of their current critical risks and provide an updated commentary on their future treatment plan. The table below has been developed from this feedback. This table does not include strategic risks that have been identified as affecting multiple departments. Those are reported separately in table 6.

Table five: Council's current critical risks

Department	Risk description	Current Controls – What we are already doing about it	Likelihood rating	Impact rating	Future treatment – What we plan to do
Building Control	<i>Swimming pool inspections</i> – lack of resource available in the team to complete formal swimming pool inspections/ audits. Statutory requirements may not be being met under the Building Act.	A Building Inspection staff member is being seconded into the Compliance team as assistance to inspect pools (April - May 2021). From May 2021 temporary staff hired (previously trained and competent) to assist with inspections for a 6-month period at 20 hrs per week. Temporary administration staff support completes in June 2021. Workloads being controlled on a weekly basis by Team Leader.	Almost certain	Moderate	Workloads being controlled on a weekly basis by Team Leader. From May 2021 we have hired temporary staff to assist with inspections and getting up to date for a 6-month period. This is not a long-term solution. Building Inspection staff being seconded into the Compliance team as assistance (April 2021 - period to be decided).
Building Control	<i>Building Act 2004 not keeping pace with Modern Methods of Construction (MMC)</i> – Use of MMC in Whangarei raises concerns	Council is working with other organisations to understand how MMC consent requests are dealt with.	Likely	Major	There is legislation proposed to update the MMC area of the Building Act, which will lead to licensed practitioners and manufactures. This is due 2 nd /3 rd

Department	Risk description	Current Controls – What we are already doing about it	Likelihood rating	Impact rating	Future treatment – What we plan to do
	about processing, inspection, liabilities etc.				quarter of 2021. Internal process and procedure to be updated once enacted, including web page information etc.
Building Control	<i>Processing delays</i> – lack of recourses in the building consents department, processing work has been outsourced to assist with the demand.	Daily monitoring of the list of consents that have been sent to processing prior to planning assessment. Close communication with contractor who is providing the consents to the customer.	Almost certain	Moderate	New contract being sought with contractors, and a panel of contractors to be the outcome. The purpose of this is to be able to spread the load around contractors to assist our efforts as there is increased demand country-wide and even an individual contractor struggles to meet our excess demand.
Building Control	<i>Wrong decision or approval made</i> – Building control issue around 1400 building consents p.a. and a similar number of Code Compliance Certificates. These if issued erroneously can lead to litigation.	Competency assessment of staff is undertaken annually (at least). Training keeps staff up to date with the industry. Work is categorised into levels of complexity. Allocation of work is closely monitored. Contractors may be used. Regular audits of practices.	Possible	Major	Monthly reporting, covering: <ul style="list-style-type: none"> - Numbers of staff to work levels/ establishment (how quickly do we fill vacancies) - Days to process applications – customer and statutory. Inspections per officer per month averages - Volume of work and complexity Annual reports prepared on volumes of work, types and numbers of staff based on these assumptions.

Department	Risk description	Current Controls – What we are already doing about it	Likelihood rating	Impact rating	Future treatment – What we plan to do
Parks and Recreation	<i>Structures on public land – private owners adjacent to public land build structures on the public land for their own use (i.e. jetties on esplanades/ reserves)</i>	Any unsafe structures identified should be removed, up-graded or added to the Coastal structures contract and therefore inspection programme.	Possible	Major	Continue to investigate any new structures identified and either remove, up-grade and add to the Coastal structures contract and inspection programme.
Waste and Drainage	<i>Development approval process inadequate – process may allow for poor quality assets to be approved and constructed without sufficient oversight.</i>	Environmental engineering standards in place, as well as bylaws.	Possible	Major	Review of Engineering Standards and District Plan currently being finalised. Currently in the process of moving away from IQP towards requiring Professional Engineers working in their specific area of competency to sign off that they have reviewed and are happy with designs submitted. Professional Engineers to be assessed by relevant industry institutes – not by Council staff. This isn't our job. MBIE looking to better regulate building professionals and practitioners. Changes on the way.
Waste and Drainage	<i>Unclear legal liability for Council regarding engineering approvals and vested assets</i>	We currently require that producer statement (PS1) are submitted for designs. However, PS1 forms are occasionally signed by IQPs who may be operating	Possible	Major	Currently in the process of moving away from IQP towards requiring Professional Engineers working in their specific area of competency to sign off that they have reviewed and are happy with designs

Department	Risk description	Current Controls – What we are already doing about it	Likelihood rating	Impact rating	Future treatment – What we plan to do
		outside their specific area of competency. This places liability on Council for accepting these designs. Peer reviews are requested if scope of development is complex or untried or potential risks of failure have been identified as high.			submitted. Professional Engineers to be assessed by relevant industry institutes – not by Council staff. This isn't our job. MBIE looking to better Regulate building professionals and practitioners. Changes on the way.
Health and Bylaws	<i>Compliance of dog pound</i> – Capacity limit issues at the pound, and issues around the non-compliance of the pound with Animal Welfare Standards.	Our ability to improve on the structural limitations of the shelter are minimal, however we continue to ensure that animal welfare and infection control is adequately provided. In addition, we are already taking 'long-term' impounded dogs down to Auckland CC shelters to minimize our risks, but at great additional cost	Likely	Major	The only way to address and resolve this risk is to have our new dog pound (shelter) constructed and moved into as soon as possible. However, Council recently reduced LTP funding for the new pound by approximately \$1.5m from earlier estimates, despite indications that costs increased substantially. This now means that through the 2021-31 LTP the shelter is underfunded by approximately \$3m.
Water Services	<i>Prolonged inability to supply water</i> – unable to meet service levels due to water shortage, power outage, seismic event,	Demand management strategy and network maintenance strategy. Compliance with NZ dam safety guidelines and	Possible	Catastrophic	Upgrade of Poroti Water Treatment plant to treat water from Wairua River will allow more water to be taken to cover drought and growth. It will also

Department	Risk description	Current Controls – What we are already doing about it	Likelihood rating	Impact rating	Future treatment – What we plan to do
	prolonged drought, dam failure etc.	comprehensive dam safety review regime every 5 years. Emergency action plan. Consent renewals for intakes. Northland Lifeline Group has created a register of all critical sites for Northland including a Fuel Plan.			provide resilience for problems encountered at the other treatment plants.
Water Services	<i>Contaminated and untreatable water</i> – risk that members of the public could become sick from water borne organisms.	Upgrade Whau Valley Water treatment plant and respond appropriately to proposed new drinking water standards and rules when announced. Update Water Safety Plans.	Unlikely	Catastrophic	Consider upgrades of other water treatment plants to ensure multiple barriers meet new standards and requirements updated Water Safety Plans.
Infrastructure Planning and Capital Works	<i>Project management tools and systems</i> – the lack of a project management system results in a lack of visibility for projects, KPIs, and project budgets.	Use of excel spreadsheets but limited financial information and no risk information is captured. Financial reporting from TechOne (for a single financial year only). Forward works viewer gives some idea of other projects happening but doesn't include reporting, and isn't being updated. Manual	Almost certain	Major	Implement a project, programme and portfolio management system. Organisation Strategy actions, and Business Improvement Projects include establishing a Project Management Centre of Excellence, a new Project Management System, and process mapping. All of this has been delayed by 2 years due to restructuring of Business Improvement Team and delays to

Department	Risk description	Current Controls – What we are already doing about it	Likelihood rating	Impact rating	Future treatment – What we plan to do
		reporting and updates, lots of information in emails. Ad hoc knowledge based mitigations when someone hears about a project from colleagues.			the SIGMA project implementation.
Infrastructure Planning and Capital Works	<i>Inadequate scoping of projects</i> - Department resourcing, experience and job descriptions do not match with the expectation that this work will be done within this department (rather than asset owner departments).	Ad hoc scoping of projects, reliant on individual experience. Limiting the capital works programme due to resourcing constraints (however this causes other issues such as under-investment in infrastructure renewals and upgrades).	Almost certain	Major	Review job descriptions and role requirements against staff experience and knowledge. New processes required for the establishment of new projects. Follow the project management system including use of business cases.
Infrastructure Planning and Capital Works	<i>Translating strategic documents into work programmes</i> – limited information in strategies and plans regarding projects at implementation level, no budget estimates for funding, and there is limited coordination of integrated programme funding across the LTP process.	None.	Likely	Major	Review required of how this process works now and learn from it to improve for the next LTP. Visibility of all projects across the organisation to enable coordination of activities requires a Project Management System with the full lifecycle from ideas through prioritisation and delivery.

3. Focus Areas to Minimise Future Risk

The following areas are of interest to the assurance team and this Committee, as they represent an opportunity for Council to minimise future operational risk. Focus in these areas can help improve benefits across the whole organisation.

Table six: Focus areas to minimise future operational risk

Area	Explanation	Current Mitigation – what are we doing about it
Privacy	Under the Privacy Act 2020 a privacy breach that is likely to cause serious harm must be notified to the Privacy Commissioner. Failure to comply with the Act may result in access directions, compliances notices, or fines imposed by the Privacy Commissioner.	The call centre are trained to respond to customer calls and are taught to validate callers prior to sharing any information. Increasing awareness across the organisation including Privacy Week campaigns. Council's Privacy Officers investigate any breaches and evaluate harm. They notify the Privacy Commissioner where this is deemed appropriate. Staff are conducting a review of our arrangements with our contractors in relation to data transfers overseas and breach of privacy notifications. They are currently developing standardized terms to govern these arrangements in line with the Privacy Act.
Legal Compliance	The legislative compliance reporting has been completed for the period 1 July 2020 to 31 December 2020. The reports for the preceding periods beginning 1 January 2019 have also been completed and reported to SLT. Council needs to ensure that all Department managers are aware of the legislation that they work under and remain up to date with the requirements as legislation changes occur.	The Democracy and Assurance department have developed a process for a six monthly confirmation from department managers to confirm the legislation that they are working under and to ensure that they are aware of changes or any gaps in current legislative compliance. The legislative compliance reporting has been completed for the period 1 July 2020 to 31 December 2020. The reports for the preceding periods beginning 1 January 2019 have also been completed and reported to SLT.
Business continuity	Council needs to ensure that it is able to continue to supply a service to our ratepayers should there be an event which impacts one of our main operational sites.	Planning was completed in early 2020 around call trees and decision making. These have been tested through live incidents with long term working remotely, due to COVID lockdown in March 2020 and with our response to the Tsunami alert earlier in 2021.

4. Council's Strategic Risks

Strategic risks are risks that have been identified as affecting the organisation as a whole, rather than a particular area of Council. The risk description endeavors to capture the impact of the risk organisation-wide.

Table seven: Councils strategic risks

Area	Risk description	Current Mitigation – what we are doing about it
Data and systems	<p>Data sets across all systems and databases in Council are not currently aligned and interactive. Using multiple databases can lead to difficulty transferring and updating information, and a lack of visibility across the organisation. Systems may seem overly complex. In order to manipulate or organise data effectively, data may need to be duplicated into a programme like excel, taking additional staff time.</p> <p>Poor quality data can result in poor forecasting. We may be relying on information that is inaccurate or incomplete and this could lead to the wrong decision being made.</p> <p>There is a specific risk around the limited GIS skill set within Council alongside the complexity in updating and extracting this information.</p> <p>System failure or loss of data could have serious consequents on the organisation. Potential risks for WDC data include the potential for internal or external cyber threats, hardware failure from aging hardware or general fault, failure to regularly</p>	<p><i>Reduce:</i> Upgraded the current asset management system from Hansen to TechOne – underway to go live in July 2021. Current work on Trilogy part 2.</p> <p><i>Reduce:</i> Current work on Trilogy part 2, and focus in multiple departments on development of better datasets to improve organisation wide visibility, modelling and knowledge.</p> <p><i>Accept:</i> Outsource GIS expertise as required, particularly for non-BAU of urgent GIS work.</p> <p><i>Reduce:</i> Firewall services enhanced, latest ESET Antivirus, Phriendly Phishing staff training, quarterly security meeting, contract services for key critical systems and infrastructure, Cloud service providers have in place replication systems to Disaster Recovery Centres etc.</p>

	update software, or potential risk to data backup systems.	
Staffing and resourcing	<p>Recruiting and retaining staff in certain areas of the organisation can be difficult leading to understaffing.</p> <p>Where skilled or specialist staff are required issues may arise if inexperienced staff make mistakes or lack the expected level of competency. This could result in a department being unable to perform their function, or making wrong decisions. There may be gaps in teams and an inability to provide staff cover.</p> <p>There could be a loss of institutional knowledge when key staff leave the organisation, particularly where there has been a lack of succession planning.</p> <p>Lack of staff resourcing, and high staff turnover can lead to; existing staff being overworked, a lower level of available support service, and the potential inability for Council to meet its statutory obligations.</p>	<p><i>Accept:</i> We can only employ people who live or are willing to move to Whangarei. The direction of the district and its development is helping to encourage skills into the area.</p> <p><i>Reduce:</i> There is on the job training and the ability to use external resources to assist as needed.</p> <p><i>Reduce:</i> Key processes to be documented. Try to build cross training/ back up across the team.</p> <p><i>Reduce:</i> The recruitment process ensures that experienced and qualified applicants are appropriate for the roles. Staff continue to review roles when appropriate to ensure that job specifications align with the department requirements.</p>
Litigation	<p>Due to the increasingly litigious environment there is a potential for an increase in cases being brought against Council. Some are appropriate however some are not.</p> <p>Issues can arise where departments are not aware of the legislation they operate under. Difficulties</p>	<p><i>Accept:</i> Litigations brought against Council are being dealt with on a case by case basis with external legal support as required. There is some transfer of risk under the insurance programme (statutory liability, public liability and professional indemnity insurances).</p> <p><i>Reduce:</i> 6 monthly legislative compliance form completed by department managers.</p>

	and uncertainties are noted when it comes to Council's legal liability for external contractors.	
Aggressive customers	Staff have to deal with abusive, difficult and potentially violent customers, particularly in public facing roles. There is an added risk to staff working alone or at more isolated Council sites.	<i>Reduce:</i> Ongoing training (e.g. FearFree) and health and safety practices constantly being reviewed. Learnings from aggressive customer incidents are shared throughout the organisation. Use of panic alarms and CCTV in some areas.
Climate change	<p>Adaptation: A range of impacts of climate change have been projected for Northland by NIWA including sea level rise, more warmer days, more droughts, more extreme weather events. Potential impacts include damage to the transport and infrastructure networks, water shortages, and droughts. This may result in vulnerable infrastructure, parks and reserves.</p> <p>Financial: Large, long term financial risks. Costs to protect, shift, and future proof infrastructure and assets. Increasing insurance costs and potential inability to insure some areas. Councils ability to borrow money may be impacted if we have inadequate climate related financial risk disclosure.</p> <p>Legislative obligations and reporting: Local authorities and lifeline utilities are legally required to provide information to the Minister for Climate Change on how they are responding to the risks (including transition risk) from climate change. MfE has indicated that the Minister will</p>	<p><i>Accept and respond:</i> Council declared a climate change emergency in July 2019.</p> <p>Adaptation: Climate Change Adaptation Working Group established, and functioning (NRC lead). Local mitigation will not prevent predicted weather changes, so adaptation is necessary. Understand risk for borrowing and construction of new Infrastructure.</p> <p>Financial: Development of a Council wide Climate Change Strategy that will include understanding of financial risks.</p> <p>Legislative obligations and reporting: In March 2020 Council stated developing a Climate Action Plan for Whangarei. Climate change is currently part of expectations within the 30-year plan. LTP to include climate change.</p>

	<p>begin exercising his discretion to require reporting immediately.</p> <p>Communication: The Office of the Auditor General expects Councils to communicate risks, information gaps and what it plans to address climate change risks.</p> <p>Mitigation: The price point for greenhouse gas emissions will likely increase through the Emissions Trading Scheme (ETS). So NRLLP will need to pay more for our carbon emissions generated through the waste operations.</p> <p>Reputational risk: Council adopted a Corporate Sustainability Strategy in November 2018 and then Council declared a Climate Emergency in 2019. Commitments made in the Corporate Sustainability Strategy need to be resourced to allow the organisation to gather the data need to inform actions.</p>	<p>Communication/ Mitigation/ Reputational risk: Climate change adaptation working group established and functioning (NRC lead). Regular monitoring on the progress and changes that are occurring. Development of a Council wide Climate Change Strategy that will include understanding of financial risks.</p>
Regional growth	Growth of region is other than identified in current Statistics New Zealand projections. Leading to lack of budget on development of core infrastructure and amenities to support the population.	<i>Accept:</i> Monitor and work with facts as they are identified. New models of growth have been developed so information is improving.
Government policy changes	Central government policy can be changed at any time and this can impact Council's budget and the operational activities of the organisation. There is also potential for regulatory changes made through orders from Council which can cause significant costs to ratepayers with little consultation and no useful rights of appeal.	<i>Accept:</i> Until changes occur, we are not able to respond. There is a process to engage following legislative changes but changes to central government policy have to be managed by the senior and operational leadership team as they occur.

<p>Specific government policy changes:</p> <p><i>Four wellbeing's</i> <i>RMA reforms</i> <i>3 waters</i></p>	<p>Government changes create both opportunities and risks for Council in a number of areas. Core functions and responsibilities for Council departments may change significantly due to the proposed reforms. This may affect the structure of departments or the organisation as a whole.</p> <p>The 3 Waters reform may result in discharge from wastewater treatment plants exceeding consent limits, as requirements may be higher than the current waste water treatment plant can achieve.</p> <p>Job satisfaction for staff in these areas may suffer as roles change, workload increases or decreases, uncertainties arise, and stress levels increase. This could lead to high staff turnover.</p>	<p><i>Accept:</i> Monitor the situation. Consider external resources to assist with workload as required. Staff provide balanced reports to Council to support decision making in these areas.</p> <p><i>Accept:</i> Council will need to opt in or opt out of the scheme. Staff are keeping an eye on development of legislative changes and working to understand the impact. Funding allowed for in LTP to upgrade the WWTP.</p> <p><i>Reduce:</i> Council supports staff wellbeing through our organisational strategy and tikanga. Mental health and wellbeing is promoted across the organisation. Each Whanau Group participated in a wellbeing toolkit workshop in late 2020. The Employee Assistance programme is available for staff.</p>
<p>COVID-19</p>	<p>COVID-19 has had an impact on planning timeframes as well as available resources. It has impacted the ability to plan events as well as the number of events occurring. It has impacted the budgeting assumptions made in the 2020/21 Annual Plan which was developed in a time of high uncertainty.</p> <p>The possibility of another COVID lockdown may result in staff being situated in different locations (where different COVID levels may apply). Some staff may be unable to work with the office closed.</p>	<p><i>Accept:</i> Monitoring of budgets and cutting expenses where possible. Business continuity plans in place.</p> <p><i>Reduce:</i> Key systems are accessible from home and some staff have mobile devices to access systems as well.</p>

5. NTA Highest Level Risks Summary

The NTA keep their own risk register that follows a different format to Council. The highest-level risks on the NTA register are categorised as ‘very high’ rather than ‘critical’. In reviewing the very high risks, the NTA organisational structure was identified as a common theme across all very high risks. As a result, the very high risks have been condensed into one risk below.

Table eight: Northland Transport Alliance summary of highest level risks

Risk description	Because ...	There is a risk that...	Leading to...	Controls currently in place...	Future treatment plan...
NTA organisational structure	The NTA is made up of staff from all four Northland local authorities who work across the region to ensure that the operational delivery of the NTA is efficient. However, without the NTA being established as a Council Controlled Organisation or with a Partnership Contract between the parties, managers have staff reporting to them, and receiving direction from them, which is from another Council (Triangular Employment).	<ul style="list-style-type: none"> • Powers and authority for managing activity in the road corridor (statutory delegation) cannot be delegated to the correct person who can influence change. • Delegation of financial responsibility and authority can not be given to the person who influences the work. • Inefficient practice and management in procurement, health and safety, and people and capability as people need to use 3-4 different processes depending upon where they are working or who they are employed by. • Staff working in similar roles across the NTA work under different terms and conditions leading to inequitable workforce. • Staff working with different systems and storing information from one Council on to a system for another Council. 	Legislative and legal issues for Council as WDC fails to apply its statutory obligations or meet other legislative requirements.	The Councils do not currently have any controls in place.	To implement a partnership contract with all of the partner Councils to enable delegations to be given to the NTA and relevant people. Implement an improvement plan alongside the partnership contract. This ensures that the NTA staff work off of one Health and Safety process, reduces the risk of PCBU responsibilities to the Council, reduces the risk of working within different People and Capability processes, ensures people work closer to more equitable practices, and reduces the risk of Triangulation Employment issues.

		<ul style="list-style-type: none">• Councils may not be fulfilling their PCBU responsibilities under health and safety legislation.• The Councils are at risk of triangulation employment issues.			
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4.7 Variations to Procurement Process Report

Meeting: Risk and Audit Committee
Date of meeting: 23 June 2021
Reporting officer: Eddie Wotherspoon (Manager – Business Support)

1 Purpose

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

2 Recommendation

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

3 Background

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

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

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

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

4 Discussion

This is the third of a regular six-monthly cycle to Report Variations that have been approved. Variations are generated across the organisation, are collated as they are approved, and reported on periodically by Business Support.

5 Significance and engagement

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

6 Attachment

Register of procurement policy variations

Date signed	Project/Contract	Policy area varied from	Variation Recommendation
8/12/2020	Design, Supply of Equipment and Installation of Railway Crossings on Kamo Shared Path Stage 5	Requirement to open tender	It is recommended that approval is given: 1. to vary Council's Procurement Policy to allow direct award to KiwiRail, and 2. to award the Contract for the Design, Supply of Equipment and Installation of Railway Crossings on Kamo Shared Path Stage 5 to KiwiRail for \$898,564.00 comprising: a. \$102,000 for design services this financial year (20/21); b. \$796,564 for implementation next financial year (21/22).
22/12/2020	CON20036 Stadium Big Screen	Requirement to open tender for work over \$250k	It is recommended that retrospective approval is given to vary from Council's Procurement Policy as agreed by Council on 16 December 2020 at the Community Development Committee Meeting agenda item no. 4.5 to allow CON20036 Stadium Big Screen TV to be procured by direct appointment from Monstavision based on provision of an acceptable quote.
16/02/2021	Legal Counsel for Urban and Services Plan Change Appeals	Requirement to open tender for work over \$250k	It is recommended that Sarah Shaw is retained as legal counsel on the Urban and Services Plan Changes through direct appointment without going through the relevant processes of Council's procurement policy. A new contract (or variation to an existing contract if one exists) up to an additional \$100,000 is required to resolve the outstanding appeals. Ms Shaw is familiar with the current Plan Changes and appeals and has excellent experience, local knowledge and experience providing legal advice to Council. Ms Shaw has confirmed that she can meet the project deadlines. This represents the most suitable and cost efficient option and resolves Council's outstanding fees to Ms Shaw.
17/02/2021	Three Waters Projects - PRO20042	Requirement to open tender for work over \$250k	It is recommended that approval is given to vary from Council's Procurement Policy to allow PRO20042 Project Management Resource for Three Waters Programme to be procured through sole source negotiation.
25/02/2021	PRO20036 Pohe Island Bike Park	Requirement to open tender for work over \$250k	It is recommended that approval is given to vary from Council's Procurement Policy to allow PRO20036 Pohe Island - Bike Park to be procured through a Contract for Service with Bike Northland to the value of \$1,200,000.
19/02/2021	CON20065 Waipu Skatepark Construction	Requirement to open tender for work over \$250k	It is recommended that approval is given to directly approach two Northland based skatepark specialist contractors, Steve Bowling Contracting and Robinson Asphalts, to tender for this contract.
12/02/2021	PRO20033 Poroti Water Treatment Plant Upgrade - Geotechnical Investigation	Requirement to open tender for work over \$250k	It is recommended that Beca are engaged to undertake the additional geotechnical investigation.
20/01/2021	PRO20012	Seeking 3 or more quotations work between \$100k - \$250k	1. to vary from councils procurement policy to allow direct award to UCCL Contractors for the additional works and 2. to award the contract for the footpath renewal to UCCL for the negotiated sum of \$141,715.58.
12/03/2021	Three Waters Projects - PRO20042	Seeking 3 or more quotations work between \$100k - \$250k	It is recommended that approval is given to vary from Council's Procurement Policy to allow PRO20042 project management Resource for Three Waters Programme to be procured through sole source direct negotiation.
23/03/2021	CON15026 - Cobham Oval Drainage	Seeking 3 or more quotations work between \$100k - \$250k	It is recommended that approval is given to vary from Council's Procurement Policy and to procure Cobham Oval Drainage as a variation to CON15026 Sports Fields maintenance and management contract
23/03/2021	PRO20033 Poroti Water Treatment Plant Upgrade - Design and Consenting	Requirement to open tender for work over \$250k	It is recommended that Beca are engaged to provide professional services for the detailed design, consenting and procurement phase of this project.
12/04/2021	Supply of Legal Reference Materials	Going to market at the end of the contract term	it is recommended that approval be given to vary from Council's Procurement Policy to allow an additional year on the DEED - Agreement Thomson Reuters - Suply of Westlaw Legal Information to be procured through direct appointment including: * a reduction in the current hardcopy subscription to one hardcopy update of Salmon Resource management to be held by the Resource Consents Team the costs saved by this will be redirected to increase resources available via the platform. * an upgrade to the current electronic subscription to the new Westlaw platform immediately at a cost of \$45,768 excl GST per annum. * Rollover of the current subscription over for a further year when it comes up for renewal in March 21
15/04/2021	Telphony as a Service	Going to the market at the end of the contract term	It is recommended that approval is given to vary from Council's Procurement Policy to allow for a 6 month extension as described above to the existing Telephony as a Service Master Agreement to enable a full procurement to be undertaken and a vendor / solution appointed following WDC's Procurement Policy.

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 and Audit Committee Meeting 24 March 2021	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 – June 2021		
1.3	Oruku Landing – Risk Recommendations		

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	
1.2	To prevent the disclosure or use of official information for improper gain or advantage	Section 7(2)(j)
1.3	To enable Council to carry on without prejudice or disadvantage commercial activities	Section 7(2)(h)

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.