

Audit and Risk Committee Agenda

Date: Wednesday, 6 December, 2017

Time: 9:00 am

Location: Council Chamber
Forum North, Rust Avenue
Whangarei

Elected Members: Cr Sharon Morgan (Chairperson)
Her Worship the Mayor Sheryl Mai
Cr Crichton Christie
Cr Shelley Deeming
Cr Sue Glen
Cr Cherry Hermon
Cr Greg Innes

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

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Audit and Risk Committee – Terms of Reference

Membership

Chairperson:	Councillor Sharon Morgan
Members:	Her Worship the Mayor Sheryl Mai Councillors Crichton Christie, Shelley Deeming, Sue Glen, Cherry Hermon, Greg Innes
Meetings:	Quarterly.
Quorum:	4

Purpose

To oversee risk management and internal control, audit functions (internal and external), financial and other external corporate reporting, governance framework and compliance with legislation.

Key responsibilities include:

- Audit
 - Agree audit scope with Management
 - Provide direct input on audit scope to the external auditor
 - Consider audit management report, taking appropriate action
 - Consider any internal audit needs, including probity, waste and performance
 - Hold a confidential meeting with the external auditors at least once every year.
- Risk
 - Ensure a comprehensive risk management framework is in place and being operated effectively
 - Identify and monitor risks for the organisation including major projects
 - Ensure Council's assets are insured appropriately.
- Ensure Council has suitable business continuity arrangements in place.
- Policy review program.
- Service delivery review program.

Delegations

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

Item 3.1**Audit and Risk Committee Meeting Minutes**

Date: Wednesday, 27 September, 2017
Time: 9:00 a.m.
Location: Council Chamber
Forum North, Rust Avenue
Whangarei

Elected members: Cr Sharon Morgan (Chairperson)
Her Worship the Mayor Sheryl Mai
Cr Crichton Christie
Cr Shelley Deeming
Cr Sue Glen
Cr Cherry Hermon
Not in Attendance Cr Greg Innes

Also present Philip Jones (Independent Advisor)
Athol Graham (Audit New Zealand)

In attendance:

General Manager Strategy and Democracy (Jill McPherson), General Manager Corporate (Alan Adcock), Manager Finance (Rich Kerr), Manager Democracy and Assurance (Jason Marris), Health and Safety Manager (Desarae Williams), Audit and Risk Analyst (Emily Thompson) and Senior Democracy Adviser (C Brindle)

1. Declarations of Interest

There were no declarations of interest.

2. Apology

Cr Innes

Moved By Cr Cherry Hermon

Seconded By Cr Shelley Deeming

That the apology be sustained.

Carried

3. Confirmation of Minutes of Previous Audit & Risk Committee Meeting held 28 June 2017

Moved By Her Worship the Mayor Sheryl Mai

Seconded By Cr Cherry Hermon

That the minutes of the Audit and Risk Committee meeting held on Wednesday 28 June 2017, having been circulated, be taken as read and

now confirmed and adopted as a true and correct record of proceedings of that meeting.

Carried

4. Information Reports

4.1 Service Delivery Reviews - Final report

Moved By Cr Sue Glen

Seconded By Cr Shelley Deeming

That the Audit and Risk Committee:

- a) Notes the final report of the Service Delivery Review programme.

Carried

4.2 Health and Safety Report - September 2017

Moved By Her Worship the Mayor Sheryl Mai

Seconded By Cr Cherry Hermon

That the Audit and Risk Committee notes the information presented in the report and its attachment.

Carried

4.3 Financial Management Activity Update Report

Moved By Cr Shelley Deeming

Seconded By Cr Cherry Hermon

That the Audit and Risk Committee notes the financial management activity over the previous three months.

Carried

4.4 Key Risk Report

Moved By Cr Sue Glen

Seconded By Cr Cherry Hermon

That the Audit and Risk Committee:

- a) notes the updated identified risks for the Whangarei District Council and their mitigation strategies
- b) Notes that an in-depth review of key organisational risks is planned over the next six months, which will be reported to the Audit and Risk Committee in early 2018

Carried

4.5 Interim Audit NZ Management Report 30 June 2017

Moved By Her Worship the Mayor Sheryl Mai

Seconded By Cr Cherry Hermon

That the Audit and Risk Committee:

- a) notes the Interim Audit Management Report issued by Audit NZ for the 2016/17 Financial Year
- b) notes the new recommendations raised by Audit NZ and Council's response to them.

Carried

4.6 Report on the status of Outstanding Audit Issues

Moved By Cr Cherry Hermon

Seconded By Cr Shelley Deeming

That the Audit and Risk Committee notes the status of the outstanding audit issues outlined in the report.

Carried

5. Public Excluded Business

There was no public excluded business.

6. Closure of Meeting

The meeting concluded at 10.12am

Confirmed this 6th day of December 2017

Cr Sharon Morgan (Chairperson)

4.1 Final Audit NZ Report at 30 June 2017

Meeting: Audit and Risk Committee
Date of meeting: 6 December 2017
Reporting officer: Emily Thompson (Audit and Risk Analyst)

1 Purpose

To present Audit NZ's Final Audit Report of Whangarei District Council for the year ended 30 June 2017.

2 Recommendations

That the Audit and Risk Committee:

- a) Notes the Final Audit Management Report issued by Audit NZ for the 2016/17 Financial Year.
- b) Notes the recommendations raised by Audit NZ and the updated staff response to them.

3 Background

Each financial year, Audit NZ performs an audit on the Council's financial statements and supporting processes. This is agreed with Council 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 Audit and Risk Committee every six months, which has oversight of this function.

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

4 Discussion

The final audit report for the 2016/17 Financial Year is located at Attachment One. Management comments are in the report. Audit NZ provided an opportunity for Council to

respond with updates on recommendations that were included in the interim report that went to the September meeting of this Committee; these updates have been included in the report as shown in the attachment.

In their final audit, Audit NZ's focus was on reviewing our capitalisation of work in progress (WIP) and they noted the significant improvement during the financial year. Audit NZ also reviewed the revaluation of our non-roading infrastructure assets completed by Opus International and AECOM Limited, and concluded that valuation adjustments were correctly accounted for.

The accounting treatment for the Whangarei Art Museum Trust (WAMT) was reviewed in relation to the Hundertwasser Wairau Maori Arts Centre and the auditors were satisfied that the accounting treatment and related disclosures are appropriate.

Council's progress against the outstanding Audit NZ recommendations was reported to the September Audit and Risk Committee. These are reported every six months, and will be updated and reported to the March 2018 Audit and Risk Committee.

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 report on the final audit of Whangarei District Council for the year ended 30 June 2017

Report to the Council on the annual audit of
Whangarei District Council
for the year ended 30 June 2017

Key messages

We have completed the audit for the year ended 30 June 2017. This report sets out our findings from the audit and draws attention to areas where Whangarei District Council (the Council) is doing well or where we have made recommendations for improvement. This report should also be read in conjunction with our interim management report issued on 10 July 2017.

Audit opinion

We issued an unmodified audit opinion on 28 September 2017. This means that we were satisfied that the financial statements and statement of service performance fairly reflected the Council's activity for the year and its financial position at the end of the year.

Key areas of audit focus

We have seen a significant improvement in capitalisation of work in progress (WIP) during the financial year. There are still some timing issues where projects have not been capitalised because the Council has not yet received as-built plans.

We reviewed the revaluation of roading, other infrastructure assets, forestry assets and investment properties this year and concluded the valuation adjustments were correctly accounted for. We are also comfortable that the carrying values of the remaining assets are not materially different from their fair values.

Management performed a review to ensure that all significant vested assets have been captured. We are satisfied all the significant subdivision assets have been captured in vested assets this year.

The Whangarei Art Museum Trust successfully raised \$21.7 million for the Hundertwasser Wairau Maori Arts Centre project, surpassing the required \$16.3 million to be raised for the project to proceed. The project is proceeding with the foundation work design expected to be finalised in the upcoming months. We reviewed the accounting treatment and related disclosures in the group accounts and are satisfied they are appropriate and fairly reflect the funding received and pledged to date.

Issues identified during the audit

The following table summarises our recommendations and their priority:

Section	Recommendation	Urgent	Necessary	Beneficial
2.1	Capitalisation of WIP We continue to recommend that the Council capitalises all projects that have been completed as soon as the project is completed. The as-built plans should be obtained from the contractor as soon as the project has been completed.		✓	
2.2	Valuation of property, plant and equipment Asset condition data should be incorporated into the asset management system. This will ensure that the assets are consistently and objectively valued.		✓	
3.1	Funding impact statements The Council should review the allocation in the funding impact statements to ensure that the disclosures more closely align to those in the statement of comprehensive revenue and expenses.			✓
3.2	Development contributions (DC) We have recommended that the Council reviews its recognition of revenue to ensure that DC revenue is recorded in the correct period.			✓
3.3	Statement of Service Performance: Flooding events performance measures The Council reconsiders how it measures and is able to capture the required information to report against this measure.		✓	
3.4	Weathertightness contingent liability The disclosure is reviewed against the legal confirmation received to ensure completeness and accuracy of the disclosure.		✓	
3.5	Sensitive expenditure policy The policy is updated to set dollar limits for meals and not allow staff to accrue airports.			✓

There is an explanation of the priority rating system in Appendix 1.

Thank you

We would like to thank the Council, management, and in particular Alan Adcock, Rich Kerr, Delyse Henwood and their finance team for the assistance we have received during the audit.



Athol Graham
Audit Director
20 November 2017

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1 Our audit opinion

1.1 We issued an unmodified audit opinion

We issued an unmodified audit opinion on 28 September 2017. This means that we were satisfied that the financial statements and statement of service performance fairly reflected the Council's activity for the year and its financial position at the end of the year.

1.2 Uncorrected misstatements

The financial statements are free from material misstatements, including omissions. During the audit, we have discussed with management any misstatements that we found, other than those which are clearly trivial. The significant misstatements that have not been corrected are listed in Appendix 2 along with management's reasons for not adjusting these misstatements. We are satisfied that these misstatements are individually and collectively immaterial.

2 Our areas of focus this year

2.1 Capitalisation of WIP

We have seen a significant improvement in the way the Council manages their WIP. A committee has been established to ensure that WIP for capital projects is monitored closely and is capitalised in a timelier manner.

In the 2016/17 financial year WIP reduced from \$30.8 million to \$12.9 million.

During our review of the \$12.9 million WIP balance this year, we found that \$5.4 million related to assets that were completed but not yet capitalised. The Council is waiting on the final as-built plan information in order for them to be capitalised in the asset management system (see Appendix 2). We expect that these projects will be capitalised early in the 2017/18 financial year. We performed a calculation of the expected depreciation understatement for the 2017/18 financial year and are satisfied the depreciation would not be materially different.

We continue to recommend that the Council capitalises all projects as soon as the project is completed. The as-built plans should be obtained from the contractor as soon as the project has been completed. We would expect provision of as-built plans by the contractors to be a contractual requirement.

Management comment

The capitalisation policy has been approved in July 2016. We are satisfied that the Council now has appropriate processes in place to ensure that WIP is being managed timely and accurately.

The Council performed a review for impairment which covered WIP.

We found from our testing of vested assets and capitalised assets that as-built plans were provided prior to the assets being capitalised.

2.2 Valuation of plant, property and equipment

The Council revalued its roading and other infrastructure assets (such as water, wastewater, stormwater, parks, solid waste and flood protection) as at 30 June 2017.

We reviewed the scope of the valuation and are satisfied that the valuers and peer reviewers engaged were independent and appropriately qualified.

The revaluation resulted in the fair value of the Council's infrastructure assets decreasing in total by \$13.5 million. The biggest reduction in fair value was wastewater by \$10.1 million and water by \$7.8 million. The key reason for the drop in valuation is due to a change from using the acquisition date to installation date, which has resulted in a reduction in the asset's useful lives meaning there are less economic benefits to the Council than previously expected. There have also been changes in assumptions about the depth of underground assets. All assets were previously assumed to have a depth of 1.7 meters to 1.9 meters. However a number of assets have a lower depth of 1.5 meters and therefore have been valued at a lower rate.

We reviewed the assumptions and methodology applied in completing the valuation and discussed these assumptions with the valuers in order to gain comfort over the valuation movements.

From our review of the valuations performed, we identified an error in a unit rate applied. This resulted in a total valuation error of \$3 million in the parks and stormwater valuation (see Appendix 2). We assessed the impact of the errors on materiality and noted the errors were not material

to require a change in the financial statements. The depreciation impact of the valuation errors will only result in a depreciation error of \$60k each year until the next valuation. We have also found that asset condition data is not currently held in the asset management system. The asset managers are satisfied that when they assess the remaining useful lives of assets they are making the appropriate assumptions about asset conditions to ensure the valuations reasonably reflect the condition of the assets.

We recommend that asset condition data should be incorporated into the asset management system. This will ensure that the assets are consistently and objectively valued.

Management comment

The need for condition assessment data is a new Audit point for Hansen assets (Parks, Solid Waste, Flood Protection, Storm water, Waste and Waste). Improvement of asset information is a continual process. Management will consider incorporating condition information in the asset management database to more fairly reflect asset condition as part of operational practices.

2.3 Vested assets

Through our testing of vested assets, there were three that should have been capitalised in prior years and were only capitalised this year. All the assets tested that related to prior years were immaterial (see 3.2 in our interim management report for further details).

We reviewed the significant subdivisions during the 2016/17 year to ensure all the significant vested assets have been captured. Management have also performed a review to ensure that all significant vested assets have been captured. We are satisfied all the significant subdivision assets have been captured in vested assets this year.

Management comment

The Council accepts in part the comments raised in relation to the previous periods of assets vested and taken appropriate action to amend business processes to ensure timely recognition of vested assets into Hanson.

The Council's business processes already ensure as-built plans are received from developers before issuing section 224 certificates.

2.4 Valuation of investment properties

The Council revalues its investment properties on an annual basis. The Council made a gain on revaluation of \$3.3 million. This is in line with our expectation based on the increase in rent and property prices in the region.

We reviewed the assumptions and methodology applied in completing the valuation and reviewed the calculation performed by the valuers in order to gain comfort over the valuation movements. We are satisfied the valuation gains are reasonable.

2.5 Hundertwasser Wairau Maori Arts Centre

In June 2015, a referendum confirmed the community's support for the Hundertwasser Wairau Maori Arts Centre (HWMAC) project. The HWMAC building will be funded, constructed and managed by the Whangarei Art Museum Trust (the Trust).

During the year, the estimated project cost increased by approximately \$4.7 million, to a total of \$20.9 million. The increased estimated costs consist of an additional \$3.6 million in engineering costs for seismic strengthening being additional structural foundations to support the building on the land which is reclaimed, as well as increased construction costs of \$1.1 million. The final cost will be determined by the tender process once the foundation design work is completed.

The Trust successfully raised \$21.7 million for the HWMAC project, surpassing the required \$16.3 million to be raised for the project to proceed. The project is proceeding with the foundation work design expected to be finalised in the upcoming months. A request for tender for the construction of the art centre is expected to be sent out upon finalisation of the foundation work.

As part of the Trust audit, we reviewed the Trust's assessment of the accounting treatment for the different types of donations and contributions included in the accounts. We have also reviewed the HWMAC disclosures in the group accounts for transparency and appropriateness. We are satisfied that the accounting treatment and related disclosures are appropriate and fairly reflect the funding received and pledged to date.

3 Other matters

3.1 Funding impact statements

During our review of the funding impact statements, we noted differences between the allocation of fees and charges, other revenue and expenditure in the statement of comprehensive revenue and expenses and the allocation of fees and charges, other revenue and expenditure in the funding impact statements. In our view these differences are not material.

The Council has used the allocations in the funding impact statements to ensure that they are consistent with the allocation used in the prior year, the annual plan and Long Term Plan (LTP).

We recommend as part of the LTP, the Council should review the allocation in the funding impact statements to ensure that the disclosures more closely align to those in the statement of comprehensive revenue and expenses.

Management comment

Management are working through the allocations as part of the current Long Term Plan activity.

3.2 Development contributions

During our review of the development contributions (DC), we identified that previously the Council had no accounting policy for DCs. The Council has updated their accounting policies to include an accounting policy on DCs in line with

the model financial statements. We have confirmed that this accounting policy is also consistent with actual recognition.

We noted the revenue is recognised when the DC invoice is issued rather than when revenue is paid. There is a risk that a DC invoice could be issued and the revenue recognised and then the developer does not pay.

We have recommended that the Council reviews its recognition of revenue to ensure that DC revenue is recorded in the correct period.

Management comment

New Revenue Manager recruited and in place in September 2017. They will ensure that this process is reviewed and resolved by end of the financial year.

3.3 Statement of Service Performance: Flooding events performance measures

From our work performed on the flooding performance measures, we found that the reported results for these measures only captures those complaints that are reported to the Council and do not capture those complaints that are referred onto other agencies by residents. Other agencies could include the New Zealand Fire Service and insurance companies. The Council is unable to capture this information in the reported result and this has been disclosed in the 2016/17 the annual report.

We recommend that the Council, as part of the LTP, reconsiders how it measures and is able to capture the required information to report against this measure.

Management comment

Management plans to review as part of the work being completed for the Long Term Plan and next year's annual plan.

3.4 Weathertightness contingent liability

We noted during our review of the contingent liability disclosure for weathertightness, that the Council had not updated the disclosure in line with the legal confirmations. The difference between the amount recognised and the amount in the legal confirmation was only \$330k and was not considered material.

We recommend as part of the year end disclosure review for the weathertightness contingent liability that disclosure is reviewed against the legal confirmation received to ensure completeness and accuracy of the disclosure.

Management comment

Management will review this as part of the next year's annual report. Finance will liaise with the Council's Legal advisors to ensure completeness.

3.5 Sensitive expenditure policy

The sensitive expenditure policy was updated in line with our audit recommendations made in prior years.

We have noted some other departures from OAG best practice guidelines that the Council should consider as part of the next review:

- no dollar limits have been set for meals when traveling; and
- airpoints accrued by staff travelling are considered to be acceptable; this is not in line with OAG best practice guidelines.

We recommend that the sensitive expenditure policy could be updated to include dollar limits for meals, and staff should not be allowed to accrue airports. This will ensure that the Council's policy is in line with OAG best practice guidelines.

Management comment

- 1 *In the course of business Council staff travel to various locations mainly in New Zealand but also overseas. There are variations in costs for meals at these locations so it is challenging to provide a workable dollar range, however the Council will review and request a range from the General Manager Corporate. This will be a domestic limit with similar discretionary allowances for overseas travel.*
- 2 *Travelling by Council staff from Whangarei can be logistically challenging and frequently requires travel in personal time. Consequently, the Council is comfortable allowing staff to earn loyalty rewards as a form of compensation for the inconvenience.*

4 Status of previous recommendations

The status of each matter that was outstanding in last year's and the interim management report to the Council is summarised in Appendix 4.

Summary of action taken against previous years' recommendations:

Number of recommendations from previous years' audits	Current status
18	Matters that have been resolved
11	Progress is being made, but not yet fully resolved
0	No progress has been made

Appendix 1: Explanation of priority rating system

Our recommendations for improvement and their priority are based on our assessment of how far short the Council is from a standard that is appropriate for the size, nature, and complexity of its business. We have developed the following priority ratings for our recommended improvements:

Urgent

Major improvements required

Needs to be addressed *urgently*

These recommendations relate to a significant deficiency that exposes the Council to significant risk. Risks could include a material error in the financial statements and the non-financial information; a breach of significant legislation; or the risk of reputational harm.

Necessary

Improvements are necessary

Address at the earliest reasonable opportunity, *generally within 6 months*

These recommendations relate to deficiencies that need to be addressed to meet expected standards of good practice. These include any control weakness that could undermine the system of internal control or create operational inefficiency.

Beneficial

Some improvement required

Address, *generally within 6 to 12 months*

These recommendations relate to deficiencies that result in the Council falling short of best practice. These include weaknesses that do not result in internal controls being undermined or create a risk to operational effectiveness. However, in our view it is beneficial for management to address these.

Appendix 2: Uncorrected misstatements

Current year misstatements	Assets \$000	Liabilities \$000	Equity \$000	Financial Performance
	Dr (Cr)	Dr (Cr)	Dr (Cr)	Dr (Cr)
To account for the additional increase in the roading valuation that was not correctly recorded. This impacts Other Comprehensive Income in the statement of comprehensive revenue and expense.	430		(430)	
To account for the error identified in the parks and stormwater valuation. This impacts Other Comprehensive Income in the statement of comprehensive revenue and expense.	(3,062)		3,062	
Total parent and group	(2,632)		2,632	

Uncorrected disclosure deficiencies

Detail of disclosure deficiency	Management's explanation for not correcting
Within the property, plant and equipment note, we have identified a classification error between WIP and various asset classes. WIP should be lower by \$5,389k and plant, property and equipment should be \$5,389k.	<i>This is not an error in the Council's balance sheet but reflects a classification adjustment between WIP and various asset classes in the plant, property and equipment note. The Council did not adjust this because at 30 June this amount had not been processed into the asset management system.</i>

Appendix 3: Status of previous years' recommendations

Matters in progress

Recommendation	Current status	Priority	Management's proposed action
Hundertwasser Wairau Maori Arts Centre			
<p>As the HWMAC project progresses there are a number of issues that the Council and the Trust will need to consider, including:</p> <ul style="list-style-type: none"> • completing appropriate due diligence over the guarantee required under the lease agreement with the Council; • determining the accounting treatment of the land and buildings under the lease agreement with the Council; • supporting the establishment of good practice over procurement and project management; and • considering the accounting recognition and disclosure of donated goods and services (if significant in the financial statements). 	<p>Status: In progress</p> <p>The Council is in the process of determining the accounting treatment of the land and building under the lease with the Council. They will also complete due diligence over the guarantee and peppercorn lease. This will be looked at in preparation for preparing the 2017/18 financial statements.</p> <p>The Council is currently reviewing the procurement process around the initial HWMAC project. We understand that the Trust will go out for tender if the HWMAC project goes ahead.</p>	Necessary	<p><i>The Council will agree the accounting treatment of the HWMAC leased land and buildings with WAMT as part of finalising the lease agreement.</i></p> <p><i>The Council will complete due diligence over the guarantee as part of the process of formalising the peppercorn lease with WAMT.</i></p> <p><i>The Council will discuss procurement and project management of the construction of the HWMAC with WAMT.</i></p> <p>November 2017 update:</p> <p><i>Activities are progressing and funding has been confirmed.</i></p> <p><i>Council's due diligence has been completed and formalised.</i></p> <p><i>Under guidance from the Council WAMT have appointed an independent advisor to assist them with the procurement process.</i></p>

Recommendation	Current status	Priority	Management's proposed action
Procurement and risk management			
<p>The Procurement policy is due to be updated and we recommend:</p> <ul style="list-style-type: none"> • assigning responsibility for updating the policy; • clarifying how late tenders will be handled; and • clarifying the policy about the handling of gifts or hospitality from suppliers. <p>The Risk Management Framework could be improved by making it clear who is responsible for ensuring that risk processes are being applied within the Council.</p>	<p>Status: In progress</p> <p>The updated Procurement policy has been drafted. We expect the Procurement policy to be adopted within the next financial year.</p> <p>The Risk Management Framework is in the process of being reviewed to clearly assign the responsibility to a particular staff member.</p>	Beneficial	<p>Procurement policy:</p> <p><i>A draft policy has been prepared and once the reorganisation is complete responsibility for the policy will be assigned to a particular procurement role and the review will be completed.</i></p> <p><i>Awaiting start of Business Support manager to lead a procurement review council-wide. Position filled, and they start with the Council in January 2018.</i></p> <p><i>The Council's review of procurement policy is in progress.</i></p> <p>Risk management Framework:</p> <p><i>Risk Management framework is adopted and in place.</i></p>
Controls over employee masterfile changes			
<p>We recommend that the Council implements an effective review process for employee masterfile changes. This could be achieved by implementing a one-up approval step in the system.</p> <p>Alternatively, a masterfile change report can be obtained from IT and independently reviewed on a regular basis, for example, after each pay run.</p>	<p>Status: In progress</p> <p>The Human Resources team currently operate a paper based one up approval for payroll changes and are working with TechOne to build a simple masterfile change report to automate this process.</p>	Necessary	<p><i>Production is in process.</i></p> <p><i>P&C Team leader will consider options with ICT for interim arrangements for exception reports from TechOne.</i></p>

Recommendation	Current status	Priority	Management's proposed action
Accounting for the Bream Bay Land Owners Association (BBLOA) arrangement			
<p>We recommend that the Council reviews the accounting treatment for balances and transactions resulting from this agreement to ensure that it is correctly reflected in the Council's financial statements, and that an appropriate accounting policy is adopted for the future.</p> <p>In addition, we ask that the Council keeps us informed of any significant developments under this agreement, and any similar arrangements entered into in the future.</p>	<p>Status: In progress</p> <p>A review of the agreement is currently underway to potentially update it to reflect growth and HUE (Household Unit Equivalent) changes.</p> <p>The Council's BBLOA project manager has been advised to factor an accounting review into the review of the document before it is finalised and the decision was made not to undertake an accounting review through the Annual Report process.</p> <p>The review of this agreement had not been completed at our final visit.</p>	Beneficial	<p>Work continues on review of the agreement and there is a Council workshop due at end of November.</p>
Building consent fees received in advance			
<p>We recommend that old building consents are reviewed and refunded if appropriate.</p>	<p>Status: In progress</p> <p>The Council has reviewed the treatment of this account.</p> <p>We have identified there is still \$2.2 million of building consents fees recognised as revenue in advance. The revenue is not released until a building inspection is performed. Some of the building consent fees held relate back to 1995.</p> <p>We have also noted in total there is \$0.9 million relating to prior year inspection fees that have still not been undertaken.</p>	Beneficial	<p>Fees for building consents are being actively managed since 2007 and undergo regular review in line with the 2004 Building Act.</p> <p>Historic applications (July 1992 - April 2007) will be dealt with on a case by case basis but there is currently no resource available to progress in any other way within the Council.</p> <p>All appropriate consent fees are refunded.</p> <p>The Council considers this completed as no further possible actions.</p>

Recommendation	Current status	Priority	Management's proposed action
	The Council's view is that many of the prepaid fees are still in progress, so do not need refunding. The others are in a refund situation because the applicants have not applied for a Code Compliance Certificate (CCC).		
Review of employee Code of Conduct			
We recommend that the Employee Code of Conduct is reviewed and updated.	Status: In progress The review of the Code of Conduct is underway. Consultation with staff is about to commence.	Beneficial	<i>Despite elected members not adopting their code of conduct, the development of a staff code of conduct is to be reviewed and progressed.</i>
Monitoring and reporting of legal matters			
We recommend that a formal system is implemented to centrally monitor and report all outstanding legal matters. This will help monitor and mitigate the Council's exposure to legal risks.	Status: In progress This area is currently being reviewed. We expect the review will be completed within the next financial year.	Beneficial	<i>New Legal resource now in place. Work is beginning to look at these issues and identify practical approach to address this observation.</i>

Recommendation	Current status	Priority	Management's proposed action
Monthly reconciliations			
<p>The Council should review the reconciliation process to ensure that reconciliations are correctly prepared and reviewed.</p> <p>We also recommend that the Council implements controls around the new digital reconciliations.</p> <p>Fixed assets reconciliation</p> <p>We recommend regular reconciliations to ensure reconciling items and variances are addressed in a timely manner.</p>	<p>Status: In progress</p> <p>The Council has reviewed the reconciliation process to ensure that reconciliations are completed accurately and reviewed in a timely manner by the appropriate level of staff. Balance sheet reconciliations have been prioritised as either high, medium, or low.</p> <p>The frequency of the review of each reconciliation will be determined by its priority ranking. For example, those reconciliations classified as high will be reviewed monthly while those of low priority may only get reviewed on a quarterly/six monthly/ or annual basis.</p> <p>To ensure that reconciliations are prepared correctly, a standard template has been implemented. Reconciliations will also be peer-reviewed at least annually by the Financial Services Manager. The Council is currently looking to options for digital review sign-off.</p> <p>From our review of the reconciliations for the 2016/17 year, we have found that the creditor reconciliations were not prepared or reviewed in a timely manner. The reconciliations for the month of August and December 2016 were not reviewed.</p>	Beneficial	<p><i>This is in the work flow planning to undergo a full review by the finance team in the first quarter of 2018.</i></p>

Recommendation	Current status	Priority	Management's proposed action
Valuer's recommendations			
We recommend that the Council implements the recommendations identified by the Roding valuers in 2014, 2016 and 2017.	<p>In progress</p> <p>The Opus roading valuation continues to raise six key recommendations to the Council. We also found that condition information is not included in the asset database and therefore not factored into the roading valuations.</p> <p>We recommend that condition information should be included in RAMM database and incorporated into the valuations (see 2.2).</p>	Necessary	9 of the 14 items have been completed. The remaining 5 items are being progressed with a revised completion date of March 2018. The Council continues to implement the valuers recommendations.
Related party disclosures			
We recommend that management adopt robust procedures to ensure all transactions with related parties that are not at arms-length are disclosed in the financial statements to ensure compliance with the accounting standards.	<p>In progress</p> <p>The Council has made improvements to the information provided for related party disclosure.</p> <p>We continue to note that an assessment of all related party transactions (including debtor and creditors) to confirm that transactions are at arm's length was not performed.</p>	Beneficial	This process is now in place with a cross check completed by finance following receipt of annual disclosures.
Digitisation of paper property records			
The accounting standards generally do not allow for the recognition of digitalised records as intangible assets, because digitisation of hard copy information does	<p>In progress</p> <p>The total cost of the digitalisation of paper records included in WIP is \$383k. Our view is that these costs should be expensed. The Council are going to review</p>	Necessary	The Council's Finance Manager is working with PwC and Audit New Zealand to consolidate accounting advice and move this forward.

Recommendation	Current status	Priority	Management's proposed action
not result in new information or necessarily prolong the life of the information. We are currently working with management to assess if digitalised records can be capitalised as an intangible asset.	the digitalisation of paper records are part of the LTP and seek accounting advice on this issue.		

Matters that have been resolved

Recommendation	Outcome
Assessment of areas susceptible to fraud	
We recommend that the Council implements a formalised process to identify and address areas susceptible to fraud.	Matter cleared The Council's annual internal audit work programme now includes a process to identify and address any areas susceptible to fraud.
Valuation of infrastructure assets	
The following recommendations were made in previous management reports: <ul style="list-style-type: none"> processes are developed to ensure that all assets within a class are revalued; and valuation reports are reviewed for reasonableness. Refer to prior management reports for detailed recommendations.	Matter cleared From our review of the valuations, we are satisfied that processes were put in place to ensure that all assets within a class are revalued. We also found that quality assurance reviews were performed over the valuations.
Consistent accounting policies for the group	
With the roll-out of PBE accounting standards in 2015, group accounting policies will need to be reviewed to ensure consistent accounting policies across the group, particularly in light of the fact that the Council has a profit-oriented joint venture which will apply a different suite of accounting standards to the Council and other entities in the group.	Matter cleared The Council has reviewed and updated the accounting policies. Whangarei District Airport and NRLLP are now both accounted for using the equity method in both the parent and group.

Recommendation	Outcome
Stonehaven community loans	
We suggest that the Council formally reviews the loans for impairment on a regular basis, based on the financial circumstances of the borrower.	Matter cleared The Stonehaven community loan was formally reviewed for impairment indicators at 30 June 2017. The Council impaired this community loan by \$500k during the year.
Information technology - capitalisation of Trilogy project	
The Council should review Trilogy related costs to ensure they are correctly accounted for and disclosed.	Matter cleared Staff have reviewed all Trilogy related costs to ensure that they are correctly accounted for and disclosed. We have reviewed these costs and are satisfied the Council has identified which costs should be capitalised and expensed. The useful life of the new project is 10 years. This is based on previous history. We have assessed this as being reasonable. The accounting policies were updated to reflect this.
Core infrastructure assets - disclosure note	
We recommend formalising the process for determining the figures included in the core assets disclosure.	Matter cleared We reviewed the core infrastructure asset disclosure. The Council has now formalised their processes for determining the figures. We are satisfied the figures disclosed were fairly stated.
Management of the financial reporting process	
We recommend that the Council reviews the annual report process and the annual report document with the aim of further refining the process and enhancing the quality of the annual report for its stakeholders.	Matter cleared The Council reviewed the annual report process and continues to make significant improvements to the process. The audit ran really smoothly this year.

Recommendation	Outcome
Fully depreciated assets	
<p>We recommend that the Council reviews the useful lives within the fixed asset register and the accounting policies to ensure that the useful lives reflect the actual life of these assets.</p>	<p>Matter cleared</p> <p>All the useful lives within the fixed asset register were reviewed prior to the revaluations. All those assets that had no remaining life were assessed as having a useful life of 4 years based on how long the Council expect the asset to continue to last.</p>
Vested assets	
<p>We recommended that Council develop systems and processes to ensure vested assets are capitalised when completed.</p> <p>We also recommend that the Council continues to seek timely receipt of as-built plans from developers, prior to issuing section 224 certificates.</p>	<p>Matter cleared</p> <p>System and processes have been put in place to ensure vested assets are capitalised when complete. The subdivision team will send the asset manager a list of assets once subdivision 224 certificates are now completed. A review is completed over all significant subdivisions to ensure that assets are being correctly capitalised.</p> <p>Through our testing of vested assets at interim we identified 3 out of 10 assets should have been capitalised in previous financial years (2004, 2012 and 2016). The value of these assets was immaterial.</p>
Payment dates for targeted rates for water supply	
<p>We recommend that the Council review its rates resolution for targeted rates for water supply to ensure it meets the requirements of the Local Government (Rating) Act 2002.</p>	<p>Matter cleared</p> <p>The rates resolution now lists all the repayments dates for targeted rates for water supply to ensure it meets the requirements of the Local Government (Rating) Act 2002.</p>

Recommendation	Outcome
Capitalisation of WIP	
<p>Capitalisation policies were approved in July 2016 and should result in improved accounting and reporting of capital projects. In the absence of those policies during the 2016 audit we have continued to recommend that:</p> <ul style="list-style-type: none"> the process for capitalising assets is monitored to ensure it is effective in managing the timely and accurate capitalisation of WIP; the review of WIP incorporates an impairment assessment of balances not yet capitalised at year end; and as-built plans and other required documentation are required before accepting assets from developers. 	<p>Matter cleared</p> <p>The capitalisation policy has been approved in July 2016. We are satisfied that the Council now has appropriate processes in place to ensure that WIP is being managed timely and accurately.</p> <p>The Council performed a review for impairment which covered WIP.</p> <p>We found from our testing of vested assets and capitalised assets that as-built plans were provided prior to the assets being capitalised.</p>
Impairment of earthquake prone buildings	
<p>The Council should consider the risk of impairment as a result of seismic strengthening requirements.</p>	<p>Matter cleared</p> <p>The Council has assessed earthquake prone buildings for impairment. The Forum North building is currently in compliance (55%) and Central City Car Park (40%). Progress is being made regarding the future One Building Council project and pending that decision the Council will address the earthquake issues associated with Forum North.</p> <p>For the Central City Car Park, the body corporate is progressing a maintenance plan. The Council has budgeted to contribute to the appropriate solution and will progress the work in the next financial year.</p> <p>Overall we are satisfied that there is no objective evidence of material overstatement of the value of the Council's assets due to unrecognised impairment on earthquake prone buildings.</p>
Network password settings	
<p>We noted that the password security rule for "Complexity" is not turned on and therefore below good practice standard. We recommended that network password complexity is turned on.</p>	<p>Matter cleared</p> <p>We sighted the network password settings online and noted that the password complexity setting is turned on.</p>

Recommendation	Outcome
Historic accounting issues	
In previous years we identified issues in regards to the capitalisation of property, plant and equipment (PPE). We recommended that the Council continue to improve the policies and processes around recording PPE in the general ledger and asset register.	Matter cleared The Council has updated its accounting policies and has reviewed the process for recording PPE in the general ledger and asset register. Progress has been made by the Council during the 2016/17 year on resolving historic PPE issues through the PPE continuous improvement project.
TechOne delegations (Interim management report 2017)	
We recommend that controls are reviewed around adding and deleting delegation limits within TechOne. This will ensure that the Council delegation limits in TechOne are consistent with their financial delegations manual.	Matter cleared There are controls in place to ensure that adding and deleting delegation limits are in line with the delegation policy. There was only a short period of time of two months (May and June 2017) where the TechOne delegation was not consistent with the delegations manual, as the Council had applied the new delegation (effective 1 July 2017) early.
Vested assets (Interim management report 2017)	
We recommended management perform a review of all subdivisions completed or nearing completion at 30 June to ensure all the related vested assets have been correctly capitalised.	Matter cleared Management performed a review of all the subdivisions completed or nearing completion at 30 June. Management are satisfied that vested assets are complete for the 2016/17 financial year.
Impairment review (Interim management report 2017)	
We recommend that the impact of seismic strengthening should be considered as part of the revaluations of all assets. The Council should also consider impairing any assets that are not revalued and have seismic strengthening issues that need to be addressed.	Matter cleared The Council, as part of the revaluations considered the impact of seismic strengthening. The Council did not identify any assets that needed to be impaired.

Recommendation	Outcome
Revaluation reserve on disposal (Interim management report 2017)	
We recommend that any revaluation reserve is transferred to retained earnings on disposal of the asset to which it relates.	<p>Matter cleared</p> <p>The Council's asset management system does not hold reserve information on assets. A manual spreadsheet is now being maintained to ensure that when assets are disposed the revaluation reserve attached to that asset is able to be identified and disposed of.</p>

Appendix 4: Mandatory disclosures

Area	Key messages
Our responsibilities in conducting the audit	We carried out this audit on behalf of the Controller and Auditor-General. We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001. The audit of the financial statements does not relieve management or the Council of their responsibilities. Our audit engagement letter contains a detailed explanation of the respective responsibilities of the auditor and the Council.
Auditing standards	We carry out our audit in accordance with generally accepted audit 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 your systems of controls for detecting these matters.
Auditor independence	<p>We are independent of the 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>In addition to the audit, we have carried out engagements in the areas of audit of the Debenture Trust Deed, audit of the summary annual report and audit of the statement of fund raising for the HWMAC, which are compatible with those independence requirements. Other than the audit and these engagements, we have no relationship with, or interests in, the Council.</p>
Other relationships	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 Council that is significant to the audit. We are not aware of any situations where a staff member of Audit New Zealand has accepted a position of employment with the Council during or since the end of the financial year.
Unresolved disagreements	We have no unresolved disagreements with management about matters that individually or in aggregate could be significant to the financial statements. Management has not sought to influence our views on matters relevant to our audit opinion.

4.2 Final Internal Audit Report - Payroll

Meeting: Audit and Risk Committee
Date of meeting: 6 December 2017
Reporting officer: Emily Thompson (Audit and Risk Analyst)

1 Purpose

To present the BDO Internal Audit Report on Whangarei District Council's Payroll function.

2 Recommendations

That the Audit and Risk Committee:

- (a) Notes the Final Payroll Internal Audit Report issued by BDO.
- (b) Notes the recommendations raised by BDO and Council's response to them.

3 Background

As part of our ongoing internal audit programme we engaged BDO to undertake an internal audit of our payroll processing activity to identify potential areas of weakness or concern that may lead to financial loss or fraud against Council. The payroll review covered the period 1st October 2016- 31st September 2017.

4 Discussion

The objective of this internal audit on payroll activities was to:

1. Confirm that adequate internal policies and controls within Council's payroll processing activities are in place to manage risks associated with payroll compliance activities
2. Consider conformance with Council's policies and controls, and:
3. Assess compliance with legislature (including Holidays Act 2003) relevant to these key internal policies and procedures.

This was a limited assurance audit engagement conducted in accordance with New Zealand Audit Standard ISAE 3000.

The full report from BDO is provided in attachment one. BDO will be in attendance at this item to contribute to the discussion.

The key recommendations provided in the report are listed overleaf with the detail provided in the BDO report:

- Ref 4.1 - Access to master payroll data via TechOne
- Ref 4.4 - Documentation of pay run process and continuity risk
- Ref 4.5 - Documentation of payroll policies

Other findings mentioned in the report are:

- BDO noted the payroll function appears to operate very efficiently, in particular the processing of the fortnightly pay run. The software and processes in place appears to adequately support the processing of Council payroll.
- BDO performed detailed testing over a selection of payroll transactions/ activities and did not identify any instances of non-compliance with described procedures and controls.
- BDO performed detailed testing over a selection of payroll transactions and did not identify any instances of non-compliance with the Holidays Act 2003.

5 Next Steps

Actions from the three completed internal audits (and any future audits) will be monitored and reported to this Committee every six months. There is a separate report on this month's agenda for this.

6 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.

7 Attachment

Final Internal Audit Report from BDO – Payroll Processes



WHANGAREI DISTRICT COUNCIL

Internal Audit

Payroll - Review of and compliance with policies and procedures

Final Report

November 2017

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Private & Confidential

16 November 2017

Jill McPherson
 GM Strategy and Democracy
 Whangarei District Council
 Private Bag 9023
 WHANGAREI 0148

Dear Jill

We are pleased to present our report pertaining to the Internal Audit of Payroll Processes.

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

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

Yours sincerely

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1. SCOPE AND APPROACH

Our internal audit has been performed in accordance with the Consultancy Services Order dated 26 October 2017. The objective of the audit is to confirm, based on procedures performed, if payroll processes, policies and controls are designed adequately and are implemented effectively.

Our work encompassed a review over key payroll activities for which the following scope was agreed, and focused on the following areas:

- Assessing the adequacy and effectiveness of internal policies, procedures and controls in place to manage associated risks relevant to payroll;
- Assessing compliance of payroll practices against Council policies, procedures and controls;
- Assessing payroll policies and procedures against key items of relevant legislature.

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

Key Activities

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

Interviewed	<ul style="list-style-type: none"> • Relevant personnel from the Payroll, HR and finance team.
Reviewed	<ul style="list-style-type: none"> • Council policies relevant to payroll practices and evaluated against relevant legislature. • Business risks associated with the payroll process
Documented and Evaluated	<ul style="list-style-type: none"> • The adequacy and effectiveness of policies, procedures and controls in place to manage associated risks relevant to payroll.
Evaluated	<ul style="list-style-type: none"> • Payroll practice against Council policies, procedures and controls. This was achieved through the evaluation of a selection of transactions/ activities.*
Reported	<ul style="list-style-type: none"> • Summarised the work completed, reported any issues identified together with our recommendations.

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



BDO's reference points

Interviews

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

Interviewee	Position
Jenny Antunovich	Manager - People & Capability
Marie Notton	Team Leader - People & Capability
Ilona Leslie	Payroll - People & Capability
Rich Kerr	Manager - Finance
Delyse Henwood	Senior Financial Accountant
Philip Scot	Systems Analyst - Applications support

For a detailed summary of work completed refer to Section 5 - Internal Audit Work conducted.

2. EXECUTIVE SUMMARY OF FINDINGS

REF	TITLE	SUMMARY OF KEY FINDINGS AND RECOMMENDATIONS	Type	Rating
4.1	Access to master data via TechOne	Access level to payroll master data needs to be reviewed and action taken to restrict access.	Risk	High
4.2	Monitoring changes to personnel master data	There is no monitoring of changes to the personnel master data. We recommend compensating controls are used in the interim until the point where monitoring reports are available for use.	Risk	High
4.3	Review of payrun prior to payment	There is an opportunity to enhance the effectiveness of the payrun review prior to payment. We recommend an analytic review for payrun anomalies is performed by the P&C Manager.	Risk	Medium
4.4	Documentation of pay run process and continuity risk	There is no documentation of payroll processes and staff cover to process to cover a payrun is limited. We recommend documenting the payroll process in a set of work instructions. Another staff member to be trained in payroll processes in the event staff cover is needed.	Risk	Medium
4.5	Documentation of payroll policies	There is no documented policy or principles for the payroll function. We recommend a payroll policy document is developed to address the overall objective and responsibilities of the payroll function.	Risk	Low
4.6	Leave record keeping	Updating of sick leave balances is dependent on employees submitting a sick leave request. We recommend a process is implemented to create a central register of sick leave as it occurs to enable completeness to be monitored.	Risk	Low
4.7	Access to payroll reporting	We recommend current availability of payroll information is reviewed to ensure a balance is found between staff have information available to perform their role; and payroll confidentiality within the organisation.	Opportunity	Low

Positive Findings

TITLE	SUMMARY OF KEY FINDINGS AND RECOMMENDATIONS
Efficiency of payroll process	During the audit we noted the payroll function appears to operate very efficiently, in particular the processing of the fortnightly payrun. The software and processes in place appears to adequately support the processing of Council payroll.
No evidence of non-compliance with procedures	We performed detailed testing over a selection of payroll transactions/ activities and we did not identify any instances of non-compliance with described procedures and controls.
No evidence of non-compliance with Holidays Act 2003	We performed detailed testing over a selection of payroll transactions and we did not identify any instances of non-compliance with the Holidays Act 2003.



3. CONCLUSION

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

SCOPE OF WORK	CONCLUSION	EFFECTIVENESS
Adequacy and effectiveness of policies, procedures and controls in place to manage associated risks associated with payroll	Policies - Other than the findings in section 4.5 nothing has come to our attention to indicate that the policies in place to manage associated payroll risks is not effective.	Partially effective
	Procedures and controls - Other than the findings in section 4.1 - 4.6 nothing has come to our attention to indicate that the control environment in place to manage associated payroll risks is not effective.	Partially effective
Compliance of payroll practices against Council policies, procedures and controls	Nothing has come to our attention to indicate that the implementation of policies, procedures and controls in place to manage associated payroll risks is not effective.	Effective
Compliance of payroll policies and procedures against key items of relevant legislature	Other than the findings in section 4.1 nothing has come to our attention to indicate that adherence with key items of relevant legislature is not effective.	Partially effective

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

4. DETAILED FINDINGS

Our findings have been derived from our review of the Council's policies, procedures and controls pertaining to payroll processes, in accordance with Section 1 of this report.

4.1 Access to master data via TechOne

Type	Risk
Rating	High

Audit Finding:

Through inquiry, we found that all of the ICT team, approximately 12 staff, have the ability to access and change personnel master data files and view payroll details. We were advised that an internal memo has been circulated in the ICT team outlining that only one staff member, the Systems analyst - application support, should access payroll information and only when in the capacity of assisting the payroll administrators. Whilst the policy is communicated, there is no preventative control in place to restrict unnecessary access to view and change personnel data and payroll details.

Implication:

One of the underlying principles of the Privacy Act 1993 is that the storage and security of personal information shall be protected by reasonable safeguards to prevent unauthorised access, use and modification of information. There is weakness in the current preventative control environment with regard to personnel master data files and payroll reporting which creates a risk of inappropriate access to information.

Recommendations:

With regard to ICT team access, we recommend immediate action is taken to configure ICT TechOne access to restrict the ability to access personnel master data files, and view payroll details.

Management Comments:

Council intend to action this point and discussions have already begun between P&C and ICT to identify options to minimise access to the payroll information in TechOne. It is the intention of management that once options are identified they will be reviewed and the best options will be progressed.

4.2 Monitoring changes to personnel master data

Type	Risk
Rating	High

Audit Finding:

There are no automated monitoring control to detect changes to personnel master data.

Implication:

No automated monitoring of changes to master data creates a risk that inaccurate or dishonest changes are not detected by the Council. This risk is heightened due to there being weaknesses in preventative controls to access master data as documented in point 4.1 of this report. Key risks that are currently not monitored, via the system or reporting, are unauthorised changes to the employee bank accounts and the use of fictitious employees.

Recommendations:

1. We understand this point has been raised previously by external auditors, and progress is being made between the Council and TechOne to build reporting that will enable monitoring of master data changes. We recommend the following reports are written, and that there is a monthly review of the reports performed by the P&C Team Leader as this person is not involved with payrun processing:
 - Bank account changes
 - New starters
 - Terminations
 - Pay rate changes
 - PAYE and Kiwisaver rate changes
 - User name login to payroll module in TechOne (search for inappropriate login)
2. There is an opportunity to use compensating controls in the interim until the new TechOne reports are ready for use. During our work we established there are standard 'audit reports' available in TechOne that may be of use - such as bank account changes. The format of the reports are not user friendly, however with filter of data it is possible to detect changes to bank accounts. We recommend the P&C Team Leader discusses available reports with the Systems Analyst - application support and considers use of these reports in the interim until which time the new reports are available.

There are also manual checks that can be done to ensure terminated employees have been removed from payroll processing. For example the P&C Team Leader establishes known resignations during a period, then checks the subsequent period payrun does not include that employee, or going a step further; ensure the employee bank account number does not show on the subsequent period EFT report of accounts paid.

Management Comments:

Management accepts these comments and is looking to TechOne to provide regular reporting of data for review by the team.
P&C Team Leader and ICT are to review interim options to review this data. It is expected to include exception reporting, bank account changes across a period of time (possibly last 4 payruns).

4.3 Review of payrun prior to payment

Type	Risk
Rating	Medium

Audit Finding:

There is an opportunity to enhance the effectiveness of payrun review prior to payment. Currently, fortnightly payrun amounts to be paid are reviewed for anomalies by scanning through a report that shows all employee payments by type (gross, leave, etc) at an employee level but only for the current fortnight. This review is being performed by the Team Leader - People & Capability administration who has access to the payroll system, and a secondary review by a Senior Financial Accountant.

Implications:

There is a lack of effective analytic review of payroll amounts prior to the authorisation of the payment which creates a risk that erroneous or inappropriate payments are made. We acknowledge there is monthly HR and payroll reporting to Group managers which includes overtime paid and sick leave statistics, and on a quarterly cycle Group managers access reporting that includes salary paid vs budget by department. This review is retrospective and at a high level.

Recommendations:

A detailed review of employee payments should be performed by a senior staff member who has adequate knowledge of staffing levels, movements, etc and then by someone who is removed from the payrun process. We recommend the following changes are made:

1. The P&C Team Leader performs a detailed review of planned employee payments prior to payment. This could take the form of a report that shows at an employee level - gross pay, leave paid, overtime and allowances for the current fortnight compared to the previous 4 fortnights and to the contracted pay rate for the respective employee.
2. Following the P&C Team Leader review, one of the two Senior Financial Accountant follows the existing control of reviewing the payrun reconciliation to ensure balances are supported by payroll reports, however there should be no expectation of the finance team to identify anomalies in the payrun at a detailed employee level.

Management Comments:

This will require further discussion within Council to identify roles and responsibilities for P&C Team Leader and the Finance function to ensure appropriate checks are completed. The expectation is that we will hold a session with all stakeholder parties to identify intent of checks and confirm who should complete them.

4.4 Documentation of payroll process and continuity risk

Type	Risk
Rating	Medium

Audit Finding:

There is no written documentation of payroll processes or work instructions. Furthermore, in the event of both payroll administrators being unexpectedly away from work at the same time there is limited knowledge within current staffing to process a fortnightly payrun.

Implications:

Payroll processes including the fortnightly payrun are critically important to Council operations and there would be widespread implications if the process was interrupted due to a lack of staff cover.

Recommendations:

1. We recommend work instructions for payroll processes are completed immediately. These should include all practical steps that needs to be taken to perform key payroll processes including the processing of the fortnightly payrun.
2. While the P&C Manager is cover when one of the administrator is on leave, our recommendation is that another staff member from the HR Group should be trained to process pay in the event both administrators are away from work. We do not recommend this staff member is given ongoing access to the payroll system, but rather is granted access in the event it is needed.

Management Comments:

Work has already started on creating formal payroll processes that can be followed by any member of the P&C or Finance team, should the need arise. It is expected that this will be completed by the end of 2017.

4.5 Documentation of payroll policies

Type	Risk
Rating	Low

Audit Finding:

There is no documented policy for the payroll function. While there are policies that have some impact on payroll, for example Leave policy, Service recognition policy, Elected members allowances policy, etc there is no policy that effectively documents the overriding objectives and expectations of the payroll function.

Implications:

The implication of the payroll policy not being documented is a lack of clarity of the Councils responsibility and intent with regard to the payroll function.

Recommendations:

We recommend that a payroll policy is developed to reference the overall objective of the payroll function and address the following responsibilities:

- Duty as an responsible employer to pay all employees accurately, on time and in accordance with employment agreements.
- Compliance with applicable legislation
- Compliance with income tax and IRD requirements
- Security of payroll data
- Description of the payroll function
- Description of current calculation used to determine fortnightly payment
- Segregation of duties
- Reference to the location of instructional documentation and delegated authorities

Management Comments:

Council agree that there is a need to have an overarching document relating to all payroll processes. This will be reviewed in line with an internal policy review that has just begun and is expected to continue through the first half of 2018. It may result in an alternate name to 'policy' but the principles of payroll will be included as detailed above.

4.6 Leave record keeping

Type	Risk
Rating	Low

Audit Finding:

The recording of leave is dependent on the employee submitting a leave request, which is then approved in TechOne by their assigned approver and the accrued leave balance is updated in TechOne. There is no process in place to ensure that leave is indeed submitted by the staff.

Implication:

There is a risk that leave balances are overstated as there is no process to follow-up if an employee forgets or neglects to submit the leave.

Recommendations:

We recommend a process is put in place to capture sick days taken in a central register. At the end of the payrun fortnight the payroll administrator then reviews to ensure that all staff sick days from the register have been included in sick leave records for the fortnight. The HR/ payroll team should consider the most effective and efficient design of this process. For example release a policy that requires the person who has been told of a staff member taking sick leave must email the payroll team, then the payroll team update the central register.

Management Comments:

Council used to have an 'away today' central list, managed by the call centre, however with IT changes this became impractical. Council moved to a personal responsibility approach where staff were responsible for all leave requests and this is approved by 1-up approval.

Council will remind all staff and managers that they are responsible for completing leave requests in line with time away from work with particular attention to Annual Leave and sick leave.

Note: All Sick Leave and annual leave excesses are reported to SLT monthly and into the OLT every quarter so that managers can see the trends of any leave that is in the system (both positive and negative).

4.7 Access to payroll reporting

Type	Opportunity
Rating	Low

Audit Finding:

Through inquiry we were notified payroll reporting is able to be accessed by some staff which is beyond what is necessary for those staff members to fulfil their work responsibilities. It is our view that there is an opportunity to tighten the accessibility of payroll information and protect employee pay records.

Implication:

Potentially unnecessary access to payroll information.

Recommendations:

Payroll reporting should only be accessible to staff to the extent that is necessary for them to fulfil their work responsibilities. For example, budgeting accountants should be able to see payroll reporting for the Group they are responsible for but not payroll reporting for other Groups or the finance team. We recommend the P&C Manager, Team Leader P&C and Manager of Finance work together to establish how the presentation of payroll reporting can be adjusted and determine the best location for storing this information such as a password required shared folders.

Management Comments:

Council recognise that this presents some concern to some areas, however Council is also aware that there is a need within some roles to have access to this data. Council will consider the practicalities of using password protection on electronic files that are shared between departments. There is limited options beyond password protection as the majority of access is considered to be reasonable for the staff involved.

5. INTERNAL AUDIT WORK CONDUCTED

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

Scope Required	Work Completed	Conclusion
Adequacy and effectiveness of policies, procedures and controls in place to manage associated risks associated with payroll	<ul style="list-style-type: none"> Interviewed relevant Council staff to identify and assess the adequacy and effectiveness of all relevant policies, procedures and controls. Payroll processes considered were defined in the terms of reference for the audit: <ul style="list-style-type: none"> Access to payroll processing and master data Timesheet process and recording Accurate calculation of payroll including deductions Process for new starters and for leavers Payroll balancing, posting to the GL and reconciliations Provision of management information (to finance team) Segregation of duties Documented payroll processes and controls in the absence of written payroll processes being available. Assessed the adequacy and effectiveness of: <ul style="list-style-type: none"> 'Annual leave (Aug-15)' policy with reference to the Holidays Act 2003. Processes to secure employee data and information with reference to the Privacy Act 1993. Documented risks associated with payroll policies, procedures and controls and identified control gaps. 	Based on work completed we noted limitations with the design of policies, procedures and controls. Refer to section 4.1 and 4.7 for points to consider.
Compliance of payroll practices against Council policies, procedures and controls and legislation where relevant	<ul style="list-style-type: none"> Evaluated actual practices against policy and procedures through transaction testing. This was achieved through the selection transactions/ activities relevant to the scope of the audit: <ul style="list-style-type: none"> Verifying the authorisation of bank account changes (x5) Evidence of leave taken or overtime worked approved appropriately (x10) Employee agreement retained on file (x20) Employee pay rate supported by agreement or notice of salary change (x20) Tax rate applied agrees to employee declaration and PAYE calculating correctly (x20) 	Nothing has come to our attention to indicate that the implementation of policies, procedures and controls in place to manage associated payroll risks is not effective



- Kiwisaver deductions agree to employee declaration (x20)
- Allowances and deductions agreed to authorised amounts (x5)
- Overtime rates only paid once 37.5 hours worked in a given week (x5)
- Councillor pay rates agreed to legislated rates (x5)
- New starters minimum documentation retained on file and master data updated accordingly (x5)
- Leavers resignation paper work or redundancy letter retained and employee termination from TechOne (x2)
- Calculation of termination pay including holiday pay and redundancy in accordance with contract and legislation (x1)
- Annual leave entitlements agreed to employee contract and legislative minimum (x2)
- Annual leave pay rate applied consistent with the legislated method of calculation (x2)
- Fortnightly payrun process followed (x2)



Provide recommendations for improvement where weaknesses are identified.	<ul style="list-style-type: none"> • Reflected on the results of our procedures to draw conclusions. 	Refer to conclusions at section 3.
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APPENDIX 1 - FINDINGS RATING

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

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

Definitions for each category are provided below.

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

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



APPENDIX 2 - LIMITATIONS OF INTERNAL AUDIT PROJECT

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

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

- As a result of the inherent limitations of any internal control structure it is possible that errors or irregularities may occur and not be detected. Further, the internal control structure, within which the control procedures that we have reviewed operate, has not been reviewed and no view is expressed as to its effectiveness.
- The engagement is not designed to detect all weaknesses in control procedures as it is not performed continuously throughout the period and the tests performed are on a sample basis. Also, this engagement does not provide all the evidence that would be required in high level positive assurance audit.
- Any projection of the evaluation of the procedures reviewed for selected processes to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

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

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

4.3 Financial Management Activity Update Report

Meeting: Audit and Risk Committee
Date of meeting: 6 December 2017
Reporting officer: Rich Kerr (Finance Manager)

1 Purpose

To update the Committee on financial management activity over the previous three month period and upcoming financial matters.

2 Recommendation

That the Audit and Risk Committee notes the financial management activity over the previous three months.

3 Discussion

2016 – 2017 Annual Report

Council adopted the 2016 – 2017 Annual Report at the 28 September 2017 Council meeting.

As part of the preparation and planning for the 2017 – 2018 Annual Report Finance is reviewing the 2016 – 2017 Annual Report production process and discussing key items and dates with Audit NZ in November.

Treasury Risk Management

The graphs below show Council's compliance to the risk parameters set out in the Treasury Risk Management Policy. Due to current net debt tracking well below budgeted debt, Council is working with its treasury advisors (PwC) to establish whether there is a requirement to reduce some of its short term hedging. This may result in entering into some short term receiver swaps.

Council is also looking at better ways to forecast cashflows to assist with these treasury management decisions.

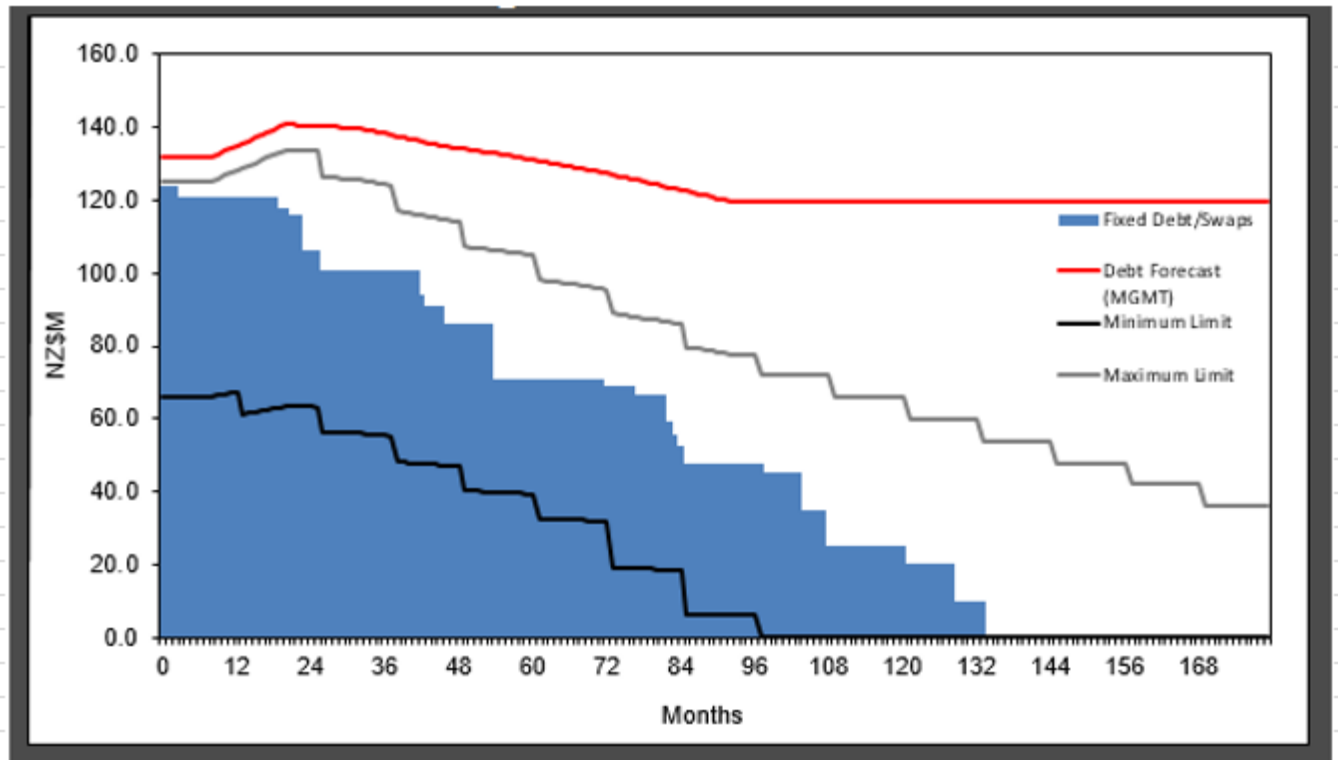
TREASURY RISK REPORT

31 October 2017



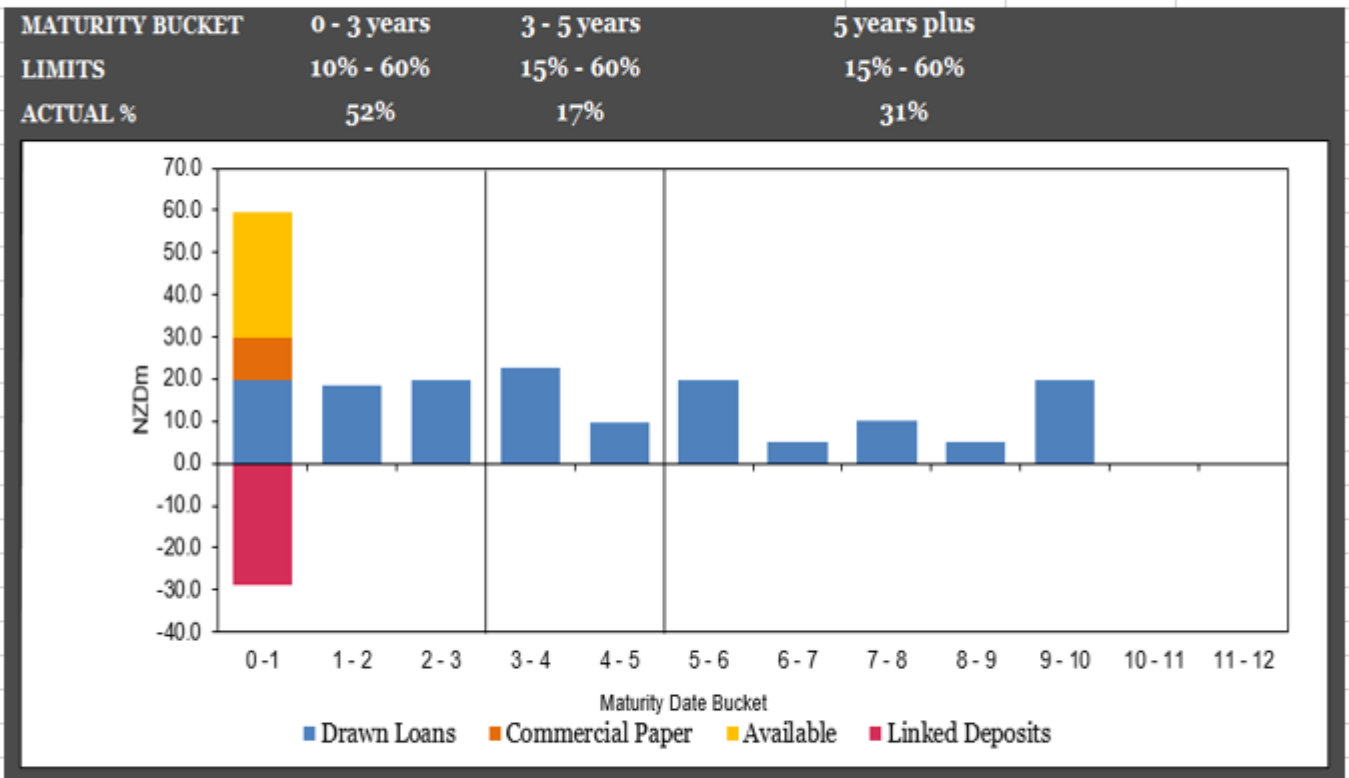
Fixed Interest Rate Hedge Position

This graph illustrates Council's fixed interest rate position i.e. the nominal value of the fixed interest rate swaps that Council has in place for different durations indicated in months (solid blue). It indicates whether swaps in place are within the approved interest rate control limits set in the Treasury Risk Management Policy. Limits are set based on forecast "core debt" (red line).



Funding Maturity

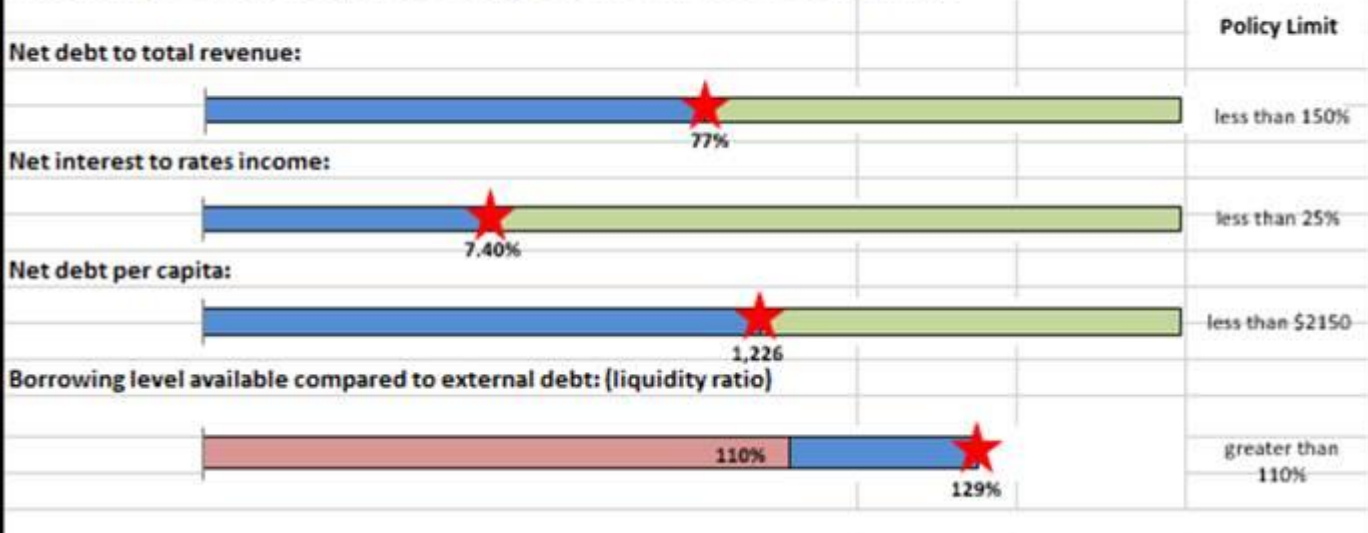
This graph illustrates the maturity of Council's total external debt against the approved limits within each maturity bucket. Current limits for each bucket are set in the Treasury Risk Management Policy and shown in the graph below, with percentages calculated on total external debt.



	Years
Weighted average duration of Loans	4.13
Weighted average duration of Swaps	6.35

POLICY LIMITS:

The following information displays Council's position in comparison to policy limits.



Payables Automation and Plan for Improved Purchase to Pay Compliance

On Monday evening 21 November, the process of receiving invoices from suppliers and getting the key data from those into TechOne was automated. The process uses OCR (Optical Character Recognition) software to gather the required information from supplier invoices and workflow this into TechOne.

There will be a saving through efficiency in the current payables role. It is intended to review the role in the new year with a goal of focusing it more on internal customer support and identification of road blocks in the business that prevent compliance with the purchase to pay process. The role will identify required process change or training to ultimately improve the compliance. At the moment compliance is around the 67% mark and the initial goal is to get this to 90% by the end of the 2018 calendar year if possible.

Insurance

The bulk of insurance schedules have undergone their annual renewal at 1 November 2017. This is reported as a separate agenda item on this Audit and Risk Committee agenda.

4.4 Health and Safety Report

Meeting: Audit and Risk Committee
Date of meeting: 6 December 2017
Reporting officer: Desarae Williams (Health and Safety Manager)

1 Purpose

To provide the Audit and Risk Committee with information on key health and safety risks, and measures in place to mitigate those risks at the Whangarei District Council (WDC) workplace.

2 Recommendation/s

That the Audit and Risk committee notes the information presented in the report and its attachment.

3 Background

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

- Apply due diligence to ensure the council is meeting legal health and safety obligations.
- Ensure that health and safety risks have been identified and are being suitably mitigated.
- Be confident that WDC is providing a safe workplace for workers.

This report provides key information that addresses these matters at a governance level.

4 Discussion

Risks

Attachment One of this report shows the top ten health and safety risks at the Whangarei District Council Workplace.

In the last quarter, the following events relating to these risks have occurred:

- Walton Plaza Lockdown – recently staff and some members of the public were locked in, or locked out, for one and half hours. This was due to a bomb threat made by an Oranga Tamariki (CYFs) client. This was possibly one of the most serious threats to the Walton Plaza building to date, with a strong police presence during the incident. A conservative calculation of council staff productivity lost, was an estimated \$10,000 (Risk 4 - Aggression from WINZ and CYFs clients at Walton Plaza)
- An investigation into the Uretiti transfer station site is now considering a redesign of the site, to reduce risk rather than the use of a barrier (Risk 8 – work at heights)

- The Water Department has been working with an external consultant to minimise some of their work at height risks, with customised training planned for the future (Risk 8 – work at heights)

Injuries

Statistics are shown for the first quarter of the 2017-18 financial year below. The trend arrow relates to the previous quarter. All areas are trending downwards, with no notifiable injuries to Worksafe in either quarter.

Injury Type	Employee	Contractor	Public	Totals YTD to 30/9/17	Trend
Injury notifiable to WorkSafe NZ	0	0	0	0	Same
Lost Time Injury (injury needing days off)	0	3	0	3	↓
Medical Treatment Injury (visited doctor or physio)	2	9	1	12	↓
Occupational health exposure	0	2	0	2	↓
Minor injuries (First Aid)	11	26	0	37	↓
Pain and Discomfort	32	1	0	33	↓
Incidents	13	49	4	66	↓

Table 1: WDC Injuries 1 July – 30 September, 2017

Table 2 overleaf shows incidents reported over last four years and including this financial year to date totals.

Incident Type	2013-2014	2014-2015	2015-16	2016-2017	1/7/17 to 30/9/17
Injury notifiable to WorkSafe NZ	3	6	2	3	0
Lost Time Injuries	13	14	7	11	3
Medical Treatment Injuries	37	19	46	51	12
Occupational health exposure	0	0	0	11	2
Minor Injuries	40	46	74	127	37
Pain and Discomfort	9	18	84	109	33
Incidents	137	116	382	283	66

Table 2: Workplace Injuries over last five financial years

Legislative Compliance

The new Hazardous Substances Regulations will have come into effect on December 1st, 2017 and Worksafe NZ have been providing more guidance on this. A specialist audit of the Waste and Water operations is being planned, along with a few other areas where we think chemicals will trigger hazardous substances controls, such as; Certified Handlers, signage, fire extinguishers, bunding and emergency plans. As the requirements are very complex, we think external assistance has merit. A lot of work has been carried out in this area, with several key staff assisting in their individual areas to ensure we are compliant.

Training

Table 3, below, shows a summary of training undertaken since the last report.

Internal	External
<ul style="list-style-type: none"> • New Manager Briefings • Contractor Management Briefings 	<ul style="list-style-type: none"> • First Aid (Lifecare) • Armed Robbery (Fearfree) • Customer Conflict (Fearfree) • Site Safe passports • H&S Rep training (Safety'n'Action) • Accident investigation training (Safety'n'Action) • Worksafe Duty Holder Requirements • Hazardous substances (EMA) • Confined space entry (Northtec) • Work at heights (Northtec)

Table 3: Summary of health and safety training undertaken 1 September- November 14, 2017

Occupational Health and Wellbeing

- Scheduled occupational health checks have continued since the last meeting.
- We have changed medical provider.
- A wellness plan has been forwarded to the Strategic Leadership team for endorsement
- The Employee Assistance Programme usage continues to be used with staff reporting on its effectiveness.
- Posters outlining where to go for help have also been posted around the workplace.
- A presentation to all staff regarding mental health awareness is planned for 23rd November.
- Health and Safety Representatives have identified workplace stress as the key area they wish us to work on this coming year.

Worker Participation

Under the Worker Participation Regulations, there are several legal requirements involving consultation and involvement. A planning and review session was held this quarter, with the health and safety representatives. In addition, we are obliged to continue to maintain the ACC workplace safety standards until our certification runs out in August 2018. This standard requires formal worker involvement and participation including a regular review of injuries and incidents, trends of these and involvement in injury prevention strategies.

At the planning and review session, health and safety representatives identified these top areas for injury prevention strategies in descending order;

1. Stress/mental wellbeing
2. Violence, threats and aggression risks
3. Pain and discomfort
4. Road safety

Planning

A health and safety strategic plan for the next two years has been formulated based on our legal obligations, our injury and risk information, external audits and feedback from the organisation. The plan has been endorsed by the H&S Committee, Department Managers and Team Leaders and at the time of writing this report, sent for final endorsement to the Strategic Leadership Team.

Emergency drills

One of the important things we do to ensure we have good emergency systems in place, is to undertake emergency drills. We set up a schedule each year and cover off the usual fire emergency evacuation, along with drills of; first aid emergencies, armed robbery, bomb threats in by phone, suspicious mail, gas leaks, chemical spills and handling very aggressive people.

In addition, we held one very special event this quarter involving a mock tsunami, generated from the Kermadecs, giving us 20 minutes to have our CBD buildings cleared. 235 staff participated in this, including the Mayor and some councilors. While Claphams Clocks, the Central Library, Walton Plaza and Forum North staff all evacuated up to Whangarei Primary School, the Waste Water Treatment Plant and Toll Stadium staff evacuated to high ground close by. The event went very well, having had some excellent pre-planning by a small team. Staff awareness of what to do in a tsunami has been heightened by this exercise.

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 Attachments

Top Ten Health and Safety Risks, November 2017

Attachment 1: Ten highest perceived health and safety risks in Whangarei District Council ‘workplaces’

#	Risk Description	Cause of the Risk	Consequence / impact of an event happening	Inherent Risk Rating	Controls in Place	Residual Risk Rating	Future Controls	Future Risk Rating
1	Aggression from members of public	Workers out in field coming across aggressive people, aggressive people coming into council	Worksafe notifiable injury	Critical	<ul style="list-style-type: none"> Security procedures in place Regular training sessions on what to do in lock down or restricted access events. Personal safety and armed robbery training provided Monthly H&S & Security meetings held with other tenants Planned drills, which expose holes in systems Audits of high risk areas 	High	A further security audit has been completed and provided for the Customer Services Ruakaka Hub and The Hub at the Town Basin	
2	Traffic and driving hazards	Other people driving badly, pedestrians walking out in front of vehicles, errors of judgement made. Fatigue etc. Also risk to workers when crossing roads from traffic.	One Worksafe notifiable injury or potentially many fatalities	Critical	<ul style="list-style-type: none"> Driver assessments Licence checks Driver – car control training being provided for high use fleet drivers Driver checklists implemented 	High		
3	Workplace stress	Work overload, bullying, unreasonable	WorkSafe NZ notifiable injury	Critical	<ul style="list-style-type: none"> EAP (Employee Assistance Programme) system available 	High	Note: the staff review has reportedly made a	

#	Risk Description	Cause of the Risk	Consequence / impact of an event happening	Inherent Risk Rating	Controls in Place	Residual Risk Rating	Future Controls	Future Risk Rating
		behaviours, unresolved conflict. This can be compounded by out of work issues			<ul style="list-style-type: none"> • Encouragement to early report and resolve issues • Policies in place giving guidance 		number of staff anxious or overwhelmed.	
4	Aggression from WINZ and CYFs clients at Walton Plaza	Work and Income or CYFs clients (with aggression not necessarily directed or targeted at council staff, but affected nevertheless)	Several fatalities	Critical	<ul style="list-style-type: none"> • CCTV • Panic buttons • Personal safety and armed robbery training • Minimal amounts of cash kept in public area • Security firms come and regularly collect cash • New – W&I have put tighter security measures in place and this 'appears' to be having a positive impact 	High	The staff in 'one building' concept would eliminate this risk. One lockdown event this quarter	Nil
5	Trips and slips	Slippery surfaces, unrecognised trip hazards, people not paying attention	WorkSafe NZ notifiable injury	Critical	<ul style="list-style-type: none"> • Encouragement of reporting and resolving the risk as soon as possible 	High		
6	Contractors creating risks in the workplace	Contractors injuring themselves and others when undertaking council work or while at council workplaces/ This	Multiple fatalities WorkSafe NZ Prosecution	Critical	<ul style="list-style-type: none"> • Good initial health and safety appraisal system – we are moving to a prequalification requirement of being SiteWise approved to 50% or more, within stated timeframes 	High	We are also requiring our higher risk sub-contractors to have SiteWise prequalification approval by the end of 2017.	Medium

#	Risk Description	Cause of the Risk	Consequence / impact of an event happening	Inherent Risk Rating	Controls in Place	Residual Risk Rating	Future Controls	Future Risk Rating
		is especially risky if they are uncertified (H&S) contractors			<ul style="list-style-type: none"> • Tight asbestos removal controls • Annual review of existing contractors • Monitoring processes • Contractors informed of requirements and standards, with regular communication to contractors • Council staff trained in requirements • Contractor Management policy in place • Permit to Work system in place • Lockout system in place • Induction of contractors 			
7	Lack of sufficient CCTV in some remote areas of council (Particularly the Town Basin Hub and branch libraries)	This is part of number one risk, in terms of aggressive people, but placed here as an open and unresolved risk. CCTV can act as a deterrent	WorkSafe NZ notifiable injury	High	<ul style="list-style-type: none"> • We do not have these in place – we have been looking at quotes etc, but as the CCTV contract is up for renewal, we are trying to have a consistent approach in who and what we use 	Open	Once in place, these will considerably reduce the risk – they are primarily a deterrent.	Nil
8	Work at heights (WAH)	Falling	Worksafe notifiable injury	High	<ul style="list-style-type: none"> • Training • Permits to work • WAH reviews and audits • Procedures • Handrails • Use of scaffolding 	High	One barrier left to complete, but site redesign being investigated to eliminate the need.	Low

#	Risk Description	Cause of the Risk	Consequence / impact of an event happening	Inherent Risk Rating	Controls in Place	Residual Risk Rating	Future Controls	Future Risk Rating
					<ul style="list-style-type: none"> • Use of Elevated work platforms • Assessments of risk and plans to work safely • Supervision 			
9	Roller related accidents	Wrong roller type used, camber and slant of road, roller driving technique, driver fatigue or boredom or inattention, lack of trained workers	Worksafe notifiable injury	High	<ul style="list-style-type: none"> • Training • Standard operating procedures – our larger contractors have recently shared theirs with others • Review of the issue with contractors • Use of correct rollers • Use of radios on worksites 	Medium		
10	Confined space entries (CSE)	Unmitigated risk into confined spaces including lack of; training, certified people, procedures, supervision, permits etc.	Multiple fatalities WorkSafe NZ Prosecution	High	<ul style="list-style-type: none"> • Requirement to use CSE permit to work and suitable procedures • CSE policy • Trained staff • Air & gas monitoring • Rescue plans • Monitoring • Supervision • Notification to our contractors about our standards and requirements 	Medium		

4.5 Insurance Renewal Update

Meeting: Audit and Risk Committee
Date of meeting: 06 December 2017
Reporting officer: Emily Thompson (Audit and Risk Analyst)

1 Purpose

To report the annual renewal of Council's insurance schedules.

2 Recommendation/s

That the Audit and Risk Committee notes the successful renewal of the Council's insurance schedules.

3 Discussion

Recently we altered the renewal date of a large part of our insurance programme to 1 November each year. This was to align with the other three Northland Councils insurance programmes to leverage our combined purchasing power. This also avoids the traditionally busy financial end of year process.

The insurance policies for the following schedules were successfully renewed via our broker (AON) on 1st November 2017.

- Material Damage (fire and excluding fire)
- Business Interruption
- Commercial Motor
- Fidelity / Crime
- Machinery Breakdown – Lower Hatea Bridge and Waiarohia Bridge
- Hall Hirers liability
- Business Travel
- Exemplary Damages
- Forestry (standing Timber)
- Trustees Liability

Other schedules are renewed via other brokers at other times of the year.

The total cost of this renewal was just over \$ 487,000 + GST. This represents an increase in premiums of around 15%. This is in line with expectations as it reflects the current market, and was budgeted for.

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

4.6 Internal Audit – Outstanding Actions Report

Meeting: Audit and Risk Committee
Date of meeting: 06 December 2017
Reporting officer: Emily Thompson (Audit and Risk Analyst)

1 Purpose

To report the status of outstanding actions from the Internal Audits conducted in 2016 and 2017.

2 Recommendation/s

That the Audit and Risk Committee:

- (a) Notes that reporting of internal audit activity will occur every six months
- (b) 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 29 March 2017. Since that approval three internal audits have been completed on open order purchasing, discretionary expenditure and payroll (which is reported separately on this agenda).

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

4 Discussion

This is the first of a regular six monthly cycle to report progress on internal audit actions to the committee. These could be reported every meeting, every six months or every 12 months but a six-monthly cycle will sit well alongside reporting of external audit actions (so they occur on alternate committee meetings).

There are currently seven actions in progress, not including the actions from the recent payroll audit, although these will be added and updated prior to the next review. Attachment one provides a summary of the actions and their status.

Since the completion of the internal audits, staff have progressed three recommendations to completion. One action, currently rated as ‘High’, has also been noted on the external audit

report (which is reported separately), and is currently being reviewed with the appropriate departments across Council.

5 Significance and engagement

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

6 Attachments

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
Open Purchase Orders	2017-01-31	4.1	Invoice Paid Twice	We identified one instance of a supplier invoice being paid twice during the 2016 calendar year. .	High	We recommend finance team management and the systems accountant review system controls within TechOne. This should be done in a test environment to accurately document what details can be entered into TechOne without an application error occurring. We recommend TechOne is configured to allow an invoice number be applied to the respective supplier on one occasion only. The circumstances of the identified exception should be reviewed to understand the rationale for adjusting the order by one cent. That is; to determine if this was a deliberate attempt to circumvent controls, or simply to facilitate administration of the payment	We will review the system controls within TechOne and investigate whether amendments can be made to improve the current controls. We have looked into the exception and the original purchase was incorrectly amended. We note that there were two copies of the invoice which were in different formats. After further investigation we can confirm that TechOne was not manually overridden. If a purchase order is raised as exclusive of GST, it is a common occurrence that the final inclusive invoice amount can vary by 1 cent due to rounding. When the purchase order is matched to the invoice, the accounts payable staff can then amend the purchase order details in order to align to the invoice. In this situation, there appears to have been a rounding discrepancy between the PO and the invoice. This 1 cent difference was overlooked and not amended at the time of matching the PO to the invoice. The system therefore allowed the payment to occur as the transaction was not recognised as a duplicate due to the differing amounts.	Review System controls in TechOne to see if any amendments can be made to the current controls. We intend to communicate with Tech One to see if this issue has been encountered by other user sites before and if there is a compensating control. We will look at what reports/queries we can run prior to payables runs to check for potential double payments. We will also look at what further training can be provided to payables staff.	Finance	Jun-18	We have looked into the exception and the original purchase was incorrectly amended. We note that there were two copies of the invoice which were in different formats. After further investigation we can confirm that TechOne was not manually overridden. If a purchase order is raised as exclusive of GST, it is a common occurrence that the final inclusive invoice amount can vary by 1 cent due to rounding. When the purchase order is matched to the invoice, the accounts payable staff can then amend the purchase order details in order to align to the invoice. In this situation, there appears to have been a rounding discrepancy between the PO and the invoice. This 1 cent difference was overlooked and not amended at the time of matching the PO to the invoice. The system therefore allowed the payment to occur as the transaction was not recognised as a duplicate due to the differing amounts. This will be progressed after the payables automation project is complete.	Open
Discretionary Expenditure	2017-06-30	4.2	Procedures - Travel Booking Forms	Completed travel booking travel forms are not being filed in a consistent manner, and in some instances forms cannot be located at all. This creates a risk around lack of transparency and also potential inefficiencies.	Medium	Recommendation is that an internal procedure is written which specifies how travel booking forms are retained. This policy needs to be communicated to all staff and departments.	We agree with the findings. We will develop an internal procedure for the creation and retention of travel booking forms attached to the purchase order for the travel in TechOne.	Develop an internal procedure for the creation and retention of travel booking forms. (ideally TechOne) Communicate process to all staff.	Finance	Dec-17	Under review. All travel booking forms are sent to the travel booking firm for confirmation of the request including PO numbers. All PO's follow same sign off process as the travel booking form.	Open
Open Purchase Orders	2017-01-31	4.2	Compliance with key policies and procedures	Sample testing identified a number of instances of non-compliance of procurement policies and procedures.	Medium	Introduce monitoring controls to detect non-compliance where preventative controls are limited or non-existent. Recommendations regarding the monitoring environment as a whole are detailed in point 4.3 of this report. The degree of non-compliance that we identified suggests there is a need for management to identify the root causes of staff not adhering to policies and procedures. Depending on the nature of underlying causes it may be worth considering: • If current policies and procedures are practical in the context of the business environment. • If staff are sufficiently knowledgeable of purchase order policies and procedures.	In terms of monitoring, a report comparing the purchase order date against the invoice date is discussed in 4.3(Monitoring Controls) as is the introduction of cyclical spot checks. More targeted communication will occur to parties not adhering to the process. Financial services will become more stringent with rejecting invoices that do not have valid purchase order numbers included on the invoice. There are a number of instances in dealing with council business which mean it is difficult to set up a purchase order ahead of receiving an invoice so we will consider if the current policies need to be adjusted.	1. review communication of process to financial staff (PO before invoice) 2. Empower financial services to reject invoices that do not have a valid PO stated on the invoice. 3. review of current policies to ensure that they can be adhered to by Council	Finance	Dec-17	Finance staff are empowered to reject invoices with no Purchase Order number. There is an upcoming payables automation project which will automatically receipt invoices in TechOne, this will improve the process. This will also free up time for accounts payable administration team to focus on training and support across Council to improve compliance with this process.	Open
Open Purchase Orders	2017-01-31	4.3	Monitoring controls	The monitoring control environment is limited, which results in non-compliance of some policies and procedures remaining undetected.	Medium	We understand a TechOne report is currently being written which will compare purchase order date to invoice date. Finance team management have informed us this is a work in progress due to time constraints and as a result of major projects that are ongoing. Further monitoring controls should also be considered. For example, a monthly 'spot check' programme could be introduced to review compliance of key policies and procedures which don't have preventative controls. A finance team member (with no procurement responsibilities) could select 10x purchase orders raised during the period and review for: • The supplier invoice containing a valid purchase order number • Adequate detail in the purchase order narration • Purchase order is raised before goods/ services are received (NB – this won't be necessary once the automated report mentioned by management is in use). An active monitoring control environment, if implemented effectively, will provide the following benefits: • Identify instances of non-compliance and when investigated should identify the root cause of staff behaviour. • If all staff are made aware that procurement policy and procedural compliance is now being monitored this may serve to alter staff behaviour going forward.	As part of implementing the new purchase to pay process a compliance report was introduced to identify purchase orders created after invoice date. Concerns that the output of this report is not necessarily correct mean that further work needs to be done although this has had to wait while the Trilogy Project took precedence. Work will be done on the compliance report early in 2017 to ensure that the report can be relied upon. Further to the above, the Internal Audit Rolling Plan will cover key components of the procurement expenditure accounting cycle through the annual auditing of sensitive expenditure and probity reviews of discretionary expenditure; inclusive of CAAT's on relevant and related data sets.	The report is in place and is being run. Feedback has been provided to all department managers identifying staff involved in purchasing who are not following the purchasing process or not doing so in a timely manner. This report will be run and sent out on a monthly basis. Communications on the need to follow the purchasing process have also been sent to all staff involved in purchasing including department managers and group managers. Discussion on following the process has also been had at the department manager monthly meeting.	1. Finance 2. Democracy & Assurance	Ongoing	1. Compliance reports are provided to department managers on a monthly basis. This continues, but the finance team continue to look at opportunities to improve the process. 2. Internal Audit Plan includes appropriate processes and will continue to develop.	Open
Open Purchase Orders	2017-01-31	4.4	Timing of receipting	The procurement procedures manual specifies purchase orders are to be receipted when goods/ services are received. However in practice this is infrequently occurring.	Low	We recommend the procurement procedures manual is amended to relax the requirement for purchase orders to be receipted within 2 days of completion of work. This could be adjusted to 'purchase orders are to be receipted within the earlier of 20 working days or receipt of supplier invoice'. Doing so would be more fitting with current business practice and be more realistic to adhere to. An alternative is to leave the procurement procedures manual as it is, and reinforce the need to receipt purchase orders within 2 days of completion of work. There is no automated control to ensure this is completed, so adherence would need to be self-policed with some form of monitoring control to ensure it is occurring.	We agree with the recommendation to relax the requirement for purchase orders to be receipted within 2 days of completion of work and will do so as part of a key procurement policy documents review and update.	Update the procedures manual to remove this constraint that we (as Council) are not achieving. This will be as part of the overall procurement review.	Finance	Dec-17	Awaiting start of Business support manager to lead a procurement review council wide. Start date Jan 18.	Open
Open Purchase Orders	2017-01-31	4.5	Open Purchase order review	Purchase orders open longer than 12 months are being communicated with staff with request made for action. However there is no mention of this policy in the procurement manual.	Low	We recommend the procurement manual is updated to make reference to the expectation of purchase orders not being open longer than 12 months.	The key procurement documents being policy and manual are in the midst of a review and update. The manual will be updated to set expectations for the acceptable length of time purchase orders are open.	Update Procedures manual to include reference to the PO's being open for an acceptable length of time. Ensure that there is a process to close PO's that go beyond this timeframe. As part of the overall procurement review. We are sending regular alerts to staff listing old open PO's older than 6 months.	Finance	Mar-18	Awaiting start of Business support manager to lead a procurement review council wide. Start date Jan 18.	Open
Discretionary Expenditure	2017-06-30	4.4	Whistle Blowing Policy and Procedure	Opportunity for Improvement (OFI) - We reviewed policies and procedures in respect of whistle blowing at the Council. It was found there is a policy which has been in place for a number of years, and management have identified the policy is due to be updated internally.	Low	OFI - We recommend that when the policy is updated the opportunity is taken to: 1. Consider if the current avenues for staff to raise issues (whistle blowing) is appropriate in the context of today's operating environment; and 2. Internal communications are used to promote the policies to generate awareness. i.e. training.	We agree with the comments. The Policy is due to be reviewed this year and we will take note of the recommendations for inclusion within the revised policy.	Opportunity for Improvement - No Action required. Note: Policy in question is current under review with the Governance Team.	Democracy & Assurance	Feb-18	Note: No formal need to follow up as OFI only. Currently underway and will be reported to A&RC as a policy that is relevant to that committee. Due for review at the March 18 Committee.	Open

Discretionary Expenditure	2017-06-30	4.1	Polices - Meals and Air Points	Two instances of Council policy not following OAG guidance: 1. No dollar limit set for meals when travelling; and 2. Air Points accrued as a result of Council travel are retained by staff member.	Low	Recommendation is that management consider these exceptions and document the decision to remain with the current policy or to amend.	1. In the course of business Council staff travel to various locations mainly in NZ but also overseas. There are variations in costs for meals at these locations so it is challenging to provide a workable dollar range and consequently council believes the policy is adequate in its current format. All expense claims are signed off by either department or group managers and also reviewed by finance prior to reimbursing. 4.1 Policies – Meals and Air Points 7 June 2017 2. Travelling by council staff from Whangarei can be logistically challenging and frequently requires travel in personal time. Consequently, council is comfortable allowing staff to earn loyalty rewards as a form of compensation for the inconvenience.	None required - Management comment covers the recommendation	N/A	Dec-17		Closed
Discretionary Expenditure	2017-06-30	4.3	Compliance - Deviations from Procedures	During our testing of 55 transactions, the following deviations from policy and procedures were identified (number of instances indicated): · Training or travel booking form not approved until after the date service has been committed to by the Council (1); · Purchase order not approved in TechOne until after the date has been committed to by the Council (6); · Training or Travel booking form unable to be located for audit (6); and · Gift purchase by Mayor not included on the gift register (1).	Medium	Recommendation is reinforcement of policies and procedures to staff.	We will work with senior staff on the importance of completing both the Travel Booking and Training and Conference forms in a timely manner, and on the timing of approving purchase orders. See comment in 4.2 for retention of travel forms.	Reminder to senior staff about the importance of completing travel, training and conference booking forms in a timely manner.	Finance	Dec-17		Closed
Open Purchase Orders	2017-01-31	4.6	Invoice Review	We have identified isolated instances of receipted supplier invoices which contain errors.	Low	Continued reinforcement to accounts payable staff and purchasing staff regarding expectations for invoice review, and ensure these expectations are clearly identified in procurement policies and procedures.	The need for payables staff to check that invoices meet minimum requirements will be regularly highlighted to them. We do not believe that this occurs very often and in a high volume transactional environment it is understandable that the odd non complying invoice will be processed. If an invoice is received that matches the purchase order or is within 5% or \$50, and the goods or services have been receipted then it will be processed. If the goods or services have not been receipted, then the invoice will be work flowed to the business. It is the businesses responsibility to review the invoice for accuracy before receipting.	Ensure staff are reminded regularly of the process and ensure that the business take ownership of receipting invoices accurately.	Finance	Aug-17	The need for payables staff to check that invoices meet minimum requirements has been highlighted to payables staff although as stated in a high volume transactional environment it is understandable that the odd non complying invoice will be processed and it is the businesses responsibility to review the invoice for accuracy before receipting.	Closed

4.7 Policy Register – Status Report

Meeting: Audit and Risk Committee
Date of meeting: 06 December 2017
Reporting officer: Emily Thompson (Audit and Risk Analyst)

1 Purpose

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

2 Recommendation/s

That the Audit and Risk Committee:

- (a) Notes the status of the current internal policy register
- (b) Recognises the work being undertaken within Council to provide reporting on internal and external policies.

3 Background

The Audit and Risk Committee has a responsibility to monitor the reviewing and updating of policies across Council. This includes both internal policies and external policies.

The current policy register has been created from several different sources within both TRIM (old world) and Kete (new world). As part of the migration to Kete there is a piece of work being completed that will bring all the latest and up to date policies across from the TRIM platform.

This will provide a single depository for all internal and external policies held by Council. It will also provide rigor around monitoring of updates to policies in line with statutory and business requirements.

The policies are currently updated by the operational owner when policies are due for review. The work on Kete will provide a central register to allow reviews to be managed.

This is being overseen by the Audit and Risk Analyst and the Strategy Team.

4 Discussion

The Strategy Team are working to ensure that external policies have an owner and a process is in place to ensure that policies are updated. Part of this process may identify additional policies.

The Audit and Risk Analyst is working to ensure that internal policies have an owner and a process is in place to ensure that policies are updated. Part of this process may also identify additional policies.

The current policy register is attached and shows:

- 52 External polices, with some currently due for review
- 14 Internal Policies with the Fraud policy currently overdue for review, but in progress.

It is likely that progress on the monitoring and receiving of these policies will be available at the next Audit and Risk Committee Meeting.

5 Significance and engagement

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

6 Attachments

Attachment One: Council Policy Status Report.xls

Record Number	Policy Title	Main focus (Internal/External)	Owner Department	Department Manager	Date First Adopted	Last Review Date	Next Review Date	Links to WDC Bylaws	Associated Legislation (if applicable)	Legislative Review Period (if applicable)
POLICY0057	Private-Charitable Organisations - Transfer of Title	External	Parks & Recreation	Sue Hodge	27/03/1991	1/08/2015	1/07/2019		No associated legislation	No legislative review period
POLICY0073	Tree Policy	External	Parks & Recreation	Sue Hodge	1/08/1991	31/07/1991	1/07/2019		No associated legislation	No legislative review period
POLICY0089	Fees Policy - Tree Protection - District Plan	External	District Plan	Melissa McGrath	1/12/1991	1/04/2015	1/07/2018		District Plan under the RMA	No legislative review period
POLICY0042	Independent Qualified Persons	Internal	Building Control	Paul Cook	21/10/1993	1/07/2015	1/07/2019		Building Act 2004: Sections 7, 108, 109 and 110	No legislative review period
POLICY0067	Spray Use	External	Parks & Recreation	Sue Hodge	14/12/1993	1/02/2016	1/09/2019		No associated legislation	No legislative review period
POLICY0071	Town Basin Control of Activities Policy	External	Venues & Events Whangarei	Gary Parker-Nance	23/08/1995	1/03/2015	1/03/2018	Public Places Bylaw 2014, Hawkers, Mobile Shops, Stands and Stalls Bylaw 2005	NA	No legislative review period
POLICY0040	Forests - Recreational Use	External	Parks & Recreation	Sue Hodge	27/09/1995	1/08/2015	1/07/2019	Public Places Bylaw 2014, Hawkers, Mobile Shops, Stands and Stalls Bylaw 2005	No associated legislation	No legislative review period
POLICY0044	Leases (Parks & Recreation)	External	Parks & Recreation	Sue Hodge	22/03/1999	1/03/1999	1/07/2019		No associated legislation	No legislative review period
POLICY0063	Road Encroachment Licences for Permanent Structures	External	Roading Department	Jeffrey Devine	27/10/1999	1/11/2015	1/11/2020		No associated legislation	No legislative review period
POLICY0061	River Management Policy	External	Waste & Drainage	Andrew Carvell	23/08/2000	1/05/2015	1/06/2017		No associated legislation	No legislative review period
POLICY0037	Disposal of Crown Owned Reserves where Management is vested in Council	External	Parks & Recreation	Sue Hodge	5/06/2002	1/10/2015	1/07/2019		No associated legislation	No legislative review period
POLICY0025	Camping Ground Exemption Policy	External	Health & Bylaws	Renier Mussle	20/06/2002	1/11/2015	1/11/2020		Camping Ground Regulations 1985	No legislative review period
POLICY0051	Performance Bond Policy	External	RMA Consents	Murray McDonald	1/11/2002	1/08/2015	1/08/2018		Resource Management Act 1991	No legislative review period
POLICY0045	Leasing Sportsfields to Clubs	External	Parks & Recreation	Sue Hodge	17/04/2003	1/08/2015	1/07/2019		No associated legislation	No legislative review period
POLICY0076	Water Revenue Policy	External	Water Services	Andrew Venmore	28/05/2003	1/05/2015	1/06/2018		Local Government (Rating) Act 2002	No legislative review period
POLICY0066	Service Connections – Water	External	Water Services	Andrew Venmore	28/05/2003	1/11/2015	1/10/2020		No associated legislation	No legislative review period
POLICY0069	Strategic Seal Extension Policy	External	Roading	Jeffrey Devine	23/07/2003	1/11/2015	1/11/2020		No associated legislation	No legislative review period
POLICY0072	Traffic Constraints Policy (Slow Streets)	External	Roading	Jeffrey Devine	23/07/2003	1/11/2015	1/11/2020		No associated legislation	No legislative review period
POLICY0046	Liability for Damage Caused by Manhole Covers and Footpaths	Internal	Roading	Jeffrey Devine	23/07/2003	15/09/2016	1/09/2021		No associated legislation	No legislative review period
POLICY0018	Appointments to Council Organisations Policy	External	Democracy & Assurance	Jason Marris	9/08/2003	1/07/2003	30/09/2017		Local Government Act 2002: Section 58	No legislative review period
POLICY0026	Civic Honours Awards	External	Community Development	Jonny Gritt	16/06/2005	22/06/2016	1/06/2021		No associated legislation	No legislative review period
POLICY0033	Release of Confidential Items		Democracy & Assurance	Jason Marris	19/12/2007	N/A	N/A		Local Government Official Information and Meetings Act 1987	No legislative review period
POLICY0041	Fraud Dishonesty and Corruption Control Policy	Internal	Democracy & Assurance	Jason Marris	1/08/2008	30/11/2011	30/06/2017		NA	No legislative review period
POLICY0019	Arts Culture and Heritage Policy	External	Community Development	Jonny Gritt	1/04/2009	1/04/2009	1/10/2017		No associated legislation	No legislative review period
POLICY0064	Road Naming Policy	External	RMA Consents	Murray McDonald	8/07/2009	1/09/2015	1/09/2018		Local Government Act	No legislative review period
POLICY0058	Property – Sale of Reserve Land	Internal	Parks & Recreation	Sue Hodge	1/09/2009	9/09/2015	1/07/2019		Under review	No legislative review period
POLICY0028	Coastal Erosion Protection Policy	External	Parks & Recreation	Sue Hodge	10/02/2010	9/09/2015	1/07/2019		No associated legislation	No legislative review period
POLICY0049	On Road Parking Restrictions	External	Roading	Jeffrey Devine	10/03/2010	1/11/2015	1/11/2020		No associated legislation	No legislative review period
POLICY0034	Council Owned Sports Parks, Playgrounds and Neighbourhood Reserves – Smoke Free Policy	External	Parks & Recreation	Sue Hodge	28/07/2010	9/09/2015	1/07/2019		No associated legislation	No legislative review period

Record Number	Policy Title	Main focus (Internal/External)	Owner Department	Department Manager	Date First Adopted	Last Review Date	Next Review Date	Links to WDC Bylaws	Associated Legislation (if applicable)	Legislative Review Period (if applicable)
POLICY0048	Liquor Licensing Policy	External	Health & Bylaws	Renier Mussle	1/08/2010	1/01/2014	1/01/2020		Made under Sale of Liquor Act 1989 now Sale and Supply of Alcohol Act 2012	Review period is 6 years for Local Alcohol Policy once it has passed through provisional stage and operative.
POLICY0074	Uncompleted Works Bonds Policy	External	RMA Consents	Murray McDonald	13/04/2011	1/02/2016	1/02/2019		Resource Management Act 1991	No legislative review period
POLICY0052	Policy for undertaking enforcement action under the Building Act 2004	Internal	Building Control	Paul Cook	8/02/2012	1/06/2015	1/06/2018		Building Act 2004: Sections 85,86,100-110,116B,128A,168,199,225,364,365,367,368,369371D,379 and 380.	No legislative review period
POLICY0056	Pressure Sewer Policy	External	Waste & Drainage	Andrew Carvell	1/05/2012	1/05/2012	1/11/2017		No associated legislation	No legislative review period
POLICY0020	Backflow Prevention Policy and Code of Practice	External	Water Services	Andrew Venmore	1/06/2012	1/06/2015	1/06/2020	Water Supply Bylaw	Health (Drinking Water) Amendment Act 2007	No legislative review period
POLICY0060[v1]	Revenue and Financing Policy	External	Finance	Rich Kerr	1/06/2012	1/07/2015	30/06/2018		Local Government Act 2002: Section 102 (2)	No legislative review period
POLICY0035	Dangerous, Insanitary and Earthquake Prone Buildings Policy	External	Building Control	Paul Cook	1/12/2012	1/12/2012	1/12/2017		Building Act 2004: Sections 131-132A	5 yearly
POLICY0017	Alfresco Dining Policy	External	Health & Bylaws	Renier Mussle	13/02/2013	13/02/2013	1/07/2017	Public Places Bylaw 2014, Hawkers, Mobile Shops, Stands and Stalls Bylaw 2005	No associated legislation but linkages to three WDC Bylaws	No legislative review period
POLICY0038	Dog Management Policy	External	Health & Bylaws	Renier Mussle	1/03/2013	1/03/2013	1/03/2023	Dog Management Bylaw 2013	Dog Control Act 1996	10 yearly (maximum)
POLICY0021	Board Venue Policy	External	Health & Bylaws	Renier Mussle	24/04/2013	24/04/2013	1/09/2017		Racing Act 2003	3 yearly
POLICY0027	Class 4 Gambling Venue Policy	External	Health & Bylaws	Renier Mussle	24/04/2013	24/04/2013	1/09/2017		Gambling Act 2003	3 yearly
POLICY0077	Youth Policy	External	Community Development	Jonny Gritt	1/05/2013	8/02/2017	1/02/2022		No associated legislation	No legislative review period
POLICY0054	Policy On Elected Members Allowances And Recovery Of Expenses	Internal	Democracy & Assurance	Jason Marris	1/09/2013	25/05/2016	1/05/2019		Local Government Act 2002: Schedule 7, clause 6	No legislative review period
POLICY0024	Bus shelters – Smoke free policy	External	Roading	Jeffrey Devine	11/12/2013	11/12/2013	1/05/2018		No associated legislation	No legislative review period
POLICY0078	Property Policy	Internal	Property Department	Mike Hibbert	1/03/2014	1/03/2016	1/03/2018		No associated legislation	No legislative review period
POLICY0070	Structures on Coastal Reserves	External	Parks & Recreation	Sue Hodge	1/04/2014	31/03/2014	1/07/2019	Public Places Bylaw 2014	No associated legislation	No legislative review period
POLICY0079	Psychoactive Substances Policy	External	Community Development	Jonny Gritt	1/06/2014	1/06/2014	1/06/2019		Psychoactive Substances Act	5 Yearly
POLICY0082	Accessibility Policy	External	Community Development	Jonny Gritt	1/11/2014	1/11/2014	1/11/2019		No associated legislation	No legislative review period
POLICY0087	Tax Governance Framework	Internal	Finance	Rich Kerr	1/12/2014	1/12/2014	1/11/2019		No associated legislation	No legislative review period
POLICY0053[v2]	Policy for Variations and Plan Changes	Internal	District Plan	Melissa McGrath	11/03/2015	11/03/2015	1/03/2018		Resource Management Act 1991	No legislative review period
POLICY0086	Procurement Policy	Internal	Finance	Rich Kerr	25/03/2015	1/03/2015	31/03/2018		No associated legislation	No legislative review period
POLICY0050[v2]	Pensioner Housing Policy	External	Community Development	Jonny Gritt	25/03/2015	25/03/2015	25/03/2017		Residential Tenancies Act 1986	No legislative review period
POLICY0088	Treasury Risk Management Policy (Including the Liability Management Policy and Investment Policy)	Internal	Finance	Rich Kerr	22/04/2015	2/04/2015	23/04/2018		Local Government Act 2002: Section 102 (2), 104 and 105	3 yearly
POLICY0031[v1]	Community Funding Policy	External	Community Development	Jonny Gritt	27/05/2015	27/05/2015	1/05/2021		No associated legislation	No legislative review period
POLICY0032	Community Libraries - Services	External	Library Department	Paula Ulrich	27/05/2015	27/05/2015	28/05/2020		No associated legislation	No legislative review period
POLICY0022[v1]	Building over Public Sewers Policy	External	Waste & Drainage	Andrew Carvell	10/06/2015	10/06/2015	1/06/2020		No associated legislation	No legislative review period
POLICY0036	Transitional Development Contributions Policy	External	RMA Consents Department	Murray McDonald	24/06/2015	24/06/2015	30/06/2018		Local Government Act: Sections 102 and 106	3 yearly
POLICY0059	Retirement Villages	External	Community Development	Jonny Gritt	1/08/2015	1/08/2015	1/08/2017		No associated legislation	No legislative review period
POLICY0030	Community Facilities - Operating and Maintenance	External	Parks & Recreation	Sue Hodge	1/09/2015	1/09/2015	1/07/2019		No associated legislation	No legislative review period

Record Number	Policy Title	Main focus (Internal/External)	Owner Department	Department Manager	Date First Adopted	Last Review Date	Next Review Date	Links to WDC Bylaws	Associated Legislation (if applicable)	Legislative Review Period (if applicable)
POLICY0039	Fire Control Recovery	External	Infrastructure Projects and Support	Dom Kula	9/09/2015	9/09/2015	1/09/2020	Fires In the Open Air Bylaw 2015	Forest and Rural Fires Act 1977	No legislative review period
POLICY0075	Water Conservation	External	Water Services Department	Andrew Venmore	11/11/2015	1/10/2015	1/10/2020		No associated legislation	No legislative review period
POLICY0065	Rural Fire	External	Infrastructure Development	Dom Kula	11/11/2015	11/11/2015	1/11/2020	Fires In the Open Air Bylaw 2015	Forest and Rural Fires Act 1977	No legislative review period
POLICY0080	Rates Remission and Postponement Policies (including Maori Freehold land)	External	Finance	Rich Kerr	17/03/2016	17/03/2016	30/06/2018		Local Government Act 2002: Sections 102 (3) and 108	Annually
POLICY0119	Sensitive Expenditure Policy	Internal	Democracy & Assurance	Jason Marris	27/07/2016	27/07/2016	1/07/2019		No associated legislation	No legislative review period
POLICY0124	Road Closure Policy for Motor Vehicle Events	External	Venues & Events Whangarei	Gary Parker-Nance	24/08/2016	1/08/2016	1/08/2019	Public Places Bylaw 2014	No associated legislation	No legislative review period
POLICY0131	Asset Management Policy	Internal	Infrastructure Development	Dom Kula	9/12/2016	9/12/2016	9/12/2019			
POLICY0081	Significance and Engagement Policy	External	Democracy & Assurance	Jason Marris	28/09/2017	28/09/2017	1/06/2020		Local Government Act 2002: Section 76AA	No legislative review period

4.8 Risk Management Activity Report

Meeting: Audit and Risk Committee
Date of meeting: 06 December 2017
Reporting officer: Emily Thompson (Audit and Risk Analyst)

1 Purpose

To update the Committee on the refresh of risk registers and risk management across Whangarei District Council.

2 Recommendation/s

That the Audit and Risk Committee:

- (a) Note the progress that has been made on the review of risk registers and the ongoing work relating to risk management across Council

3 Discussion

One of the areas of responsibility for the Audit and Risk Committee is to ensure Council develops strategies for identifying and managing risk. Previously this has been reported via a high level 'Key Risk' report. At the previous Audit & Risk Committee we signaled a review of the risk approach. This report identifies the work and progress to achieve this.

Work completed since the last Audit and Risk Committee:

- The key risk report provided to the last Audit and Risk Committee has been reviewed
- The Council Risk Management Framework, adopted in April 2016, has been reviewed
- Risk workshops with seven out of the 25 operational departments have been held

4 Future work

- Risk workshops with a number of the remaining operational departments have been scheduled, to occur before the end of the year
- Strategic risks will be identified and reported to the next Audit and Risk Committee
- A new overview of risks across Council, including the strategic risks above, will be provided to the next Audit and Risk Committee

- Reporting of these risks will be via a graphical representation of the risks across the organisation, and the articulation of the top risks to Council
- The adopted Risk Management Framework will be formally reviewed before March 2019, within the three-year review period. It was adopted in March 2016.

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.

RESOLUTION TO EXCLUDE THE PUBLIC

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

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

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

Resolution to allow members of the public to remain

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

Move/Second

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

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.