

Agenda

**Notice is hereby given of
an Audit and Risk Committee Meeting**

Thursday 19 March 2020

Commencing at 9.00am

Council Chamber
Waimate District Council
125 Queen Street
Waimate

www.waimatedc.govt.nz

Notice is hereby given that a meeting of the Audit and Risk Committee will be held in the Council Chamber, Waimate District Council, 125 Queen Street, Waimate, on Thursday 19 March 2020, commencing at 9.00am.

Committee Membership

Damian Hogue	Chairperson
Sheila Paul	Deputy Chairperson
Craig Rowley	Mayor
Miriam Morton	Councillor
Tom O'Connor	Councillor

Quorum – no less than three members

Significance Consideration

Evaluation: Council officers, in preparing these reports have had regard to Council's Significance and Engagement Policy. Council and Committee members will make the final assessment on whether the subject under consideration is to be regarded as being significant or not. Unless Council or Committee explicitly determines that the subject under consideration is to be deemed significant then the subject will be deemed as not being significant.

Decision Making

The Council, in considering each matter, must be:

- i. Satisfied that it has sufficient information about the practicable options and their benefits, costs and impacts, bearing in mind the significance of the decision;
- ii. Satisfied that it knows enough about and will give adequate consideration to the views and preferences of affected and interested parties bearing in mind the significance of the decisions to be made.

Stuart Duncan
Chief Executive

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OPENING

1 APOLOGIES

2 VISITORS

3 CONFLICTS OF INTEREST

As per the Local Authorities (Members' Interests) Act 1968 (as below), the Chair will enquire if there are any Conflicts of Interest to be declared on any item on the agenda, and if so, for any member to declare this interest.

Local Authorities (Members' Interests) Act 1968

Councillors are reminded that if they have a pecuniary interest in any item on the agenda, then they must declare this interest and refrain from discussing or voting on this item and are advised to withdraw from the meeting table.

4 IDENTIFICATION OF MAJOR (URGENT) OR MINOR ITEMS NOT ON THE AGENDA

1. The Chair will call for any major (urgent business) or minor items not on the agenda to be raised according to Standing Orders, as below:

a. Standing Orders 3.7.5 – Major Items

An item not on the agenda for a meeting may be dealt with at the meeting if the local authority by resolution so decides, and the presiding member explains at the meeting at a time when it is open to the public –

- i. The reason why the item was not listed on the agenda; and
- ii. The reason why discussion of the item cannot be delayed until a subsequent meeting.

b. Standing Orders 3.7.6 – Minor Items

An item not on the agenda for a meeting may be dealt with at the meeting if –

- i. That item is a minor matter relating to the general business of the local authority; and
- ii. The presiding member explains at the beginning of the meeting, at a time when it is open to the public, that the item will be discussed at the meeting; but
- iii. No resolution, decision, or recommendation may be made in respect of that item except to refer that item to a subsequent meeting of the local authority for further discussion.

MINUTES**5 CONFIRMATION OF MINUTES****5.1 MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING HELD ON 26 NOVEMBER 2019**

Author: Karalyn Reid, Committee Secretary and PA to the Mayor

Authoriser: Tina Stevenson, Corporate Services Group Manager

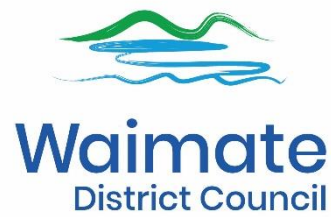
Attachments: 1. Minutes of the Audit and Risk Committee Meeting held on 26 November 2019

PURPOSE

To present the unconfirmed Minutes of the Audit and Risk Committee meeting held on 26 November 2019 for confirmation.

RECOMMENDATION

That the Minutes of the Audit and Risk Committee Meeting held on 26 November 2019 be adopted as a true and correct record.



MINUTES

Audit and Risk Committee Meeting

26 November 2019

**MINUTES OF WAIMATE DISTRICT COUNCIL
AUDIT AND RISK COMMITTEE MEETING
HELD AT THE COUNCIL CHAMBER, WAIMATE DISTRICT COUNCIL, 125 QUEEN STREET,
WAIMATE ON TUESDAY 26 NOVEMBER 2019, COMMENCING AT 10.00AM**

PRESENT: Cr Sheila Paul, Mayor Craig Rowley (from 10.10am), Cr Miriam Morton, Cr Tom O'Connor

APOLOGIES: Mayor Craig Rowley (for lateness)

IN ATTENDANCE: Cr Sandy McAlwee, Cr David Owen

Stuart Duncan (Chief Executive), Paul Cooper (Regulatory and Compliance Group Manager), Dan Mitchell (Asset Group Manager), Tina Stevenson (Corporate Services Group Manager), Melissa Thomson (Accountant), Karalyn Reid (Committee Secretary)

OPENING

1 APOLOGIES

APOLOGY

COMMITTEE RESOLUTION 2019/20

Moved: Cr Miriam Morton

Seconded: Cr Tom O'Connor

That the apology received from Mayor Rowley for lateness be accepted.

CARRIED

2 VISITORS

Nil

3 CONFLICTS OF INTEREST

The Chair called for conflicts of interest. There were no conflicts of interest declared.

4 IDENTIFICATION OF MAJOR/MINOR ITEM NOT ON THE AGENDA

IDENTIFICATION OF MAJOR/MINOR ITEM NOT ON THE AGENDA

COMMITTEE RESOLUTION 2019/21

Moved: Cr Tom O'Connor

Seconded: Cr Sheila Paul

That the minor item 'Oceania's Ocean Outfall consent application' is discussed at the end of the public excluded section of the meeting.

CARRIED

REPORTS

5 GENERAL REPORTS

5.1 HEALTH AND SAFETY REPORT

COMMITTEE RESOLUTION 2019/22

Moved: Cr Miriam Morton

Seconded: Cr Tom O'Connor

That the Health and Safety Report is accepted.

CARRIED

Note:

The Committee discussed a recent incident where an agitated customer behaved in a manner that lead to the staff member dealing with the customer to feel unsafe. The risks around our customer interactions in the customer service area of the Local Government Centre were reviewed following the incident, and new mitigation was introduced to improve staff safety as a consequence.

At 10.10am, Mayor Craig Rowley entered the meeting.

5.2 HUMAN RESOURCES MANAGERS REPORT

COMMITTEE RESOLUTION 2019/23

Moved: Cr Sheila Paul

Seconded: Cr Tom O'Connor

That the Human Resources Manager's Report is accepted.

CARRIED

Note:

Excess leave is reducing and will lower with the Christmas close down period.

5.3 CORPORATE SERVICES GROUP MANAGER REPORT

COMMITTEE RESOLUTION 2019/24

Moved: Mayor Craig Rowley

Seconded: Cr Tom O'Connor

That the Corporate Services Group Manager Report is accepted. **CARRIED**

Note:

Audit and Risk Committee Chair: Options are being looked at for employing a new independent Chair. The Committee agreed the Mayor and Chief Executive would consider and approach possible suitable people associated with or working for major organisations in the Waimate or neighbouring districts.

Terms of Reference Review: The Committee agreed to review the Terms of Reference and Work Plan at the next meeting.

5.4 AUDIT NEW ZEALAND AUDIT REPORT FOR THE YEAR ENDED 30 JUNE 2019

The Audit and Risk Committee were provided with the Audit NZ report on the audit of Council for the year ended 30 June 2019.

COMMITTEE RESOLUTION 2019/25

Moved: Mayor Craig Rowley

Seconded: Cr Miriam Morton

1. That the Audit New Zealand Audit Report for the year ended 30 June 2019 report is accepted; and
2. That the Audit and Risk Committee provided feedback on the minor areas of note within the report.

CARRIED

Note:

The Committee commented on the good result and thanked the finance team.

5.5 EXTERNAL AUDIT RECOMMENDATIONS PROGRESS UPDATE TO 31 OCTOBER 2019**COMMITTEE RESOLUTION 2019/26**

Moved: Cr Sheila Paul

Seconded: Mayor Craig Rowley

That the External Audit Recommendations Progress Update to 31 October 2019 report is accepted.

CARRIED

Note:

Downlands Rural Water Scheme: The Committee noted Audit's recommendations. Legal advice on the operation and governance of the scheme is being sought by Timaru District Council, and Waimate District Council will request the information be shared prior to being provided to Audit.

5.6 2019/20 MAJOR PROJECT UPDATE**COMMITTEE RESOLUTION 2019/27**

Moved: Cr Miriam Morton

Seconded: Cr Tom O'Connor

That the 2019/20 Major Project Update report is accepted

CARRIED

Note:

A discussion was held on the progress of water quality treatment at the Waitaki Lakes.

PUBLIC EXCLUDED**6 EXCLUSION OF THE PUBLIC REPORT****RESOLUTION TO EXCLUDE THE PUBLIC****COMMITTEE RESOLUTION 2019/28**

Moved: Cr Sheila Paul
 Seconded: Mayor Craig Rowley

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

The general subject matter 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 of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48 for the passing of this resolution
6.1 - Corporate Services Group Manager Report - Public Excluded	<p>s7(2)(c)(ii) - the withholding of the information is necessary to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely otherwise to damage the public interest</p> <p>s7(2)(h) - the withholding of the information is necessary to enable Council to carry out, without prejudice or disadvantage, commercial activities</p>	s48(1)(a)(i) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7

CARRIED**7 RE-ADMITTANCE OF THE PUBLIC REPORT****COMMITTEE RESOLUTION 2019/29**

Moved: Cr Sheila Paul
 Seconded: Cr Miriam Morton

That Council moves out of Closed Council into Open Council.

CARRIED**MEETING CLOSURE**

There being no further business, the Chair closed the meeting at 12.15pm.

The minutes of this meeting are to be confirmed at the Audit and Risk Committee Meeting scheduled on Tuesday 3 March 2020.

.....
CHAIRPERSON

REPORTS

6 GENERAL REPORTS

6.1 HUMAN RESOURCES MANAGERS REPORT

Author: Fiona Hester-Smith, Human Resources Manager

Authoriser: Fiona Hester-Smith, Human Resources Manager

Attachments: Nil

PURPOSE

1. The Human Resources Report is submitted for the information of the Audit and Risk Committee.
2. Leave Liability Graphs – The below graph indicates on the green line the current position opposed to the previous two years. Blue being 2018 and Red being 2019 positions. As expected with each Christmas close down the overall liability has dropped. The Green line is above last years (red) liability due to an increase in staff numbers but the overall indication is that we currently sit below 2018 liability even with an increase in staff numbers.

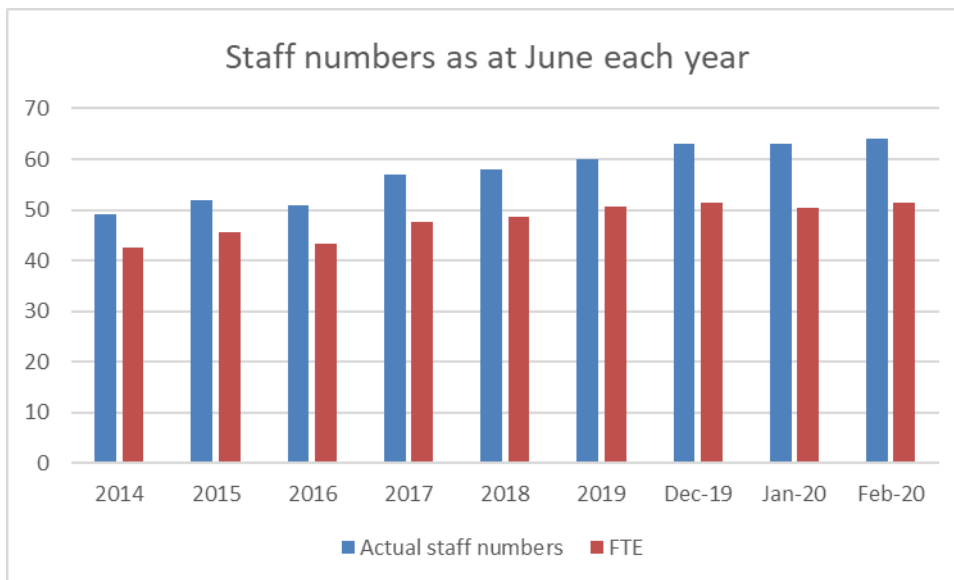


3. Total Annual Leave Hours – Below is a new graph to show in blue the amount of current leave hours and in red the balance of total hours that equals excess leave.
4. Excess leave is any leave over one year's entitlement. e.g. if an employee has a yearly entitlement of 150.00 hours and they have a balance of 160.00 hours, then 10.00 hours will be counted as excess leave.
5. We currently have 9 staff with excess leave.
6. It is acceptable for staff to accumulate excess leave within reason.
7. When staff accumulate more than 1.5 years entitlement staff and their manager are requested to make a plan to reduce this.

8. We continue to work at keeping any excess leave within acceptable levels.



Staff Numbers



RECOMMENDATION

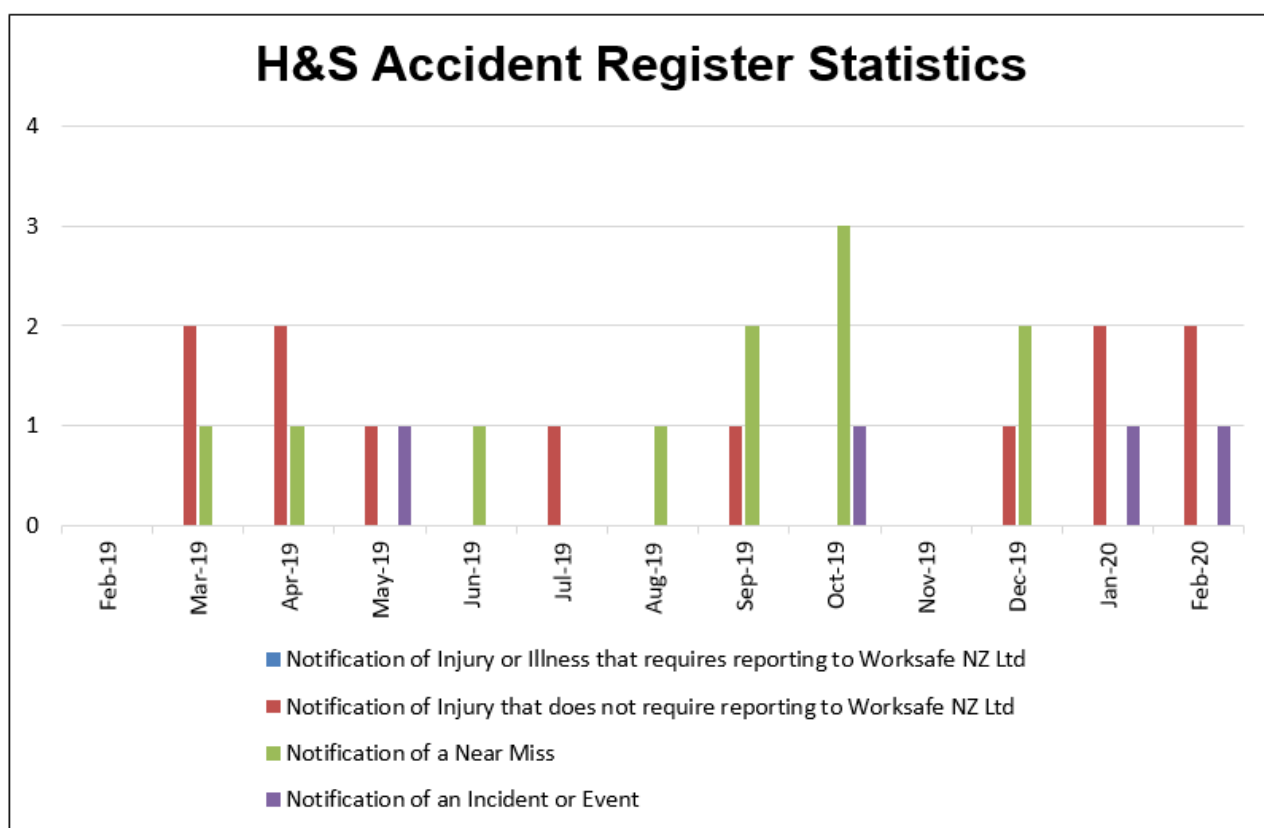
That the Human Resources Manager's report is accepted.

6.2 HEALTH AND SAFETY REPORT

Author: Luci Swatton, Emergency Management and Health and Safety Officer
Authoriser: Paul Cooper, Regulatory and Compliance Group Manager
Attachments: Nil

PURPOSE

1. The Health and Safety Report is submitted for the information of the Audit and Risk Committee

Health and Safety Statistics

2. Since November 2019, there have been 2 near misses, 5 incidents resulting in an injury (not requiring reporting to WorkSafe NZ) and 2 incidents where no injury occurred. The near misses included a child not being supervised by an adult getting out of their depth in the pool (x2). The incidents where injury occurred included 3 slips or falls, and a file falling from a high shelf on to a staff member who was retrieving a file at the time. Incidents where no injury occurred included the Council mower at the roadside throwing a rock up that hit a passing car, and a staff member accidentally putting a vehicle into reverse behind the Local Government Building, which consequently reversed into the building. There were no patterns identified when these incidents were assessed, and each was isolated and different in terms of circumstances other than the 2 near misses.
3. Since December 2019, Council has engaged a consultant, namely OPSEC, to deliver a comprehensive workshop on situational safety and dealing with difficult or agitated customers. The training was invaluable and well received by the staff in attendance.
4. Internal health & safety audits were undertaken across all Council group activities by members of the Dare to Care Committee and key staff.

5. Regulatory & Compliance Group Manager Paul Cooper and Health & Safety Advisor Luci Swatton visited Ashburton District Council in order to evaluate the effectiveness of their Poolsafe accreditation for their swimming pools. Poolsafe is a system of accreditation for pool operators that is recognised in the sector as being best practice. The visit was also to receive a briefing on how they use a third party pre-qualification system called Sitewise to track, assess and manage their contractor's health and safety requirements.
6. Subsequent to the visit, Nigel Williams from Sitewise has presented at a Leadership Team meeting and Steve Prescott has carried out an inspection of our pool to assess where we sit in relation to applying for Poolsafe accreditation. As a result of those visits, we are now moving toward the implementation of both the Sitewise system for our contractor management and toward Poolsafe accreditation, as we strive for continuous improvement in our management of our people's health & safety.
7. The novel coronavirus COVID-19 outbreak has grown in risk profile over a period of several weeks since publicly coming to the attention of the World Health Organisation (WHO) in December 2019. At the time of writing, the spread of the virus is such that there is a strong possibility it will at some stage impact on the wellbeing of our people, and consequentially to how the Council delivers its statutory and non-statutory functions. For this reason the Leadership Team, together with input from the Health & Safety Advisor and other agencies, has been considering how the organisation might manage the potential impacts from the spread of the virus. Consideration has been given to the wellbeing of staff, minimum levels of service, working remotely, HR matters and a variety of other factors. The situation internationally is fluid and changes daily therefore; our approach needs to be agile and capable of being scaled-up if necessary.
8. It is recommended that the Audit & Risk Committee give consideration as to whether or not the coronavirus COVID-19 outbreak should be added to the Risk Register and give direction accordingly in line with the committee's determination.

RECOMMENDATION

1. That the Health and Safety Report is accepted; and
2. That the coronavirus COVID-19 outbreak is added to the Risk Register; or
3. That the coronavirus COVID-19 outbreak is not added to the Risk Register.

6.3 CORPORATE SERVICES GROUP MANAGER REPORT

Author: Tina Stevenson, Corporate Services Group Manager

Authoriser: Tina Stevenson, Corporate Services Group Manager

Attachments:

1. Terms of Reference - Updated  
2. 2020 Work Plan - Proposed  
3. SOLGM Risk Management Forum - Summary  

PURPOSE

1. To provide the Audit and Risk Committee with an update of the following Council activities:

Audit and Risk Committee Independent Chair

2. The appointment of Mr Damian Hogue as the Independent Chair of the Audit and Risk Committee was accepted at the 18 February 2020 Council meeting.

Terms of Reference & Work Plan Review

3. A review of the committee's Terms of Reference and Work Plan has been undertaken with an initial draft included with this report for the Committee's consideration.
4. The Committee is asked to consider the suggested amendments and provide feedback to staff. The Terms of Reference may then be finalised and taken to Council for adoption.

SOLGM (Society of Local Government Managers) Risk Management Forum

5. Corporate Services Group Manager Tina Stevenson attended the SOLGM Risk Management Forum, which was held on 20 & 21 February 2020. The forum was well attended by a number of Local Government employees from throughout the country with most attendees sporting titles such as Risk Managers, Risk Analysts and Risk Administrators.
6. The two-day programme was chaired by Jim Palmer, the CE of Waimakariri District Council and was packed with relevant and informative sessions on a variety of subjects. Risk and its management was the common theme throughout and included practical workshops and tabletop exercises. A brief summary of the topics covered is included the attached summary.

RECOMMENDATION

1. That the Corporate Services Group Manager Report is accepted; and
2. That the Audit and Risk Committee accepts the Terms of Reference as presented or with modifications to be adopted at the Council meeting of 31 March 2020.



Terms of Reference

Audit and Risk Committee

~~9 October 2018~~

Updated for 19 March 2020 Audit & Risk Committee Meeting Review

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Preamble

A local authority should ensure prudent stewardship and the efficient and effective use of its resources in the interests of its district...

Local Government Act 2002, s14 (g)

The Local Government Act 2002 requires a local authority to manage its revenue, expenses, assets, liabilities, investments, and general financial dealings prudently and in a manner that promotes the current and future interests of the community.

The aim of the Audit and Risk Committee (the Committee) is to assist and advise the Waimate District Council in its responsibility for risk management, Council's control and compliance framework and its external accountability responsibilities, thereby giving give assurance to Elected Members, management and the public that Council processes operate in an efficient and effective manner and ensure the integrity of all transactions.

Purpose

- 1 The purpose of the Committee is to assist the Council to discharge its responsibilities and provide independent observations on:
 - 1.1 the robustness of risk management systems, processes and practices;
 - 1.2 the robustness of the internal control framework;
 - 1.3 the independence and adequacy of internal and external audit functions;
 - 1.4 the integrity and appropriateness of internal and external reporting and accountability arrangements, including performance reporting;
 - 1.5 compliance with applicable laws, regulations, standards and best practice guidelines;
 - 1.6 the establishment and maintenance of controls to safeguard Council's financial and non-financial assets; and
 - 1.7 the governance framework and processes.
- 2 The Committee reports and recommends directly to Council.
- ~~31 The Committee also has responsibility for overseeing the investigation of possible irregularities, including allegations of fraud.~~
- ~~41 The Committee is also responsible for maintaining and considering its own effectiveness, and must ensure that there are robust processes in place to ensure effective communication with both Council and management.~~
- ~~51 The Committee has limited delegation from Council and it will largely operate as an advisory committee to Council. The Committee will not assume any management functions or make decisions that are the statutory responsibility of the Chief Executive.~~

Commented [T51]: Moved these points from Purpose to General Responsibilities. 'Overseeing the Investigation' does not align with Council's Fraud Policy.

Membership

- ~~63~~ Within 40 days of the Local Government Triennial Election, Council will establish and appoint the Committee and its members, including the appointment of a non-elected (external appointee) as Chairperson or the reconfirmation of a Chairperson appointed for a term beyond the Triennial Election.
- ~~74~~ The Committee membership will be the external appointee (as Chairperson), the Mayor and up to three appointed members.
- ~~85~~ The Committee members should bring to the Committee:
- ~~8-45.1~~ the ability to act independently and objectively;
 - ~~8-25.2~~ the ability to ask relevant and pertinent questions and evaluate the answers;
 - ~~8-35.3~~ the ability to work constructively with management to achieve improvements;
 - ~~8-45.4~~ an appreciation of Council's culture and values, and a determination to uphold these;
 - ~~8-55.5~~ a proactive approach to ~~providing feedback on advising Council and the Chief Executive of~~ matters that require further attention;
 - ~~8-65.6~~ business acumen; and
 - ~~8-75.7~~ appropriate diligence, time, effort and commitment.
- ~~96~~ The external appointee should have the following experience:
- ~~9-46.1~~ financial reporting;
 - ~~9-26.2~~ broad governance experience;
 - ~~9-36.3~~ familiarity with risk management disciplines (identification, evaluation and management);
 - ~~9-46.4~~ understanding of internal control and assurance frameworks;
 - ~~9-66.5~~ a good understanding of the roles of internal and external audit;
 - ~~9-66.6~~ industry or sector expertise; and
 - ~~9-76.7~~ the ability to explain technical matters in their field of expertise to other members.
- ~~407~~ The Chief Executive ~~and senior staff~~ may attend Committee meetings, however, the Chief Executive ~~and senior staff are~~ is not ~~a member~~ of the Committee.

Responsibilities

Risk Management and Internal Controls

448 The Committee will:

- 44-18.1 understand the key operational business activities of Council and the significant risks associated with each of the activities;
- 44-28.2 recommend to Council the Risk Management Policy and any amendments;
- 44-38.3 recommend to Council an appropriate level of risk tolerance after an assessment of risks;
- 44-48.4 review whether management has in place a current and comprehensive risk management framework (including likelihood and consequences) and associated procedures for effective identification and management of Council's significant risks;
- 8.5 consider whether appropriate action is being taken by management to mitigate Council's significant risks;
- 44-58.6 ~~Review Council's insurance arrangements and monitor insurance claims~~
- 44-68.7 enquire as to steps management has taken to ensure the organisation's culture is one of commitment to workplace safety, probity and ethical behaviour; ~~and~~
- 8.8 monitor major project reports to ensure transparency of financial management ~~and achievement of project objectives~~ and provide assurance that there are robust processes in place to manage project risks appropriately; ~~and~~
- 44-78.9 ~~Review requests for budgets to be carried forward to the following financial year~~

Commented [TS2]: Included insurance as this is a key risk mitigation measure.

Commented [TS3]: In order for the committee to consider the rationale and any risk related to achieving the budgeted activity forecast.

External Audit

429 The Committee, in conjunction with the Chief Executive, will:

- 42-19.1 engage and confirm with the external auditor the terms of the auditor's appointment and engagement, including the nature and scope of the audit, timetable and fees;
- 42-29.2 develop a relationship with, and liaise with, the external auditor;
- 42-39.3 discuss issues arising from the interim and final audit reports, and any matters the external auditor may wish to discuss;
- 42-49.4 receive the external audit report(s) and monitor the implementation by management of any significant issues and recommendations made by the external auditor;
- 42-59.5 conduct a session with the external auditor to discuss any matters that the auditor wishes to bring to the Committee's attention and/or any issues of independence; and
- 42-69.6 review reports from any other external audits (including IANZ and NZTA) and/or reports relating to Council's performance, of a financial, risk mitigation or compliance nature, that are undertaken.

Internal Audit

4310 The Committee will:

- 43-410.1 monitor management's approach to maintaining an effective internal control framework that is sound and effective;
- 43-210.2 monitor existing corporate policies and to recommend where necessary, the formulation of new policies as to prohibit unethical, questionable or illegal activities further enhance the elements of transparency and accountability in organisational practices;
- 43-310.3 approve the internal audit programme and determine the appointment of any assistance required to implement the programme having regard to risk, independence and expertise;
- 43-410.4 monitor the delivery and implementation of the internal audit work programme and audit process; and
- 43-510.5 receive the internal audit report and monitor the implementation by management of any significant issues and recommendations made by the internal auditor.

Compliance with Legislation, Standards and Best Practice Guidelines

4411 The Committee will review the effectiveness of the system for monitoring Council's compliance with laws (including governance legislation, regulations and associated government policies), with Council's own standards and sector best practice guidelines.

General

4512 Oversee special investigations which fall within the Committee's scope of purpose.

13 The Committee also has responsibility for overseeing the investigation of possible irregularities, including allegations of fraud, is to be informed by the Chief Executive as to any investigation of any alleged fraudulent activity.

Commented [T54]: This does not align with Council's Fraud Policy. Updated to reflect.

14 The Committee may review and make recommendations on other any relevant reports prepared by management management for public distribution for release, such as summary annual reports.

1615 The committee may review policy relating to Treasury, published Financial Statements and accounting standards of Council.

16 The Committee will take a mediation role between management and the external audit team if necessary to achieve a conclusion in any reportable matter.

Commented [T55]: Removed as deemed unnecessary. See point 20.

17 The Committee is also responsible for maintaining and considering its own effectiveness, and must ensure that there are robust processes in place to ensure effective communication with both Council and management.

18 The Committee has limited delegation from Council and it will largely operate as an advisory committee to Council. The Committee will not assume any management functions or make decisions that are the statutory responsibility of the Chief Executive.

Meetings

Quorum

4719 A quorum of members of the Committee shall be three, however one of the three members must be the Chairperson, or in the absence of the Chairperson, another member of the Committee delegated to act as Chair by the Chairperson.

Frequency

4820 The Committee will meet at least four times each year having regard to Council's reporting and audit cycle. Additional meetings may be held as determined by the Chairperson in order for the Committee to fulfil its duties and responsibilities.

Meetings with External Auditor

4921 The Committee will work at "arms-length" to the office of the Chief Executive and is able to meet with the external auditor without management present.

Standing Orders

2022 The Committee will abide by the Waimate District Council Standing Orders.

Delegations from Council

2423 The Committee has delegated authority to:

- 24-123.1 engage and confirm with the external auditor the terms of the auditor's appointment and engagement, including the nature and scope of the audit and timetable;
- 24-223.2 approve the appointment of any internal auditor, internal audit programmes, audit engagement letters and letters of undertaking for audit functions;
- 24-323.3 approve additional services provided by the external auditor;
- 24-423.4 approve, coordinate and monitor special investigations;
- 24-523.5 seek independent advice within budget; and
- 24-623.6 seek any information it requires from the Chief Executive who will co-operate with any reasonable request made by the Committee.

2224 The Audit and Risk Committee does not have any financial delegations.

2325 The Committee may not delegate any of its responsibilities, duties or powers.

Reporting Procedures

2426 The Committee shall maintain direct lines of communication with the external auditors, the Chief Executive and the Corporate Services ~~Group~~ Manager. The Chief Executive and Corporate Services ~~Group~~ Manager are responsible for drawing to the Committee's immediate attention any matter ~~of significance~~ that relates to Council's financial condition, any breakdown in internal controls, ~~any area of immediate and significant risk~~ or any event of fraud.

2527 The Committee shall be provided with copies of ~~reports from all correspondence between~~ the external auditor ~~to and~~ management and staff regarding the audit process.

2628 After each Committee meeting the Chairperson shall prepare a report to Council for the next available Ordinary Meeting of Council.

Review of the Committee

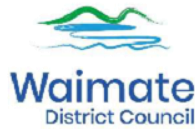
2729 Council, in collaboration with the Committee, will every ~~three years~~~~12 months~~ review the performance of the Committee, ~~including a review of the Terms of Reference at the commencement of the new triennium, including a review of the Terms of Reference.~~

Commented [TS6]: Suggested that this review takes place triennially.

2830 The Terms of Reference will be approved by Council.

Publication Details

All inquiries or suggestions regarding this document should be referred to:	Chief Executive
Revision:	Final version
Revision Dates:	22 August 2017
Effective Date:	31 March 2020 9-October-2018
Minimum Review by:	October September 202219 (triennially annually)
Chief Executive – Release Signature:	Stuart Duncan
Document can only be amended by:	Resolution of Council
Document filed at:	L:\SUPPORT SERVICES\Meetings - Audit
Document Writer:	Stuart Duncan Chief Executive



AUDIT AND RISK COMMITTEE

202019 Annual Work Plan

Approved on 17 September 2018

ACTIVITY	MAR	JUN	SEP	DEC
Meetings				
Schedule meetings for next year				●
Committee Chair to establish meeting agenda	●	●	●	●
Minutes of previous meeting	●	●	●	●
Review action list	●	●	●	●
Review Committee work plan			●	
Chair to provide update report to Council following Committee meetings	●	●	●	●
External Audit				
Schedule Committee meetings with external auditor (discuss issues arising from the interim and final audit reports)	●		●	
Engage and confirm with the external auditor the terms of the auditor's appointment and engagement, including the nature and scope of the audit and timetable	●			
Monitor implementation by management of any issues and recommendations made by external auditors	●	●	●	●
Review reports from other external audits (including IANZ and NZTA) and/or reports relating to Council's performance, of a financial, risk mitigation or compliance nature that are undertaken	As required			
Internal Audit				
Monitor existing corporate policies and recommend new policies	●	●	●	●
Approve the appointment of the internal auditor, internal audit programme, audit engagement letters and letters of undertaking for audit functions		●		
Monitor the delivery and implementation of the internal audit programme and audit processes	●	●	●	●
Regulatory Compliance				
Monitor Council's compliance with laws (including governance legislation, regulations and associated government policies) with Council's own standards and sector best practice guidelines	●	●	●	●

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ACTIVITY	MAR	JUN	SEP	DEC
Risk Management and Internal Controls				
Monitor corporate risk assessment	●	●	●	●
Recommend to Council an appropriate level of risk tolerance	●			
Review Council's Risk Management Policy and recommend any amendments				●
Health and safety report	●	●	●	●
Monitor access requests to Council's security camera footage		●		●
<u>Review Council's Insurance Arrangements and monitor claims</u>		●		
<u>Review requests for budgets to be carried forward to the following financial year</u>			●	
Projects				
Monitor major projects including the overall capital works programme	●	●	●	●
Other				
Approve, coordinate and monitor special investigations	As required			
Review the performance of the Committee and Terms of Reference <u>at the commencement of the new triennium</u> (in collaboration with Council)				
<u>Review and make recommendations on any relevant reports prepared by management for public distribution.</u>	As required			
<u>Review policy relating to Treasury, published Financial Statements and accounting standards of Council.</u>	As required			

SOLGM (Society of Local Government Managers) Risk Management Forum

Summary of topics included:

Cyber Security in Public Practice

- A presentation by PWC provided insights on:
 - How real and relevant Cyber Security risks are to you, and what should you actually be doing something about
 - How you can understand your risk better
 - Practical steps that can be taken to mitigate the risk and impact of cyber attacks
 - What to do to prepare for and what to do when there has been a breach

Your Audit & Risk Committee Chair and You: Getting the best from your Audit & Risk Committee

- Jim Palmer, Bruce Robertson and Stephen Halliwell presented this session:
 - Gaining perspectives from three very experienced practitioners on how to advise, support and otherwise get the best from your Audit & Risk Committee

What's New in Local Government

- A session presented by SOLGM's Raymond Horan highlighting the latest from SOLGM and other news relevant to LTP's.

Risk Management 101

- A workshop session by Philip Jones of PJ and Associates discussing the fundamentals of risk management:
 - What is risk and why manage it
 - Defining uncertainty, consequence and likelihood scales
 - Some simple, but helpful assessment criteria
 - Applying risk assessments to decision-making
 - Risk Attitude

Risk & the 2021 LTP's

- Raymond Horan presented a discussion on the key risk issues and components of the LTP and good practice.

BCP & Civil Defence

- Emily Thompson, Audit & Risk Analyst of Whangarei District Council, presented on the respective roles of business continuity planning, civil defence and where one begins and the other ends.

Project AF8

- A sobering presentation by Tom Wilson, Professor in Disaster Risk and Resilience, University of Canterbury:
 - Project AF8 draws science and civil defence/emergency management together to build an awareness of the Alpine Fault Hazard, produce a maximum credible event scenario including the impacts and plan for a coordinated initial response across New Zealand

Climate Change and the Withdrawal of Insurance

- Belinda Storey of Climate Sigma presented on evidence from overseas suggesting that high insurance premiums and the unavailability of insurance has a stronger impact on private decision-making than the uncertain risk of extreme events. The presentation focused on research for the Deep South Science Challenge around coastal housing markets and their response should insurance become unavailable.

Marsh Insurance Presentation

- Insurance markets are under increasing pressure to understand their customers' risk profile, customers and insurers are under increasing pressure to understand and provide information on their asset risk profiles. In short... the risks are increasing!

Climate Risk & LIMs

- A practical session from Simpson Grierson focusing on climate risks and their disclosure to the public.

Risk Based Renewals

- Jim Palmer presented the final session of the Forum, which considered Infrastructure Strategies and planning for asset renewals.

Tina Stevenson

Corporate Services Group Manager

6.4 EXTERNAL AUDIT RECOMMENDATIONS PROGRESS UPDATE TO 11 MARCH 2020

Author: Tina Stevenson, Corporate Services Group Manager

Authoriser: Tina Stevenson, Corporate Services Group Manager

Attachments: 1. Progress Update on Audit NZ Management Report Recommendations  

PURPOSE

To provide the Audit and Risk Committee with a progress update on recommendations from Audit New Zealand.

RECOMMENDATION

That the External Audit Recommendations Progress Update to 11 March 2020 report is accepted.

Audit New Zealand Recommendations – Progress Report to 11 March 2020

Interim Management Report Recommendations for Year Ending 30 June 2018

AUDIT NEW ZEALAND			WAIMATE DISTRICT COUNCIL	
Recommendation	Current Status	Priority	Management's Proposed Action	Progress Update
Accounting for property, plant and equipment				
<p>Strengthen internal controls around property plant and equipment:</p> <ul style="list-style-type: none"> Regular stocktakes and timely reconciliations between the general ledger and fixed assets register should be performed to the existence and accuracy of records over those assets. Implement a monitoring and write off process to account for the infrastructure assets that are replaced during the year. 	Pending	Necessary	<p>Management will ensure that, where possible, resources are employed to address the areas of highest risk with regard to stock-take, asset recs and write offs.</p>	<p>A stocktake of the IT equipment asset class was completed in 2018, and further classes of assets will be assessed as resourcing allows with priority given to asset classes of highest risk.</p> <p>Discussions are advancing with regards to a consistent and practical process which can be implemented.</p> <p>The Finance Team have obtained a better understanding of Asset Finda software in order to aid in the assessment of infrastructural assets for impairment as at 30 June each year. Further investigation into the RAMM software used for Roading assets is required. The development of a mechanism to capture disposals of</p>

AUDIT NEW ZEALAND			WAIMATE DISTRICT COUNCIL	
Recommendation	Current Status	Priority	Management's Proposed Action	Progress Update
				infrastructure assets replaced during the year is continuing.
Project and contract management				
<p>Consideration to be given to enhancing contract management and project management policies and practices.</p> <p>For contract management Council could:</p> <ul style="list-style-type: none"> having an overall policy outlining an organisationally consistent approach to contract management; more detailed reporting of contract monitoring to Council; 	<p>Pending</p> <p>No changes noted at our interim audit.</p>	<p>Beneficial</p>	<p>Policies around Contract Management are expected to be developed.</p> <p>Council have recently formalised the role of IT Project Manager whose core role is to apply Prince2 project methodologies to new and existing technology projects. Since tech projects represent a priority area for Council, we believe this represents a significant step in Project management maturity for Council.</p> <p>Independent QA (by Deloitte) was applied to the recent Performance Reporting & LTP system project. Council will continue to give consideration to independent QA where projects are deemed significant enough to justify this additional outlay.</p>	<p>With the understanding at this time, the risk has been considered and accepted by the Audit & Risk Committee.</p> <p>Council's contract for roading is the most significant and is governed by NZTA processes that result in independent review through collaboration.</p> <p>Council's major contracts are in the asset area and are monitored by the activity managers who report to the Asset Group Manager. Progress of major projects are reported to the Audit & Risk Committee and a quarterly report of projects from all areas of Council are included in the respective Council committee reports.</p>

AUDIT NEW ZEALAND			WAIMATE DISTRICT COUNCIL	
Recommendation	Current Status	Priority	Management's Proposed Action	Progress Update
<ul style="list-style-type: none"> ensure contract managers have sufficient skills and expertise to effectively manage contracts. This could be achieved by formal training and identification of training needs (i.e. structured instead of ad hoc); and complete a self-review to identify areas for improvement. <p>For project management Council's grading here could be improved by:</p> <ul style="list-style-type: none"> development of District Council wide formal project management practices; conduct of post implementation reviews on completed projects; consideration of independent quality assurance over projects; and 				Training has and is to be undertaken for the management of contracts written under NZS3910.
<ul style="list-style-type: none"> more comprehensive reporting and monitoring of projects by management and Council as discrete projects – rather than as part of monthly reports. 				

Management Report Recommendations for Year Ending 30 June 2018

AUDIT NEW ZEALAND			WAIMATE DISTRICT COUNCIL	
Recommendation	Current Status	Priority	Management's Proposed Action	Progress Update
Alpine Energy Shares Valuation				
<ul style="list-style-type: none"> Ensure that Council engages an external expert to prepare a valuation of its shareholding in future years. 		Necessary	Management will consider its options with regards to the engagement of an external expert.	The process for the valuation of Alpine Energy Shares was discussed with the shareholders in conjunction with discussions with Audit NZ. It was agreed that one valuation would be obtained for all shareholders and this would be a Desktop Review. If a material movement in value was identified an independent valuation would be considered.
<ul style="list-style-type: none"> Ensure that the valuation is reviewed, either internally or externally, so that it is appropriate to use in the annual report. 			Management will consider a review of the valuation as appropriate, when there is sufficient cause or a significant movement in the valuation from the prior year.	

Interim Management Report Recommendations for Year Ending 30 June 2019

AUDIT NEW ZEALAND			WAIMATE DISTRICT COUNCIL	
Recommendation	Current Status	Priority	Management's Proposed Action	Progress Update
Correctly Recording Incident in Asset Finda				
To ensure staff correctly enter information into Asset Finda the Waimate District Council should develop a handbook and educate staff on its use.	<i>Pending</i>	Necessary	Training for Utilities staff for the service request system. Production of a reference guide in order to prevent incorrect data entry in the future.	Additional training for utilities staff has been undertaken and staff now possess a much better understanding of the service request system. The training focus identified the issues highlighted and in particular focused on the fault/request type and the calculation of the appropriate response times.

Management Report Recommendations for Year Ending 30 June 2019

AUDIT NEW ZEALAND			WAIMATE DISTRICT COUNCIL	
Recommendation	Current Status	Priority	Management's Proposed Action	Progress Update
Downlands Rural Water Scheme				
<p>Assess whether the interest in DWS meets the definition of a joint arrangement, and if so whether it is a joint venture or a joint operation, or whether it is that of an associate.</p> <p>Design and perform steps to confirm that the value of the investment is accurate, including consideration of impairment indicators.</p>	Pending	Necessary	<p>Waimate District Council will enter into discussions with Timaru District Council and Mackenzie District Council so all three parties can conclude the basis of their interest in the Downlands Water Scheme and use this assessment to determine how the scheme is accounted for in the financial statements.</p> <p>We acknowledge the recommendation around an assessment of the value of the investment and consideration of impairment.</p>	<p>Discussion with Timaru and Mackenzie District Councils are underway. Timaru District Council engaged EY to undertake a review in order to provide advice and accounting support in relation to adoption of new PBE standards on interests in other entities. A draft report has been received in March 2020 and feedback provided by Waimate in order that this report may be finalized.</p> <p>Timaru District Council had sought legal advice regarding the ownership of the Downlands Scheme which has proven to be challenging as historic files and agreements are proving difficult to locate. Waimate and Mackenzie Councils are to undertake a search for the old agreements to assist in order that this legal advice can be</p>

AUDIT NEW ZEALAND			WAIMATE DISTRICT COUNCIL	
Recommendation	Current Status	Priority	Management's Proposed Action	Progress Update
				provided for consideration by all parties.
Fair Value and Impairment Assessments for property, plant and equipment				
<p>As reported in previous years, management's fair value assessments are formally documented to substantiate conclusions regarding fair value movements relative to asset carrying amounts in the financial statements, and to demonstrate compliance with the accounting standard.</p> <p>Fair value assessments for assets valued on the basis of replacement cost need to include consideration of construction indices or similar, whereas construction indices (or similar) need to be considered for assets valued on the basis of replacement cost.</p> <p>Similarly, going forward, management should prepare formally documented impairment reviews prior to commencement of the audit.</p>	Pending	Necessary	Council acknowledges the recommendation and will take steps to include consideration of construction indices as required, and formally document impairment reviews prior to the commencement of audit.	This recommendation will be considered in conjunction with the preparation of the 2020 Annual Report and the fair value assessments of assets as at balance date.
Quality Assurance (QA) review of draft council activities performance reporting				
Subject the draft council activities performance reporting	Pending	Necessary	Human resource shortages have adversely impacted data quality. Council has recently refilled two	The refilling of positions has increased resourcing to increase quality assurance checks, along

AUDIT NEW ZEALAND			WAIMATE DISTRICT COUNCIL	
Recommendation	Current Status	Priority	Management's Proposed Action	Progress Update
to an effective review process before release to the auditors.			positions which has increased resource available to perform the necessary quality assurance checks in the future. Training is underway, and existing staff are being reminded that a high degree of precision is required when entering data in to AssetFinda.	with training and reminders of expectations around precision.

6.5 COUNCIL'S POLICY STATUS

Author: Carolyn Johns, Community and Strategy Group Manager
Authoriser: Carolyn Johns, Community and Strategy Group Manager
Attachments: Nil

INTRODUCTION

1. For the information of the Audit and Risk Committee, I present the Policy Status Report.

Policy – up to 11 March 2020

Waimate District Council Policy Index

Legend		Legend	
Policy is current		Policy review date has lapsed	
Policy review date is close / due		Proposed new policy	

Code	Policy	Departmental Responsibility (Legislation)	Notes	Review Due Review Expected	Status
200 Series - Democracy					
201	Standing Orders	Chief Executive (LGA cl 27 sch 7)		October 2022	
202	Code of Conduct	Chief Executive (LGA cl 15 sch 7)		October 2022	
203	Governance Statement	Chief Executive (LGA s 40)	Being presented to Council on 31 March	March 2020	
204	Triennial Agreement	Chief Executive (LGA s 15)		February 2023	
300 Series – General Council Policies					
301	Significance and Engagement Policy	Community and Strategy LTP (LGA sch 10)	To be included in the LTP	October 2020	
302	Bullying and Harassment Policy	Human Resources	Under development	Mid 2020	
303	Media Policy	Executive Support	Under development	Mid 2020	
304	Social Media Policy	Executive Support	Under development	Mid 2020	

Code	Policy	Departmental Responsibility (Legislation)	Notes	Review Due Review Expected	Status
305	Gambling Venue Policy	Regulatory and Compliance		November 2021	
306	Dog Control Policy	Regulatory and Compliance (Dog Control Act)		December 2021	
308	Delegations Policy	Corporate Services		August 2022	
309	Tab Board Venue Policy	Regulatory and Compliance		August 2021	
310	Elected Members Reimbursement and Expenses Policy	Corporate Services (LGA cl 6 sch 7)	As required by Remuneration Authority	March 2023	
311	Fraud Policy	Corporate Services		October 2022	
312	Smoke-free Environments Policy	Community and Strategy		February 2022	
313	Dangerous Buildings Policy	Regulatory and Compliance (Building Act)		December 2022	
314	Local Approved Products Policy	Regulatory and Compliance (Psychoactive Substances Act)		December 2024	
315	Insanitary Buildings Policy	Regulatory and Compliance (Building Act)		December 2022	
316	Procurement Policy	Corporate Services		October 2022	
317	Unmanned Aircraft Policy	Asset Group (CAA Rules)		April 2022	
320	Vehicle Use and Monitoring Policy	Corporate Services		June 2020	
321	Security Camera Policy	Corporate Services		August 2021	
323	Friends Organisations Policy	Community & Strategy		August 2021	
324	Community Housing Policy	Community & Strategy		March 2022	

Code	Policy	Departmental Responsibility (Legislation)	Notes	Review Due Review Expected	Status
325	Enforcement Policy	Regulatory & Compliance		June 2022	
326	Protected Disclosures Policy	Human Resources		October 2022	
327	Freedom Camping Policy	Regulatory & Compliance	Council agreed to formulate a policy when considering the submissions on the General Reserves policies 8 October 2019	Mid 2020	
328	Information Management Policy	Corporate Services	Currently under development	April 2020	
400 Series – Financial Policies					
Note: Policies 401 – 409 these policies are reviewed as part of each Long Term Plan process and are effective when the LTP is adopted in June.					
401	Revenue and Financing Policy	Corporate Services LTP (LGA sch 10)		June 2021	
402	Liability Management Policy	Corporate Services		June 2021	
403	Investment Policy	Corporate Services		June 2021	
404	Financial Contributions Policy	Corporate Services		June 2021	
406	Remission and Postponement of Rates on Maori Freehold Land Policy	Corporate Services		June 2024	
407	Rates Remission Policy	Corporate Services	Start review	June 2024	
409	Statement of Accounting Policies	Corporate Services	Reviewed for each annual plan and annual report	October 2020	
410	Property and Land Sale, Purchase and Lease Policy	Asset Group		December 2021	

Code	Policy	Departmental Responsibility (Legislation)	Notes	Review Due Review Expected	Status
411	Sensitive Expenditure Policy	Corporate Services		December 2021	
500 Series – Infrastructure Policies					
501	Dust Suppression Policy	Asset Group		August 2021	
502	Water Supply - Rural	Asset Group	Awaiting on review of 3 waters.	December 2014 Mid 2020	
	Asset Management Policy	Asset Group	To be presented to Council 31 March	March 2017 March 2020	
600 Series – Staff and Internal Policies (signed off by CE)					
603	Building Security & Key Policy	Corporate Services		April 2022	
604	Subdivision Reserves Contributions Fund Policy	Corporate Services	Previously 318-rendered internal by the instruction of Council	March 2020	
607	Computer Systems Use Policy	Corporate Services		February 2023	
613	Personnel Records Policy	Human Resources		August 2021	
616	Drug and Alcohol Policy	Human Resources		March 2021	
618	Sick Leave Gifting Policy	Human Resources		September 2021	

Manuals - Internal

605	Health and Safety Manual	Regulatory & Compliance		September 2022	
	Staff Manual	Human Resources	Last updated September 2019	September 2022	

RECOMMENDATION

That the Council's Policy Status report is accepted.

6.6 NEW ZEALAND TRANSPORT AUTHORITY AUDIT REPORT FOR THE YEAR ENDED 30 JUNE 2019

Author: Rob Moffat, Roading Manager

Authoriser: Dan Mitchell, Asset Group Manager

Attachments: 1. NZ Transport Agency Investment Audit Report [!\[\]\(339a16584d5da0f0a3ca4e9ec17bf6a1_img.jpg\)](#) [!\[\]\(e06a1d39938b2f5d7a2c3618fea4f77f_img.jpg\)](#)

PURPOSE

1. To provide the Audit and Risk Committee with the NZ Transport Agency Investment Audit report on Council's land transport programme for the three years 2016/17, 2017/18 and 2018/19.

BACKGROUND

2. The objective of this audit was to provide assurance that the New Zealand Transport Agency's investment in Waimate District Council's land transport programme was being well managed, and is delivering value for money.
3. The Audit was completed between 09 – 2 September 2019.
4. Council staff's response comments are incorporated into the attached report.

PROPOSAL

5. That the Audit & Risk Committee receives the NZ Transport Agency Investment Audit Report.

ASSESSMENT OF SIGNIFICANCE

6. This matter is not deemed significant under the Council's Significance and Engagement Policy.

FINANCIAL

7. There are no known budget considerations.

RECOMMENDATION

That the NZ Transport Agency Investment Audit report on the audit of Council for the three year period ended 30 June 2019 is accepted.



December 2019

NZ TRANSPORT AGENCY INVESTMENT AUDIT REPORT

Monitoring Investment Performance

Report of the investment audit carried out under section 95(1)(e)(ii) of the Land Transport Management Act 2003.

Approved Organisation (AO):	Waimate District Council
NZ Transport Agency Investment (2018 – 2021 NLTP)	\$10,044,300 (budgeted programme value)
Date of investment audit:	09 – 12 September 2019
Investment Auditor:	Ron Wheeler
Report No:	RARWI-1986

OBJECTIVE

The objective of this audit is to provide assurance that the New Zealand Transport Agency's investment in Waimate District Council's land transport programme is being well managed and delivering value for money. We also seek assurance that the Council is appropriately managing risk associated with the Transport Agency's investment. We recommend improvements where appropriate (for audit programme refer appendix A).

EXECUTIVE SUMMARY

Waimate District Council's asset management team possess a wealth of experience in successfully managing the delivery of activities on its transportation network. However, the robustness of some quality assurance and administrative support processes appears to have diluted over time.

Notable inconsistencies found during the audit include errors in calculating retention sums to be withheld from supplier payments and in estimating end-of-year accrual costs. Council needs to review and update its procurement strategy and complete exemption declarations where it has decided a road safety audit is unnecessary.

In the context of Council's ability to effectively manage the Transport Agency's investment in its network, there was no evidence of inappropriate financial management practices.

DISCLAIMER

While every effort has been made to ensure the accuracy of this report, the findings, opinions, and recommendations are based on an examination of a sample only and may not address all issues existing at the time of the audit. The report is made available strictly on the basis that anyone relying on it does so at their own risk, therefore readers are advised to seek advice on specific content.

Audit: Waimate District Council

AUDIT RATING ASSESSMENT

	Issue	Rating Assessment*
1	Previous Audit Issues	N / A
2	Financial Processes	Some Improvement Needed
3	Procurement Procedures	Some Improvement Needed
4	Contract Management & Administration	Some Improvement Needed
5	Professional Services	Effective
Overall Rating		Some Improvement Needed

* Key to rating assessment - refer appendix C

Note: Before being finalised this report was referred to Waimate District Council for comment. Council's response is included in appendix D and responses to the findings included in the body of the report.

RECOMMENDATIONS SUMMARY

That Waimate District Council:

Section	Recommendations	Implementation Target Date
2	Establish a peer review process to ensure retentions withheld from supplier payments are managed in accordance with conditions specified in the contract documents.	Implemented
3	a) Confirms it has updated its procurement strategy, and b) Submitted the strategy document to the Transport Agency for endorsement.	a) 19 Nov 2019 b) 19 Nov 2019
4	Confirms exemption declarations will be completed where a road safety audit is deemed unnecessary.	Confirmed

OPPORTUNITIES FOR IMPROVEMENT

We suggest that Waimate District Council:

Section	Suggestions
2	Accrue value estimates for any outstanding supplier invoices at the end of the financial year.
3	Considers introducing a check-list system to ensure contract administration processes are completed.
4	Updates obsolete references in its contract management procedures manual.

Audit: Waimate District Council

FINDINGS

Section 1:	What issues, if any, remain unresolved from the previous audit?
Findings	<p>The previous audit report from November 2016 made three recommendations relating to Procurement Strategy requirements, documenting agreements for boundary maintenance, and documenting agreements for in-house professional services service levels.</p> <p>Meeting Procurement Strategy requirements is the only outstanding matter, this is further discussed in section 3.</p>

* * *

Section 2:	Financial Processes	Some Improvement Needed
Findings	<p>Council's land transport disbursement account is correctly established within the general ledger and controls are in place to ensure Council is appropriately managing the Transport Agency's investment.</p> <p>Financial assistance claims for the three years from 1 July 2016 to 30 June 2019 were confirmed, with sufficient qualifying expenditure to support the claims identified in the general ledger. Additional eligible expenditure identified in each of the three years was unclaimed despite the funding cap not being reached. Capacity to claim the following amounts was identified:</p> <ul style="list-style-type: none"> • 2016/17 \$72,760 • 2017/18 \$72,173 • 2018/19 \$22,342 <p>At the end of each financial year, we suggest Council accrue value estimates for any outstanding supplier invoices to ensure allocated funding entitlements are fully realised.</p> <p>Expenditure transactions were correctly coded to the land transport disbursement account and confirmed for claims eligibility.</p> <p>Contract retentions withheld for Contract 17/1 – Manse Street Kerb & Stormwater Upgrade were inconsistent with contract conditions. This resulted in an over-calculation of the aggregated total retained. 50% of the retentions have since been released following the issue of the contract completion certificate. Council must ensure contract retentions are appropriately managed and that funds are correctly paid to suppliers in accordance with conditions specified in the contract.</p>	
Opportunity for improvement	That Council accrue value estimates for any outstanding supplier invoices at the end of the financial year.	
Recommendation	That Waimate District Council establish a peer review process to ensure retentions withheld from supplier payments are managed in accordance with conditions specified in the contract documents.	
Waimate DC response	<p>Retentions</p> <p>A peer review process to ensure retentions withheld from supplier payments are managed in accordance</p>	Implementation Target Date

Report Number: RARWI – 1986

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Audit: Waimate District Council

	<p>with conditions specified in the contract documents has been established.</p> <p>Claims</p> <p>Council has identified additional eligible unclaimed expenditure as</p> <p>2016/17 \$29,684</p> <p>2017/18 \$10,314</p> <p>2018/19 \$1,528</p> <p>The time period NZTA requires approved Organisations to check contract claims, create check and submit final claim into TIO is unreasonably short, this causes Council significant pressure to comply.</p>	Implemented
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* * *

Section 3: Procurement Procedures		Some Improvement Needed
Findings	<p>Council is engaged in collaborative arrangements with neighbouring authorities to deliver best value for money opportunities. Its agreement with Mackenzie District Council to procure a single supplier to deliver joint network maintenance activities across both networks, is an example.</p> <p>Only one contract has been competitively tendered by Council since the previous audit in November 2016 (refer appendix C). The contract document for contract 17/1 was signed by the parties but it was undated, and the agreed price was not stated. In all other respects the procurement process was compliant with Transport Agency procurement requirements. To ensure contract administrative procedures are satisfied, we suggest a contract check-list would support this process.</p> <p>Transport Agency endorsement of Council's procurement strategy expired in October 2018. An extension to the deadline for updating the strategy was not met. Council instructs that its updated transportation procurement strategy is to include whole of Council procurement, and this has caused some delay. Updating of Council's procurement strategy and submission to the Transport Agency for endorsement needs to be prioritised and actioned.</p>	
Opportunity for improvement	That Council considers introducing a check-list system to ensure contract administration processes are completed.	
Recommendation	<p>That Waimate District Council:</p> <ul style="list-style-type: none"> a) Confirms it has updated its procurement strategy, and b) Submitted the strategy document to the Transport Agency for endorsement. 	
Waimate DC response	<ul style="list-style-type: none"> a) The Procurement strategy has been updated and b) Submitted to the Transport Agency for endorsement 	<p>Implementation Target Date</p> <ul style="list-style-type: none"> a) 19 Nov 2019 b) 19 Nov 2019

* * *

Audit: Waimate District Council

Section 4: Contract Management and Administration		Some Improvement Needed
Findings	<p><u>Contract Management and Administration</u></p> <p>Council has appropriate processes in place for monitoring and managing contract activities, which are supported by documented performance and management reporting.</p> <p>Appropriate procedures for managing and approving contract variations are also in place.</p> <p>Council's documented contract administration procedures need updating to reflect current financial delegation levels and to correct value threshold references for the Direct Appoint supplier selection method.</p> <p><u>Road Safety Audits</u></p> <p>There have been no new improvement projects requiring a road safety audit since the previous audit. Council is reminded that road safety audit procedures must be applied to the development of any improvement or, renewal activity. A road safety audit exemption declaration must be completed and filed when Council has determined an audit is unnecessary.</p> <p><u>Transport Investment On-line</u></p> <p>With the exception of Drainage Renewals, financial and activity data reported by Council in its 2018/19 annual achievement return to the Transport Agency is consistent with source records reviewed during the audit. The reported TIO figure for Drainage Renewals included drainage construction and culvert renewals but left out kerb and channel renewals.</p> <p>Reported statistical data is consistent with Council's 2018/19 Annual Report.</p> <p><u>Low Cost / Low Risk Programme</u></p> <p>Council's low cost, low risk improvement programme is being delivered as planned and effective project activity monitoring processes are in place.</p>	
Opportunity for improvement	That Council reviews and updates obsolete references in its contract management procedures manual.	
Recommendation	That Waimate District Council confirms exemption declarations will be completed where a road safety audit is deemed unnecessary.	
Waimate DC response	Confirmed	Implementation Target Date

* * *

Audit: Waimate District Council

Section 5: Professional Services		Effective
Findings	Council provides professional services activities in-house. A service level agreement is in place and budget forecasts are appended to the agreement for each year the agreement is in effect. Activity costs appear reasonable and are among the lowest when compared with Council's peer group. In-house overheads and administration costs have been determined and allocated to work categories on a lump sum basis.	
Waimate DC response	Confirmed	

* * *

Audit: Waimate District Council

APPENDIX A

Audit Programme

1. Previous audit November 2016
2. Land Transport Disbursement Account
3. Final Claims for 2016/17, 2017/18 and 2018/19
4. Transactions (accounts payable) – 2018/19
5. Retentions Account
6. Procurement Procedures
7. Contract Variations
8. Contract Management & Administration
9. Professional Services
10. Transport Investment On-line (TIO) Reporting
11. Other issues that may be raised during the audit
12. Close out meeting

Audit: Waimate District Council

APPENDIX B

AUDIT RATING TABLE

Rating	Definition
Effective	<p>Investment management – effective systems, processes and management practices used.</p> <p>Compliance – Transport Agency and legislative requirements met.</p> <p>Findings/deficiencies – opportunities for improvement may be identified for consideration.</p>
Some Improvement Needed	<p>Investment management – acceptable systems, processes and management practices but opportunities for improvement.</p> <p>Compliance – some omissions with Transport Agency requirements. No known breaches of legislative requirements.</p> <p>Findings/deficiencies – error and omission issues identified which need to be addressed</p>
Significant Improvement Needed	<p>Investment management – systems, processes and management practices require improvement.</p> <p>Compliance – significant breaches of Transport Agency and/or legislative requirements.</p> <p>Findings/deficiencies – issues and/or breaches must be addressed, or on-going Transport Agency funding may be at risk.</p>
Unsatisfactory	<p>Investment management – inadequate systems, processes and management practices.</p> <p>Compliance – multiple and/or serious breaches of Transport Agency or legislative requirements.</p> <p>Findings/deficiencies – systemic and/or serious issues must be urgently addressed, or on-going Transport Agency funding will be at risk.</p>

Audit: Waimate District Council

APPENDIX C

(From Question 3)

CONTRACTS AUDITED

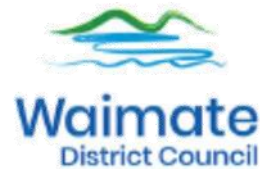
Contract Number	Tenders Received	Date Let	Description	Contractor		
			Physical Works			
17/1	1	Jun 2018	Manse Street Kerb & Stormwater Upgrade	Rooney Earthmoving	Estimate Let Price Final Cost	\$762,515 \$838,658 \$942,802

Note: Council's reseals contract was let by Timaru DC jointly with Waimate and Mackenzie DCs
The most recent – Contract 2119 was let Aug 2019 for the 2019 – 2021 reseals.

Audit: Waimate District Council

APPENDIX D

5 December 2019



Ron Wheeler
Senior Investment Auditor
New Zealand Transport Agency
ron.wheeler@nzta.govt.nz

Dear Ron

INVESTMENT AUDIT OF WAIMATE DISTRICT COUNCIL

Thank you for the Audit completed in September.

- The facts disclosed have been stated correctly;
- No facts material to an issue have been omitted; and
- No unfair inference has been conveyed, either generally or in particular.

Waimate DC response to recommendations and included in the table in the report.

The time period NZTA requires approved Organisations to check contract claims, create check and submit final claim into TIO is unreasonably short, this causes Council significant pressure to comply. A period of 15 working days be realistic.

Yours sincerely

A handwritten signature in blue ink that reads "R. Moffat".

Robert Moffat
ROADING MANAGER

WAIMATE DISTRICT COUNCIL
125 Queen Street, Waimate 7924
PO Box 122, Waimate 7960, New Zealand

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Audit: Waimate District Council

Investment Audit of Waimate District Council

Report Number: RARWI – 1986

December 2019

Prepared by:



Ron Wheeler, Senior Investment Auditor

Approved by:



Yuliya Gultekin, Practice Manager Audit and Assurance

Report Number: RARWI – 1986

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6.7 2019/20 MAJOR PROJECT UPDATE

Author: Paul Roberts, Water and Waste Manager

Authoriser: Dan Mitchell, Asset Group Manager

Attachments: 1. Major Projects Update [↓](#) 

PURPOSE

1. The 2019/20 Major Project list as at 31 October 2019 is submitted for the information of the Audit and Risk Committee.

QUEEN STREET SEWER MAIN RENEWAL

2. Work started Wednesday 4 March 2020 on the upgrading of the Queen Street 225mm Earthenware sewer main. Hadlee & Brunton have to date jetted, cleaned and camera the sewer main on Queen Street. The next step in the project is to put in a new manhole in front of the BNZ and old Post Office building.

**RECOMMENDATION**

That the 2019/20 Major Project Update report is accepted.

2019/20 Major Project Report
As at 12 March 2020

Financial Year	Project	Project Description	Budget	Spend to Date	% Complete	Status		Comments / Issues / Risks / Reasons
						Time	Budget	
Water Supply								
2016/17 (carry forward)	Lower Waihao DWSNZ CAP funded upgrade	Planned project that will increase service levels for 2016/17	Subsidised	\$350,798	25%			The trial membrane plant was successful and the results have now been analysed. The bore appears to have been developed further through use and the fine particulate has greatly reduced meaning that the site may only require provision for a membrane unit rather than actually purchasing one as part of the project. To be carried over into 2019/20.
2019/20	Hook / Waituna - Drinking Water Intake/Plant Compliance Upgrade		\$399,300	\$0	0%			Carried over from 2018/19. Ultra filtration membrane trial has been undertaken. Selection of plant and configuration is underway.
2019/20	Lower Waihao - Drinking Water Intake/Plant Compliance Upgrade		\$800,200	\$10,838	1%			Carried over from 2018/19. A trial membrane plant was successful and the results have now been analysed. The bore appears to have been developed further through use and the fine particulate has greatly reduced meaning that the site may only require provision for a membrane unit rather than actually purchasing one as part of the project.
2019/20	Otaio / Makikihi - Tavistock Bore - Treatment Filter & UV		\$166,400	\$0	0%			Plan for a Medium Pressure UV to be put in for protozoal compliance.
2019/20	Waikakahi - Drinking Water Intake/Plant Compliance Upgrade		\$1,443,900	\$11,014	10%			Note, New Treatment Plant upgrade is on hold with the agrement of DWA until 2020/21 and clearer direction on legislation and standards. Investigation has started into alternate source. Consultant hired for design.
2019/20	Urban Water - Rising Main Renewals		\$219,992	\$0	0%			To be used for Urban pipe renewal
2019/20	Urban Water - Lateral Renewals		\$61,680	\$11,369	18%			Ongoing
2019/20	Urban Water - AC Water Main Renewals		\$223,080	\$213,245	96%			Contract 19/22 nearly completed
2019/20	Urban Water - CI Water Main Renewals		\$336,780	\$233,436	69%			Contract 19/22 nearly completed
2019/20	Urban Water - Manchester Road Bore Replacement		\$92,700	\$250,000	100%			Total combined budget allocation (with GL 5310760013) has been agreed up too \$780,000. Completion date 5 December 2019.
2019/20	Urban Water - Man Rd Plant - Treatment Filter & UV		\$99,400	\$485,473	100%			Total combined budget allocation (with GL 531076005) has been agreed up too \$780,000. Completion date 5 December 2019. Note, one invoice still to come, and release of Retentions.
2019/20	Urban Water - Tim Rd Plant - Treatment Filter & UV		\$278,588	\$0	0%			Plan for a Medium Pressure UV to be put in for protozoal compliance.
Sewerage and Sewage								
2019/20	Investigate inflow and infiltration	Infiltration investigation from surface influences i.e. illegal storm water connections	\$6,169	\$0	0%			Ongoing. Total budget of \$17,476 under GL, which \$6,169 of is set aside for Investigate inflow and infiltration.
2019/20	Sewer - Waimate Urban Renewals		\$327,794	\$0	0%			Re-allocated to Queen Street Upgrade. Work has started with Hadlee & Brunton jetting, cleaning and camera the sewer main on Queen St. Next step in the project is to put in a new Manhole approximately in front of the BNZ and old Post Office building.
2018/19	Sewer - Edward Street Upgrade (Renewal)		\$551,000	\$22,405	4%			Carried over from 2018/19. Investigative work and modelling by WSP

Financial Year	Project	Project Description	Budget	Spend to Date	% Complete	Status		Comments / Issues / Risks / Reasons
						Time	Budget	
Stormwater Drainage								
2019/20	Stormwater - Consent & Management Plan		\$30,000	\$110,024	70%			The draft stormwater management plan is all but complete and work is now complete on the assessment of environmental effects. This assessment is a core requirement of the consenting process. Staff are reviewing final documentation before lodgement for consent. ECan have provided an extension for Waimate and many other District Councils. Original budget \$140k
2019/20	Stormwater - Queen Street Upgrade		\$133,640	\$14,255	11%			Investigation into options
Parks and Reserves								
2019/20	Victoria Park - Pavilion Upgrade	Demolition of old pavilion and building of new covered area	\$130,000	\$123,178	75%			New structure was completed by the end of December. Sealing has been completed with cost yet to come - the total cost of the project may run over budget by a nominal amount. Picnic furniture is expected to arrive by the end of March so it is therefore expected the project will be completed by the end of April 2020.
2018/19 (carry forward)	Waitaki Lakes - Chlorine Dosing UV	Increase water quality standard at Waitangi	\$48,000	\$35,000	95%			Majority of project complete with scada link to be completed March 2020.
2019/20	Waitaki Lakes - Chlorine Dosing UV	Increase water quality standard at Te Aka	\$31,000	\$11,160	5%			Equipment purchased and work to be undertaken at the end of the 2019/20 camping season.
Property								
2018/19	Waimate Library extension		\$1,400,000	Nil	0%			Delayed due to investigation into Library / LGC redevelopment proposal
2019/20	Asbestos Removal - Local Government Centre		\$0	\$48,235	100%			Work on both LGC and Gorge Roads sites completed by January 2020. Expenditure was unbudgeted.
2016/17 (carry forward)	Public toilets (new) Waimate town and review of District toilets		\$200,000	Nil	0%			Investigation and option presentation delayed due to Library project options

Status Key:

	On track with time / budget for completion within the plan year
	High Risk (budget and/or timeframe)
	Some risk (budget and/or timeframe) - Highlight issues in comments
	Not started / External to Council

6.8 PRESENTATION: AUDIT NZ - AUDIT UPDATE – 11.00AM

Author: Karalyn Reid, Committee Secretary and PA to the Mayor
Authoriser: Tina Stevenson, Corporate Services Group Manager
Attachments: Nil

PURPOSE

Audit NZ staff Rudie Tomlinson, Dereck Ollson and Debbie Bradfield will attend the Audit and Risk Committee meeting to discuss the audit plan with the Audit and Risk Committee, and to introduce the new appointed auditor.

PUBLIC EXCLUDED

7 EXCLUSION OF THE PUBLIC REPORT

RESOLUTION TO EXCLUDE THE PUBLIC

RECOMMENDATION

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

The general subject matter 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 of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48 for the passing of this resolution
7.1 - Public Excluded minutes of the Audit and Risk Committee Meeting held on 26 November 2019	s6(a) - the making available of the information would be likely to prejudice the maintenance of the law, including the prevention, investigation, and detection of offences, and the right to a fair trial	s48(1)(a)(i) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7
7.2 - Corporate Services Group Manager Report - Public Excluded	s7(2)(c)(ii) - the withholding of the information is necessary to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely otherwise to damage the public interest s7(2)(h) - the withholding of the information is necessary to enable Council to carry out, without prejudice or disadvantage, commercial activities	s48(1)(a)(i) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7

**8 RE-ADMITTANCE OF THE PUBLIC REPORT
MEETING CLOSURES**