

Agenda for a meeting of the Audit & Risk Committee of the Waikato District Council to be held by Audio-Visual Conference on **WEDNESDAY, 3 JUNE 2020** commencing at **9.30am**.

The open meeting will be livestreamed on the [Council's YouTube webpage](#).

Information and recommendations are included in the reports to assist the Committee in the decision making process and may not constitute Council's decision or policy until considered by the Committee.

1. APOLOGIES AND LEAVE OF ABSENCE

2. CONFIRMATION OF STATUS OF AGENDA

Representatives from Audit New Zealand will be in attendance.

3. DISCLOSURES OF INTEREST

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GJ Ion
CHIEF EXECUTIVE

Open Meeting

To	Audit & Risk Committee
From	Gavin Ion Chief Executive
Date	25 May 2020
Prepared by	Brendan Stringer
Chief Executive Approved	Y
Reference #	GOV1318
Report Title	Confirmation of Minutes

1. EXECUTIVE SUMMARY

To confirm the minutes of the Audit & Risk Committee held on Monday, 2 December 2019 .

2. RECOMMENDATION

THAT the minutes of the Audit & Risk Committee held on Monday, 2 December 2019 be confirmed as a true and correct record of that meeting.

3. ATTACHMENTS

A&R Open Minutes – 2 December 2019

MINUTES of a meeting of the Audit & Risk Committee of the Waikato District Council held in the Committee Rooms 1 and 2, District Office, 15 Galileo Street, Ngaruawahia held on **MONDAY 2 DECEMBER 2019** commencing at **1.05pm**.

Present:

Ms M Devlin (Chairperson)
His Worship the Mayor Mr AM Sanson [*from 1:09pm to 2:55pm*]
Cr JA Church
Cr JM Gibb
Cr JD Sedgwick

Attending:

Mr GJ Ion (Chief Executive)
Mr TG Whittaker (Chief Operating Officer)
Mrs S O’Gorman (General Manager Customer Support)
Ms A Diaz (Chief Financial Officer)
Mr R MacCulloch (Acting General Manager Service Delivery)
Mr K Abbott (Projects & Innovation Manager)
Mrs K Jenkins (Risk Advisor)
Ms K Newell (Local CDEM Co-ordinator)
Mr G Mason (Innovation Team Leader)
Mrs L Shirley (Zero Harm Manager)
Ms K Anderson (Zero Harm Adviser)
Mr J Ebenhoh (Planning and Policy Manager)
Mr R Turner (Customer Experience Manager)
Ms S Solomon (Corporate Planner)
Mr P Ellis (Solid Waste Team Leader)
Ms P Cronin (Waste Minimisation Officer)
Mr B Stringer (Democracy Manager)

Ms M Proctor (Audit Manager, Audit New Zealand)
Mr D Sutton (KPMG) – Agenda Item 4.2.1 only (by conference call)
Ms J Lumsden (KPMG) - Agenda Item 4.2.1 only (by conference call)
Ms G Wyborn (KPMG) - Agenda Item 4.2.1 only (by conference call)

APOLOGIES AND LEAVE OF ABSENCE

Resolved: (Crs Sedgwick/Gibb)

THAT an apology be received from **Cr Bech**.

CARRIED

A&R1912/01

CONFIRMATION OF STATUS OF AGENDA ITEMS

Resolved: (Ms Devlin/Cr Gibb)

THAT the agenda for a meeting of the **Audit & Risk Committee** held on **Monday 2 December 2019** be confirmed and all items therein be considered in open meeting with the exception of those items detailed at agenda item 5 which shall be discussed with the public excluded;

AND THAT all reports be received;

AND FURTHER THAT in accordance with **Standing Order 9.4** the order of business be changed with agenda item 4.1.6 (**Strategic Risk Deep Dive – Business Resilience**) being considered the first item and that other items be considered as appropriate during the course of the meeting.

CARRIED

A&R1912/02

DISCLOSURES OF INTEREST

The Chair, Ms Devlin, advised members of the Committee that there were references to Watercare Services Ltd in reports in the agenda. She declared an interest as a Director of Watercare. It was also noted that there were no decisions required in respect of Watercare.

There were no other disclosures of interest.

REPORTS

Agenda Item 4.1.6 was considered first [ref A&R1912/02]

Strategic Risk Deep Dive – Business Resilience
Agenda Item 4.1.6

The report was received [ref A&R1912/02] and taken as read. The Risk Advisor introduced the report and, with the support from the Projects & Innovation Manager and Local CDEM Co-ordinator, responded to questions on the following matters:

- Project risks/failures were documented during the project process and, if eventuated, were captured in the project or operational risk registers.
- As part of an internal education campaign, staff would be advised to apply a ‘risk lens’ to all business activities as part of business resilience.
- A business continuity plan project was due to commence in the new year, with a report back to the Committee by mid-2020.

The Committee were supportive of the recommendations detailed in the staff report (page 65, Open Agenda).

His Worship the Mayor joined the meeting during discussion on the above item (1:09pm).

Strategic Risk Register December 2019

Agenda Item 4.1.1

The report was received [ref A&R1912/02] and taken as read. The Risk Advisor, supported by the Chief Executive and Chief Operating Officer, highlighted, and responded to questions on, the following points:

- Strategic gap analysis exercise undertaken in September 2019. Six risks were identified as currently falling outside the organisation's risk appetite; two of which still had work to be undertaken:
 - Zero Harm - Management of contractors' health and safety requirements;
 - Cyber Security – A report would be presented to the Committee in March 2020.
- The Risk Advisor would have preferred more progress across the organisation over the last 12 months, though noted the organisation was on track. A lot of work had been done on risk, including for the risks that fell outside the organisation's risk appetite.
- Zero Harm (R0184)
 - it was expected the organisation would be compliant with legislative requirements following implementation of actions arising from the KPMG audit, which was being dealt with as a priority.
 - risks and mitigations in relation to non-compliant subcontractors were discussed, acknowledging that there was currently a gap that staff were addressing. Staff were having conversations with contractors to assist them to meet their health & safety requirements.

Staff would present an update to the Committee at its meeting in March 2020, on progress made towards closing the gap to meet the organisation's risk appetite.

Risk Framework December 2019

Agenda Item 4.1.2

The report was received [ref A&R1912/02]. The Risk Advisor, supported by the Chief Operating Officer and Chief Financial Officer, highlighted, and responded to questions on, the following points:

- No significant changes or updates; the challenge was to encourage the organisation to adopt desired behaviours in relation to 'risks and opportunities'.
- Executive Leadership Team to ensure that reports to elected members adequately address risk, identifying both positive and adverse effects, and to share learnings from other organisations.

Recent examples by the Council taking risks were discussed. It was suggested that elected members should support staff to encourage risk within the organisation's appetite.

Emerging Risks December 2019

Agenda Item 4.1.3

The report was received [ref A&R/19/2/02] and taken as read. The Risk Advisor summarised the report and highlighted, and responded to questions on, the following points:

- Work was still required to connect 'risk conversations' between the Executive Leadership Team and other tiers of management.
 - Risk would be a standing item at Team Talks and Chamber Chats. It was also part of the change management process initiated as part of Gearing for Growth and Greatness.
 - Risk should be considered as part of staff induction and exit processes (e.g. to avoid loss of information when a person leaves).
 - A significant number of risk assessments were undertaken as part of the organisation's business, the scope of which depended on the significance of each project.
- Work undertaken in relation to growth issues arising from the Urban Development Authority.

The Committee requested that the Climate Change risk should be amended to refer to Climate Resilience.

Insurance Risk Strategy Update

Agenda Item 4.1.4

The report was received [ref A&R/19/2/02] and taken as read. The Chief Financial Officer summarised the report and advised that an update would be presented to the Committee at its March 2020 meeting.

Risk Conversations – Solid Waste Team

Agenda Item 4.1.5

The report was received [ref A&R/19/2/02]. The Solid Waste Team Leader, supported by the Acting General Manager Service Delivery and Waste Minimisation Officer, highlighted, and responded to questions on, the following points:

- There was a high level of understanding of risk within the Solid Waste Team; work was ongoing with the Risk Advisor.
- Health and safety risks with contractors remained a 'work in progress':
 - a Zero Harm audit was due to be undertaken in mid-December 2019.
 - there was often a lack of understanding and resource for contractors to address health and safety obligations. Improvements in relationship with contractors assisted this work.
 - the Committee expected staff to set clear expectations for contractors in relation to compliance with health & safety obligations; non-compliance was not an option.

- periodic assessments were undertaken in relation to subcontractors, with required improvements recorded with the relevant contractor.
- contracts should be framed as a 'partnership' to facilitate increased compliance.
- Solid Waste Review would consider internal stakeholder communication and record-keeping to address the risk recorded as 'Extreme' in the Solid Waste Team Risk Register (Operational).

KPMG Health & Safety Governance Review
Agenda Item 4.2.1

The report was received [ref A&R1912/02].

The Chairperson welcomed Mr Sutton, Ms Lumsden and Ms Wyborn, from KPMG who joined the meeting via conference call. In speaking to the KPMG audit report, the KPMG representatives noted, and responded to questions on, the following points:

- The scope of the audit and rationale for items falling outside of the scope.
- Confirmation that the classification as 'Developing' was common.
- The work the Council had already undertaken in relation to health & safety was acknowledged, and that the Council was well-placed in comparison to other territorial authorities. KPMG representatives were not aware of any exemplar in the local government sector for the Council to consider.
- Three areas where further improvement was required – Resources, Compliance and Verification. It was suggested that the actions in relation to Resources should be addressed first in order to drive other required changes. Work was underway in this space.
- Elected members should receive training as part of their induction after elections; a refresher within the 3-year term would also be useful.
- The audit was KPMG's independent assessment, and it was not directed by the Council's management.

The Chief Operating Officer noted that the Executive Leadership Team was broadly supportive of the recommendations in the KPMG report. The Zero Harm Manager was collating a comprehensive response, which the ELT would consider to determine options and prioritisation of actions before reporting to the Committee in March 2020.

Resolved: (Crs Gibb/Church)

THAT the Audit & Risk Committee support the actions to address the KPMG audit recommendations.

CARRIED

A&R1912/03

The Mayor retired from the meeting at 2:55pm

The meeting adjourned from 2:55pm to 3:00pm.

Waikato District Council Zero Harm Safety Management System Update
Agenda Item 4.3.1

The report was received [ref A&R1912/02] and taken as read. The Zero Harm Manager highlighted, and responded to questions on, the following points:

- Work was still progressing in relation to contractor management; a number of inroads had been achieved.
- Consultation, cooperation and coordination – example of work undertaken with Belgravia in relation to swimming pools.
- Zero Harm Policy was nearly completed.
- The Committee provided feedback on the proposed Zero Harm Commitment attached to the staff report:
 - Expand the bullet point commencing ‘Foster an environment of collaboration...’ to include all stakeholders.
 - Wellbeing should be included as part of delivery on the commitment.
 - Acknowledge culture to empower staff to stop actions that are not safe, without repercussions. Practical options were being considered by staff in this regard.
- Zero Harm was the aspirational goal to drive a culture of reporting and challenging unsafe behaviour and actions.

Integrated Reporting Framework
Agenda Item 4.3.2

The report was received [ref A&R1912/02] and taken as read. The Chief Financial Officer summarised the report and responded to questions on, the following points:

- Compliance with legislative obligations in relation to financial reporting – Audit NZ was in the early stages of considering integrated reporting and supported the approach in principle.
- Staff would connect with other organisations considering or undertaking integrated reporting.

Climate Change Response
Agenda Item 4.3.3

The report was received [ref A&R1912/02] and taken as read. The Planning and Policy Manager spoke to the report, and noted that staff had already commenced work in this area.

The Chairperson referred to earlier comments for staff to report on the organisation’s climate resilience rather than ‘climate change’.

Update on Process Audit and Quality Improvement
Agenda Item 4.3.4

The report was received [ref A&R1912/02] and taken as read. The Innovation Team Leader summarised the non-conformances detailed in the staff report and highlighted that the internal audit for Animal Control processes had been brought forward.

ACTION: Staff to provide firmer responses under the 'Recommendations and Actions' column in the Summary of Non-Conformances table in future reports.

The General Manager Customer Support spoke to centralisation of data management.

Progress Against Audit Issues – December 2019 Update
Agenda Item 4.3.5

The report was received [ref A&R1912/02] and taken as read. The Corporate Planner introduced the report.

The Chief Operating Officer explained that the difference between the Audit NZ management report and the staff report in relation to outstanding audit issues were due to timing on recording of closure of items. Staff would clarify this in future reports.

Privacy Breach Update
Agenda Item 4.3.6

The report was received [ref A&R1912/02] and taken as read. In speaking to the report, the Customer Experience Manager summarised the report and the work to be undertaken by the Animal Control Team by March 2020. Quality assurances would form part of this work.

ACTION: Management to remind staff not to use individual customer databases.

Insurance Renewal 2019
Agenda Item 4.3.7

The Chief Financial Officer summarised the report and highlighted the following points:

- The financial effect of Hamilton City Council's decision to withdraw from primary layer cover.
- Increased excess to professional indemnity cover due to Bella Vista incident.
- Scope of cover tightened in relation to non-conforming building materials.

Self-insurance as an option for smaller incidents/risks was discussed.

Final Management Report for the Year Ended 30 June 2019
Agenda Item 4.3.8

The report was received [ref A&R1912/02]. The Chief Financial Officer highlighted, and responded to questions on, the following points:

- Changes in the Finance Team and Audit NZ's methodology brought challenges and learnings for both organisations.
- Audit NZ costs exceeded estimates by approximately \$40,000. It was agreed that Council would contribute \$10,000 towards the additional costs incurred.
- The \$8.4 million 'paper loss' on interest rate swaps had been explained in the 2018/19 Annual Report.
- The practical effect of the breach of clause 20(5), Schedule 10 of the Local Government Act 2002 (p155 of the Open Agenda) was discussed in the context of legislative compliance.
- Controls were in place to monitor staff, with delegated authority up to \$25,000, self-approving purchase orders. Improvements would be considered in due course.

Resolved: (Crs Gibb/Sedgwick)

THAT the report from the Chief Operating Officer be received;

AND THAT the Committee recommend to Council that a contribution of \$10,000 towards additional audit costs for 2018/19 be approved, noting that such additional costs will be absorbed via expenditure savings in the finance cost centre.

CARRIED

A&R1912/04

Updated Future Work Plan and Action List
Agenda Item 4.3.9

The report was received [ref A&R1912/02] and taken as read. In speaking to the report, the Chief Operating Officer recorded that the KPMG Health & Safety Audit and the Health & Safety framework would be added to the work plan for March 2020.

The Chairperson and Cr Gibb would review the work plan and action list to assess whether they continued to meet the Committee's requirements.

The Chairperson thanked management for the work undertaken for the Committee during 2019.

EXCLUSION OF THE PUBLIC

Agenda Item 6

Resolved: (Crs Gibb/Church)**THAT the report from the Chief Executive be received;****AND THAT the public be excluded from the meeting to enable the Audit & Risk Committee to deliberate and make decisions on the following items of business:****REPORTS****a. Fraud Declaration****The general subject of the matter to be considered while the public is excluded, the reason, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 are as follows:****Reason for passing this resolution to withhold exists under:** **Ground(s) under section 48(1) for the passing of this resolution is:****Section 7(2)(a)****Section 48(1)(a)****b. Register of Members' Interest – Elected Members and Senior Staff****The general subject of the matter to be considered while the public is excluded, the reason, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 are as follows:****Reason for passing this resolution to withhold exists under:** **Ground(s) under section 48(1) for the passing of this resolution is:****Section 7(2)(a)****Section 48(1)(a)****c. Committee Time with Audit New Zealand****The general subject of the matter to be considered while the public is excluded, the reason, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 are as follows:****Reason for passing this resolution to withhold exists under:** **Ground(s) under section 48(1) for the passing of this resolution is:****Section 7(2)(g),(h),(i),(j)****Section 48(1)(a)**

AND FURTHER THAT Ms Procter (Audit New Zealand) remain in the meeting after the public has been excluded to facilitate the discussion on Agenda Item 2.3 in the public excluded section of the meeting;

CARRIED

A&R1912/05

Resolution A&R 1912/06 is contained in the public excluded section of these minutes.

Having resumed the open meeting and there being no further business the meeting was declared closed at 4:30pm.

Minutes approved and confirmed this day of 2020.

Margaret Devlin
CHAIRPERSON

Open Meeting

To	Audit & Risk Committee
From	Tony Whittaker Chief Operating Officer
Date	25 May 2020
Prepared by	Sharlene Jenkins Executive Assistant
Chief Executive Approved	Y
Reference #	GOV1318
Report Title	Audit & Risk Committee Action List

1. EXECUTIVE SUMMARY

The purpose of this report is to present an updated Audit & Risk Committee Action List for the Committee's information.

2. RECOMMENDATION

THAT the report from the Chief Operating Officer be received.

3. ATTACHMENTS

- Updated Audit & Risk Committee Action List

Audit & Risk Committee: Action List

#	Action	Owner	Date Assigned	Date Due	Status
1.	Member Training and Development	Mayor	December 2018	March 2020	<p>A training and development plan focused on risk will be developed for relevant Councillors. Webinar opportunities are currently being explored.</p> <p>In the interim training has been provided through the Councillor induction and one off workshops delivered by staff. A recent 'Chairperson' training session was also delivered by an external provider.</p>
2.	<p><u>Strategic Risk Register</u></p> <p>To continue the discussion as part of the overall stakeholder engagement workshop following the local authority elections, and to review examples of best practice from other Councils</p>	Communications, Marketing & Engagement Manager	September 2019		In progress. Council has updated its Communication & Engagement Strategy, which will be given effect to in 2020, including through communication and engagement on Council's next LTP.
3.	<p><u>Draft 2018/19 Annual Report</u></p> <p>The Executive Leadership Team to review the significant out-performance (value for money/over delivering).</p>	Chief Operating Officer	September 2019	June 2020	An LTP workshop with Councillors and Community Board/Committee Chairs on Levels of Service is being held in June.
4.	<p><u>Updated Future Work Plan</u></p> <p>To include review of policies Audit & Risk Committee should be addressing</p>	Chairperson / Chief Operating Officer	March 2020	September 2020	<p>Now included in the Work Programme. The policies have a specific review requirement which will determine schedule for Committee review.</p> <p>The Anti-Fraud and Corruption Framework review has been scheduled for the December meeting.</p>

Open Meeting

To	Audit & Risk Committee
From	Alison Diaz Chief Financial Officer
Date	24 May 2020
Chief Executive Approved	Y
Reference #	GOV1318/ 2612461
Report Title	Chief Financial Officer Report

I. EXECUTIVE SUMMARY

Since New Zealand moved into a nationwide lockdown two months ago, the importance of using risk assessment as a tool to evaluate and plan our activities has become extremely evident. The immediacy of the situation has meant that COVID-19 response and recovery planning and implementation of those plans has had to happen concurrently.

This report discusses risks and issues identified from a financial perspective that could impact Council and its stakeholders in the short-term. Management is already focused on developing treatments to mitigate these risks.

Update on matters raised in March

The previous agenda pre-dated the decision to move to COVID-19 alert level 4, therefore the first section of this report (economic downturn) provides a status update on the Government's fiscal package and the matters raised as potential risks in the March dated report. To allow for continuity of reporting the March report remains intact with updates in **red text**.

Economic Downturn

As a result of the COVID-19 response across the world, New Zealand is now gearing up for what the Reserve Bank of New Zealand ("RBNZ") has termed a 'deep' recession. In readiness the RBNZ has reduced the official cash rate for a period of at least a year to 0.25%. Retail banks are anticipated to pass these lower rates onto customers as new capital requirements have also been delayed.

Government surpluses, low debt and continuation of the infrastructure investment programme (\$12 billion announced in January) are expected to smooth the economic impact over the coming year. An initial \$12.1 billion COVID-19 fiscal package was announced on 17 March. The package includes:

- An initial \$500 million boost for health.
- \$5.1 billion in wage subsidies for affected businesses in all sectors available immediately.
- \$126 million in COVID-19 leave and self-isolation support.

- \$2.8 billion income support package for the vulnerable including a permanent \$25 per week benefit increase and doubling of the winter energy payment for 2020.
- \$100 million re-deployment package.
- \$2.8 billion in business tax changes to free-up cashflow, including a provisional tax threshold lift, the reinstatement of building depreciation and writing off interest on the late payment of tax.
- \$600 million initial aviation support package.

<https://www.beehive.govt.nz/release/121-billion-support-new-zealanders-and-business>

Since March 17, further government COVID-19 support has been provided as follows:

- Changes to the wage subsidy criteria to support new business (less than 1 year old), high growth firms and the self-employed.
- Removal of the \$150,000 wage subsidy cap; providing an estimated \$4 billion of additional financial support.
- \$3.2 billion to extend the wage subsidy for a further 8 weeks from 10 June for those businesses that have suffered, or expect to suffer, revenue loss of at least 50%.
- \$6.25 billion Business Finance Guarantee Scheme (backed by the government and banking sector) for small and medium sized businesses.
- 6-month principal and interest mortgage holidays targeting COVID-19 affected homeowners.
- Freeze on rent increases and a ban on terminations of tenancies/evictions other than in exceptional circumstances.
- Small and medium-sized business relief measures; \$3.1 billion tax loss carry-back scheme, \$60 million from tax loss continuity rule changes, \$25 million for further business consultancy support, timeframe adjustments to support commercial landlords and tenants.
- Introduction of a small business cashflow loan scheme which would provide interest-free (if repaid within a year) or low interest rate (3% per annum for a maximum 5-year terms with no repayments required in the first two years) loans to a maximum of \$100,000.
- Introduction of the COVID-19 Response (Further Management Measures) Legislation Bill.
- Establishment of a \$50 billion COVID-19 Response and Recovery Fund in the Budget 2020 (\$13.9 billion to cover commitments outlined above, a further \$15.9 billion of additional investment, with \$20.2 billion not yet assigned).

Aside from the obvious health concerns, the possible loss of employment is expected to raise significant concerns for our resident ratepayers, sole-traders and contractors. Of the mechanisms listed above the wage subsidy programme in particular targets retention of staff for those sectors where revenue levels are at least 30% lower than the same period in the prior year, as may be the case for retail, hospitality, forestry and tourism operators. **Wage subsidy was successfully secured to support retention of Raglan Holiday Park Papahua staff who are employed by Council. The camp operations are covered by accommodation and on-site services revenue which has been severely impacted by lockdown alert levels 4 and 3.**

Revenue levels will be monitored closely during alert level 2 and beyond to ensure the criteria for wage subsidy is retained. Should the financial criteria no longer be met then Council will return funds to the Ministry of Social Development. Conversely, should the camp have sustained revenue loss of at least 50% Council could submit a new subsidy claim from 10 June.

With the decline in global markets and investment funds, such as that of the Waikato District Community Wellbeing Trust (“WBT”), philanthropic and grant based community project funding could slow in the immediate term as organisations seek to maintain base capital. It is further noted that the Provincial Growth Fund may have some funds re-purposed which could affect our application. The value of the WBT fund declined from \$4.4 million in February to \$4.1 million in March. However, as at 30 April the value of the fund had recovered to pre-lockdown levels. The funding round for 2020 will proceed as planned with the grant distribution process factoring in COVID-19 considerations. Council’s Provincial Growth Fund application for \$2.5 million towards the upgrade of the Raglan Wharf has been approved.

There is potential that as a Local Government Funding Agency (“LGFA”) guarantor, should a local authority default on their LGFA repayments that council could have to cover a portion of the costs until that local authority’s debenture trust deed is triggered. This is extremely unlikely; however, a number of councils have investments in ports, airports and tourism activities so it should be noted that the risk is heightened as a result of COVID-19. Prior to 5 May, Local Authority borrowers with a long-term credit rating of ‘A’ equivalent or above were required to maintain a net debt/ total revenue ratio of below 250%. This limit has been raised to 300% for the next two financial years (1 July 2020 – 30 June 2022) with a 5% per annum decrease for the following four years to a reduced ratio of 280% for the 2025/26 financial year.

Another potential risk for Council is that our core cashflow may deteriorate where ratepayer’s individual circumstances are affected. This may require reconsideration of working capital management in particular how we deal with debt repayment. For example, we have \$10 million of debt maturing in 2020 which was forecast to be repaid via cash reserves; it is likely we will look at re-financing rather than drawing on those reserves. Since March, Council’s borrowing has increased by \$15 million to \$100 million, remaining well below the 2019/20 stipulated debt limit of \$196.5 million. Cashflow forecasts extrapolating lockdown for 4 weeks, 8 weeks and 12 weeks based on existing work programmes projected a worst-case scenario of \$165 million of debt by 30 June 2021. If the Annual Plan changes substantially cashflow forecasts would need to be revised accordingly.

As part of the Government’s recovery plans, councils were called upon to identify ‘shovel ready’ projects in order to stimulate the economy post lockdown. Council’s projects amounting to \$93 million have been shortlisted for the next phase of the process. Cabinet has 802 short-listed projects to review and it is unclear what funding mechanism will be applied to approved projects – i.e. loan or grant. Any new spend will have to be sustainable in the long term, with funding, repayment, depreciation and ongoing maintenance all requiring rating support.

Specific response plans from a council perspective are in the early stages of development and will flex as the COVID-19 response progresses. Examples of Council's current financial risk mitigations for periods of recession are:

- Retention of surplus building consents revenue to cover periods of decreased consenting activity.
- Maintaining a 'structure plan non-growth' reserve to assist where growth expectations are not realised.
- Rates remission and postponement policies to support ratepayers experiencing financial hardship.
- Maintaining headroom between stipulated debt capacity limits and LGFA borrowing limits.

Council is extremely conscious of the economic pressures that COVID-19 places on our community, however we must ensure that our decisions are data-driven and related to long term sustainability. To this end the only immediate measure adopted over and above current practice was the introduction of a commercial lease 'payment holiday' for eligible tenants that defers payment rather than remitting.

Council will be asked to consider the likely impact on operations, rates remission and postponement policies, and set priorities for the year ahead via Annual Plan discussions. Using March financials as a baseline staff have been reviewing the draft Annual Plan against forecast changes to levels of activity. This work will be completed by the end of May. Should any items trigger consultation, there is a possibility that adoption of the Annual Plan would extend beyond 30 June.

Financial Stewardship and Recovery (Added since March Report)

In addition to Council's external facing Financial Strategy, Council has an internal Financial Stewardship plan aimed at achieving two goals:

- 1) Our financial investments are informed by the needs of our communities and by Council's commitment to build Liveable, Thriving & Connected Communities; and
- 2) Our communities and customers trust that we manage their investment prudently.

The multi-year work programme that underpins the plan is based around the following strategic objectives:

Not-for-profit, for people

We manage public money and we take our financial responsibilities seriously. We will effectively cost control, accurately forecast and where things go off track, we will raise red flags early. We will be transparent and adhere to financial controls with the understanding that the extra effort helps to protect us and the public.

Our investments are prioritised

We don't just chase bang-for-buck, we know what activities to focus on, how they align with agreed strategies and when and where the money will come from. Resources will be deployed to the best possible effect, across agencies and based on community wants or

needs, not just prioritised within the organisation or individual teams. We will be clear where additional investment adds value versus those areas that will have little to no impact.

Our decisions are financially sustainable

We will have a deep understanding of our business, cost drivers and customer/community pressures, and the operating models available to us to support long term service delivery. We can explain cost and benefit impacts before decisions are made, will challenge the status quo and try new things in recognition that value is broader than cost efficiency alone. When we try new things, we will have clear measures of what value should be delivered and we will regularly review and test for efficiency and effectiveness across all our activities.

While these goals and objectives remain relevant for recovery and beyond, a short-term interim recovery action plan has been established to focus on specific deliverables over the coming three months. The interim goal is:

To pivot our resources to support the quick and effective recovery of our communities. We will do this by:

- Ensuring our policies, processes, procedures and responses are timely and fit for purpose.
- Providing relevant, accurate and up to date financial information to facilitate agile decision-making.
- Making sure adequate financial resources (cash and funding) are available at the right time.
- Supporting all stakeholders, communicating up to date and relevant information.
- Removing barriers and reducing the level of effort required to do business with us.

The Financial Stewardship interim plan addresses 19 new risks identified by the Finance, Rates, Legal and Procurement teams as a direct result of COVID-19. These risks can be grouped into three broad categories: cashflow management (or liquidity); process; and resourcing.

Liquidity

Cashflow management/maintaining liquidity has been identified as the number one financial risk with most short-term tactics to 31 July aimed at lowering the residual risk to acceptable levels.

In April, Council authorised staff to seek a short-term facility with LGFA should it be required by 30 June. While the LGFA margins are more favourable cost-wise than our existing banking arrangements the facility has an associated line fee. Between 60-70% of Council's overall revenue comes from rates, therefore the 25 May instalment is a critical milestone in evaluating whether there will be a need for the additional facility.

There is a risk that the valuation of building consents processed in 2019/20 are deferred as there is essentially one valuer servicing multiple councils. With significant backlog to process, this could lead to rating growth estimates not being achieved for the 2020/21 rates strike. In the past few years approximately \$300,000 per annum of additional rating has been added through valuation activity undertaken in June alone. Staff will work with valuers

on mitigation plans. Investigation of the financial impact from changes to the Building Act which removes the requirement for consent for sleepouts, carports and sheds from August 2020 is yet to be undertaken.

As Council addresses remote working capability and business continuity, additional expenses will be incurred for office re-configuration, IT equipment, licencing and so forth. Increased costs related to working from home have not been factored into cashflow forecasts to date. The assumption has been that decrease in vehicle costs, energy etc. will offset any new spend.

Process

Usual finance business practices have had to flex to fit a fully remote workforce. This has required urgent adjustments to existing controls in as much as they have an electronic substitute. While we are now extending our review to ensure our processes are timely and fit for purpose, it is crucial that appropriate controls are maintained.

There is a risk that advice or process (legal, procurement or finance related) is overridden in favour of expediency over best practice. To ensure staff aren't personally compromised the team are working proactively with the other recovery environments in the review of key processes. With override there is also an increased risk of the incidence of fraud or attempts of fraud.

There is a risk that procurement methods will not support or drive economic recovery of the district, again due to tension between expediency and perceived/actual process inefficiency. New ways of working across the organisation, and early engagement with the Procurement Manager on planned projects will help to assist tendering teams to be market ready. Bundling of works and use of existing contracts rather than supporting local contractors will not tie into the economic recovery effort. With the intention to use local supply chain where possible, actual or perceived conflicts of interest may increase. Reminders on how to manage conflicts of interest will be circulated.

Implementing a fully electronic end-to-end process for all short form agreements and contracts would go a long way to delivering reductions in processing time, improving cashflow forecasting from existing contracts and implementing improved contract controls. This is being scoped for delivery over the next two-three months.

Resourcing

Transparency of operational activity be it cashflow forecasts, progress of actual spend against budget, monitoring of direct debits for rates etc. has largely been provided on a monthly or quarterly basis depending on the intended audience. To ensure enough cash is on hand for financial obligations to be met, as well as to provide assurance to governance, the reporting cycle for the Emergency Operating Centre commitments was available daily, with weekly updates on broader financial matters for elected members. This along with other recovery actions has created short-term additional work in a team that is currently carrying four vacancies. Recruitment activity is underway to mitigate the risk, noting that the requirement to train new staff could add further short-term pressure.

Noting that the year-end process is fast approaching, lack of staff response for a variety of reasons or inconsistent priorities across the organisation could compromise financial

reporting outcomes. While not ideal from an organisational culture perspective this is likely to require quick escalation to managers over the next two months. In the longer-term education programmes and/or addressing the underlying cause of non-response will replace escalation.

There are key personnel issues to address due to 'at-risk' status of individuals. Remote working is the current mitigation, but this method of working could cause delays particularly in the audit process. Procurement resource capacity is insufficient to support the proposed work programmes indicated in councils shovel ready applications. This will need to be addressed.

Other items for noting

Local Government COVID-19 Response Unit

The Local Government COVID-19 Response Unit, comprised of senior leadership from the Department of Internal Affairs, the Society of Local Government Managers, Local Government New Zealand and the National Emergency Agency have kept Local Authorities well informed with daily updates throughout the response moving to weekly updates as we transition to recovery. This forum has provided:

- Legal advice on fourth quarter rates notices and messaging.
- Sector information on borrowing for operating costs.
- Two reports on potential financial implications of COVID-19 on councils.
- Information on the accommodation supplement and the wage subsidy.
- Legal advice on Annual Plan process (including consultation), delays, rates settings, balanced budget requirement and financial prudence.
- Council services and operations through alert levels 4, 3 and 2.
- COVID-19 construction protocol.

The work undertaken by the response unit has provided a valuable backdrop to planning for the upcoming financial year. Further details can be found at <https://www.dia.govt.nz/Local-Government-COVID-19-Response>

Office of the Auditor General (“OAG”) draft Annual Plan 2020/21

COVID-19 has impacted the timeliness of some of the OAG work planned for delivery in 2019/20, and as such the following work will be carried over to 2020/21:

- Provincial Growth Fund: Management, monitoring, and evaluation of the Fund;
- Ethics and integrity landscape;
- Effectiveness of panels of suppliers;
- Auckland Council review of service performance: Disaster resilience and preparedness;
- Follow up – Using information to improve social housing services;
- Contracts for significant services;
- Auckland City Rail Link: Project governance and the Link Alliance;

- Partnerships with the private sector to deliver public sector outcomes – how effective are they?
- Progress towards implementing the UN sustainable development goals; and
- Local government risk management: Stocktake of approach and reporting results.

As expected, the proposed Annual Plan for 2020/21 will examine COVID-19 response spending and the control environment associated with that spend. Advice has already been issued to auditors to remind organisations about the importance of keeping appropriate financial controls in place. The OAG's three-year work programme is attached, and the full document can be viewed from the link below:

<https://oag.parliament.nz/2020/draft-annual-plan>

OAG Procurement Research

Following a year of research, the Office of the Auditor General published their findings on Local Government procurement on 19 May. The article raises questions for councils to reflect on and use to strengthen their own processes and procedures.

The release of this work is a timely reminder that the way in which we conduct recovery efforts on behalf of our communities will be vital to striking the right balance between appropriate risk and expediency of process. As staff in our business units review these questions, it is expected that further investment on process, procedure and resource capacity will be required. "It is important that councils do procurement well".

2. RECOMMENDATION

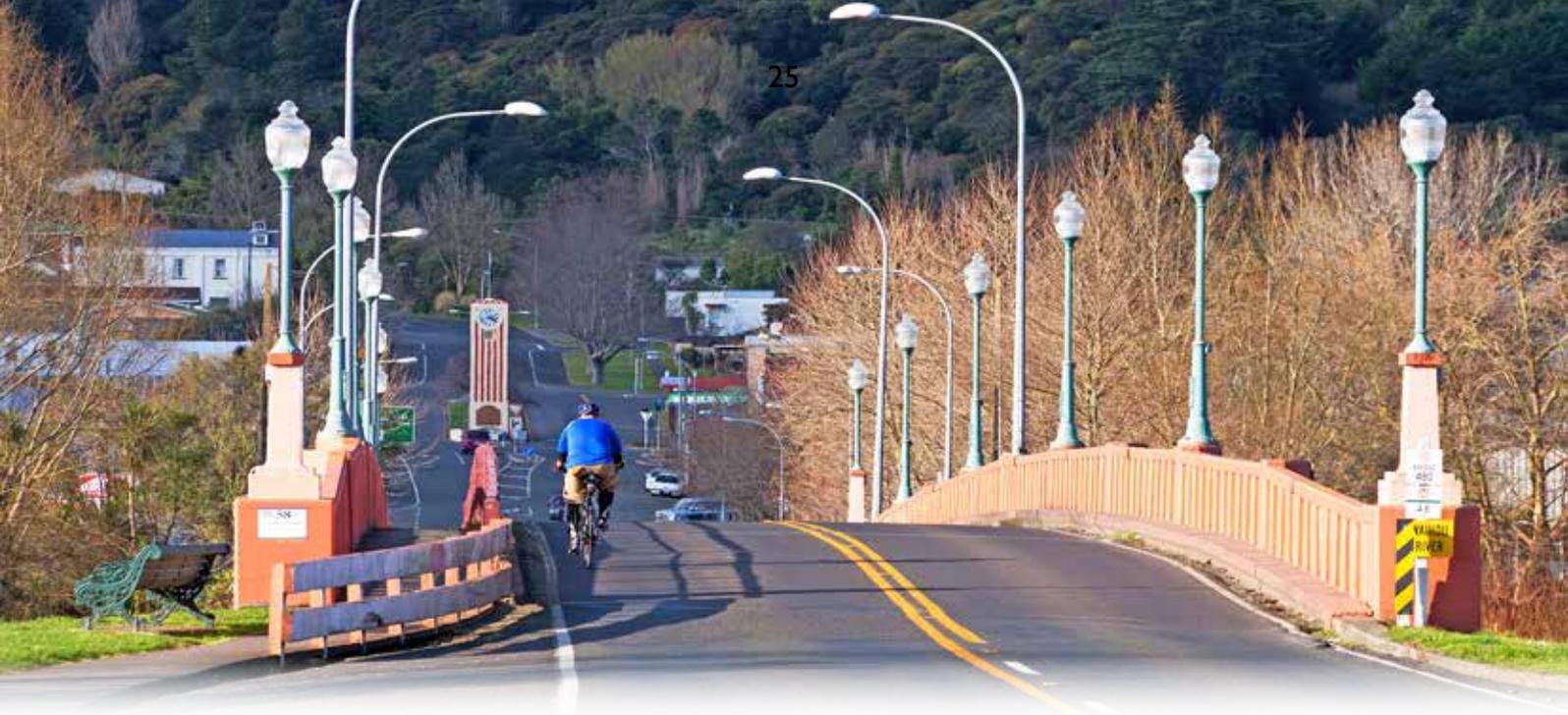
THAT the report from the Chief Financial Officer be received.

3. ATTACHMENTS

- Office of the Auditor General – summary of our multi-year work programme (draft Annual Plan 2020/21)
- Local Government Procurement – article from the Office of the Auditor General

OAG Summary of our multi-year work programme

	Priority area	Work we intend to complete in 2020/21	Work we propose for 2021/22	Work we propose for 2022/23
How well is the public sector improving the lives of New Zealanders?	Achieving reductions in family violence	Joint Venture: Governance and building understanding of the family violence system	Joint venture: Policy and intervention design	Joint venture: Service delivery
	Improving housing outcomes	Housing system oversight and planning	Housing system oversight and planning	Healthy homes
		Planning of significant housing and urban development projects Extended annual audit work on KiwiBuild	Homelessness	
	Improving health outcomes	Respond as appropriate to the recommendations arising from the Health and Disability System review	Access to health services Information and communications technology (ICT) systems and services Health system sustainability	Monitoring and managing the delivery of health services
	Improving education outcomes	Helping children at risk of disadvantage or disengagement to succeed in their education: - data-led sector scan	Helping children at risk of disadvantage or disengagement to succeed in their education - review one or two sector initiatives focusing on: - closing the attainment gap between Māori and Pasifika learners, and learners generally - encouraging and securing improved attendance at school	Helping children at risk of disadvantage or disengagement to succeed in their education - review one or two sector initiatives focusing on: - outcomes for children who need learning support - managing children with problem behaviour
Tertiary education system performance – underlying financial sustainability of tertiary education institutions and international comparisons		Tertiary education system performance: Work will be informed by previous data analysis work and the environment at the time	Tertiary education system performance: Continuing to build on previous work, informed by earlier data analysis and the environment at the time	
Improving outcomes for Māori	Whānau Ora Māori perspectives on accountability	Are public organisations effectively planning and delivering the Treaty settlement commitments they are responsible for?	To what extent is the public sector developing and maintaining its capability to engage with Māori and understand Māori perspectives?	
How well is the system working as a whole?	Implementing a well-being focus	Progress towards implementing the United Nations' sustainable development goals	Embedding well-being into public sector planning: Phase 1, central government Monitoring progress of public sector planning for well-being: Phase 2, local government	The Treasury's well-being report and investment statement
	Resilience and climate change	Resilience to climate change: Local government – long-term plans	Resilience to climate change: Local government – long-term plans (complete our analysis and report our findings)	Resilience to climate change: National leadership – Zero Carbon Act
		Local government risk management - stocktake of approach and reporting results Canterbury earthquakes – 10 years on, lessons learned	Preparedness for response and planning for recovery: Central and local government	Risk and resilience planning: Central government
	Integrity in public organisations	Performance audit work on integrity: - targeted performance audits in local government	Performance audit work on integrity: - targeted performance audit of a central government organisation - examining how integrity agencies in the public sector are working together to provide leadership	Performance audit work on integrity: - targeted performance audit, focusing on central government and government-funded organisations
		Developing integrity tools and supporting resources for external and internal use: - complete the landscape/framework - development of a self-assessment tool or survey - internal resources and training	Developing integrity tools and supporting resources: - supporting and encouraging the uptake of integrity tools and resources across the public sector - undertaking proactive inquiries and other review work to test how public organisations are applying the integrity framework - building integrity checks into standard audits	Developing integrity tools and supporting resources: - providing training and guidance on integrity tools
Procurement	Effectiveness of panels of suppliers	Procurement of assets to support effective health care	Creating discussion and promoting good practice: - publishing case studies of integrity progress in organisations	
	Partnerships with the private sector to deliver public sector outcomes Auckland city rail link project: Project governance and Link Alliance Understanding and managing the risk of service disruption from the failure of strategic suppliers Review of New Zealand Defence Force processes and capability for managing significant services contracts	Approaches to emergency procurement in response to Covid-19 Reflections on our procurement work		
Investment in infrastructure		Systems and processes underpinning government decisions on major infrastructure investment		
Keeping New Zealanders informed about public sector performance and accountability	Public sector accountability to communities	Community accountability	Community accountability pilots	Community accountability online portal development
		Provincial Growth Fund: Management, monitoring, and evaluation of the Fund	Regional economic development – examination of MBIE's progress with Regional Skills Leadership Groups	Regional economic development/regional service delivery – examining how effective the public sector's regional economic development planning is in supporting communities to reach their economic potential
	Provincial Growth Fund: Benefits realisation	Regional service delivery – examination of a service/initiative in the Auckland region (TBC)		
Our regular reporting	Sector reports	Sector reports	Sector reports	
	All-of-government reporting	All-of-government reporting	All-of-government reporting	
	Controller updates	Controller updates	Controller updates	
	Follow-up reporting on public entities' implementation of the Auditor-General's recommendations: - Social housing - Canterbury recovery	Follow-up reporting on public entities' implementation of the Auditor-General's recommendations (programme of work TBD)	Follow-up reporting on public entities' implementation of the Auditor-General's recommendations (programme of work TBD)	
Auckland Council review of service performance: Disaster resilience and preparedness	Auckland Council review of service performance (topic TBD)	Auckland Council review of service performance (topic TBD)		
Commentary on the Treasury's statement on New Zealand's long-term fiscal position (once it is published)				
Sharing insights about what good looks like	Sharing insights about what good looks like	Review of current good practice guidance: - Procurement guidance for public entities - Public sector purchases, grants, and gifts: Managing funding arrangements with external parties	Good practice guidance and supplementary resources: - developing other good practice resources on topics of interest	Good practice guidance and supplementary resources: - continuing to develop good practice resources on topics of interest, and implementing a range of approaches for sharing insights about what good looks like
		Supporting audit and risk committees: - review and update good practice guidance for audit committees - expand Audit and Risk Committee Chair forums - implement more systematic and purposeful engagement with audit and risk committee chairpersons	Supporting audit and risk committees: - developing a broader induction package for new audit and risk committee chairpersons	
	Understanding performance, and supporting the role, of monitoring agencies			



Local government procurement

Introduction

Each year councils spend more than \$8 billion (more than two thirds of their revenue) on goods and services to provide and maintain vital infrastructure, facilities, and services for their communities.

People expect that their rates will be spent appropriately and competently. They also expect value for money. These expectations for how public money is spent apply to all public organisations, and failure to deliver on them goes to the heart of trust and confidence in our public sector.

We visited 21 councils throughout New Zealand to see how they carry out procurement. During these visits, we heard common messages about the challenges councils are facing and where they felt they could improve.

Through our Office's other audit and inquiry work, we have seen many situations where procurement goes wrong. In our view, this is more likely to happen when public organisations do not have the right culture, leadership, or systems in place for procurement. This applies to councils as much as it does across the public sector, as our council visits confirmed.

In this article, we ask a series of questions about the procurement practice and culture in a council. These questions have been informed by some of the concerns that we heard from council staff and observations that we have made from our other work. The topics the questions cover are:

- good governance for procurement;
- planning for significant capital projects;
- conflicts of interest;
- emergency procurement;
- procurement capability and capacity;
- procurement policies and training;
- contract management; and
- achieving broader outcomes through procurement.

We encourage councils to reflect on these questions and, where they see gaps, implement the necessary changes to strengthen their processes and procedures.

Good governance for procurement

- Does your council have appropriate governance arrangements in place for procurement?
- Do the governance arrangements in place for procurement support effective accountability of management and elected members?
- Are there effective delegations to allow procurement to be managed effectively?
- Does your council have effective means for informing and engaging with elected members about procurements so they can make informed decisions when required?

For an organisation to function well, and to be able to account properly to its stakeholders, there needs to be a clear distinction between those *managing* the organisation and those *governing* it.

It is the role of managers to carry out the day-to-day operations of the organisation. It is the role of the governing body to ensure that systems and processes are in place that shape, enable, and oversee the management of the organisation.

Governors have an important role in setting the organisation's procurement strategy. To do this, they need good information on the organisation's pattern of expenditure and a clear understanding of which suppliers are strategically important. However, when governors become involved in operational decisions, it interferes with their ability to hold management to account.

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We expect to see appropriate delegations and reporting systems in place for procurement.

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Unfortunately, our Office often sees examples of procurements where the lines between governance and management are blurred. For example, mayors or other elected members might be part of tender evaluation panels. This is not good practice.

We expect to see appropriate delegations and reporting systems in place for procurement. For councils, policies and delegations should clearly outline the authority of the chief executive and other staff to commit to particular types of expenditure. Delegations need to be flexible enough for councils to deliver day-to-day services and not be unnecessarily

constrained by schedules for council meetings. However, it is entirely appropriate for major procurements to require sign-off by the governing body. In order for elected members to approve procurement decisions when required, they need enough information to make informed decisions.

Planning for significant capital projects

- How confident are you about your council's forecasting of capital expenditure and that enough resources are available to achieve current forecasts?
- How has your council engaged with suppliers to determine their capacity and levels of interest?
- Has your council shared its plans with the New Zealand Infrastructure Commission – Te Waihanga?

In our report, *Matters arising from our audits of the 2018-28 long-term plans*, we noted that some:

... councils are responding to unprecedented levels of growth. All councils are responding to increasing requirements for levels of service, including as a result of regulatory changes. They also need to reinvest in their existing infrastructure, often at higher levels than in the past to address historical underinvestment and improve services to meet community expectations.

These challenges mean that councils will need to do more, and larger, procurements. So it is even more important that councils do procurement well.

Although the situation will differ for each council, we expect all councils to carefully plan, prioritise, and monitor their future capital programmes so they can realistically achieve capital programme budgets and deliver the levels of service agreed with their communities. Procurement is an important part of this.

When we visited councils, many told us they were starting to see a decrease in the number of suppliers bidding for contracts, especially for construction projects. Although this had not yet affected their ability to meet their capital programme and deliver services, it could become a greater problem as the effects of growth are felt more widely. Only a few of the councils we visited actively discussed with suppliers upcoming works and ways of reducing any barriers to participate in procurement.

In 2019, the Government set up the New Zealand Infrastructure Commission – Te Waihanga (the Commission), which is an independent body to

support infrastructure investment to improve long-term economic performance and social well-being. One area of focus for the Commission is an infrastructure pipeline of major capital projects that will be added to over time. The pipeline is intended to give more visibility and certainty about future projects to help suppliers plan and secure the capability and capacity that will be required for these projects.

A few councils have already started to include their planned infrastructure projects in the pipeline. The 4th edition of the *Government Procurement Rules*, which came into force on 1 October 2019, includes a requirement for agencies to engage with the Commission when considering procuring infrastructure with a total cost of ownership of more than \$50 million.¹ Although it is not mandatory for councils to comply with the *Government Procurement Rules*, they are encouraged to do so. We recommend that all councils consider engaging with the Commission so that their planned infrastructure projects can start being included in the pipeline.

The Commission also has procurement and delivery advice and support functions. Its capacity and capability in this area will develop over time. We recommend that councils look into how the Commission might be able to support them.

Conflicts of interest

- **Does your council have adequate policies and processes in place for staff and elected members to:**
 - **declare and manage risks from conflicts of interest (which might affect all stages in the procurement life cycle)?**
 - **record gifts and hospitality from suppliers and potential suppliers?**

Too often we find individuals and organisations with a poor appreciation of how conflicts of interest, whether actual or perceived, can undermine public trust and confidence. Although organisations might have a process for staff to declare actual, potential, or perceived conflicts, we often find that people's understanding of what needs to be declared, or how it is best managed, is limited.

As noted in our good practice guide *Procurement guidance for public entities*, individuals should be aware of the potential for conflicts of interest

whether they are elected members, staff members, or advisers directly or indirectly involved in any part of the procurement process. Anyone involved in the procurement process should be required to declare any personal interest that might affect, or could be perceived to affect, their impartiality. When an interest is declared, consideration will need to be given to what steps are necessary to manage the conflict. Councils should maintain a register of declarations of interests and record any conflicts of interest and how they will be managed.

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All those involved in the procurement process should be required to declare any personal interest that might affect, or could be perceived to affect, their impartiality.

Conflicts of interest can have both legal and ethical dimensions. Under no circumstances should a procurement process allow council staff or elected members to receive preferential treatment.

There are two specific restrictions that apply to elected members under the Local Authorities (Members' Interests) Act 1968. Under the Act, an elected member cannot:

- enter into contracts with their local authority worth more than \$25,000 in a financial year; or
- discuss or vote on matters before their authority in which they have a direct or indirect pecuniary interest, other than an interest in common with the public.

Councils also need to consider the treatment of gifts, hospitality, or other incentives from suppliers. Concerns might arise, for example, if a person who is managing a current contract has received gifts or hospitality from the supplier and then participates in the selection process for a new contract.

Further information is available in our good practice guides available on our website.

¹ Rule 64 of the *Government Procurement Rules*. The rules can be found at procurement.govt.nz.

Emergency procurement

- **Does your council have guidance for staff and elected members about:**
 - **what constitutes an emergency; and**
 - **the procedures that should be followed for an emergency procurement?**
- **How does your council ensure that anyone making an emergency procurement can be appropriately held to account for their decisions and actions?**

Councils sometimes need to procure goods and services quickly to respond to an emergency. An emergency is when there are genuine unforeseen and urgent circumstances. Examples include earthquakes, flooding, a pandemic, or a terrorist attack.

An urgent situation that has occurred because of a lack of planning, or a failure to mitigate a known risk, is not a genuine emergency. When there is no genuine emergency, we expect councils to follow the usual steps for any procurement, even if there is some urgency. These steps include making an informed decision, using a competitive process to select a supplier,² and getting appropriate authorisations before making any decisions. All decisions and agreements should also be recorded at the time they are made.

When there is a genuine emergency, procurement can be more flexible. For example, direct procurement might be needed to avoid delays in providing emergency relief. Other examples include staff making decisions without delegated authority or making a verbal agreement with a supplier instead of a written contract.

In any urgent situation, procurement can sometimes be done more quickly by using contracts that are already in place, such as an all-of-government or syndicated contract or a panel arrangement. In a genuine emergency, a council could consider using another agency's suppliers where they have been appointed through a competitive process.

During emergencies, councils are still accountable to their communities. This accountability needs to be balanced against avoiding delays in responding to the emergency. To help maintain accountability for emergency procurement, councils should ensure that they fully document each procurement, including any decisions made, as soon as possible. Councils still need to identify and manage conflicts of interest and actively manage other procurement risks that

can occur in an emergency situation. The Ministry of Business, Innovation and Employment provides more examples of emergency situations and guidance on emergency procurement in its *Quick Guide to Emergency Procurement*.³

Although an emergency is an unforeseen situation, we understand that emergencies can and do occur. Under the Civil Defence Emergency Management Act 2002, councils are required to plan for future emergency situations and to be able to function to the fullest possible extent during and after an emergency. We expect councils to plan for emergency procurement and to have guidance available for staff. This guidance should include criteria for what constitutes an emergency and procedures that should be followed. Our *Procurement guidance for public entities* includes more information on this.

Procurement capability and capacity

- **Does your council have enough staff capable of leading procurement practice in your council?**
- **Are all relevant staff receiving appropriate procurement training, development, and support?**

Procurement staff are often responsible for advising councils on spending large sums of money and on selecting the best suppliers for critical projects and services. Each staff member involved in a procurement process should have the required skills for the type and level of the procurement concerned.

Some councils told us they bring in specialist procurement capability when required, for example when doing a large, one-off procurement. Dedicated procurement resources within councils are typically small. Sometimes this consists of only one person, or even less than one full-time role. This means that procurement staff can be quite isolated. Councils need to consider ways to help those staff connect with people, including from other councils, to share experience and expertise.

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When there is no genuine emergency, we expect councils to follow the usual steps for any procurement, even if there is some urgency.

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² Unless there is a good reason not to, for example if the procurement is below the council's threshold for a competitive procurement process.

³ The guide is available at procurement.govt.nz.

In many councils, procurement expertise and procurement activity is dispersed throughout the organisation – even when there is a centralised procurement function. This arrangement, or devolved model, can be appropriate given the size and scale of many councils and the way their operations are organised. However, such devolved models rely on all staff involved in procurement having an appropriate level of skills, knowledge, and competence. These staff also need to be able to understand and interpret policies and procedures so they can apply them effectively.

In devolved models, procurement expertise can sometimes be held by only a few people in an organisation, such as long-serving staff members who have many years' experience in procurement. This depth of experience has benefits and risks. For example, when those staff leave or retire there can be a loss of their accumulated knowledge. Councils can mitigate this risk by, for example, having up-to-date policies and processes for procurement and ensuring that staff comply with them.

There are opportunities for councils to collaborate to reduce costs and improve efficiency, including increasing capability. Many councils already work together in different ways. This can range from developing a shared procurement framework to joint contracts. Collaboration can take place through formal structures such as shared-services companies that are jointly owned by member councils, regional working groups and forums, and less formally on an as-required basis. Procurement staff from several councils also get together to share practices through the Local Government Strategic Procurement Group.

Procurement policies and training

- **Does your council provide training and development so that all staff involved in procurement are kept up to date with procurement policy and processes?**
- **What assurance is there that staff are complying with council procurement policy and processes?**

We expect every council to have their own procurement policy and processes that are tailored to their operating environment. These policies should be regularly reviewed as procurement processes evolve, new priorities emerge, laws and rules change, and market conditions develop. Staff need to be familiar with these policies and processes to ensure that they are consistently applied. Governors need assurance that those policies and processes are being followed.

We found that the councils we visited did have up-to-date procurement policies and processes or were updating them. Training was almost always provided, however this varied in content. Although some councils were satisfied with the training available, others felt there was not much training available beyond procurement basics. It is important that councils provide staff involved in procurement with regular and appropriate training so that they know what is the current best practice and current council policies and processes. Many councils are supporting staff to gain professional procurement qualifications, which can be a suitable option for staff who are procurement specialists.

Councils also need to ensure that there are regular internal audits, or other reviews, of procurement activity. The findings from these reviews should be reported to the governing body either directly or through the audit and risk committee. Regular reviews of procurement practice can also help to identify training needs and other risks.

Contract management

- **Does your council know which suppliers it is contracting with and what its obligations are?**
- **What assurance is there that:**
 - **your council is fulfilling its own contractual obligations; and**
 - **suppliers are meeting contracted performance requirements, and that actions are taken when performance falls below contracted levels?**
- **Does your council monitor contracts throughout their life cycle to ensure that they deliver the intended value for money?**

We expect councils to have ongoing management of the contract and the relationship with the supplier. Councils need to monitor and manage supplier performance to assess whether they are receiving value for money.

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We found that most councils could improve the way they manage contracts.

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We found that most councils could improve the way they manage contracts. Although councils have systems and processes in place for recording and managing contracts, these are often very basic and not always used consistently. For example, a lack of discipline in entering contracts into the system means that records are incomplete. Several councils told us they could not easily provide a list of all their current contracts.

Council staff believe they have enough day-to-day oversight over large contracts. Council staff also told us that supplier performance is monitored and action is taken when supplier performance falls below the agreed service level. However, some of our other work in this area indicates that this could be done better. For smaller contracts there is often little oversight, and there is a risk that the cumulative effect of many smaller contracts with less oversight can sometimes be greater than a larger contract that receives more oversight and attention.

Councils need to ensure that they are committing enough resources to properly manage the many contracts that they have. Although this might require significant investment for some councils, the benefits, in our view, of having proper systems and processes are worth the investment.

For example, one council had a contract where it shared the risks and rewards with the contractor (also known as a contract with a pain/gain share). The council had entered into this contract without having the systems and resources in place to manage it adequately. Consequently, the council had not monitored the contract or the contractor's performance for several years. This meant that the council was not in a position to enforce the pain/gain provisions in the contract, and might have had an unknown liability to the contractor or, alternatively, been owed money that it had a duty to its ratepayers to collect.

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Councils need to ensure that they are committing enough resources to properly manage the many contracts that they have.
 ”

Achieving broader outcomes through procurement

- **Is your council clear about its role in promoting the social, economic, environmental, and cultural well-being of communities now and in the future?**
- **Does your council understand how procurement can contribute to those outcomes?**
- **How have those outcomes been incorporated into your council's procurement policy and processes?**

Price and value for money will always be important factors in procurement decisions. However, councils must consider other important factors that might be relevant to determining value and, as a result, how value for money is assessed.

Amendments to the Local Government Act 2002 in 2019 have reinstated that:

... the purpose of local government is to promote the social, economic, environmental, and cultural well-being of communities in the present and for the future.

Councils have to determine the outcomes they aim to achieve and consider the four aspects of well-being when making decisions, and plan how their activities will contribute to their desired outcomes for their communities.

The *Government Procurement Rules* also reinforce this message. The rules require agencies to “consider, and incorporate where appropriate, broader outcomes when purchasing goods, services or works”. The rules define broader outcomes “as the secondary benefits that are generated from the procurement activity. They can be environmental, social, economic or cultural benefits”.⁴ Although it is not mandatory for councils to comply with the rules, they are encouraged to do so.

Councils that fail to comply with legislative requirements, or follow best practice, in their procurement practices will be at risk of legal challenge and additional scrutiny and criticism from stakeholders and other third parties.

Councils can mitigate some of this risk by engaging with their elected members about their strategic objectives and how they can align these with their intended procurement outcomes. For example, if elected members want to prioritise using local suppliers, or support suppliers that pay a living wage, councils should be exploring ways to build those objectives into procurement policies and processes.

⁴ Rule 16 of the *Government Procurement Rules*. The rules can be found at procurement.govt.nz.

Open Meeting

To	Audit & Risk Committee
From	Tony Whittaker Chief Operating Officer
Date	25 May 2020
Prepared by	Katja Jenkins Risk Advisor
Chief Executive Approved	Y
Reference #	GOV1318
Report Title	Business Resilience – COVID-19 Reflection and Action

I. EXECUTIVE SUMMARY

This report details the Council response to COVID-19 and progress towards recovery from a risk perspective. It is written in the context of Council's Strategic Risk – Business Resilience.

This paper includes a short-term view of the COVID-19 impact on Council's strategic risks and work undertaken in the Recovery Planning Team in response to the impacts of the pandemic and planning for the immediate future.

A full review of the Strategic Risk Register is scheduled for July 2020 which will consider existing and emerging strategic risks, integrating a more complete assessment of the Recovery Planning actions, including analysis of the social and economic data being collected within the district.

2. RECOMMENDATION

THAT the report from the Chief Operating Officer be received.

3. INTRODUCTION

Business Resilience is the focus of one of Council's twelve Strategic Risks. It is defined as:

'Business function is significantly disrupted due to a lack of organisation resilience'. The risk is that Council operations are impacted through failure to create and prioritise action plans for implementation in the event of a business impact event.

Resilience can also be defined as the ability to quickly adapt to disruption whilst maintaining business operations. It includes emergency management, risk management, incident

management, continuity planning and strategy and community planning, and interacts with all business functions and their associated risks. It is therefore focused on maintaining continuity and is considered a strategic capability.

Council's Emergency Management Framework categorises resilience into the following four elements:

- **Reduction:** the process of identifying risks and establishing appropriate risk mitigations;
- **Readiness:** the act of identifying critical business functions, examining potential threats and documenting plans for implementation to counteract effects should the threats materialise;
- **Response:** the act of coordinating activities to respond to an event, incident or emergency;
- **Recovery:** the process of returning to business as usual operations.

Council's resilience and business continuity planning has been tested during the COVID-19 Pandemic. This report describes the process Council adopted to mitigate the impact of the Pandemic on the business and the community and the tools being used to prioritise the many actions being developed in the recovery response.

4. DISCUSSION

A timeline of Councils COVID-19 response actions is shown in the table:

DATE	ACTION
28 January 2020	Commenced specific COVID-19 business continuity planning which captured: <ul style="list-style-type: none"> ▪ Individual team member vulnerabilities including potential work performance limiting circumstances ▪ Core service review to identify critical services required ▪ Prioritisation of key roles and tasks ▪ Supply chain requirements for communications planning ▪ Equipment requirements for changed working arrangements i.e. remote working ▪ Customers and partners for communications planning ▪ Flexible and remote working capabilities ▪ Delegation of authorities These plans were used to inform an Incident Response Plan.
04 March 2020	Councils Emergency and Incident Management Team response plan is instigated. This Plan has remained 'live' for the duration of alert Level 4 and Level 3 and will continue during Level 2.
21 March 2020	Central Government announces the four-level alert system.
30 March 2020	A team is appointed to commence recovery planning for Council services and for community recovery.

Risk Based Approach

The Executive Leadership Team agreed a coordinated and centralised risk-based approach was key to developing an effective recovery plan, particularly for prioritising actions. A consolidated Recovery Risk Register (see Appendix A) was compiled using operational risks identified by each area of the organisation. Mitigations, operationalised as action statements, were determined and prioritized in accordance with the inherent risk assessments at the time. These risk assessments are regularly reviewed to ensure currency.

Each risk in the Recovery Risk Register has been allocated to the relevant recovery environments of Natural, Built, Economic, and Social (see Appendix B for structure), or against an Our Recovery Plan (Internal Corporate Plan) chapter. The register will be used to support recovery planning ensuring the identified mitigations are included, aligned and prioritised.

The risks will continue to be refined as the plans are developed and the impact of COVID-19 is better understood, particularly as the social and economic data becomes clearer and is understood. The timing and sequencing of the risk mitigation actions (recovery actions) is currently being developed.

Although a lack of maturity in business continuity planning is evident, from a resilience perspective, Councils approach is considered to have been reasonably effective. The previous commitment and investment in Council's Emergency Management systems and training and the use of this in developing Council's Incident Management framework certainly assisted. This was particularly important given the pace at which the Government moved us through to Level 4 lockdown, with Council being able to quickly:

- Implement incident and emergency management procedures;
- Implement changed working conditions for most employees;
- Establish and maintain critical services;
- Dedicate resources for recovery planning.

Many of the mitigations and management actions associated with the COVID-19 response were projects the organisation was in the process of implementing, being an acknowledgement of the need to improve maturity. Council was therefore able to quickly and efficiently expedite outcomes including:

- Transitioning to operate under flexible/mobile/remote working conditions;
- Implementing technology to support flexible working arrangements;
- Reviewing the business continuity planning framework and structures;
- Looking after the wellbeing of staff.

As recovery planning continues, several operational changes resulting from COVID-19 will become mainstream. It is the Executive Leadership Team's intention to maintain the gains that have been made. In fact, this philosophy/approach is non-negotiable. These include:

- Remote and flexible working arrangements;
- Investment in technologies that support remote/flexible working;
- Leading a digital rather than paper-based environment;

- Review of service delivery processes from a business continuity perspective;
- Simplification of business processes.

Implementation has commenced. It is acknowledged these will come with new risks and demonstrate changes to our existing risk profiles and will require strong leadership. A positive is staff are promoting new ways to capitalise on and support continuation of the way they have been working. We will build on this.

Current Strategic Risks

The following table summarises anticipated short-term impact to Council's current Strategic Risks as the result of COVID-19. These observations will be integrated into the pending review.

STRATEGIC RISK	CHANGE	RESPONSE
<p>Zero Harm Significant harm is caused to workers, or others, due to poor or inactive health and safety procedures, non-compliance with legislative requirements, or inadequate governance/management of contractual health and safety requirements.</p>	<p>Increased Risk</p> <ul style="list-style-type: none"> • As the Alert Level has been reduced, complacency develops that the virus has been extinguished. • Potential for employees to be exposed to COVID-19 virus. • Impacts of change on mental health. • Focus on COVID-19 results in neglect for risks and hazards. 	<ul style="list-style-type: none"> • Implementation of health and safety practices in line with Ministry of Health guidelines. • Clear guidelines and expectations outlined to staff and contractors. • Executive Leadership Team and People Leaders working with teams to monitor and respond to mental health concerns.
<p>Growth Council experiences significant business and community disruption caused by district growth.</p>	<p>Increased Risk</p> <ul style="list-style-type: none"> • Economic instability associated with the impact of COVID-19 increases the likelihood of this risk. 	<ul style="list-style-type: none"> • Recovery planning at National, Regional and Local levels will incorporate initiatives to mitigate impacts of economic recession.

STRATEGIC RISK	CHANGE	RESPONSE
<p>Cyber Security Council is exposed to significant business disruption caused by unauthorized access to privileged information and or reduced data integrity resulting from cyber-attack or employee behaviour.</p>	<p>Increased Risk</p> <ul style="list-style-type: none"> • Increased dependence on technology. • Changed work process i.e. new software and remote working. • Potential for loss of records resulting from physical files being removed from council buildings and/or being amended or created off site. • Potential for records being damaged. • NZISM requirement for 90-day password change has been temporarily removed increasing duration of access if user account is compromised. • Technology asset loss due to volume of computers, monitors, and keyboards taken for home. 	<ul style="list-style-type: none"> • Technology Controls (desktop computers and laptops have Windows Defender Firewall and Sophos Antivirus installed). • Accelerate digitalisation of all records to remove reliance on paper-based records.
<p>Economic & Social Development Waikato district suffers inhibited economic and social development and or missed funding opportunity as a result of poor planning, investment strategy, and or relationships.</p>	<p>Increased Risk</p> <ul style="list-style-type: none"> • Re-establishing operational service delivery in Level 2 may reduce resource availability focusing on planning and strategy. This increases the likelihood of this risk. 	<ul style="list-style-type: none"> • LTP and annual planning has continued. • Recovery planning will incorporate strategic objectives and prioritisation guidelines.
<p>Compliance Management Council is exposed to significant financial loss or business disruption caused by non-compliance with legislative, regulatory or policy requirements.</p>	<p>Increased Risk</p> <ul style="list-style-type: none"> • Changed work process associated with Zero Harm requirements, desired expediency and potential stress on existing resources increases the likelihood of this risk. 	<ul style="list-style-type: none"> • Risk identification associated with compliance activities has been completed. • Mitigation actions have been identified for the purpose of recovery planning.

STRATEGIC RISK	CHANGE	RESPONSE
<p>Council Partnerships Council experiences diminished public confidence and or operations are significantly impacted due to actions, representations or conduct of partnership enterprises or associations.</p>	<p>Increased Risk</p> <ul style="list-style-type: none"> Alert Level 3 and 4 required significant changes in service delivery and demonstrated supply chain disruption. It is likely a contingent of Council's partners will experience significant economic impact translating to increased risk of disruption to Council services. 	
<p>Regional & National Strategic Planning & Legislative Reform Planning & Legislative Reform; Council experiences significant disruption to business function caused by structural and legislative changes by central government and or national / regional strategic planning exercises.</p>	<p>Increased Risk</p> <ul style="list-style-type: none"> National response to COVID-19 has potential for implementation of significant change to assist the country with recovery planning. The likelihood of this risk is therefore increased. 	<ul style="list-style-type: none"> Maintain heightened awareness of national and regional policy and legislative changes and support political advocacy, lobbying and engagement of our key stakeholder relationships directly and in collaboration with our regional and sub-regional partners. Ensure timely and well-prepared responses through available submission processes.
<p>Business Resilience Business function is significantly disrupted due to a lack of organisational resilience.</p>	<p>Increased Risk</p> <ul style="list-style-type: none"> The 'new normal' anticipates impact and change associated with COVID-19. Incident, Emergency and Recovery Management teams are mobilised and well informed however resources for these teams overlap exposing the organisation in the event of threats from other sources e.g. cyber threat. The potential compounding effect results in increased risk, both in relation to likelihood and consequence. 	<ul style="list-style-type: none"> Recovery planning has included risk identification and will continue to review and assess existing and emerging risks.

STRATEGIC RISK	CHANGE	RESPONSE
<p>Stakeholder engagement Council fails to deliver appropriate community outcomes and or wastes resources due to unsuitable stakeholder identification and interaction practices.</p>	<p>Increased Risk</p> <ul style="list-style-type: none"> COVID-19 impacts are likely to demonstrate change requirements to facilitate community recovery. The process for identifying community needs and facilitating them increases the likelihood of this risk. 	<ul style="list-style-type: none"> Recovery planning includes stakeholder and partnership identification and communication processes to ensure appropriate engagement.
<p>Environment Potential or actual negative environmental or ecological impacts, regardless of whether these are reversible or irreversible in nature. Risks can arise from; Natural hazards e.g. landslides Waste & Refuse, emissions, resource depletion etc. Emergency/ Disaster management Growth & Development</p>	<p>Increased Risk</p> <ul style="list-style-type: none"> Significant focus placed on social and economic recovery increases the risk of solutions being implemented that do not fully consider longer term environmental impacts. 	<ul style="list-style-type: none"> Council has aligned the recovery structure to the regional approach working under four different environment sectors; economic, social, built and natural. The structure ensures a balanced approach to recovery and provides a foundation for focus in each environment.
<p>Finance Risks related to the financial management of WDC and the ability to fund Council activities and operations now, and into the future. Risks related to the management of operational and or project budgets (potential for loss). External economic factors related to changes in the prevailing market conditions that impact on the organisation's financial capability.</p>	<p>Increased Risk</p> <ul style="list-style-type: none"> Significant focus placed on social and economic recovery increases the risk of solutions being implemented that do not fully consider longer term financial impacts. 	<ul style="list-style-type: none"> Finance and procurement (need more resources) staff will need to partner closely with the organisation through recovery, to ensure cash flow management is optimised. Upfront engagement will be required to balance right-sized planning, appropriate risk, and expediency in delivery to achieve short, medium and long-term solutions that are financially sustainable.
<p>Projects & Initiatives Council fails to produce required project benefits due to poor delivery of projects and programmes caused by a lack of procedure or capability.</p>	<p>No Change</p> <ul style="list-style-type: none"> Although project prioritization changes may be required to support central government initiatives, our capability to deliver projects remains unchanged therefore this risk is currently stable. 	<ul style="list-style-type: none"> N/A

STRATEGIC RISK	CHANGE	RESPONSE
<p>People & Culture Business outcomes are significantly impacted due to an inability to attract and or retain suitable personnel.</p>	<p>No Change</p> <ul style="list-style-type: none"> • COVID-19 recovery is not expected to have a significant impact on the likelihood or consequence of this risk. 	<ul style="list-style-type: none"> • N/A
<p>Asset Management Council fails to provide sustained delivery of core services as the result of critical assets failing or becoming unfit for purpose.</p>	<p>No Change</p> <ul style="list-style-type: none"> • COVID-19 recovery is not expected to have a significant impact on the likelihood or consequence of this risk. 	<ul style="list-style-type: none"> • N/A

A full review of Councils strategic risks will be conducted in July. This process will include review of existing risks for currency and relevance, emerging strategic risk identification, and review of both inherent and residual risk assessments.

Disruption

The Pandemic has ironically presented opportunities to work differently by the forced situation we found ourselves in. This has led to positive environmental outcomes and cost savings associated with a move away from our traditional way of working. Key learnings captured and collated as part of the recovery process via staff surveys and team discussions, are also being used to inform recovery planning. Key themes relate to business continuity, agility, remote working, collaboration, and wellbeing. Council will capitalise on these learnings. Several opportunities to improve delivery of services have also already been identified.

Further details on these key learnings can be viewed in Appendix C.

5. CONCLUSION

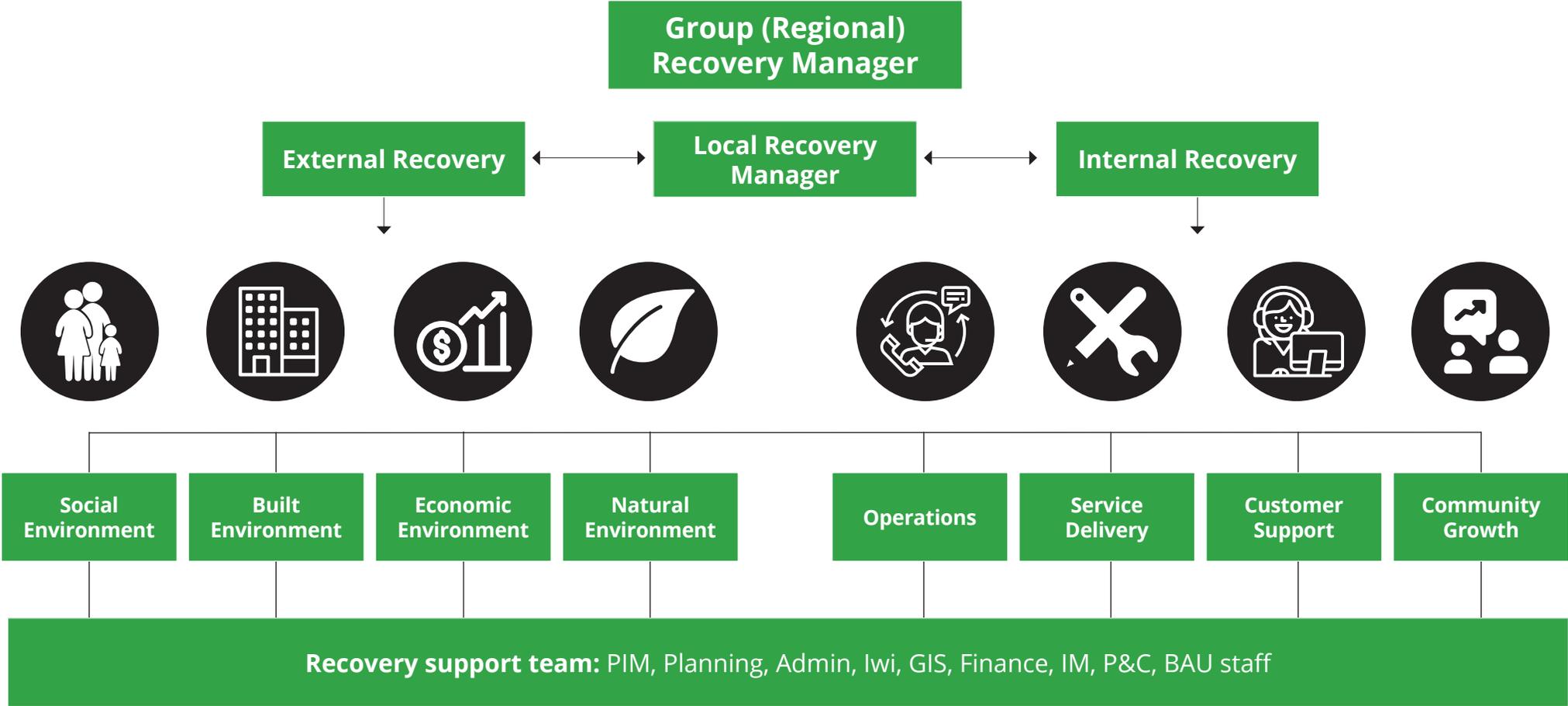
The COVID-19 Pandemic has been a real test of Council's business resilience. It is considered the 'standing up' of the Incident Management Team followed by the Emergency Operating Centre and Recovery Response has gone well. Staff experience and growth has been significant and rewarding to observe. It is considered Council has a strong foundation to build on. This is important as we enter uncertain times where our customers, ratepayers and communities need us to excel in assisting their recovery. Urgency, efficiency and effectiveness are key givens in this environment.

The short-term risk review has been effective to facilitate response and recovery planning activities. The pending strategic risk review will be a key business resilience activity to inform Councils longer term risk profile.

6. ATTACHMENTS

- Appendix A: Consolidated Recovery Risk Register
- Appendix B: Recovery Structure
- Appendix C: Key Learnings

National Recovery



Note: The Emergency Operation Centre (EOC) will continue to operate until the time when we all move into Recovery.

Recovery Manager

Iwi Hapu



	Social Environment Sector Group	Economic Environment Sector Group	Natural Environment Sector Group	Built Environment Sector Group
Local	<ul style="list-style-type: none"> Representatives from social service, education, health and finding sectors Council staff working in community development or community activators team Iwi representation Rural Support Trust Government agencies (as appropriate) Representatives from other community sector groups active in recovery (e.g. recreation / cultural / religious groups) 	<ul style="list-style-type: none"> Work and Income Local Business Association Chambers of Commerce Tourism Association Territorial Authority Iwi Representation 	<ul style="list-style-type: none"> Primary sector stakeholder and advocacy groups Local volunteer groups with an environment focus Department of Conservation (local) TA (environmental health, waste management, resource consents) Public Health Regional Council Iwi representation 	<ul style="list-style-type: none"> Local lifeline utilities Territorial Authority (planners and building / asset management) Regional Council (transport) Iwi representation
Regional	<ul style="list-style-type: none"> Government agencies (e.g. MSD, DHB, MBIE, MPI, MoE, TPK, DIA) Other organisations or groups working in recovery (e.g. Mental Health Foundation, Red Cross, Salvation Army, Rural Support Trust) Iwi representation 	<ul style="list-style-type: none"> Regional Economic Development Inland Revenue Tourism Association Industry / sector groups MBIE (regional representative) Regional Council Iwi representation 	<ul style="list-style-type: none"> Regional council Department of Conservation (regional) Hazard specialists Ministry for the Environment Iwi representation MPI 	<ul style="list-style-type: none"> Regional Lifelines Group MBIE Ministry of Housing and Urban Development MPI InfrastructureNZ Insurance Council NZ Earthquake Commission New Zealand Transport Agency Iwi Representation
National	<ul style="list-style-type: none"> Government agencies (e.g. MSD, DHB, MBIE, MPI, MoE, TPK, DIA, EQC) Other organisations working in recovery Red Cross 	<ul style="list-style-type: none"> MSD (national) Insurance Council of New Zealand MBIE (national) Ministry of Primary Industries (national) Inland Revenue Banking and insurance national organisations TPK 	<ul style="list-style-type: none"> Ministry for the Environment Department of Conservation (national) Ministry for Primary Industries National hazard / natural environment organisations (e.g. NIWA, GNS Science, TPK) 	<ul style="list-style-type: none"> National lifeline utilities Sector Coordinating Entities MBIE Ministry of Housing and Urban Development Earthquake Commission New Zealand Transport Agency Ministry of Culture and Heritage TPK

APPENDIX C: KEY LEARNINGS FROM THE PANDEMIC

As the pandemic in New Zealand evolved a survey was conducted towards the beginning of Alert Level 4 and again during Alert Level 3 to ascertain and gauge the wellbeing of staff and to capture thoughts and ideas to inform future thinking and recovery. A specific question asked was: 'My key learning/observation during this period that we should keep doing in future is...' At the time of writing this report teams are also sharing their experiences of what they have learned. Example questions being asked to consider were:

'The best thing about our response to COVID-19 was...'

'The thing I learnt that we should keep doing in the future is...'

'Something that would need to change to really make this work would be...'

This multi-faceted approach will provide extensive data. Initial analysis has been grouped into several themes. Some of the highlights for each of these themes are provided below:

Communication & Updates

Regular organisational wide communications and updates to staff were key to ensuring everyone understood what was happening in the organisation as the lockdown was enforced and so teams could adjust their roles and ways of working to support response and day-to-day objectives. It was also clear that regular communications between/across teams (and 'checking in') was important from a general staff wellbeing perspective as they worked from their homes.

Safety & Wellbeing

The general safety and wellbeing of fellow colleagues, customers, and residents was at the forefront of staff members minds as evidenced in the feedback, and the need to continue to be vigilant with hygiene and social distancing (whilst providing services) is a key aspect of recovery in line with Government's COVID-19 guidelines. Learning from experiences regarding flexibility and remote working (see below) many see an opportunity to capitalise and improve staff wellbeing further (e.g. better work-life balance).

Flexibility & Agility

Closing offices, Council buildings, and customer facing centres forced the organisation very quickly to adopt new ways of working to continue to provide (limited) services and continue driving internal initiatives and projects. Whilst business continuity planning was already underway the need to move quickly and be agile was paramount once Government announced a move to Alert Level 4 with many staff also performing roles outside of their 'business as usual' (for example Civil Defence). This experience has reinforced to many teams and staff that council can be flexible and agile in nature whilst meeting its obligations to the district.

Remote Working

The organisation was already progressing mobility to enable a way of working whereby 'the district is our office' however the need to provide remote working capabilities for more staff quickly surfaced during business continuity planning. Many staff members are familiar and comfortable with remote working but for a large majority it was a new experience. An overwhelming sentiment has come through from staff feedback that having the ability to

work from home/remotely is something that should continue to be explored with many stating they find productivity and engagement increases whilst also allowing flexibility between work and personal lifestyles. It must be noted that the underlying technology to enable remote working can vary (e.g. urban vs rural connectivity) and not everyone's experience was always positive as a result of this (e.g. dropped connections, slow bandwidth, etc).

People & Culture

The unique situation provided by the pandemic and the lockdown scenarios provided the opportunity for many staff to learn new skills (e.g. use of digital tools and video conferencing) and also compelled many in the organisation to develop a model of 'high trust' whereby people were supported to do the 'right thing' in support of organisational outcomes. One example of this is allowing staff to take desktop computers home where needed so they could connect and continue to work during lockdown.

Collaboration & Innovation

The need to be flexible and agile in a constrained environment has allowed staff to be innovative and 'think outside of the square'. The widespread use of videoconferencing to allow teams and staff members to connect and collaborate (not just within council but with other partner councils and organisations) has proved invaluable, including Council meetings conducted via Zoom and the recording being made available via Council website to maintain democracy obligations.

Business Continuity & Risk Management

As the threat of a pandemic increased prior to lockdown, and through the Incident Management Team framework, accelerated business continuity planning commenced. This resulted in updated business continuity plans across the organisation which were able to be invoked quickly once the Government issued the state of emergency in March 2020. Some of the feedback suggests capitalising on this momentum is key to ensure we grow our business continuity and risk management capabilities further.

Business Process & Quality Management

Many staff have fed back that having access to an extensive library of processes available via Promapp (accessible via the web/internet connection) was beneficial especially in a period of being physically disconnected from their teams and fellow colleagues. Equally, there is an opportunity identified to continue improving our business processes and some of these are being tackled as part of recovery initiatives (e.g. project planning and delivery).

Open Meeting

To	Audit & Risk Committee
From	Gavin Ion Chief Executive
Date	20 May 2020
Prepared by	Lynn Shirley Zero Harm Manager
Chief Executive Approved	Y
Reference #	GOV1318
Report Title	Zero Harm Update

I. EXECUTIVE SUMMARY

The purpose of this report and its attachment is to provide an update on current health and safety performance. Council recognises that compliance is essential but it aspires to achieve a sustainable zero harm culture, where everyone works safely and goes home safe every day.

Councils' zero harm culture shall be supported by a health and safety management system of policies, standards and procedures that eliminate or effectively manage risk and enable best practice.

2. RECOMMENDATION

THAT the report from the Chief Executive be received.

3. BACKGROUND

Safety Leadership in a Covid-19 Environment

The attached dashboard for March-April reflects the impact of the Covid-19 lockdown on the results. Most of the metrics are showing lower results with less staff active in the last seven weeks.

Overspeeds in April were higher than expected and reflected staff returning to the field under Alert Level 3, Most of the reported events relate to one driver on one day. The driver will have the necessary safety conversation with their manager.

Specific Covid-19 activities included:

- Continuing to document our COVID-19 safe working plan.
- Continuing auditing contractor COVID-19 plans for Contractor work activities.
- Followed up with all equipment requests, for supporting at-home working.

- Completed toolbox talks with all workers who have been approved to undertake field work or return to sites at Level 3.
- Safety packs put together for staff going out into the field.
- Analysis of people leader feedback form to understand individuals needs to create a safe working environment completed.

A more detailed verbal report will be provided at the meeting.

The following is a quick snapshot of events:

- Only 2 first aid events were reported in March
- 12 near miss events were reported in March. Two of March's events were Serious Near Misses – one involved a Smart Environmental Contactor being forced off the road by a logging truck and the other was a light pole falling on to the road in front of one of our vehicles after it was hit by another vehicle that lost control and ran off the road
- Only 1 property damage incident was reported in April
- There has been an increase in overspeed events 27 for March and 25 for April. 14 people recorded overspeed events in March compared to 4 people in April. One person in April had 10 events in one day.
- Customer delivery recorded 81 safety conversations in April. This is a record for them.

3.1 DISCUSSION

This report is to assist Councillors with their due diligence requirements as Officers. The report should start the conversation and provide opportunities for Councillors to raise questions and discuss progress.

3.2 OPTIONS

Council could choose to accept the report or not. Council could ask for additional information if needed.

4. CONSIDERATION

4.1 FINANCIAL

There are no direct financial requirements identified in this report.

4.2 LEGAL

This report is prepared as part of assisting Council to meet its duties in accordance with the Health and Safety at Work Act 2015 and associated regulations.

4.3 STRATEGY, PLANS, POLICY AND PARTNERSHIP ALIGNMENT

Council has a Zero Harm Commitment (Policy) and Zero Harm Strategy which forms the basis of our health and safety philosophy and management system.

4.4 ASSESSMENT OF SIGNIFICANCE AND ENGAGEMENT POLICY AND OF EXTERNAL STAKEHOLDERS

Highest levels of engagement	Inform <input checked="" type="checkbox"/>	Consult <input type="checkbox"/>	Involve <input checked="" type="checkbox"/>	Collaborate <input type="checkbox"/>	Empower <input type="checkbox"/>
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State below which external stakeholders have been or will be engaged with:

Planned	In Progress	Complete	
			Internal
			Community Boards/Community Committees
			Waikato-Tainui/Local iwi
			Households
			Business
			Other Please Specify

Council engages with our Community Boards and Community Committees to ensure they are clear on their obligations. Council also undertakes audits and safety engagement conversations in relation to our contractors.

5. CONCLUSION

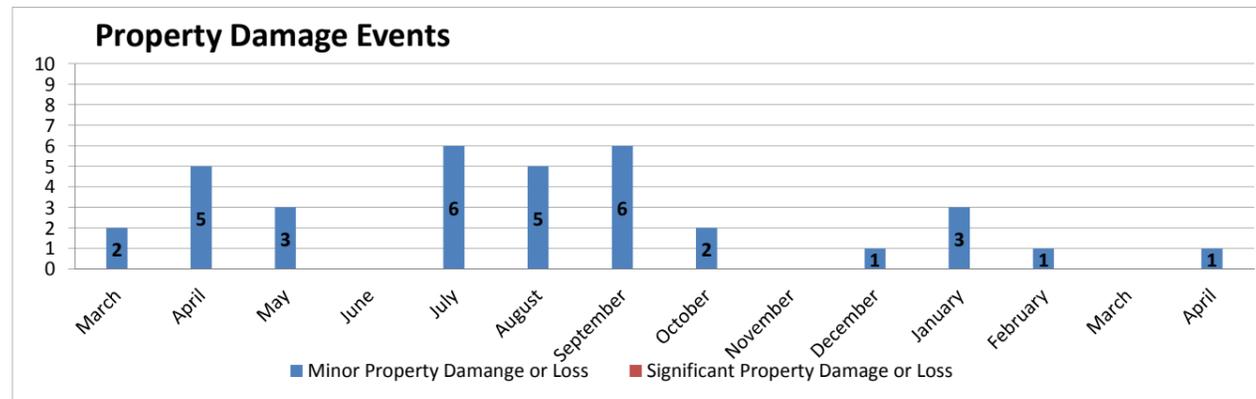
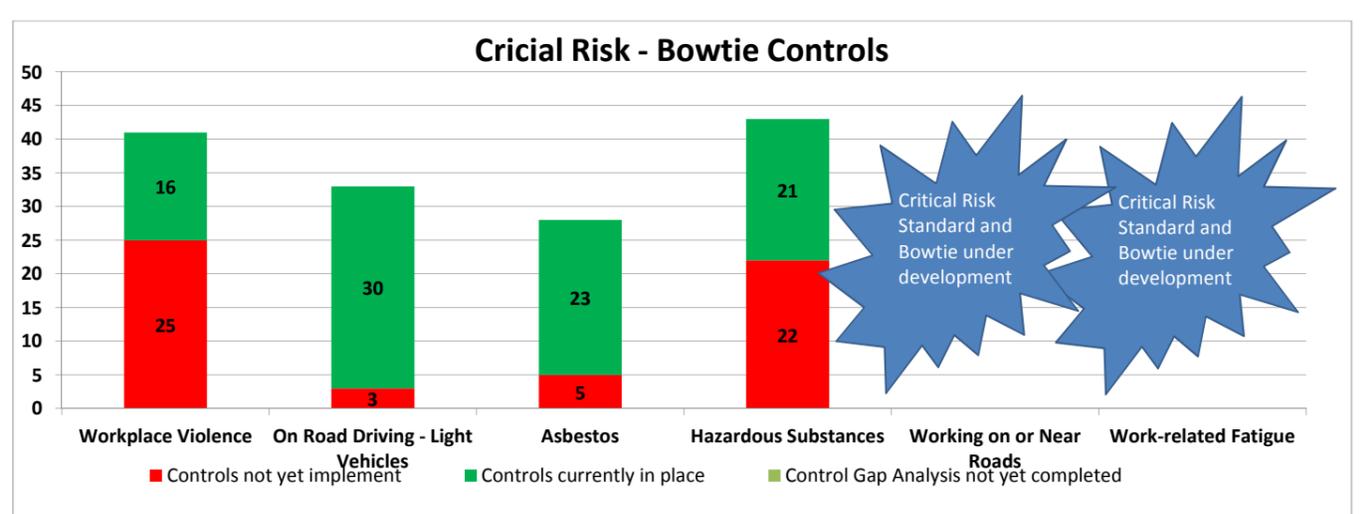
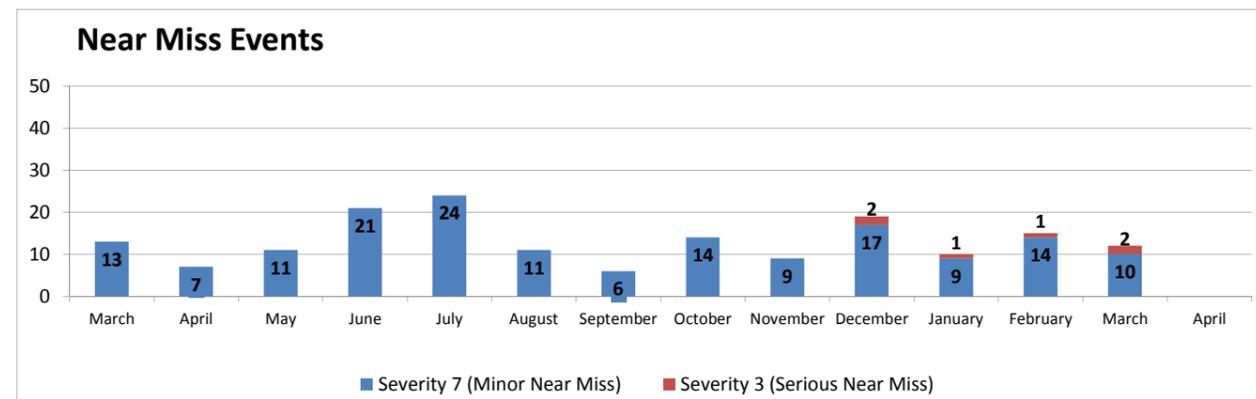
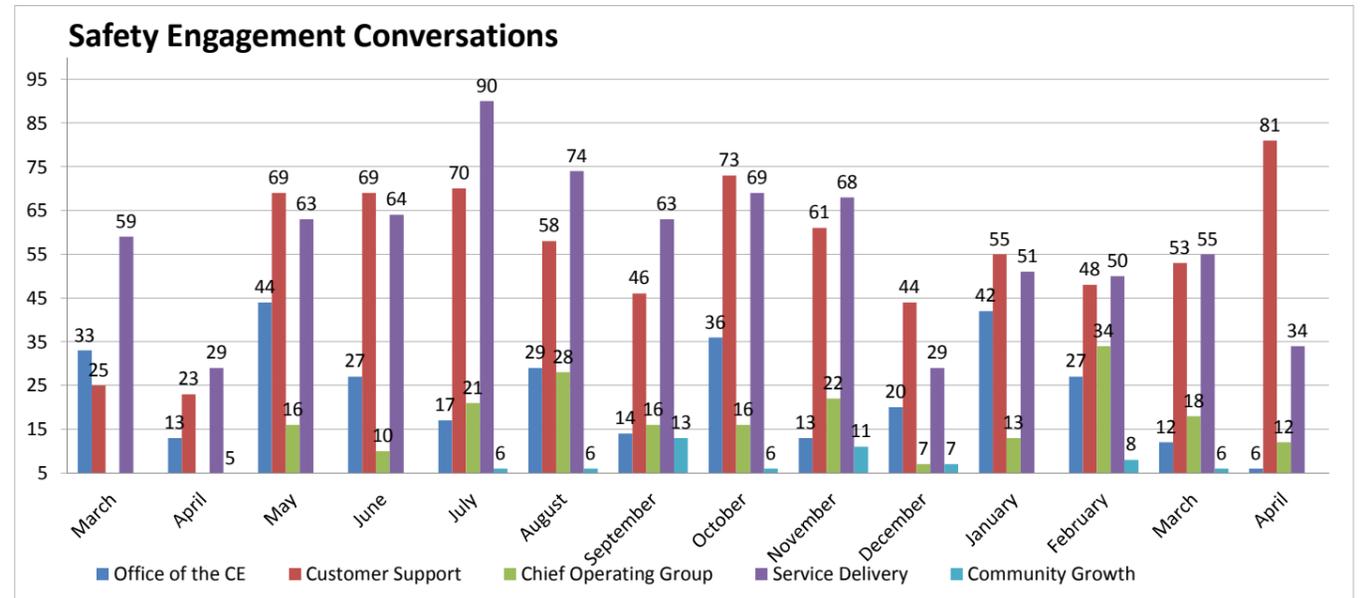
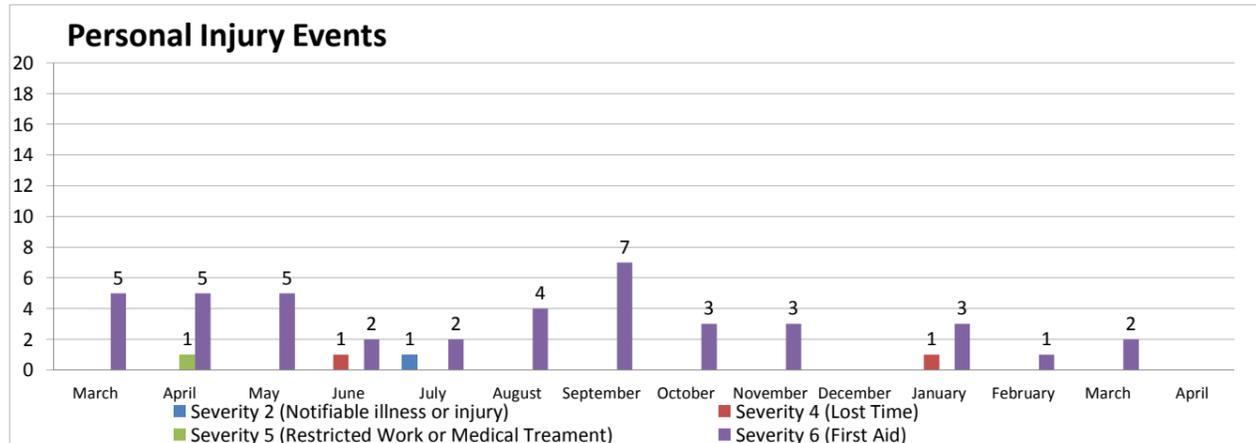
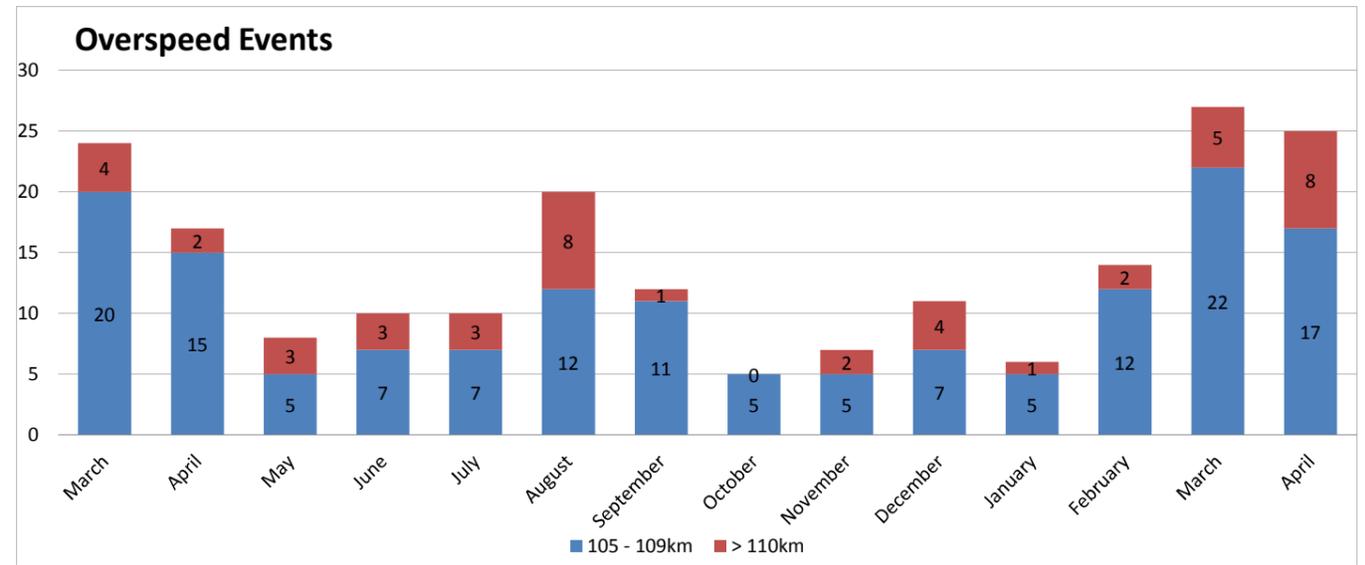
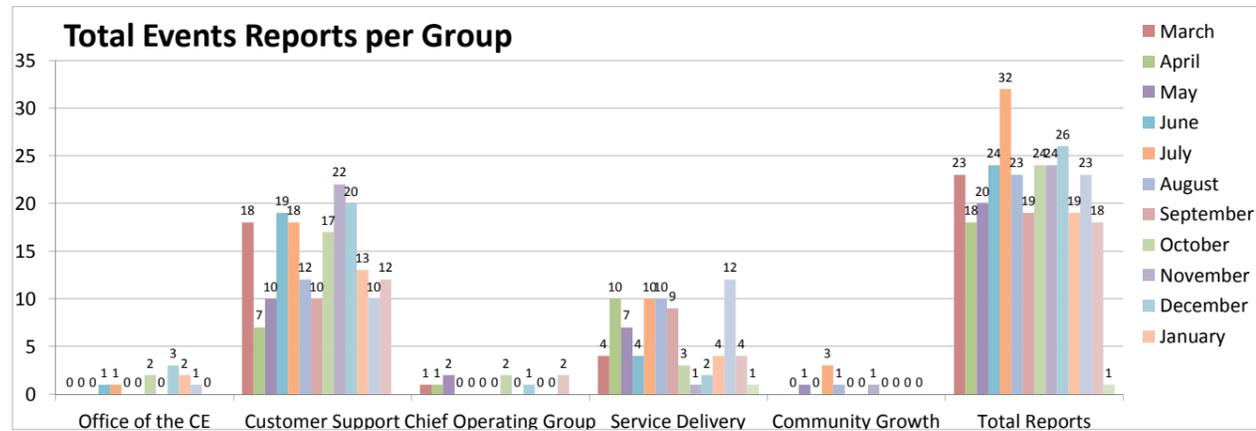
This report provides an update on our Zero Harm Safety Management System and monthly health and safety performance.

6. ATTACHMENTS

Zero Harm Dashboard April 2020

Zero Harm Dashboard - April 2020

As at 7 May 2020



Open Meeting

To	Audit & Risk Committee
From	Tony Whittaker Chief Operating Officer
Date	22 May 2020
Prepared by	Alison Diaz Chief Financial Officer
Chief Executive Approved	Y
Reference #	GOV1318 / 2611768
Report Title	Audit New Zealand Annual Audit proposal

I. EXECUTIVE SUMMARY

The attached audit proposal, approved by the Mayor, is attached for the Audit & Risk Committee's information.

There will be a 1.5% increase in audit fees from the prior year in recognition of COVID-19 financial pressures, however, it should be noted that any additional audit work required will be on a recovery-of-cost basis. Staff will make best endeavours to facilitate an efficient audit process.

2. RECOMMENDATION

THAT the report from the Chief Operating Officer be received.

3. ATTACHMENTS

- Responding to Covid-19 And Audit Fees Letter dated 23 April 2020
- Proposal to conduct the audit of Waikato District Council on behalf of the Auditor-General for the 2020, 2021 and 2022 financial years dated 5 May 2020



23 April 2020

| John Ryan

Kia ora koutou

RESPONDING TO COVID-19 AND AUDIT FEES

I realise this is an extremely busy and challenging time for you and your organisation. I wish you, your staff, and your communities the very best in these unprecedented circumstances. The priority for us all is to maintain the health and well-being of our staff while responding to the COVID-19 pandemic and maintaining critical service delivery.

There has been a lot of information and advice distributed as the pandemic has spread. While I don't want to add to this unnecessarily, I did want to highlight a few key matters from my point of view that I hope will be of assistance to you.

The first is about maintaining sound governance practices and controls. While much of this is self-evident, we often see that failure to keep an eye on the basics is where problems occur. Earlier this month, I wrote to the chief executives of government departments and district health boards setting out some key governance and control matters they may wish to consider. This letter is available [on our website](#).

We have also written a blog about how [audit and risk committees](#) can be crucial to helping councils work through issues associated with the response to, and recovery from, the pandemic. Balancing risks and providing advice to councils when hard decisions are required is one of the key functions of an audit and risk committee, and one we strongly recommend you use their expertise for. We have already seen some excellent examples of this working in practice. Your committee will also play an important role in considering the many financial and performance reporting matters resulting from COVID-19.

I also wanted to update you on audit-related matters. I have made it clear publicly that I believe a quality audit is critical at all times, but even more so when there is a high level of uncertainty about the future. We recognise that some councils might be concerned about their ability to complete their statutory financial reporting requirements in the current environment. I am sympathetic to that. When my Office reports on statutory deadline breaches we will ensure that the context for any breach, such as COVID-19, is part of any reporting we do.

My Office is also committed to working with you to minimise any disruption that our audit work might have, while allowing us to deliver essential assurance to Parliament and the public during this time. I have asked my auditors to remain as flexible as they can as they work with you to carry out our audit work. However, it is important to note that in order to carry out an audit, auditors need the information they request and enough time to carry out the quality audit that I expect.

I have also carefully considered the matter of annual audit fees for those of you who do not currently have a contract in place. You might be aware that we have had, for a number of years, a significant and growing under recovery of audit fees across much of the local government sector. This reflects, in large part, the increased requirements on auditors, changes and growth within organisations, and changes in what needs to be audited, as well as the competitive market for audit staff. Because Parliament expects me to fund the cost of audits from audit fees, this is clearly not a sustainable position.

However, this is not the time to increase annual audit fees by the amount that might otherwise be warranted. There are significant pressures on council finances at this time, and while audit fees will need to increase more substantially in the future, I have decided that for the 2019/20 annual audit, audit fees that have not yet been negotiated are to be held at a 1.5% increase. This attempts to balance the very real cost pressures both of us face. In the meantime, I am allowing audit fees for many CCOs to be renegotiated, and some of those renegotiations will already be under way.

As signalled above, I expect that, because of the pandemic, governors and preparers will need to consider a range of potential effects on the financial and non-financial information reported in accountability documents. I expect that some of those matters might require additional audit work, and although I am holding fees for the underlying audit to 1.5% for the 2019/20 annual audit, my auditors will need to discuss recovery of costs for any additional work with you in due course.

I also recognise that we are leading up to the next long-term plan round and I will be in touch with you about that shortly. The need for long-term planning has never been more important than it is now. The recovery from COVID-19 will take a long time. Councils will need to be clear with their communities about their plans, and the implications of these, during this recovery. A long-term plan is an important mechanism for achieving this accountability and transparency.

Finally, there are a large number of uncertainties in all our operating environments at the moment and some way to go before any return to what we may consider a more normal world. If you have questions or matters you would like to raise with my Office at any time, please discuss these with your appointed auditor or your sector manager.

Ngā mihi nui

A handwritten signature in black ink, appearing to read 'JM Ryan', with a stylized flourish at the end.

John Ryan
Controller and Auditor-General

5 May 2020

Level 4, 127 Alexandra Street
PO Box 256, Waikato Mail Centre
Hamilton 3240
Ph 04 496 3099Allan Sanson
Mayor
Waikato District Council
Private Bag 544
Ngaruawahia 3742Ref: EN/LCA/03-0044 - H618
Copy: Director Auditor Appointments
Office of the Auditor-General
PO Box 3928
Wellington 6140

Dear Allan

Proposal to conduct the audit of Waikato District Council on behalf of the Auditor-General for the 2020, 2021 and 2022 financial years**1 Introduction**

The Auditor-General proposes to appoint me to carry out the audit of your organisation for the next three years. As required by the Office of the Auditor-General (OAG), I set out below information relating to the audit for the three financial years ending 30 June 2020, 2021 and 2022. The purpose of this proposal is to provide information on:

- the statutory basis for the audit and how audit fees are set;
- the entities covered by this proposal;
- key members of the audit team;
- the hours we plan to spend on the audit and reasons for any change in hours;
- our proposed fees for the audit for the financial year ending 30 June 2020 and reasons for any change. We will agree the fees for the financial years ending 30 June 2021 and 30 June 2022 at a future date;
- assumptions relating to the proposed audit fees, including what we expect of your organisation;
- what the OAG Audit Standards and Quality Support fee (previously OAG Overhead charge) provides;
- certification required by the Auditor-General; and
- our commitment to conduct the audit in accordance with the Auditor-General's Auditing Standards.

2 Statutory basis for the audit and how audit fees are set

The audit of your organisation is carried out under Section 15 of the Public Audit Act 2001 (the Act), which states that “the Auditor General must from time to time audit the financial statements, accounts, and other information that a public entity is required to have audited”.

Fees for audits of public entities are set by the Auditor General under section 42 of the Act. The Act requires the Auditor-General to make sure that audit fees are “reasonable” for both the auditors who complete the audits for the Auditor-General, and for each of the entities audited. The Auditor-General wrote to your Council recently letting you know that he has carefully considered the matter of annual audit fees for all Councils who do not currently have a contract in place. He has decided that for the 30 June 2020 audit, audit fees are to be held to a 1.5% increase over the agreed fee for the 30 June 2019 audit. This attempts to balance the very real cost pressures that your Council and his Office currently face. The Auditor-General also noted that he expects that there will be a range of effects of the COVID-19 pandemic that may require additional audit work, and that auditors will need to discuss recovery of costs for that with Councils in due course, once these costs are known.

The Auditor-General also advised that for a number of years there has been a significant and growing under recovery of audit fees across much of the local government sector, for a range of reasons. Because Parliament has indicated that it expects the cost of annual audits under the Act (including an OAG Audit Standards and Quality Support fee) to be funded by public entities, this is clearly not a sustainable position. It is also potentially creating a very real risk to maintaining consistent audit quality over time, which has been raised by audit regulatory bodies here and overseas.

Audit fees will, in the future, need to be increased to reflect the real costs. These increases will vary depending on the reasonableness of the current fee. So for the subsequent years of the contract, 2021 and 2022, your Council and I will in, due course, have the opportunity to discuss those real costs, and endeavour to reach agreement about reasonable fees that can be recommended to the Auditor-General for approval. The Auditor General, with assistance from the OAG, will directly set audit fees, but only if we fail to reach agreement.

To ensure that the level of audit effort required (and the reasons for it) are visible to your Council, this proposal includes an estimate of the total hours and indicative cost required to complete an efficient and quality audit of your Council (this is set out in sections 5 and 6). We expect to incur these hours in 2020, although the constrained fees will clearly not reflect the full cost of them.

3 Entities covered by this proposal

This proposal covers the audit of Waikato District Council.

4 Key members of the audit team

Appointed Auditor	Clarence Susan
Engagement Quality Reviewer (EQR)	Debbie Perera
Audit Manager	Kataraina Macown

5 Estimated audit hours

We estimate that the following hours will be required to carry out the 30 June 2020 audit (compared to the budgeted hours set out in your last APL and actual data from the previous financial year):

Audit team member	2019 budget	2019 actual*	2020
Appointed Auditor	60	78	80
EQR Director	10	13	15
Audit Manager	100	108	120
Other CA qualified staff	150	447	190
Non CA qualified staff	622	549	577
Other specialists	13	25	13
Total audit hours	955	1,220	995

***Note** – actual hours are all hours incurred. These hours have not been adjusted to eliminate any hours that were due to auditor inefficiencies.

The main reasons for the actual hours in 2019 being different to budget were:

- additional Information Systems auditor involvement to test the automated controls in the accounts payable system;
- additional discussions required around the District Council's contract with Watercare Services Limited (Watercare) and determining resulting audit impact;
- testing of balances relating to Strada Corporation Ltd (for consolidation purposes, as Strada is no longer separately audited);
- additional work required where reliance could not be placed on controls at the District Council (masterfile changes for expenditure and self-approved purchase orders); and
- rework and inefficiencies as a result of late, incomplete, insufficient and/or inaccurate information being provided.

5.1 Reasons for changes in audit hours

The major reasons for the changes in hours for your organisation's audit are:

Reasons for changes in audit hours compared to estimated audit hours set out in previous APL:	2020
<p>Changes within the entity, or in its environment – such as changes in the entity's activity, systems, risk profile, or complexity, which have resulted in a change to the size or complexity of the audit.</p> <ul style="list-style-type: none"> <li data-bbox="320 584 1182 1182"> <p>Asset valuations – funding challenges, combined with greater community awareness and expectations over the resilience and performance of core assets, have increased the importance of, and risks associated with, council's asset related practices such as continually improving its asset condition information and developing more advanced management practices. These in turn increase the complexity of council's asset revaluations and fair value assessments.</p> <p>We have increased the time required for this work because of additional testing required on the assumptions and unit rates applied to each valuation and discussions required with the valuers and Council staff. This also covers audit the requirements under PBE IPSAS¹.</p> <p>Our hours and fees are based on each class of infrastructure asset being revalued each year.</p> <p>Any additional revaluations we are required to audit will be charged separately.</p> <li data-bbox="320 1216 1209 1429"> <p>Three waters management - additional discussions are required on the District Council's contract with Watercare and determining resulting audit impact (on testing for assets and non-financial performance measures). We will also be reviewing the technical aspects of the contract (i.e. accounting treatment and required disclosures in the District Councils financial statements).</p> 	<p>20</p> <p>20</p>
<p>Total change in audit hours</p>	<p>40</p>

¹ Public Benefit Entity International Public Sector Accounting Standards

6 Proposed audit fees

Our proposed fees for the 2020 audit (compared to budgeted and actual data from the previous financial year) is:

Structure of audit fees	2019 budget fees \$	2019 actual fees charged (*) \$	2020 \$
Net audit fee	151,462	151,462	147,491
OAG Audit Standards and Quality Support fee	14,689	14,689	14,909
Total audit fee (excluding disbursements)	166,151	166,151	162,400
Agreed discount to fee	(6,151)	(6,151)	0
Final audit fee excluding disbursements	160,000	160,000	162,400
Estimated disbursements	3,000	2,527	3,000
Total billable audit fees and charges	163,000	162,527	165,400
GST	24,450	24,379	24,810
Total (including GST)	187,450	186,906	190,210

* **Note** – 2019 actual audit fees charged were \$160,000 (excluding disbursements), compared to our 2019 audit costs of \$221,629. These costs have not been adjusted to eliminate any matters arising from auditor inefficiencies. The table above also excludes fee recoveries of \$10,000 billed to the District Council at the end of the 2018/19 audit.

The estimated cost of an efficient audit on a full recovery basis for your Council in 2020 is in the range of \$180,000 to \$185,000, that is, about \$22,600 or 14% more than the 2019 fee. Over the next two years (2021 and 2022) we expect that the audit fee charged will progressively move to more fairly reflect our actual costs of performing your Council's audit.

The audit fees allow for the audit team to carry out specific tasks identified in the OAG Sector Brief and for the OAG Audit Standards and Quality Support fees. As set out in section 2, these fees are have been held at a 1.5% increase over the agreed audit fee for 2019.

We have also estimated the reasonable cost of disbursements (including travel and accommodation where necessary). Disbursement costs are indicative only and will be charged on an actual and reasonable basis.

As part of your 2020 audit, we are expecting to undertake additional work in relation to the transition of the waters functions to Watercare Services Limited, and the land and buildings asset valuation (three yearly valuation process with a revaluation due in 2020). This work is not included in the above fee. At the conclusion of our audit we will discuss the potential recovery of the reasonable costs for this work with you and the OAG.

7 Assumptions relating to our audit fee

You are responsible for the production of your financial statements and anything else that must be audited. Our proposed audit fees are based on the assumption that:

- you will provide to us, in accordance with the agreed timetable, the complete information required by us to conduct the audit;
- your staff will provide us with an appropriate level of assistance;
- your organisation's annual report (including financial statements and statements of service performance) will be subject to appropriate levels of quality review by you before being submitted to us for audit;
- your organisation's financial statements will include all relevant disclosures;
- we will review up to two sets of draft annual reports, one printer's proof copy of the annual report, and one copy of the electronic version of the annual report (for publication on your website);
- there are no significant changes to the structure and/or scale of operations of the entities covered by this proposal (other than as already advised to us);
- there are no significant changes to mandatory accounting standards or the financial reporting framework that require additional work (other than as specified in tables 5.1 and 6.1);
- there are no significant changes to mandatory auditing standards that require additional work other than items specifically identified in the tables above; and
- there are no significant changes to the agreed audit arrangements that change the scope of, timing of, or disbursements related to, this audit.

If the scope and/or amount of work changes significantly, including as a result of the effects of the COVID-19 pandemic, we will discuss the issues and potential recovery of costs with you and the OAG at the time. In order to minimise additional auditor time on the potential effects of COVID-19 on your financial statements and service performance information, the Council should ensure that it considers those potential effects as early as possible and discusses them with the appointed auditor to ensure "no surprises" to either party.

7.1 Exclusions

The proposed hours set out in section 5.1, and our fees do not include the potential impact of the following, which may affect your entity in 2020, 2021, and/or 2022, as we are unable to assess their impact at this time:

- The future impact of changes to accounting standards, including:
 - PBE IPSASs 34 to 38 (group standards);
 - IFRS 9 *Financial Instruments* – should the Council early adopt; and
 - PBE FRS 48 *Service Performance Reporting*.
- Changes to auditing standards including; NZ AS 1, ISA (NZ) 315 and ISA (NZ) 540.
- The government’s three waters review, including its announcement of a Crown Entity to regulate drinking water.
- Any future impact on the Council’s reporting due to the re-introduction of the four well-beings into the Local Government Act in May 2019.
- The Productivity Commission’s review of local government funding and financing.
- The impacts of future growth within the Council’s area.
- The impacts of any new initiatives or funding sources related to either the Provincial Growth Fund or the Housing Infrastructure Fund.

8 What the OAG Audit Standards and Quality Support fees cover

Parliament has indicated that it expects the cost of annual audits under the Public Audit Act (including an OAG Audit Standards and Quality Support fees) to be funded by public entities.

The OAG Audit Standards and Quality Support fees partially fund a range of work that supports auditors and entities, including:

- development and maintenance of auditing standards;
- technical support for auditors on specific accounting and auditing issues;
- ongoing auditor training on specific public sector issues;
- preparation of sector briefs to ensure a consistent approach to annual audits;
- development and maintenance of strategic audit plans; and
- carrying out quality assurance reviews of all auditors, and their audits and staff on a regular (generally, three-year) cycle.

Appointed Auditors are required to return the OAG Audit Standards and Quality Support fees portion of the total audit fee, to the OAG.

9 Certifications required by the Auditor-General

We certify that:

- the undertakings, methodology, and quality control procedures that we have declared to the OAG continue to apply;
- our professional indemnity insurance policy covers this engagement; and
- the audit will be conducted in accordance with the terms and conditions of engagement set out in the audit engagement agreement and schedules.

10 Conclusion

As the Appointed Auditor, I am committed to providing you and the Auditor-General with the highest level of professional service. I intend to work with you, the OAG, and the Auditor-General in a partnership environment to resolve any issues that may arise.

If you require any further information, please do not hesitate to contact me.

Please counter-sign this letter (below) to confirm that you, and the governing body of your organisation, agree with its contents. This letter will then form the basis for a recommendation to the Auditor-General on the audit fee that should be set. The schedules of audit hours and fees will also be incorporated into my audit engagement agreement with the Auditor-General to carry out the audit of your organisation as the agent of the Auditor-General.

Yours sincerely



Clarence Susan
Appointed Auditor
Audit New Zealand

I accept the audit fees for the audit of the three financial years as stated above.

Full name:	<u>Allan Sanson</u>	Position:	<u>Mayor</u>
Authorised signature:	<u></u>	Date:	<u>7 May 2020</u>
Entity name:	<u>Waikato District Council</u>		

Actions to take when agreement has been reached:

- 1 Make a copy of this signed proposal and keep it for your file.
- 2 Send the original to:
 - Clarence Susan
 - Audit New Zealand
 - PO Box 256
 - Waikato Mail Centre
 - Hamilton 3240

Open Meeting

To	Audit & Risk Committee
From	Tony Whittaker Chief Operating Officer
Date	15 May 2020
Prepared by	Madelina Baena-Escamilla, Continuous Improvement Analyst Bessie Clarke, Corporate Planner Lynn Shirley, Zero Harm Manager
Chief Executive Approved	Y
Reference #	GOV1318
Report Title	Quality and Governance Assurance

I. EXECUTIVE SUMMARY

This report outlines those activities within programmes designed to provide quality improvement and assurance within the organisation. It covers:

- Business Process Improvement Programme
- Internal Audit activity; and
- Independent Audit New Zealand reviews.

2. DISCUSSION

2.1. Business Process Improvement Programme

2.1.1 Internal Audit Schedule (2019 – 2020)

The process audit programme for the 2019/2020 financial year has been completed. Two internal audits scheduled to be completed in the last quarter could not be completed due to the lockdown and will now be included in the schedule for 2020/2021 financial year. The 2020/2021 schedule will be completed by 15th June 2020.

One additional audit focused on the Development Contributions process was completed during the past three months; no non-conformances were identified. The internal audit outcome has three recommendations which have already been implemented.

A dashboard summary of Internal Audit outcomes is presented in Table I, including the number of internal audits planned and undertaken, the findings and the number of outstanding non-conformances.

Table I - Outcome of the 2019-2020 Internal Audit schedule

Team	Internal Audits - Planned	Internal Audits - Undertaken	Major Non-Conformances	Minor Non-Conformances	Recommendations	Outstanding Non-conformances
Total			6	18	121	3
Animal Control	4 Audits 15 Processes	4 Audits 15 Processes	4	0	37	0
Operations - Finance - Revenue	1 Audit 3 Processes	1 Audit 3 Processes	1	1	5	1
Operations - People & Capability	1 Audit 4 Processes	1 Audit 4 Process	0	12	6	0
Service Delivery – Community connections - Venue and Events	1 Audit 2 Processes	1 Audit 2 Processes	0	1	11	1
Service Delivery – Strategic Property	1 Audit 3 Processes	1 Audit 3 Processes	0	0	8	0
Service Delivery – Contracts & Partnering	1 Audit 4 Processes	1 Audit 4 Processes	0	0	26	0
Service Delivery - Community Assets	1 Audit 3 Processes	Postponed				
Chief Executive	1 Audit 2 Processes	1 Audit 2 Processes	0	3	9	0
Community Growth - Economic and Community Development	1 Audit 2 Processes	1 Audit 2 Processes	0	0	3	0
Customer Support - Consents	1 Audits 2 Processes	1 Audit 2 Processes	1	1	16	1
Customer Support - Consents	1 Audits 2 Processes	Postponed				
Red	Major Non-conformances haven't been addressed					
Orange	Minor Non - Conformances haven't been addressed					
Green	All Non - Conformances have been addressed / There were no Non - Conformances					

Two major non-conformance from previous internal audits are still outstanding; in the table below are the update on these actions.

For more detailed information about the outcome of the Internal Audits see *Process Audit Status (2019-2020) as at 15-05-2020* document attached.

Table 2- Update on outstanding actions

Name of Process	Auditor's Findings	Recommendations and Actions to be Taken	Update on outstanding Actions
		(Process Owner)	(Process Owner)
Prepare and Strike Annual Rates (1 Major Non-Conformance)	The Rates Strike Process Lacks Detail	<i>Agreed. The Rates Strike Process lacked detail to the extent that it would not have been a sufficient tool to undertake the process. Resources will be allocated to document the correct process as the Rates Strike and Charge Run process informs how Council will charge and collect the correct rates revenue to fund its activities. All Rates processes in will be updated in Promap prior to 30 June 2020</i>	No progress has been made to date on this action. The 2020/21 Rates Strike will be used to put together the detailed process and it is expected this will be completed and reviewed during the first week of July 2020.
Receive, set up and undertake Section 88 Check (1 Major Non-Conformance)	Step 1.0 (B) Step is not being carried out by staff and another step has been introduced in its place. Outlines that cheques are received, photocopied and put in a safe. This does not take place and should be removed as payment is receipted into building suspense account. Promapp process should be updated	We can confirm that we will action the two non-compliances identified in the Audit Report. This will be actioned relatively soon.	The recommendations in the report are numerous and cut across a number of our processes, not just the two processes that were audited. We need further time to work through these matters one at a time to see whether we agree with the recommendations and what changes need to be made. The consent team leaders discussed this on the 20th of May 2020 and we feel that we will be better placed to start tackling this when we return to the office under Level 2.

2.1.2 Policy Review

The work programme reviewing internal and external Council policies is progressing as follows:

No policies have been published and/or reviewed and updated in the last three months.

Other policies currently being created or reviewed are:

- Backflow Prevention Policy
- Dog Control Policy
- Firearms Policy
- Unreasonable Complainant Conduct Policy

Policies planned to be reviewed in the coming months:

- Development Contributions Policy
- Significance and Engagement Policy

2.1.3 Improvement Forum

- Due to the lockdown in March and April, the Improvement Forum met using Zoom. The lockdown has not been an obstacle in promoting Continuous Improvement (“CI”) and the importance of effective Business Process Management. In fact, during this time more staff have been able to review and update their processes, and several processes are now being updated to include Business Continuity activities.
- Work continues on the actions defined in the CI Plan, including how we communicate and interact with the organisation. For example, we now include a regular post on the

Staff Facebook page and the CI Agents continue to promote CI in their team Zoom meetings.

- Process mapping training continues to be delivered online using the Nintex University online training and follow-up meetings using Zoom. In the past three months, six new starters have been trained on process mapping and process improvement as part of their induction.

2.2 Independent Audit Activities

The tables below outline the areas and status of issues – either completed, in progress or pending, since the last report in March 2020.

There is a total of 159 issues that have been raised by numerous audits, 156 of which are complete.

Table 3 reflects those items staff consider are closed. We are expecting these would have been validated by Audit NZ during the interim audit process.

Table 1 - Areas of audit issues- May 2020

	Complete but awaiting confirmation by Audit NZ	Work in Progress	Complete	Total
Audit New Zealand	3	1	31	35
Cyber security	3	1	30	34
Internal audit	0	0	5	5
Procurement and contract management	1	1	13	15
Risk management	0	0	37	37
Project management	0	0	33	33
Total	7	3	150	159

Table 2 - “Work in progress” Issues

Audit Area	Domain	Recommendation/ Action Required	Date first raised	Proposed Action/Plan – June 2020 A&R Committee comment
AuditNZ	Contract management	Develop and implement a contract management system	Jul-16	We are currently working with IM to get a test Contract Management System (CMS) up and functioning. IM is confident that this will meet our needs for the system. At this stage, the system is in test as IM are working with Tech I on the Contract Import function

Audit Area	Domain	Recommendation/ Action Required	Date first raised	Proposed Action/Plan – June 2020 A&R Committee comment
				<p>as it is not working as expected.</p> <p>Contracts and Partnering have a roadmap to progress the maturity of Contract Management practices within the Waikato District Council. We are also working with the Procurement Team and Legal Teams to get a combined roadmap developed for how we are going to manage the Contract Life Cycle for Waikato District Council. This has been drafted and is going to be presented to the ELT. Combined with this we are looking at subscribing to Terrace Publications which will give us access to a full suite of draft contracts that have been specifically written for Local Government and will be the base contracts that we use going forward, with standard terms and conditions.</p>
Cyber Security	IM practices	Rec09: Review and improve monitoring for security incidents, incident response plan, patch management, change control and release management processes	Dec-15	Are at the design phase of the Windows 10 project and as part of that work and rollout will be that auditing capture.
KPMG review of Procurement and Contract Management	Procurement	Develop a procurement strategy and ensure consistency and clarity of procurement guidelines.	Dec-16	<p>Have just finished a procurement and contracts roadmap piece of work with Morrison Low to go through the priorities for these two teams, so following the outcome of this the development of a procurement strategy can be developed.</p> <p>Procurement processes are being redrafted now, and should be in place for the next financial year.</p>

2.3. KPMG Health and Safety Governance Audit

Since the last Audit & Risk Report in March no progress has been made on the KPMG Health and Safety Governance audit actions as relevant staff have been involved in the Emergency Operating Centre and addressing all Health and Safety matters in the pandemic recovery response. The actions continue to be tracked in BWare and will be progressed as soon as capacity is released.

The Consents Revenue Process audit planned to be undertaken has been delayed due to the lockdown. This is referenced in the Chief Financial Officer report to this committee.

3. RECOMMENDATIONS

THAT the report from the Chief Operating Officer be received.

4. ATTACHMENTS

- Process Audit Status (2019-2020) as at 15-03-2020

Audit Schedule 2019-2020 – Status Report

Group/Team	Processes	Owners and experts	Auditors	Date of the audit	Comments	Link to report	Major NC (high)	Minor NC (medium)	Rec (Low)
							2	18	84
Operations - Rates	<ul style="list-style-type: none"> Prepare and Strike Annual Rates Process a Charge Run Process Rates Annual Recalculation of Direct Debit Payments 	Colin Bailey Catherine Lapwood	Elijah Tamati Helen Kirby	28 & 29 November 2019	Audit completed. Report sent to Owners 3 Dec 2019. Owner has responded the report, changes in the processes will be completed before the 30 th of June 2020	Report- Rates processes	1	1	5
Operations - People and Capability	<ul style="list-style-type: none"> Prepare for and Carry Out Staff Induction Set Up New User Account Induct New Staff – Security Induct New Staff - Vehicles 	Vanessa Jenkins Tharsha Adamstein	Tracey Oakes Sandra van der Westhuizen	11 December 2019	Internal audit for Prepare for and Carry Out Staff Induction and Induct New Staff – Vehicle have been completed The other 2 processes are under review and the audit has been suspended at this time.	Report-Prepare for and Carry Out Staff Induction process Report-Induct New Staff – Vehicle	0	12	6
Service Delivery – Community connections	<ul style="list-style-type: none"> Organise an event Manage Event Application for WDC Reserve or Facility 	Samantha Baker Jordy Wiggins	Mark Shaw	09 January 2020	Managed Event Application for WDC reserve sent to owners, waiting for their response. Organise event is yet to be audited. The process has moved teams	Report-Managed Event Application for WDC Reserve or Facility	0	1	11
Service Delivery – Strategic Property	<ul style="list-style-type: none"> Create New, Renew or Vary Lease or Licence Surrender Lease or License Evict Lessee or Licence Holder 	Nicolas Wells James Hanright	Jonathan Ward	22 November 2019	Audit completed. Report sent to owners 29 Nov 2019	Report – Strategic Property Processes	0	0	8

Group/Team	Processes	Owners and experts	Auditors	Date of the audit	Comments	Link to report	Major NC (high)	Minor NC (medium)	Rec (Low)
							2	18	84
Service Delivery – Contracts & Partnering	<ul style="list-style-type: none"> Audit Stickered Bags through Refuse Contracts Ordering of Rubbish Stickers Daily Process for Handling Rubbish Stickers Month End Process for Rubbish Sticker Balances 	Phil Ellis Patricia Cronin	Christine Cunningham	22 January & 12 February	Audit completed. Report sent to owners, waiting for their response.	Report - Audit Stickered Bags through Refuse Contracts Report - Audit Process for Handling Rubbish Stickers Report - Audit Process for Month End Process for Rubbish Sticker Balances Report - Audit Ordering of Rubbish Stickers	0	0	26
Service Delivery - Community Assets	<ul style="list-style-type: none"> Complete Parks & Facilities Asbuilt Data Sheets Enter P&F Asset Data into Asset Finda Enter P&F Asset Data into SPM 	Robert Ashley Joy Rolton	Mark Te Anga Kay Warren	Postponed	The auditors were unable to complete the internal audit that was scheduled, The Lead auditor has left the organisation recently and thus the audit has been re-prioritised and it will be included in the next IA schedule				

Group/Team	Processes	Owners and experts	Auditors	Date of the audit	Comments	Link to report	Major NC (high)	Minor NC (medium)	Rec (Low)
							2	18	84
Chief Executive	<ul style="list-style-type: none"> Report a Serious Wrongdoing under the Protected Disclosure Act Report and Investigate Fraudulent or Suspected Fraudulent Activity 	Tony Whittaker Vanessa Jenkins Alison Diaz	Shelley Woollett Terrence Hayes	20 & 22 November 2019	Audit completed. Report sent to owners 28 Nov 2019 Waiting response from process owners	Report - Report a Serious Wrongdoing under the Protected Disclosure Act Report - Report and Investigate Fraudulent or Suspected Fraudulent Activity	0	3	9
Community Growth - Economic and Community Development	<ul style="list-style-type: none"> Process a Development Agreement Large Scale Development Enquiries 	Annette Brodie	Paul Harrison	March 10 2020	Audit completed. Report sent to owners 20 March 2020	Report - Process a Development Agreement	0	0	3
Customer Support - Consents	<ul style="list-style-type: none"> Receive, set up and undertake Section 88 Check Accept Resource Consent Application 	Wade Hill Deborah Scott Jason Wright Sara Abusidou	Phyllis Hefang James Hanright	Dec 2019 – February 2020	Audit completed. Report sent to owners 02 March 2020 Waiting response from process owners	Report - Consents S88 and Accept Resource Consent	1	1	16
	<ul style="list-style-type: none"> Ensure iwi engagement in Resource Consents for activities on the surface of the river First steps to Determining Notification 	AnaMaria d'Aubert Sam Toka Ella Makin Emma Ensor	Pam Osborne	Postponed	The auditor was unable to complete the internal audit due personal issues. This IA will be scheduled in the next IA programme.				

Open Meeting

To	Audit & Risk Committee
From	Tony Whittaker Chief Operating Officer
Date	25 March 2020
Prepared by	Sharlene Jenkins Executive Assistant
Chief Executive Approved	Y
Reference #	GOV1318
Report Title	Updated Future Work Plan

1. EXECUTIVE SUMMARY

The purpose of this report is to present an updated Future Work Plan for the Audit & Risk Committee's information.

2. RECOMMENDATION

THAT the report from the Chief Operating Officer be received.

3. ATTACHMENTS

- Updated Future Work Plan

Audit & Risk Committee: Future Work Plan

	03 June 2020	23 September 2020	09 December 2020	March 2021 TBA	June 2021 TBA	Standing items for all meetings
Risk	COVID-19 Response Risk Deep Dive	Risk Management Framework Review	Health & Safety Framework Review	Risk Assessment of Council Controlled Organisations Statements of Intent Annual Report Risk Assessment Annual Report Programme Compliance	Risk Appetite Review Procurement and Contract Management Framework Review	<ul style="list-style-type: none"> ▪ Chief Financial Officer Report Update on risks and issues that could impact council and its stakeholders from a financial perspective, including insurance and procurement matters. ▪ Strategic Risk Register and Emerging Risks Update on key strategic risks and associated management actions, including trajectory of risk assessment. Opportunity to discuss emerging risks with potential for strategic impact. ▪ Risk Conversations Opportunity for Committee to dialogue with key staff to obtain assurance that appropriate controls and culture are in place. ▪ Strategic Risk Deep Dive Detailed inspection of a key risk for the purpose of assurance. ▪ Zero Harm Update Health & Safety performance update against agreed targets, systemic issues identified which can be fed into the risk control framework. To include monthly statistics. ▪ Quality Governance and Assurance Progress against audit issues and rolling review of bylaw & policies: <ul style="list-style-type: none"> - Anti-fraud and corruption framework (and related policies) - Health & Safety Policy - Risk Management Policy - Treasury Risk Management Policy ▪ Post Implementation Reviews and/or Incident Debrief Reports Post project appraisals on key investments.
Independent Internal Audit			Resource Consents Revenue Process Review	Rates Process Review		
Insurance		Insurance Renewal Process Update Insurance review	Insurance Policy / Premium Confirmation Insurance Risk Strategy			
Annual Report		Annual Report	Final Audit Management Report	Annual Report Project Planning		
Other		Audit & Risk Committee Key Achievements Review of Audit & Risk Committee performance against Terms of Reference Zero Harm Site Visit	Anti-Fraud and Corruption Framework review			

Strategic Risks

- | | | | |
|--------------------------|-----------------------------------|--------------------------------------------|-------------------------|
| ▪ Council Partnerships ✓ | ▪ Waters Social Franchise Model ✓ | ▪ People and Culture ✓ | ▪ Compliance Management |
| ▪ Zero Harm ✓ | ▪ Stakeholder Engagement ✓ | ▪ Regional / National Strategic Planning ✓ | ▪ Business Resilience ✓ |
| ▪ Asset Management ✓ | ▪ Economic and Social Development | ▪ Projects and Initiatives | ▪ Cyber Security |

Open Meeting

To	Audit & Risk Committee
From	Tony Whittaker Chief Operating Officer
Date	25 May 2020
Prepared by	Brendan Stringer
Chief Executive Approved	Y
Reference #	GOV1318
Report Title	Register of Interests – Elected and Appointed Members

I. EXECUTIVE SUMMARY

The purpose of this report is to provide a summary of interests declared by elected and appointed members of Council's committees and community boards, and the elected members of community committees.

The summary reflects the new declaration of interest form completed by members in February and March 2020, noting that some members have yet to complete their declarations.

2. RECOMMENDATION

THAT the report from the Chief Operating Officer be received.

3. ATTACHMENTS

Summary of Register of Interests – Elected and Appointed Members

Financial Interests	
Statement Reference	
1	I am, or my spouse or partner is, a party to a contract with Waikato District Council
2	I, or my spouse or partner, individually or together own(s) 10% or more of the shares in a contracting company or controlling company .
3	I am, or my spouse or partner is, a shareholder in a contracting company or controlling company , AND either I am, or my spouse/partner is, also a shareholder of the controlling company .
4	I am, or my spouse or partner is, a managing director or a general manager of a contracting company AND either I am, or spouse/partner is, also a shareholder of the controlling company .
5	I, or my spouse or partner, individually or together, has/have an indirect concern or interest in a contract with Waikato District Council not already disclosed above.
6	If you answered 'Yes' to any of questions 1 to 5, does the total value of all contracts listed above, exceed \$25,000 (including GST) for the current financial year.

Register of Elected Members Interests

COUNCIL	Financial Interests <i>Please refer to Statement Reference here.</i>		Non - Financial Interests								
	1 to 6	With the exception of	Companies		Employment/Paid Positions	Other Organisations		Property	Gifts (received since 21 October 2019)	Payments for activities and services (since 21)	Debts
			Director/Manager	Financial Interests		Trustee/Beneficiary	Other Bodies				
Aksel Bech	No	N/A	<ul style="list-style-type: none"> Frost Solutions Ltd (Frost protections and HR consultancy) 	<ul style="list-style-type: none"> Synthase Biotech (Enzyme Company) NDA Engineering (Stainless Steel Manufacturing) Wing Acoustics (Audio Driver Manufacturing) Heilala Vanilla (Vanilla Producer) Waiapu Investments (Medical Cannabis Producer) Spoke Network Ltd (Telecom Software) Mighty River Power (Electricity Generator) Genesis Energy (Electricity Generator) James Street Ltd. (Property Investment) Snell Street Ltd (Property Investment) <ul style="list-style-type: none"> Mastaplex (Animal Welfare Co.) Beany (Accounting Software Co) Inhibit Coatings Ltd. (Anti-microbial Surface Coating) 	<ul style="list-style-type: none"> Synthase Biotech (Director) St. Peters Trust (Board Trustee) 	<ul style="list-style-type: none"> St. Peters School & Foundation (Trustee) Jepsen Family Trust (Trustee) A.B. Jepsen Trust (Trustee) Feline Adventure Trust (Trustee) 	<ul style="list-style-type: none"> Coastguard (Northern) - (Ordinary Member) Kerikeri Cruising Club (Ordinary Member) 	1x Tamahere (Beneficiary of Trust)	Complimentary access to Promoter's Lounge at Sevens tournament with +17 (Donor- 37 South Ltd)	N/A	<ul style="list-style-type: none"> Loan to Individual in Ward.
Carolyn Eyre	No	N/A	<ul style="list-style-type: none"> Pepepe Investments (Farming) 	<ul style="list-style-type: none"> Pepepe Investments (Farming) 	<ul style="list-style-type: none"> SM Eyre Trust (Office Manager) 	<ul style="list-style-type: none"> SM Eyre Trust (Beneficiary) 	<ul style="list-style-type: none"> Waikato Diocesan School for Girls Proprietors Board (Representative) 	<ul style="list-style-type: none"> Huntly (Beneficiary of Trust) 	N/A	N/A	N/A
Chris Woolerton	No	N/A	<ul style="list-style-type: none"> Middle Ridge Farms Ltd. (Dairy farm) 	<ul style="list-style-type: none"> Fonterra Balance LIC 	<ul style="list-style-type: none"> Middle Ridge Farms Ltd. 	<ul style="list-style-type: none"> Woolerton Trust 	<ul style="list-style-type: none"> Oaks Church (Parish Council/ Building Committee) 	<ul style="list-style-type: none"> Taupiri (Owner) 	N/A	N/A	N/A
Eugene Patterson	No	N/A	<ul style="list-style-type: none"> Complete Painting & Decorating (Painting) 	N/A	N/A	N/A	<ul style="list-style-type: none"> Ngaruawahia Bowling Club (Treasurer) 	<ul style="list-style-type: none"> Ngaruawahia (Owner) 	N/A	N/A	N/A
Frank McInally	No	N/A	<ul style="list-style-type: none"> McInally Truckpainters (Panel-paint) 	N/A	N/A	N/A	<ul style="list-style-type: none"> Huntly RSA (President) 	<ul style="list-style-type: none"> 2x Huntly (Owner) 	N/A	N/A	N/A
Jacqui Church	No	N/A	<ul style="list-style-type: none"> Great Goods Limited (Coffee & Food Service Wholesale Distributor) 	N/A	N/A	<ul style="list-style-type: none"> Southwest Trust (Trustee) 	<ul style="list-style-type: none"> Pukekohe Lions (Member) Franklin & Districts Justices of the Peace Association (Member) BPW Franklin – Business & Professional Women Franklin (Member) Port Waikato Pink Breakfast (Committee Chair) <ul style="list-style-type: none"> Tuakau Cleanup & Planting (Member) Franklin & North Waikato [FAWN] Trails Forum (Member) Onewhero Golf Club (Colin Church – Husband – Member & on Match Committee) Port Waikato Blue Breakfast (Colin Church – Husband – committee member) 	<ul style="list-style-type: none"> 2x Tuakau (Owner) 	N/A	N/A	N/A
Jan Sedgwick	No	N/A	N/A	<ul style="list-style-type: none"> Auckland Airport Contact Energy <ul style="list-style-type: none"> AMP Methven Cochlear Telstra Wherescape CBA Bank of Queensland (public shareholder in all above) 	N/A	<ul style="list-style-type: none"> Holbrook Family Trust (beneficiary) Carrara Wharf Trust (Beneficiary) Harvey S'pore Trust (Beneficiary) WWF NZ - Trustee (Board Member) Te Araroa Trail Trustee (Board Member) 	N/A	<ul style="list-style-type: none"> Te Kauwhata (Shareholder in company) 	N/A	N/A	N/A
Janet Gibb	No	N/A	<ul style="list-style-type: none"> JMG Ltd (Rental Properties) Ede Investments Ltd (Farming) 	N/A	<ul style="list-style-type: none"> Ede Investments Ltd (Farming) 	<ul style="list-style-type: none"> Janet Gibb Family Trust (Trustee/Settlor/Beneficiary) Rarangi Trust (Trustee/Beneficiary) Mangatokatoka Trust (Trustee/Beneficiary) Tironui Trust (Trustee/Beneficiary) 	<ul style="list-style-type: none"> Business + Professional Women NZ (Advocacy + Education – Member/Past Executive) 	<ul style="list-style-type: none"> 2x Taupiri (Owner) 4x Taupiri (Trustee or Director) 2x Taupiri (Trustee/Beneficiary/Director) 	N/A	N/A	<ul style="list-style-type: none"> ASB (mortgages Rental Properties) ASB (Farm Mortgages + Overdrafts)
Lisa Thompson	No	N/A	N/A	N/A	<ul style="list-style-type: none"> Raglan Area School (Board of Trustees & Administrator) Trade Aide Importer (Retail) 	<ul style="list-style-type: none"> Raglan Event & Multi Sport Trust (Event Coordinator/Trustee) 	<ul style="list-style-type: none"> Whaingaroa Raglan Affordability Project/Affordable Housing/Council Raglan Naturally (Community Organisation) Raglan Business Chamber (Local Business Development) Council & Community Board 	<ul style="list-style-type: none"> 1x Raglan (owner) 	N/A	N/A	N/A

COUNCIL	Financial Interests <i>Please refer to Statement Reference here.</i>			Non - Financial Interests							
	1 to 6	With the exception of	Companies		Employment/Paid Positions	Other Organisations		Property	Gifts (received since 21 October 2019)	Payments for activities and services (since 21)	Debts
			Director/Manager	Financial Interests		Trustee/Beneficiary	Other Bodies				
Noel Smith	No	N/A	N/A	<ul style="list-style-type: none"> National Australian Bank (Bank) Farmlands Loop Ltd (Farm Supplies) 	• Self Employed (Farming)	N/A	<ul style="list-style-type: none"> Waikato JP Assn Inc (JP Duties – Senior Vice President) Huntly JP Assn (JP Support – IPP) 	x2 Ngaruawhaia (owner)	N/A	N/A	N/A
Rob McGuire	No	N/A	N/A	• Fonterra (Shareholder)	• Self-employed (Farming)	• McGuire Family Trust (Beneficiary)	N/A	1x Puketaha (Family Trust/Beneficiary)	N/A	N/A	N/A
Mayor Allan Sanson	No	N/A	Sanpat Ltd (Farming)	Sanpat Ltd (Farming)	N/A	AM & PA Sanson Family Trust (Trustee)	N/A	x3 Huntly (owner)	January 2020 Return Airfare to Guangzhou (China) from Yashili International Holdings, including 3 nights accommodation.	N/A	N/A
Stephanie Henderson	No	N/A	N/A	N/A	N/A	N/A	N/A	1x Te Kohanga (owner)	N/A	N/A	N/A
Shelley Lynch	No	6. No answer entered	N/A	N/A	N/A	N/A	<ul style="list-style-type: none"> Huntly Rotary (Charity) – Organisation has received, or applied to receive, funding from Council/Community Board/Community Committee BPW Huntly (Dinner meetings) Huntly & Ngaruawahia RSA (Dinner) 	x3 Huntly (owner)	N/A	N/A	N/A

Register of Elected Members Interests

		Statements Please refer to Statement Reference here.		Non - Financial Interests								
Name	Community Board	1 to 6	With the exception of	Companies		Employment	Other Organisations		Property	Gifts (received since 21 October 2019)	Payments for activities and services (since 21)	Debts
				Director/Manager	Financial Interests		Trustee/Beneficiary	Governing Body				
Gabrielle Parsons	Raglan	No	N/A	• Valencia Limited (Marine Engineering)	• Valencia Limited (Marine Engineering)	• Raglan Naturally (Community led development)	• Bradley Family Trust (Trustee)	• COGS Waikato West (Committee)	1x Raglan (Owner)	N/A	N/A	N/A
Bob McLeod	Raglan	No	6 - No answered entered	• CLOUDS (Training)	N/A	N/A	N/A	• Raglan Ratepay Community Inst (President)	1x Raglan (Owner)	N/A	N/A	N/A
Satnam Bains	Raglan	No	N/A	• Satnam's Supermarket Ltd (Retail) • Rano Community Trust (Grants/Community) • Downunder Developments (Property)	N/A	• Satnam's Supermarket Ltd (Retail) • Rano Community Trust (Grants/Community)	• Rano Community Trust (Chairman) • Bains Family Trust (Beneficiary)	• St Johns Raglan (Executive Member)	N/A	N/A	N/A	N/A
Dennis Amooore	Raglan	No	5 - No answered entered	Fairlight Developments (Director)	N/A	Fairlight Developments (Director)	Raglan Surfliife Saving - Amenities Trust (Trustee)	N/A	4x Raglan (Owner)	N/A	N/A	N/A
Tony Oosten	Raglan	No	N/A	No interests to declare	N/A	Fonterra (Dairy Manufacturer)	Waikato Trust A&B (Trustee)	N/A	2x Raglan (Owner)	N/A	N/A	N/A
Chris Rayner	Raglan	No	N/A	Raglan Farmstay (Accomodation)	N/A	Raglan Farmstay (Accomodation)	• Te Whare Trust (Director) • J & V Rayner Trust (Beneficiary)	N/A	1x Raglan (Director of Te Whare Trust)	N/A	N/A	N/A
Shaun Jackson	Onewhero Tuakau	No	5 - Smart Environmental (Tuakau) Have an indirect interest as Council lease a building I manage which is owned by a family member	• Lavalla Farm Ltd. (Farming Activity) • Lavalla Functions Ltd. (Function & Event Centre) • Jackson Group Developments Ltd. (Property Development) • Jackson Property Group Holdings (Property Maintenance)	N/A	Jackson Property Group Holdings Ltd. (Property Maintenance)	• Tuakau Youth Sport Trust (Chairperson)	• Tuakau Combined Sports Society (Chairperson) (has applied for Lightbody Reserve funding for field lighting)	5x Tuakau (Owner)	N/A	N/A	ANZ (Property Loan)
Caroline Conroy	Onewhero Tuakau	No	N/A	N/A	N/A	• Counties Mankau DHB (Midwife) • Midwifery Employee Representation & Advisory Service MERAS (Co-Leader of service that represents employed midwives)	N/A	Glen Murray Community Equestrian Group- Riding Centre (Chair) Received funding from OTCB in 2017 for a defibrillaotr for the County Hall & Equestrian Grounds	2x Tuakau (Owner)	N/A	N/A	N/A
Jonathan Lovatt	Onewhero Tuakau	No	N/A	• Supply Program Solutions Ltd. (Packaging Supplier)	• Powella Ltd. (Exporter) • Lovatt Holdings Ltd. (Domestic Renovations)	N/A	N/A	N/A	3x Onewhero (Owner)	N/A	N/A	N/A
Vernon Reeve	Onewhero Tuakau											
Kandi Ngataki	Onewhero Tuakau											
Bronwyn Watson	Onewhero Tuakau											
Kiri-Kauhrangi Breeze Morgan	Ngaruawahia	No	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Greg Wiechern	Ngaruawahia	No	N/A	• Wiechern Properties Ltd (Rental Properties)	• Wiechern Properties Ltd (Rental Properties)	• Motorhome Solar Ltd (Electrical/Solar to Motorhomes)	N/A	N/A	N/A	N/A	N/A	N/A
Jack Ayers	Ngaruawahia	No	N/A	N/A	N/A	N/A	• Waipa School Board of Trustees (Board Member)	N/A	N/A	N/A	N/A	N/A
Rongo Kirkwood	Ngaruawahia	No	N/A	• Riverbed Motel (Accomodation)	• Riverbed Motel (Accomodation)	• Trust Waikato (Community Trust)	N/A	N/A	N/A	N/A	N/A	N/A

		Statements Please refer to Statement Reference here.		Non - Financial Interests								
Name	Community Board	1 to 6	With the exception of	Companies		Employment	Other Organisations		Property	Gifts (received since 21 October 2019)	Payments for activities and services (since 21)	Debts
				Director/Manager	Financial Interests		Trustee/Beneficiary	Governing Body				
Dianne Firth	Ngaruawahia	No	N/A	N/A	<ul style="list-style-type: none"> Soalchery (Soap Making) Shipits (Dress Making) 	N/A	<ul style="list-style-type: none"> Dianne Firth Family Trust (Trustee) KH & CL Ulrich Trust (Beneficiary) 	<ul style="list-style-type: none"> Glen Massey School PTA (Treasurer) 	1x Ngaruawahia (Beneficiary of Trust) 1x Hamilton (Beneficiary of Trust)	N/A	N/A	N/A
Venessa Rice	Ngaruawahia	No	N/A	N/A	N/A	<ul style="list-style-type: none"> Ngaruawahia Community House (local community services and activities) Ngaruawahia High School (Husband employed as groundsman) 	N/A	<ul style="list-style-type: none"> Ngaruawahia Community Patrol 	2x Ngaruawahia (Owner)	N/A	N/A	N/A
David Whyte	Huntly	No	N/A	N/A	<ul style="list-style-type: none"> Zestos (Boutique citrus production, writing on environmental/tree issues, rental property management) 	N/A	N/A	<ul style="list-style-type: none"> New Zealand Tree Crops Association (President moving to Past President in 2021) Waikato Tree Crops (Committee Member) 	2x Ohinewai (Owner) 2x Huntly (Owner) 2x Ngaruawahia (Owner)	N/A	N/A	<ul style="list-style-type: none"> Westpac (bank loan)
Red Wootton	Huntly											
Rewi Cork	Huntly											
Greg McCutchan	Huntly	No	N/A	N/A	N/A	Declined to answer	N/A	N/A	Declined to answer	N/A	N/A	N/A
Kim Bredenbeck	Huntly	No	5. GM of WEA who hold a contract for ISITE delivery services for Raglan. Contract will end possibly in June 2020 (value of contract 142k)	N/A	N/A	<ul style="list-style-type: none"> Waikato Enterprise Agency Trust Inc. (Education and Tourism services) 	<ul style="list-style-type: none"> Friendship House Inc (Treasurer) 	<ul style="list-style-type: none"> Huntly War Memorial Hall Committee (Secretary) (Currently negotiating funds to continue the refurbishment of the hall as outlined by Chairperson who is the project manager aligned to plan) Huntly Residency and Ratepayers Association (Secretary) Lets Get Together Huntly (Committee member - delivers Wearable Arts Competition every second year- will apply to the culture fund and community board for this event in July) 	1x Huntly (owner)	N/A	N/A	N/A
Eden Watawai	Huntly	No	N/A	N/A	N/A	<ul style="list-style-type: none"> Waikato District Council (Employee-Customer Service) 	N/A	<ul style="list-style-type: none"> Huntly RSA (Committee Member) Harty Sistaz Huntly Girls Youth Group (Co-Facilitator) Anzac Day funding for Huntly RSA Access to Council resources as Huntly Youth Action Group Contributors (Harty Sistaz)	1x Huntly (Tenant)	N/A	N/A	N/A
Dorothy Lovell	Taupiri	No	1	N/A	N/A	<ul style="list-style-type: none"> Hamilton Hearing Assoc. (Administrator) 	N/A	N/A	N/A	N/A	N/A	N/A
Howard Lovell	Taupiri											
Rudy Van Dam	Taupiri	No	N/A	<ul style="list-style-type: none"> St. Isadore Co Ltd. (Farming) 	N/A	N/A	N/A	N/A	1x Taupiri (Owner)	N/A	N/A	N/A
Joanne Morley	Taupiri	No	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Sharnay Cocup	Taupiri	No	N/A	N/A	N/A	N/A	<ul style="list-style-type: none"> Taupiri School Board Trustees (Trustee) Taupiri Youth Group (Trustee) Waikato Trout Committee (Trustee) 	<ul style="list-style-type: none"> Taupiri Rugby Club (Weigh in deligate) 	N/A	N/A	N/A	N/A
Jacqueline Henry	Taupiri	No	N/A	N/A	N/A	<ul style="list-style-type: none"> Waikato Regional Council (Senior Social Scientist) 	N/A	N/A	1x Taupiri (Owner)	N/A	N/A	N/A

YELLOW INDICATES THAT THE ELECTED MEMBER DID NOT SUBMIT A COMPLETED FORM

		Financial Interests <i>Please refer to Statement Reference here.</i>		Non - Financial Interests								
Name	Community Committee	1 to 6	With the exception of	Companies		Employment	Other Organisations		Property	Gifts (received since 21 October 2019)	Payments for activities and	Debts
				Director/Manager	Financial Interests		Trustee/Beneficiary	Governing Body				
Tony Nelson	Tamahere											
Bevin Coley	Tamahere	No	N/A	<ul style="list-style-type: none"> Vael Holdings Coley Property Group Ltd. Coley Property General Partner Ltd. Freestone Property Ltd. Snell General Partner Ltd. Tahi Investments Ltd. 265 James Ltd. Vogler Ltd. Southend Ltd. Maxwell Place Ltd. Te Waiiti Ltd. Snell Street Limited Partnership Kake Investments Limited Partnership 313 Partnership 550 Investment Limited Charming Juno Limited 	<ul style="list-style-type: none"> Vael Holdings Coley Property Group Ltd. Coley Property General Partner Ltd. Freestone Property Ltd. Snell General Partner Ltd. Tahi Investments Ltd. 265 James Ltd. Vogler Ltd. Southend Ltd. Maxwell Place Ltd. Te Waiiti Ltd. Snell Street Limited Partnership Kake Investments Limited Partnership Charming Juno Limited 	<ul style="list-style-type: none"> Coley Property Group Ltd. (Property Management) 	<ul style="list-style-type: none"> B&C Coley Trust (Trustee & Beneficiary) BR Coley Investment Trust (Trustee & Beneficiary) <ul style="list-style-type: none"> Steele Trust (Beneficiary) Out Trust (Beneficiary) TH Coley Property Trust (Beneficiary) KT Coley Investment Trust (Beneficiary) RN Coley Investment Trust (Beneficiary) <ul style="list-style-type: none"> Phillip Coley Trust (Beneficiary) 	N/A	2x Tamahere (Owner)	N/A	N/A	All property finance- ANZ, BNZ, Kiwibank)
Janis Swan	Tamahere	No	N/A	N/A	<ul style="list-style-type: none"> Westpac Australia (Shares) Yarra (Australia) (Shares) Mercury (Shares) 	University of Waikato (Teaching and research)	<ul style="list-style-type: none"> Earle Technology Trust (Chairperson) Waikato Graduate Women's Educational Trust (Board Member) 	N/A	2x Tamahere (Owner)	N/A	Assessor of research grants (MBIE)	N/A
Lyn Harris	Tamahere	No	N/A	Livestock Sales RHB Ltd (Procurement of livestock for slaughter)	N/A	Livestock Sales RHB Ltd (Administration and Accounts)	<ul style="list-style-type: none"> Paul Harris Family Trust (Trustee & Beneficiary) Lyn Harris Family Trust (Trustee) 		1x Tamahere (Owner)	N/A	N/A	N/A
Alison Ewing	Tamahere	No	N/A	N/A	N/A	N/A	Cherry Farm Trust (Trustee)	MESH Sculpture Hamilton (Trustee)	2x Tamahere (Owner)	N/A	N/A	N/A
Jason Bates	Tamahere	No	N/A	Raid Investments Ltd. (Motel Accommodation)	Raid Investments Ltd. (Motel Accommodation)	ANZ (Bank Associate)	Tick Trust (Trustee)	N/A	1x Tamahere (Owner)	N/A	N/A	N/A
Ingrid ter Beek	Tamahere											
Ric Odom	Pokeno	No	N/A	Franklin Hospice Charitable Trust (Provision of palliative care)	Jeneric Investments Ltd. (Investment)	Franklin Hospice Charitable Trust (Provision of palliative care)	Jeneric Family Trust (Trustee)	Franklin JP Assn (Council member. Justices of the Peace)	1x Pokeno (Owner/Trustee)	N/A	N/A	New Zealand Home Loans (Mortgage)
Helen Clotworthy	Pokeno	No	N/A	Pokeno Bacon Co. (Manufacturers-Retailers)	Pokeno Bacon Co. (Manufacturers-Retailers)		David Evans Family Trust (Trustee & Beneficiary)	Pokeno Hall Committee (Treasurer) Pokeno Community Hall (Manager)	x4 Pokeno (Owner)	N/A	N/A	N/A
Lance Straker	Pokeno											
Allen Grainger	Pokeno	No	N/A	<ul style="list-style-type: none"> Waikato Rugby Union Frankton Rugby Sports Club Inc 	N/A	N/A	N/A	<ul style="list-style-type: none"> Waikato Rugby Union (Director) Frankton Rugby Sports Club (Board Member) 	N/A	N/A	N/A	N/A
Peter Koizumi	Pokeno											
Todd Miller	Pokeno											
Kris Hines	Pokeno	No	N/A	N/A	N/A	N/A	N/A	N/A	1x Pokeno (Owner)	N/A	N/A	N/A
Brenda Ann Roberts	Pokeno											
Doug Rowe	Pokeno	No	N/A	INCOMPLETE FOR REST								
Helen Johnson	Pokeno	No	N/A	N/A	N/A	NZ Police (Intelligence Analyst & Support)	N/A	Pokeno Tennis & Rec Club (Committee Member-rebuilding a community facility)	N/A	N/A	N/A	N/A
James McRobbie	Pokeno											

YELLOW INDICATES THAT THE ELECTED MEMBER DID NOT SUBMIT A COMPLETED FORM

Open Meeting

To	Audit & Risk Committee
From	Gavin Ion Chief Executive
Date	3 June 2020
Prepared by	Brendan Stringer
Chief Executive Approved	Y
Reference #	GOV1318
Report Title	Exclusion of the Public

I. RECOMMENDATION

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

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

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
Item 1.1 – Confirmation of Minutes	Good reason to withhold exists under Section 7 Local Government Official Information and Meetings Act 1987	Section 48(1)(a)
Item 2.2 – Staff Register of Interests		

This resolution is made in reliance on section 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by Section 6 or Section 7 of that Act which would be prejudiced by the holding of the whole or relevant part of the proceedings of the meeting in public, as follows:

Item No.	Section	Interest
1.1		Refer to the previous Public Excluded reason(s) in the Agenda for this meeting.
2.2	7(2)(a)	To protect the privacy of natural persons, including that of deceased natural persons.

AND THAT the Audit NZ representatives be permitted to remain at this meeting, after the public has been excluded, because of their knowledge of audit requirements for Waikato District Council. This knowledge, which will be of assistance in relation to the matter to be discussed, is relevant to that matter to inform and advise the Committee members.
