



**Time:** 10.00am  
**Date:** Monday 8 June 2020  
**Meeting:** Audio Visual Meeting

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# AUDIT AND RISK COMMITTEE AGENDA



## AGENDA ITEMS

### 1 MEMBERS

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#### **Chairperson**

Bruce Robertson

#### **Members**

His Worship the Mayor JB Mylchreest, Councillors AW Brown, RDB Gordon, SC O'Regan and CS St Pierre.

### 2 APOLOGIES

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### 3 DISCLOSURE OF MEMBERS' INTERESTS

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Members are reminded to declare and stand aside from decision making when a conflict arises between their role as an elected member and any private or other external interest they may have.

### 4 LATE ITEMS

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Items not on the agenda for the meeting require a resolution under section 46A of the Local Government Official Information and Meetings Act 1987 stating the reasons why the item was not on the agenda and why it cannot be dealt with at a subsequent meeting on the basis of a full agenda item. It is important to note that late items can only be dealt with when special circumstances exist and not as a means of avoiding or frustrating the requirements in the Act relating to notice, agendas, agenda format and content.

### 5 CONFIRMATION OF ORDER OF MEETING

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#### **Recommendation**

*That the order of the meeting be confirmed.*



## REPORTS

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Reports will follow this agenda in sequential order.

# AUDIT AND RISK COMMITTEE REPORT



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**To:** The Chairperson and Members of the Audit and Risk Committee  
**From:** Governance  
**Subject:** **CONFIRMATION OF MINUTES**  
**Meeting Date:** 8 June 2020

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## 1 EXECUTIVE SUMMARY

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To confirm the minutes of the Extraordinary Audit and Risk Committee meeting held on Tuesday 12 May 2020.

## 2 RECOMMENDATION

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*That the open and public excluded minutes of the Extraordinary Audit and Risk Committee meeting held on 12 May 2020, having been circulated, be taken as read and confirmed as a true and correct record of that meeting.*

## 3 ATTACHMENTS

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- Extraordinary Audit and Risk Committee Minutes – 12 May 2020
- Public Excluded Extraordinary Audit and Risk Committee Minutes – 12 May 2020 **(Circulated Separately)**

# AUDIT AND RISK COMMITTEE MINUTES



## EXTRAORDINARY MEETING

**Time:** 2:00pm  
**Date:** Tuesday, 12 May 2020  
**Venue:** Audio Visual Meeting

### 1 PRESENT

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**Chairperson via Zoom**

Bruce Robertson

**Members via Zoom**

His Worship the Mayor JB Mylchreest, Councillors AW Brown, RDB Gordon, SC O'Regan and CS St Pierre.

**In attendance via Zoom**

Leon Pieterse - Audit New Zealand, Kataraina Macown – Audit New Zealand

### 2 APOLOGIES

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There were no apologies.

### 3 DISCLOSURE OF MEMBERS' INTERESTS

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There were no new disclosures.

### 4 LATE ITEMS

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There were no late items.

## AUDIT AND RISK COMMITTEE MINUTES



### 5 CONFIRMATION OF ORDER OF MEETING

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**RESOLVED**

E14/20/01

*That the order of the meeting be confirmed.*

Chairperson Robertson/ Councillor Gordon

### 6 CONFIRMATION OF MINUTES

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**RESOLVED**

E14/20/02

*That the open minutes of the Audit and Risk Committee meeting held on 9 March 2020 having been circulated, be taken as read and confirmed as a true and correct record of that meeting.*

Councillor St Pierre/ Councillor Gordon

### 7 ANNUAL PLAN

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Manager Strategy Kirsty Downey presented the report and advised that the impacts of COVID-19 are far-reaching. To ensure that Elected Members and staff were fully informed as to the impacts of COVID-19 on the Waipā economy, and future decision-making is robust, advice was sought from Brad Olsen, Senior Economist, at Infometrics.

Ms Downey advised that this advice informed a comprehensive review of the 2020/21 Draft Annual Plan currently being undertaken by Council staff. This review includes a revisit of the key assumptions which underpin the 2020/21 Draft Annual Plan.

It was noted that these were uncertain times and the environment was very fast moving. Assumptions that are being made now may well prove to be incorrect at a future point in time.

It was advised that decisions made through the Annual Plan 2020-21 could have a significant impact on year one of the 2021- 31 Long Term Plan.

Ms Downey advised that alternative advice and guidance was being sourced through the Government Covid-19 response unit, Te Waka, and economic data from the SOLGM Community Wellbeing data service. This service also provides a significant



amount of data including the uplift of MSD primary benefits. It was advised that Steve Tritt Economic Development Manager, has been seconded to Te Waka and will be providing Waipa centric, up to date information.

Discussion was held around whether the financial information provided was the best available, was the risk managed and was it prudent to proceed and make a decision on 30 June 2020.

In response, it was noted that a conservative approach had been adopted and there was a good monitoring regime in place to adjust to changes accordingly. It was suggested to Elected Members to hold a cash reserve in place for the first year of the Long Term Plan and to use money from the Arbitrage fund for a recovery package.

Discussion was held around what options Council has if people can't pay their rates given the projection of 2,000 job losses and 6.9% unemployment in the Waipa district. It was advised that Waipa District Council has a very high direct debit take up of above 60%. With the rates 4<sup>th</sup> instalment due 21 May and water bills also due, penalty of 10% has been reduced to 3% and also an extension of payment has been offered for this cycle of bills.

Chairperson Robertson encouraged the Committee to consider including monitoring of the Annual Plan as a focused part of the Audit and Risk Committee reporting for the coming year.

#### **RESOLVED**

E14/20/03

*That the 'Revisiting the Assumptions for the 2020/21 Annual Plan' report (ECM 10388013) of Kirsty Downey, Manager Strategy, be received.*

Chairperson Robertson/ Councillor O'Regan

## **8 LONG TERM PLAN 2020-21 PROJECT UPDATE AND KEY RISKS**

The purpose of this report presented by Haven Walsh, Strategic Projects Driver, was to provide the Committee with an update on the preparation of the 2021-31 Long Term Plan (LTP), primarily in relation to the impacts from the COVID-19 pandemic.

Mr Walsh advised that the LTP project management group has endorsed a recommendation to have more flexible time frames around the deliverables when preparing the LTP. It was advised that Covid-19 restrictions have limited public





engagement opportunities. The two very high risks were still the availability of key staff and the delivery of works in the LTP.

Discussion was held around the need to relook at current population data sources and reviewing the Forecast Assumption which states “significant changes occur within the external economic environment – puts pressure on the LTP process”, currently rated as a high risk.

Manager Strategy Kirsty Downey advised that the Activity Management Plans would be finalised by the end of September 2020 and a programme of work has been developed for the redevelopment of many Strategies including the Transport Strategy.

Building and Resource Consent applications are being monitored and numbers are reported to Council through the Strategic Planning and Policy Committee.

#### **RESOLVED**

E14/20/04

*That the ‘Long Term Plan 2021-31 Project Update and Key Risks’ report (document number 10385846) of Haven Walsh, Strategic Projects Driver, be received.*

Councillor A Brown/ Mayor Mylchreest

## **9 RESPONDING TO COVID-19 AND AUDIT FEES**

The report presented by Sarah Davies Manger Finance, provided the Committee with:

- A recent letter from John Ryan, the Auditor-General, responding to Covid-19 and indicating a change in their approach to audit fees, and
- The draft Audit Proposal Letter received from Audit New Zealand, with the view to securing the Committee’s approval of the proposed audit fees and the signing of the Audit Proposal Letter as provided for in the Committee’s delegations.

It was reported that the Auditor- General has held audit fees to a 1.5% increase for the upcoming audit.

Leon Pieterse from Audit New Zealand advised that Audit New Zealand staff have also had to adapt their working environment and have been working remotely. It was emphasised how important communication would be going forward if audits are to be conducted remotely. It was advised that the Land and Buildings revaluation is due to be carried out this year.





It was advised that an Annual Report Project group has been established.

**RESOLVED**

E14/20/05

That –

- a) *The report titled ‘Audit Proposal Letter’ (document number 10385584) of Sarah Davies, Manager Finance be received;*
- b) *The Audit and Risk Committee approve the proposed audit fee of ONE HUNDRED AND THIRTY SIX THOUSAND, FIVE HUNDRED AND NINETY SIX DOLLARS (\$136,596) excluding disbursements and GST; and*
- c) *The Audit and Risk Committee approve the signing of the Audit Proposal Letter by his Worship the Mayor.*

Chairperson Robertson/ Councillor Gordon

**10 RESOLUTION TO EXCLUDE THE PUBLIC**

(Section 48, Local Government Official Information and Meetings Act 1987)

**RESOLVED**

E14/20/06

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

*The general subject of the 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:*

<b>General subject of each matter to be considered</b>	<b>Reason for passing this resolution in relation to each matter</b>	<b>Ground(s) under section 48(1) for the passing of this resolution</b>
<i>1. Overview of COVID-19 related contract claims with the Group Manager Service Delivery</i>	<i>Good reason to withhold exists under section 7 Local Government Official Information and Meetings Act 1987</i>	<i>Section 48(1)(a)</i>



2. Chief Executive Organisational Risk Discussion	Good reason to withhold exists under section 7 Local Government Official Information and Meetings Act 1987	Section 48(1)(a)
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*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, are as follows:*

Item No.	Section	Interest
1.	Section 7(2)(b)	To protect information which if public would; i. disclose a trade secret; or ii. unreasonably prejudice the commercial position of the person who supplied or who is the subject of the information.
2.	Sections 7 (2)(a) 7 (2)(b)	Protect the privacy of natural persons, including that of deceased natural persons; and  To protect information which if public would; i. disclose a trade secret; or ii. unreasonably prejudice the commercial position of the person who supplied or who is the subject of the information.

Chairperson Robertson/ Councillor St Pierre

[Meeting adjourned at 2.16pm and resumed at 2.20pm]

There being no further business the meeting closed at 5.18 pm.



**CONFIRMED AS A TRUE AND CORRECT RECORD**

**CHAIRPERSON:** .....

**DATE:** .....



**To:** The Chairperson and Members of the Audit and Risk Committee  
**From:** Manager Finance  
**Subject:** Treasury update, strategy and risks  
**Meeting Date:** 8 June 2020  
**File Reference:** 72.19

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## 1 EXECUTIVE SUMMARY

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Treasury management is an important focus area for Council with the organisation having large amounts of money to manage together with the need for borrowing to fund capital investment. It is incredibly important to monitor and regularly review our strategy in the Treasury space as our level of debt increases.

Council has a Treasury Management Policy to govern how this aspect of our operations is managed. Council has also engaged Bancorp New Zealand Limited (Bancorp) over many years as Council's Treasury adviser, due to the specialist nature of this activity.

Earl White of Bancorp will be presenting at the meeting with the intent of providing the Committee an understanding of Council's treasury management policies and strategies with reference to current market and wider economic conditions.

## 2 RECOMMENDATION

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*That –*

- a) The 'Treasury update, strategy and risks' report (document number 10395469) of Sarah Davies, Manager Finance, and the presentation by Bancorp New Zealand Limited, be received; and*
- b) Bancorp New Zealand Limited representative Earl White be thanked for his attendance at the meeting.*

### 3 STAFF COMMENT

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Bancorp's presentation will cover the following elements of Council's treasury management:

- a high level overview of Council's investment and borrowing policies;
- a discussion around our current strategies for interest rate risk management, borrowing and interest rate swap cover; and
- a current economic update on global markets and impact on the local economy.



Sarah Davies  
**FINANCE MANAGER**



Approved by Ken Morris  
**DEPUTY CHIEF EXECUTIVE / GROUP MANAGER BUSINESS SUPPORT**



**To:** The Chairperson and Members of the Audit and Risk Committee  
**From:** Business Resilience and Risk Advisor  
**Subject:** Risk Management Update  
**Meeting Date:** 8 June 2020

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## 1 EXECUTIVE SUMMARY

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Robust risk management is essential to Waipā District Council (WDC) to support the achievement of its strategic objectives.

WDC is currently in year one of a three year improvement programme with the objective of raising Council's risk management maturity level from 'sustainable' to 'mature'.

The emerging risk of a COVID-19 pandemic reported to ARC at its 9 March meeting materialised, in an extreme way. This has been a pandemic that has caused deaths and unprecedented government response and economic and social impact. The government imposed measures which, apart from ensuring the continuation of a very small range of essential services, completely closed our international borders and kept the entire New Zealand population in lock-down in their homes for over 4 weeks.

The past quarter has been focused on managing this risk at an operational level, and also through the urgent revision of Council's Annual Plan and forward into Council's 2021-31 Long Term Planning. This in turn has meant a number of risk improvement initiatives are delayed however, the COVID-19 crisis has been a great test and learning for risk management practices going forward and in particular in the risk area of business continuity.

WDC's response to the COVID-19 pandemic has been focussed on organisational business continuity and largely aligned with the response taken by other Councils, with an emphasis on a pragmatic, flexible and risk based approach. WDC have been part of a cross-council risk and business continuity forum consisting of neighbouring Councils where experiences and learnings in regards to COVID have been shared frequently.



In addition, WDC has responded to the National State of Emergency of the COVID-19 pandemic with the establishment and operation of the Western Waikato Emergency Operating Centre which included Waipā, Ōtorohanga and Waitomo District Councils. The Western Waikato Emergency Operating Centre's primary purpose was to provide support for the non-health welfare needs of the communities and to support the health activities of the Waikato District Health Board particularly the mobilisation of community based assessment centre testing within the three Districts.

Overall the emergency and business continuity responses have been very successful. In particular, essential services have continued to be delivered throughout the lockdown period and the mobilisation to remote working has occurred for the majority of Council staff. Emergency welfare support continues to be provided (now through the Southern Emergency Operating Centre based in Taupo) to our most vulnerable residents and communities through our emergency response actions.

Council was required to move swiftly and often react quickly to Government announcements. The response involved significant resource from across the organisation, with the organisation as a whole displaying amazing resilience and adaptability.

Aligned with Council's Business Resilience Policy the response was managed through the formation of a Crisis Management Team (CMT). This ensured timely and effective decision making and clear ownership of actions required to implement Council's COVID-19 response plans. The team also worked closely with the Western Waikato Emergency Operating Centre to ensure alignment of activity.

It is very clear that the investment put into creating Council's Business Improvement and Risk Team and the advancement of the digital strategy over the past couple of years paid dividends in this crisis. Work done in the Risk and Business Resilience space was instrumental in providing us a great foundation for the crisis management effort.

As we move from response to recovery the key next steps are to focus on the changes made throughout the response and the lessons learnt. A team of representatives from across Council will form a COVID Improvement Group to capture the innovations made and inform the potential new way of working in the future. In parallel the CMT also continues to monitor the crisis in the unfortunate event that Council will need to roll-back again in the future.

Details of the response approach and the next steps are provided along with a high level timeline of actions.

A further update will be provided to the September meeting of the Audit and Risk Committee.

## 2 RECOMMENDATION

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*That the 'Risk Management Update' report (document number 10392102), including the Quarterly Risk Report for March to May 2020 (document number 10394143) of Genny Wilson, Business Resilience and Risk Advisor, be received.*

## 3 STAFF COMMENTS

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The systematic management of risk is important for any organisation and in particular to a business as large and diverse as Council's. Ensuring an appropriate risk management framework is in place is an important function of the Audit and Risk Committee.

### **Actions, Initiatives and Plans Since Last Report**

#### **COVID-19 Response**

The emerging risk of a COVID-19 pandemic reported to ARC at its 9 March meeting materialised with the past quarter being focussed on the planning and response to this crisis and the National State of Emergency.

This has been a rapidly moving and fluid situation that has required close monitoring and quick responses. WDC took a pragmatic, flexible and risk based approach in developing a response plan and reacted accordingly. Rather than develop comprehensive business continuity plans for each area a simple plan specific to COVID-19 was used and this was the reference point for Managers to use for their specific areas. The Business Impact Analyses completed last year, as part of the business continuity improvement program, formed a strong foundation for the business unit response plans; critical processes had already been identified and staff categorised as critical, essential or non-essential. This formed the basis for prioritising the response planning, roll out of laptops to enable remote working, and isolation measures for staff.

#### ***High-level outline of response activity***

- The Crisis Management Team (CMT) began meeting to undertake planning from mid-February and was formally activated on 2 March. Frequent focussed meetings allowing timely decision making and implementation of the plans was key to the success of the response. The Chief Executive and other Executive members often attended meetings ensuring appropriate and quick decision making where necessary. Once the Western Waikato Emergency Operating Centre (EoC) was activated there was a standing agenda item for Civil Defence Emergency Management (CDEM) updates to ensure that decision making, communications and actions were aligned and intelligence shared.

- At key points of the response, meetings were held between the CMT and the full Leadership team to ensure everyone understood the processes being followed, the actions required and what they needed to work through with their teams. This was an effective mechanism for ensuring that everyone understood their responsibilities and reinforced common messaging.
- Council's Crisis Communication Plan was activated. A daily blog/email update from Garry as Chief Executive was a key component of ensuring staff understood what was happening, how we were responding to this crisis and what they needed to do. The communications to the community were also crucial to managing the situation and reinforcing the central government messaging. A total of 72 press releases were managed by the team during the response as well as newsletters and social media. Further details of communications is summarised in Appendix 2.
- A COVID-19 risk register was created and actively managed with review of highest risks at CMT. This allowed the CMT to focus on the right activities at the right times.
- One of the greatest successes of the response plan was the full mobilisation of the workforce over a period of 48 hours. This included the rollout of 80 laptops to staff to enable remote working.

Key high level learnings from the response are:

- Having the thinking and plans completed before escalation of the crisis allowed for more objective decision making and control and allowed focus on the most critical tasks/resources.
- Making assumptions and developing the plans was more crucial than waiting for information from external sources – it was easier to adapt rather than start from scratch with even shorter timeframes.
- Having a highly skilled Communication and Engagement Team was key as frequent internal and external messaging was essential.
- Having the right people on CMT who could inform the decision making and understand the impacts is crucial to be effective. It also allowed clear ownership of actions to implement the plan and also ensured that there were clear boundaries between CMT and EoC roles and responsibilities.
- Providing base documents and then working with the Leadership Team to implement the plans was a successful and efficient approach.
- The can-do attitude of key teams who enabled the business continuity response ensured we continued to deliver essential services and back office support during the lockdown.
- Recent upgrades and improvements, including recent digital investment, enabled the business to effectively function remotely.

Details of a timeline of key actions undertaken from February 2020 when the emerging risk was identified is summarised into Appendix 1.

**Next Steps**

While the response is still underway and we are moving to a recovery phase there are some clear steps that will be completed over the next quarter including:

- Completion of a staff survey to capture learnings and ideas that have come out of the response, including new ways of working.
- Establishment of a COVID Improvement Group to work with staff at a grass roots level to capture and embed the changes made, ideas for improvement and other innovations.
- Define the strategic framework for a new way of working at Alert Level 1 and ongoing for the future of work at WDC.
- Complete a review of the CMT to identify what worked well, what can be improved and learnings to include in Council's the Crisis Management Plan and collateral.
- Complete a full After Action Review and embed the lessons learned – good and not so good into the appropriate processes.
- A debrief will also occur with the Emergency Operating Centre Leadership staff when the event is over.

A further update will be provided to the September meeting of the Audit and Risk Committee.

**Quarterly Risk Management Report**

The quarterly risk management report has been developed in line with Council's Risk Management Policy and feedback from previous Audit and Risk Committee meetings. The report for the March 2020 to May 2020 is attached as Appendix 3.

The key purpose of the report is to provide a base for discussion and trigger effective risk conversations by the Committee. The report provides the Committee with the results of the quarterly review of risks; an update on the status of the mitigation measures; as well as an update on the implementation of the risk strategy. It provides a base for discussion at every meeting of this Committee. The Executive also conduct a quarterly review of the report in the lead-in to the Audit and Risk Committee review.

The report continues to evolve, with the beginnings of compliance reporting this quarter. This evolution will continue as mechanisms for gathering the necessary data are developed for the remaining placeholders/gaps. Staff welcome feedback and ideas from this Committee to improve the usefulness of the information provided.



Genny Wilson

**BUSINESS RESILIENCE AND RISK ADVISOR**



Reviewed by Georgina Knapp  
**MANAGER BUSINESS IMPROVEMENT AND RISK MANAGEMENT**



Approved by Ken Morris  
**DEPUTY CHIEF EXECUTIVE / GROUP MANAGER BUSINESS SUPPORT**

## APPENDIX 1

### Timeline of Key Actions in Response to COVID-19

Activity	When	Comment
Pandemic planning commenced. Pandemic plan drafted.	10 Feb	Based on Ministry of Health Influenza Pandemic Plan and other Council approaches.
Leadership briefing on emerging risk and planning approach.	17 Feb	Approach agreed and CMT starts meeting regularly as planning function. Key stakeholders and partners (Go Waipa, Mighty River Domain and MEIT) planning discussions. Initial supplies ordered.
Meetings with Managers and Business Unit and Department Response Plans completed	28 Feb	Meetings with Managers held to ratify critical processes, staff and escalation/response plan for each business unit. Summary report prepared for Executive. Round table with Leadership Team.
WDC moves to yellow alert level	2 March	CMT formally activated. 120 Laptops ordered. Cleaning upgraded for office buildings. Supply chain issues with sanitiser. Financial tracking of additional costs commences.
Verbal update given to ARC	9 March	Update as to latest status and plans given to ARC at meeting as further developments since report written.
WDC moves to orange alert level	11 March	All non-essential business travel stopped. CMT meeting and making decisions as to response. Critical staff issued with laptops to allow remote working. Crisis communication plan activated.
Further update to Leadership Team	17 March	Preparations for further escalation of crisis agreed. Notification of group with representatives from DIA, SOLGM and LGNZ being formed to provide guidance to Local Government sector.
Meeting with representatives of Chambers of Commerce and iSites	18 March	Response plan for WDC outlined and considerations that are required for these organisations. Links provided to source information identified from central government.
Four level alert system announced by Prime Minister	22 March	Pandemic plan reviewed and still aligned with levels approach. Work bubbles instigated (if not already in place) for all essential staff.
Prime Minister announces move to Alert Level 3 for 48 hours then lockdown under Alert Level 4	23 March	Plans confirmed. Laptop deployment to essential staff fast tracked. Staff begin working from home. Facilities closed from 23 March with 15 public toilets remaining open. Preparation for shut down of contractor sites and closure of facilities.
Emergency Council Meeting	25 March	Arrangements for management through lockdown. Briefing on response plan to all Council. National State of Emergency declared.
First day of lockdown at Alert Level 4	26 March	WWEoC stood up. Staff delivering essential services only to travel. Letters of authorisation provided to staff and key contractors.
Under Alert Level 4 lockdown	27 March ongoing	Daily communications to all staff from Garry throughout lockdown. Closed facebook page established for staff to connect informally. CMT



Activity	When	Comment
		<p>continues to meet daily to monitor information from local government response group and AOG, plan next steps and respond to issues. Alignment of CMT and EoC actions and communications with CDEM standing CMT agenda item and attendance by EoC Response Manager. Staff unable to work redeployed assisting EoC. Participation in cross council conference calls. Staff absence monitoring spreadsheet for business continuity purposes developed. COVID-19 risk register established and actively managed. Staff contact tracing mechanisms in place.</p> <p>EoC continues to provide non-health welfare support.</p>
Rollback plans developed for descending alert levels	6 April and ongoing	Overall organisational roll back plan for facilities and services developed. Leadership briefing and walk through. Work with key partners to ensure rollback planning aligned.
Health and Safety plans – organisational and business unit developed for Alert Level 3	20 April	As per WorkSafe guidance health and safety plans for return to workplace developed, including contact tracing requirements.
Move to Alert level 3 after 48 hours’ notice	28 April	<p>Reinduction of staff into work place. Building inspections, park maintenance, capital works contract sites restart. Contractor H&amp;S plans reviewed. Library and museum staff on site but back office only. Staff contact tracing mechanisms in place. Majority of staff continuing to work from home.</p> <p>EoC continues to provide non-health welfare support.</p>
Move to Alert Level 2	13 May	<p>Preparations for staff returning – roster and physical distancing established in offices. Protocols and FAQs to complement H&amp;S plans developed for all staff. Contact tracing for members of public established for Libraries, Front counter and Museum. Staff contact tracing mechanisms in place. Screens for public facing staff. Majority of staff continuing to work from home. WWeoC dis-establishes on 14 May and becomes part of a new Southern Emergency Operating Centre.</p>
Facilities reopen	18 May	Front counters opened. Libraries opened for return of books only. Museum open.
Offices reopen for staff	25 May	Agreed staff return to office buildings after induction in new ways of working. Libraries reopen to public. 56% (174 staff members) are working from ‘normal’ locations. Of these staff 92 have remained on site working throughout the various alert levels.

## APPENDIX 3

### Communications Summary

#### Media releases

Date	Story	Theme
25 May 2020	<a href="#">COUNCIL OFFERS FREE MOBILE APP TO KEEP COMMUNITY CONNECTED</a>	Waipā District Council services, projects and operations
22 May 2020	<a href="#">REGIONAL BIDS FOR STIMULUS CLEAR FIRST HURDLE</a>	Recovery
13 May 2020	<a href="#">Libraries and museum to reopen under alert level 2</a>	Waipā District Council services, projects and operations
12 May 2020	<a href="#">COUNCIL OPERATIONS AND FACILITIES REINSTATED AT ALERT LEVEL 2</a>	Waipā District Council services, projects and operations
12 May 2020	<a href="#">PLAY IT SAFE WHEN WE REACH LEVEL 2 ON THURSDAY</a>	CIVIL DEFENCE MESSAGING
11 May 2020	<a href="#">Waikeria Pipeline project hits the streets</a>	WAIPĀ DISTRICT COUNCIL SERVICES, PROJECTS AND OPERATIONS
8 May 2020	<a href="#">WAIPA RISING UP TO MIGHTY LOCAL CHALLENGE</a>	RECOVERY
7 May 2020	<a href="#">Waiting game for duck hunters</a>	CIVIL DEFENCE MESSAGING
4 May 2020	<a href="#">No shame in asking for help</a>	CIVIL DEFENCE MESSAGING
1 May 2020	<a href="#">COUNCIL RESUMES MAINTENANCE OF PARKS AND RESERVES</a>	WAIPĀ DISTRICT COUNCIL SERVICES, PROJECTS AND OPERATIONS
30 April 2020	<a href="#">Webpage launched for donations</a>	CIVIL DEFENCE MESSAGING

30 April 2020	<a href="#">INTEREST-FREE LOAN SOUGHT TO JUMP-START CAMBRIDGE</a>	RECOVERY
29 April 2020	<a href="#">Help also available for companion animals</a>	CIVIL DEFENCE MESSAGING
29 April 2020	<a href="#">COUNCIL TO CONTINUE LIVESTREAMING MEETINGS DURING LEVEL 3</a>	WAIPĀ DISTRICT COUNCIL SERVICES, PROJECTS AND OPERATIONS
29 April 2020	<a href="#">PLAYGROUNDS, SKATEPARKS, BOAT RAMPS STAY CLOSED AT ALERT LEVEL 3</a>	WAIPĀ DISTRICT COUNCIL SERVICES, PROJECTS AND OPERATIONS
28 April 2020	<a href="#">Three Councils to work together during Alert Level 3</a>	WAIPĀ DISTRICT COUNCIL SERVICES, PROJECTS AND OPERATIONS
28 April 2020	<a href="#">Funding sought for water work</a>	RECOVERY
28 April 2020	<a href="#">LIBRARIES AND MUSEUM TO REMAIN CLOSED AT LEVEL 3</a>	WAIPĀ DISTRICT COUNCIL SERVICES, PROJECTS AND OPERATIONS
28 April 2020	<a href="#">BUSINESSES, FACILITIES URGED TO CHECK WATER IF OPENING</a>	CIVIL DEFENCE MESSAGING
27 April 2020	<a href="#">MOVE TO ALERT LEVEL 3 HOURS AWAY</a>	CIVIL DEFENCE MESSAGING
26 April 2020	<a href="#">Help with staying warm available</a>	CIVIL DEFENCE MESSAGING
25 April 2020	<a href="#">Hunting on private land allowed at Alert Level 3</a>	CIVIL DEFENCE MESSAGING
24 April 2020	<a href="#">SHOW YOUR SUPPORT THIS ANZAC DAY</a>	CIVIL DEFENCE MESSAGING
23 April 2020	<a href="#">NEW SUPPORT CENTRE GIVES HELPING HAND TO BUSINESSES</a>	RECOVERY

23 April 2020	<a href="#"><u>Waipā pitches cycleway to government</u></a>	RECOVERY
22 April 2020	<a href="#"><u>Welfare support will continue for those in need</u></a>	CIVIL DEFENCE MESSAGING
21 April 2020	<a href="#"><u>Waipā residents encouraged to mark Anzac Day at home</u></a>	WAIPĀ DISTRICT COUNCIL SERVICES, PROJECTS AND OPERATIONS
21 April 2020	<a href="#"><u>Local celebrities share tips for staying fit and happy in your bubble</u></a>	WAIPĀ DISTRICT COUNCIL SERVICES, PROJECTS AND OPERATIONS
20 April 2020	<a href="#"><u>COUNCIL TO REINSTATE MORE OPERATIONS AT ALERT LEVEL 3</u></a>	WAIPĀ DISTRICT COUNCIL SERVICES, PROJECTS AND OPERATIONS
20 April 2020	<a href="#"><u>COMPLIANCE NOT COMPLACENCY – WE'RE STILL ON LEVEL FOUR</u></a>	CIVIL DEFENCE MESSAGING
20 April 2020	<a href="#"><u>THE RATES DILEMMA – WHY A ZERO RATES INCREASE MAY NOT BE THE ANSWER</u></a>	RECOVERY
19 April 2020	<a href="#"><u>KEEP CALLING THE HELPLINE – IT'S WORKING</u></a>	CIVIL DEFENCE MESSAGING
18 April 2020	<a href="#"><u>HOUSEHOLD BUBBLES WILL BE ABLE TO GROW AT LEVEL 3, BUT SHOULDN'T BURST</u></a>	CIVIL DEFENCE MESSAGING
17 April 2020	<a href="#"><u>DON'T BLOW THE HALFTIME LEAD – WE'RE STILL ON LEVEL FOUR</u></a>	CIVIL DEFENCE MESSAGING
17 April 2020	<a href="#"><u>WAIKATO UNITED ON PITCH FOR GOVERNMENT FUNDING</u></a>	RECOVERY
16 April 2020	<a href="#"><u>WESTERN WAIKATO LOCAL HERO – DAVID NORDELL</u></a>	CIVIL DEFENCE MESSAGING
16 April 2020	<a href="#"><u>SORE THROAT? FLU SYMPTOMS? GET CHECKED.</u></a>	CIVIL DEFENCE MESSAGING

16 APRIL 2020	<a href="#">HANG IN THERE, DON'T GET COMPLACENT</a>	CIVIL DEFENCE MESSAGING
14 APRIL 2020	<a href="#">ONE THIRD OF COUNCIL STAFF ESSENTIAL SERVICE WORKERS</a>	WAIPĀ DISTRICT COUNCIL SERVICES, PROJECTS AND OPERATIONS
14 APRIL 2020	<a href="#">PLEASE HOLD OFF POSTING YOUR "FREE TO A GOOD HOME" ON FACEBOOK</a>	CIVIL DEFENCE MESSAGING
12 APRIL 2020	<a href="#">HELP IS ON HAND 24/7</a>	CIVIL DEFENCE MESSAGING
11 APRIL 2020	<a href="#">REPORT BREACHES AND SCAMS TO POLICE, NOT COUNCIL</a>	CIVIL DEFENCE MESSAGING
10 APRIL 2020	<a href="#">STAYCATION, NOT VACATION THIS EASTER</a>	CIVIL DEFENCE MESSAGING
9 APRIL 2020	<a href="#">LOCAL PHARMACIES OPEN FOR URGENT MEDICATION OVER EASTER</a>	CIVIL DEFENCE MESSAGING
8 APRIL 2020	<a href="#">STOP DUMPING RUBBISH</a>	CIVIL DEFENCE MESSAGING
7 APRIL 2020	<a href="#">RATES RELIEF FOR WAIPĀ RESIDENTS</a>	RECOVERY
7 APRIL 2020	<a href="#">HOLIDAY HOMES AND BACHES A NO-GO</a>	CIVIL DEFENCE MESSAGING
6 APRIL 2020	<a href="#">NUMBER OF E-RESOURCES ON LOAN TRIPLES</a>	WAIPĀ DISTRICT COUNCIL SERVICES, PROJECTS AND OPERATIONS
5 APRIL 2020	<a href="#">STAY HOME AND STAY IN YOUR BUBBLE</a>	CIVIL DEFENCE MESSAGING
4 APRIL 2020	<a href="#">WELFARE HELPLINE WORKING</a>	CIVIL DEFENCE MESSAGING
3 APRIL 2020	<a href="#">VOLUNTEER BUDDIES ASSIST RESIDENTS IN NEED</a>	CIVIL DEFENCE MESSAGING
2 APRIL 2020	<a href="#">LOCAL FOOD BANKS DEMAND GROWING</a>	CIVIL DEFENCE MESSAGING

1 APRIL 2020	<a href="#"><u>SHARE INFORMATION ACROSS YOUR NETWORKS</u></a>	CIVIL DEFENCE MESSAGING
1 APRIL 2020	<a href="#"><u>RESIDENTS URGED TO CONTACT COUNCIL</u></a>	WAIPĀ DISTRICT COUNCIL SERVICES, PROJECTS AND OPERATIONS
31 MARCH 2020	<a href="#"><u>HELPLINE NOW SET UP TO HELP LOCAL RESIDENTS STRUGGLING</u></a>	CIVIL DEFENCE MESSAGING
31 MARCH 2020	<a href="#"><u>FUNDING OPEN FOR CREATIVE PROJECTS IN WAIPĀ</u></a>	RECOVERY
31 MARCH 2020	<a href="#"><u>VOLUNTEERS ASKED TO REGISTER FIRST</u></a>	CIVIL DEFENCE MESSAGING
30 MARCH 2020	<a href="#"><u>SEEK HELP THROUGH THE OFFICIAL CHANNELS</u></a>	CIVIL DEFENCE MESSAGING
30 MARCH 2020	<a href="#"><u>WAIPĀ YOUTH AWARDS DEADLINE EXTENDED</u></a>	WAIPĀ DISTRICT COUNCIL SERVICES, PROJECTS AND OPERATIONS
27 MARCH 2020	<a href="#"><u>COUNCIL AND COMMITTEE MEETINGS TO RESUME</u></a>	WAIPĀ DISTRICT COUNCIL SERVICES, PROJECTS AND OPERATIONS
26 MARCH 2020	<a href="#"><u>WAIPĀ LIBRARIES TO OFFER FREE ELECTRONIC RESOURCES TO RESIDENTS</u></a>	WAIPĀ DISTRICT COUNCIL SERVICES, PROJECTS AND OPERATIONS
26 MARCH 2020	<a href="#"><u>COUNCIL'S MAJOR PROJECTS DISRUPTED</u></a>	WAIPĀ DISTRICT COUNCIL SERVICES, PROJECTS AND OPERATIONS



25 MARCH 2020	<a href="#">EXECUTIVE COMMITTEE TO GOVERN WAIPĀ</a>	WAIPĀ DISTRICT COUNCIL SERVICES, PROJECTS AND OPERATIONS
25 MARCH 2020	<a href="#">DO IT ONLINE, SAYS WAIPĀ DISTRICT COUNCIL</a>	WAIPĀ DISTRICT COUNCIL SERVICES, PROJECTS AND OPERATIONS
24 MARCH 2020	<a href="#">ESSENTIAL COUNCIL SERVICES TO CONTINUE OPERATING</a>	WAIPĀ DISTRICT COUNCIL SERVICES, PROJECTS AND OPERATIONS
24 MARCH 2020	<a href="#">RECYCLING SERVICE TO CONTINUE AS NORMAL</a>	WAIPĀ DISTRICT COUNCIL SERVICES, PROJECTS AND OPERATIONS
23 MARCH 2020	<a href="#">COUNCIL TO SHUT OFFICES AND OTHER FACILITIES</a>	WAIPĀ DISTRICT COUNCIL SERVICES, PROJECTS AND OPERATIONS
23 MARCH 2020	<a href="#">COUNCIL RAMPING UP RESPONSE TO COVID-19</a>	WAIPĀ DISTRICT COUNCIL SERVICES, PROJECTS AND OPERATIONS
23 MARCH 2020	<a href="#">WAIPĀ CLOSES COMMUNITY FACILITIES FOR PUBLIC SAFETY</a>	WAIPĀ DISTRICT COUNCIL SERVICES, PROJECTS AND OPERATIONS
22 MARCH 2020	<a href="#">COUNCIL EVENTS IMPACTED BY RAMIFICATIONS OF COVID-19</a>	WAIPĀ DISTRICT COUNCIL SERVICES, PROJECTS AND OPERATIONS

18 MARCH 2020	<a href="#">WAIPĀ SIGNALS CHALLENGING YEAR AHEAD</a>	WAIPĀ DISTRICT COUNCIL SERVICES, PROJECTS AND OPERATIONS
16 MARCH 2020	<a href="#">BALLOONS VISIT WAIPĀ CANCELLED</a>	WAIPĀ DISTRICT COUNCIL SERVICES, PROJECTS AND OPERATIONS

Total media releases: 72

This resulted in 172 media clippings in the Waikato Times, Te Awamutu Courier, NZ Herald and on Stuff, plus we estimate around 100 clippings in the TA / Cambridge News.

### Website

All media releases were posted to the news page on the website.

In addition to this, we updated content on all facilities, services, projects and organisational pages of the website as Waipā District Council moved up and down the different alert levels. We estimate around 10 - 20 website updates were made each day, and around 5 full page updates each week.

Here's a snapshot of our website traffic between 23 March and 25 May, compared to the same time last year:

Audience	2019	2020
Users	32,075	40,854 (up 27%)
New users (visiting the website for the first time)	24,478	33,321 (up 36%)
Sessions	58,562	84,971 (up 45%)
Page views	142,376	188,167 (up 32%)

The average time spent on our website was 2 minutes.  
In total, our homepage had 674,413 page views during this period.

### Social media

Facebook was our key social media channel used to engage with our communities during the COVID-19 pandemic, based on the fact that it provides the largest audience reach of all our social media networks.

Here's a snapshot of activity on our Facebook page between 23 March and 25 May:

- 7559 active followers (an increase of 276, up from 7283 on 23 March)
- Average 480 daily engagements (reactions, comments, post shares) over that period
- Average number of people (Facebook users) reached each week was 12,567

- Average daily post reach (i.e. one of our posts entered a user's timeline) was 3,909
- Average daily impressions (eyes on individual posts) was 8,922
- The average number of times the Mayor's video updates were viewed was almost 2,000
- The highest performing post during this period was an alert to a potential scam where a resident was allegedly contacted by Council asking for a, overdue water rates payment to be made. This reached 16,257 people and had 981 engagements (reactions, comments and shares)

### Internal updates

- Almost 40 updates from the CMT between 21 March and 25 May 2020. These were daily during Alert Level 4. Topics focused on:
  - Critical updates and changes impacting staff
  - Services, facilities, projects and programmes of work at each Alert Level
  - Updates from central government
  - Information relating to working from home
  - Messages relating to staff wellbeing during the pandemic
- Launched a Facebook Group for staff – 'Waipa Working From Home' – to help keep staff connected to each other and boost morale during lockdown.
  - Group created on 24 March 2020
  - 154 members – just over half of Waipa's workforce
  - 886 individual posts by members
  - Over 2,000 post engagements (reactions and comments)
  - Wednesday at 8pm was our peak time for activity with an average of 99 post comments and reactions during that time

### EOC

- 216 hours of communications support provided to the Western Waikato Emergency Operation Centre.

### Profiling Mighty Local businesses

- Profiled five 'Mighty Local' businesses/groups on Facebook adapting to change, getting behind local initiatives and supporting each other in the wake of COVID-19.
- The campaign has so far had 1183 post engagements (total reactions and comments) and has featured in our regular e-newsletter, in local newspaper articles and on the Mighty Local website ([mightylocal.co.nz](http://mightylocal.co.nz)).

### E-newsletters

- Weekly e-newsletter 'A Word from Waipā DC' launched on Wednesday 15 April in response to community newspapers ceasing delivery during the nationwide lockdown.
- The audience has grown to more than 300 subscribers, with an average of 57 per cent of subscribers opening the emails

### Mayor video updates

- Six regular video updates from Mayor Jim Mylchreest were produced, addressing how COVID-19 will affect Waipā.
- Each video received 1000-1500 views on Facebook.
- Additionally, the videos were used in the weekly e-newsletters.

### **Double page newspaper spreads**

- 3x double page newspaper spreads in response to COVID-19 alert levels 4, 3 and 2.
  - Two published in the combined Te Awamutu/Cambridge News
  - One published in the Te Awamutu Courier

## APPENDIX 3

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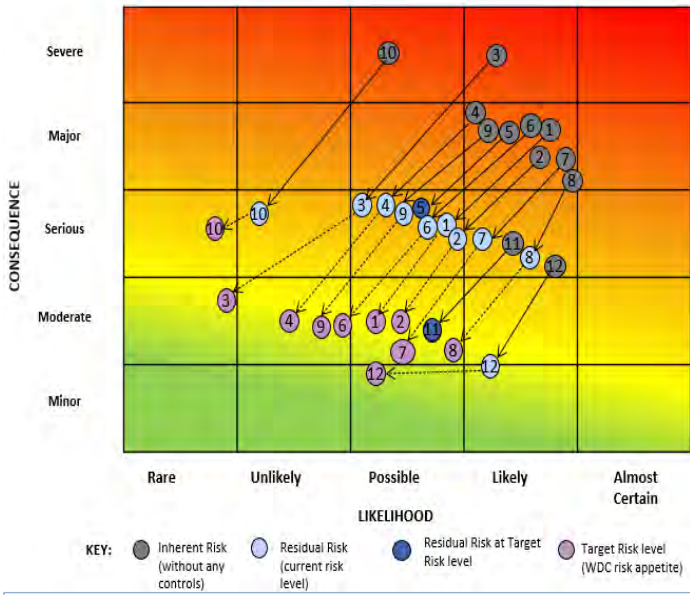
Quarterly Risk Management Report for March to May 2020 (document number 10394143)



Quarterly Risk Management Report for March 2020 to May 2020

- ### Key Insights
- The COVID-19 response and impacts has dominated this quarter
  - New emerging risks for Annual Plan and flow on to LTP have been workshopped separately with ARC and SP&P
  - Increase in off track mitigants largely due to timing changes caused by Covid-19 response. Watching brief for negative outlook continues on Top Risks #1 and #2 based on status of top risk mitigants and 2021-31 LTP programme risks. Monitoring of Top Risks #4 and #8 due to impact of Covid-19 and potential for further negative outlook if another spike of cases were to occur.
  - The Risk Management Strategy Actions are being implemented through the Risk Improvement Programme Change Management Plan that was endorsed by ARC at the March meeting. The planned activities for this quarter have not been completed as the resources have been involved in the COVID-19 response and supporting the Crisis Management Team.
  - The annual review of the Top Risks will be undertaken in a workshop with Members of ARC, staff and KPMG proposed to be held in July 2020.

### Top 12 Risks



- No change to status of top risks warranted although indicative trending added.
- Increase in off track mitigants largely due to timing changes caused by Covid-19 response. Watching brief for negative outlook continues on Top Risks #1 and #2 based on status of top risk mitigants and 2021-31 LTP program risks. Monitoring of Top Risks #4 and #8 due to impact of Covid-19 and potential for further negative outlook if another spike of cases were to occur.

#	Risk Areas	Residual (current) Level	Indicative Trend
1	Adequate staffing capacity and capability to deliver Council's objectives Impacting on WDC's delivery of projects, finances and reputation	High	↑
2	Failure to deliver 10-Year Plan programme of projects Increases costs and puts unsustainable pressure on existing staff and reputation	High	↑
3	Business Resilience failure resulting in significant financial and reputational loss to WDC and significant social and economic risk to the District	High	→
4	Risks to Information Management Including cybersecurity resulting in reputational damage and property loss	High	↑
5	Changes in central government policy or legislation can have an adverse effects on WDC's reputation, financial planning, delivery of services and legal compliance	High	→
6	Failure of relationships with key stakeholders can adversely impact WDC's ability to operate and deliver services and projects	High	→
7	Failure of Iwi partnership can adversely impact WDC's ability to operate and deliver services and projects and meet legislative obligations	High	→
8	Risk to Financial Sustainability is challenged by the significant growth within the District	High	↑
9	Failure to respond to customer demand and meet increasing expectations for engaging and transacting with Council, including digital.	High	→
10	Failure to embed a Health and Safety culture resulting in serious injury or death to staff or members of the public	Medium	→
11	Elected membership make-up not reflective of a diverse community leading to poorer decision making and lack of representation.	Medium	→
12	Climate change Impacts resulting in significant financial and reputational risk for Council and adverse economic and social impacts for the community	Medium	→



The mitigant actions are reported on an exception basis: off track actions. These are due to timing issues from Covid-19.

Top Risk	Measure/Action	Status Action	Exec Owner	Status Comment
Adequate staffing capacity and capability to deliver Council's objectives	AMPS and business cases completed. AMPS include resource requirements.	Ongoing	GM S&CS	AMPS have been prepared and peer reviewed by Tonkin & Taylor. There are a number of follow up actions which have been programmed for completion by the end of September 2020. Business cases were due to be completed by end of March 2020, however there are a number that still remain in progress. The Governance Group has approved adopting a flexible approach with respect to the LTP project timeline having regard to the impacts of the global COVID-19 pandemic.
Adequate staffing capacity and capability to deliver Council's objectives	Workforce planning model developed to evaluate and ensure that operational staffing levels are adequate currently and can accommodate future growth.	In progress	Manager HR	Framework was to be trialled with a team. On Hold due to COVID-19 and potential impact on workloads.
Business Resilience failure	Development policy and plan for EQP Council owned building to ensure safety on both a BAU as well as in the event of a disruptive incident	In progress	GM BS	Draft policy is being prepared but resourcing is constrained due to number of vacancies in the team.
Failure of Iwi/Mana Whenua partnership	>=75% of staff enrolled in a Tikanga programme	In progress	GM S&CS	Proposal for funding is to be taken to the ET. Unrealistic to deliver to target level prior to end of year.
Failure of Iwi/Mana Whenua partnership	Operationalising Iwi representation and partnership process review recommendations	In progress	GM S&CS	Delayed by Covid-19 Lockdown. Committee representative Job descriptions workshopped by NITOW. Remuneration being reviewed
Failure of relationships with key stakeholders	Obtain certainty as to the quantum of PGF funding and project scale for Te Ara Wai by end March GM S&CS 2020.	In progress	GM S&CS	Process overtaken by Covid-19 Recovery process. Te Ara Wai has been proposed as a shovel ready project. PGF is no longer an appropriate funding stream
Failure to deliver 10-Year Plan programme of projects	Updating of AMPS and long term planning of resource requirements to deliver next 10 year plan	Ongoing	GM SD	As per comment above in first Top Risk mitigant commentary.
Failure to embed a Health and Safety culture	H&S Contractor Management Project - develop project objectives and timeframes with external consultant	In progress	Manager HR	Rescheduled for June 2020. Incomplete as at 7 May due to H&S Advisors focusing on COVID-19-related work.
Failure to embed a Health and Safety culture	Progress actions for top H&S organisation wide risks	In progress	Manager HR	Recording H&S training system will need to be pushed out as incorporated into a larger project to capture all training events.
Risks to Information Management	Agreed business rules on file management and develop Information Management Policy	In progress	GM BS	IM Policy currently under review. Revised due date 30/05/2020.





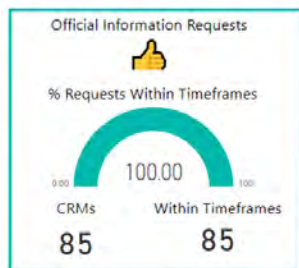
Quarterly Risk Management Report for March 2020 to May 2020 page 2

Additional Risks to be reported as per Risk Management Policy				Emerging Risks															
Operational Risks				Four emerging risks have been identified this quarter, largely as a result of the economic uncertainty caused by COVID-19.															
The approach to operational risk reporting has been agreed. The implementation plan needs to be developed. There are no very high (after mitigation) operational risks from the Covid-19 risk register.				<table border="1"> <thead> <tr> <th>Risk</th> <th>Description</th> <th>Risk Reduction Measure &amp; Treatment Type</th> </tr> </thead> <tbody> <tr> <td>Growth and non-rates revenue are forecast to decrease due to impacts of COVID-19</td> <td>Growth and non-rates revenue are forecast to decrease as part of a global recession resulting from the global COVID-19 pandemic which experts advise will be worse than the GFC of 2007/08. This will adversely impact on the provision of Council services and/or project delivery. Combined with the risk from low reserves, there is an increased threat to the sustainability of Council's financial position.</td> <td>Council obtained expert economic and treasury advice and has undertaken a comprehensive review of activity budgets, including: Operating Expenditure, Capital Expenditure and the Capital Works Programme, as well as Revenue, ensuring that our future work programme is realistically able to be delivered and is affordable for our communities. We've focussed on the provision of essential services and looking after what we've got. We're preparing a revised Annual Plan for 2020/21 which will be presented to SP &amp; P on 9 June for recommendation to Council for adoption on 30 June. There will be ongoing monitoring by the CFO and Manager Finance. Further, we are moving to monthly forecasting and variance reporting over the next year. Intelligence from Infometrics and other sources to inform replanning Ongoing monitoring by CFO and Manager Finance. Move to monthly forecasting and variance reporting over the next year.</td> </tr> <tr> <td>Low reserves</td> <td>If there is unexpected or unplanned expenditure or cost overruns then the current and projected finances will be challenged to absorb the deficit potentially resulting in adverse impacts on service and/or project delivery. This emerging risk has been impacted by Covid-19 in that the level of economic uncertainty has not allowed a risk assessment to be completed.</td> <td>Ongoing monitoring by CFO and Manager Finance. Move to monthly forecasting and variance reporting over the next year.</td> </tr> <tr> <td>Ability to deliver Annual Plan within timeframes</td> <td>If the current challenges of the significant rework required due to Covid-19 impacts, limited resourcing and tight timeframes are not resolved, then the delivery of the Annual Plan within the statutory timeframes may be compromised.</td> <td>Workshops have been held with ARC and SP&amp;P to progress the revision of the Draft Annual Plan Reforecasting of budgets and capital works programme has been completed with urgency by budget holders and reviewed by the Executive Team Detailed work plan to ensure deliverables are met within the required timeframes. Weekly project team meetings and reporting to the Executive Team.</td> </tr> <tr> <td>Uncertainty as to accuracy of key assumptions for Annual Plan</td> <td>The environment is changing at pace and there is a high level of uncertainty. The key assumptions which underpin the Annual Plan have been reviewed and updated. However, with the current level of uncertainty it is likely that one or more of those assumptions will be proven to be incorrect. This could impact on implementation of the Annual Plan.</td> <td>Expert advice and data is being sourced from reputable sources. Annual Plan assumptions have been reviewed and revised as part of rework Workshops with ARC and SP&amp;P have included the risks and high degree of uncertainty with current planning due to impacts of Covid-19 on wider economy. uncertainty with current planning due to impacts of Covid-19 on wider economy.</td> </tr> </tbody> </table>	Risk	Description	Risk Reduction Measure & Treatment Type	Growth and non-rates revenue are forecast to decrease due to impacts of COVID-19	Growth and non-rates revenue are forecast to decrease as part of a global recession resulting from the global COVID-19 pandemic which experts advise will be worse than the GFC of 2007/08. This will adversely impact on the provision of Council services and/or project delivery. Combined with the risk from low reserves, there is an increased threat to the sustainability of Council's financial position.	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Project Delivery Risks (Capital Projects)																			
Project Delivery Risks (Capital Projects) will be discussed under Project Delivery Report agenda item (may be Public Excluded)																			
Other Programme and Project Risks																			
Project	Description and consequence	Risk Reduction Measure & Treatment Type	Residual Risk Rating																
Digital programme	If vendor risk is not acknowledged and managed then the programme of work may be negatively affected resulting in financial, reputational and service delivery consequences.	BI programme control group established. All projects governed as per project management policy. Enterprise Vendor Account Manager for NZ Local Government working with WDC. Project team understanding of vendor methodology. Stage gateways. Site visits to other Councils. Adhere to Procurement policy and manual. Lessons learnt log to include any vendor management learnings.	Very High Risk																
Digital programme	If the current reluctance towards change, based on historic project experiences continues, there will always be resistance to change and benefits will not be realised.	BI PCG established with Executive Sponsor. Communication Plan developed to support the programme. Regular updates to the Leadership Team. Change management plans completed for all projects that include a change component. Business Impact Assessments completed for all projects to feed into change management plans. Leading staff through change to be included in Councils' Leadership training programme. Managers Group to be used to help manage change.	Very High Risk																
2021-31 LTP Preparation	Reliance on key staff The high degree of reliance on key staff in preparing the LTP creates resource, capacity, and knowledge gap risks if those staff are absent or leave the organisation. May adversely impact decision making, delivery of key milestones and meeting audit requirements	Two staff involved in each project workstream (with the exception of the engagement workstream, for which the whole of the Communications & Engagement team has been involved) Resource planning undertaken for critical project times. Contingencies to be put in place for periods of leave.	Very High Risk																
2021-31 LTP Preparation	Overestimation of the level of work that can be achieved. Departments over estimate the level of work they can achieve and put in budget and project requirements over and above what can be delivered. Resulting in low confidence levels for budgets, Council staff are put under pressure to deliver products and services for which inadequate funding has been allowed for.	Ongoing monitoring by the project governance group. Business cases to include a robust evaluation of all resources required. Financial modelling to be undertaken.	Very High Risk																
Deleted Risks																			
No risks for deletion have been identified this quarter.																			



## Official Information Requests

The percentage of official information requests responded to within statutory timeframes



Figures are reported for year to date (i.e. from 1 July 2019)

Target has consistently been met for LGOIMAs, although some required an extension to the 20 day timeframe.

Further analysis will be undertaken to understand the trends as to what is driving the extensions. Completion of the Compliance Management Strategy and Implementation plans will identify any opportunities for improvement for processing LGOIMAs.

### Cyber Security

During the past quarter there have been no intrusions into the business and one security breach.

The security breach impacted 5 users and was due to a compromised account caused by users clicking through a link on a phishing email. This resulted in spam being sent to their contact lists, including staff at other Councils and suppliers. These user accounts were blocked from access and email while remediation was undertaken. Multifactor access for remote use will now be made mandatory.

Additionally comprehensive security training for all staff (via virtual classroom) is planned to commence in June 2020. This will help mitigate the current largest risk to cybersecurity which is human error.



**To:** The Chairperson and Members of the Audit and Risk Committee  
**From:** Group Manager Service Delivery  
**Subject:** Internal Audit Reporting – Asset Management Planning Review  
**Meeting Date:** 8 June 2020

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## 1 EXECUTIVE SUMMARY

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KPMG were engaged to undertake an internal audit of Waipa District Council's (WDC) asset management planning processes. The scope of this internal review was limited to the following portfolios and areas of WDC:

- Transportation
- Water Services
- Property Services
- Council-wide leadership and Asset Management (AM) support teams (including finance, IT, risk management, executive and strategy)

The internal audit was completed by comparing current asset management processes for the management of the above portfolios, with reference to the relevant and specific aspects of the IIMM (international Infrastructure Management Manual 2015) and ISO 55001, the recognised global standard for AM.

The scope of the review was to assess Council's asset management framework and the related processes we have in place to ensure effective and efficient asset management.

The following were out of scope:

- Maturity assessment of WDC's asset management framework
- Detailed assessment of the robustness or implementation of the individual asset management plans
- Asset management portfolios not identified in the scope above
- Best practice recommendations will be provided specifically to the context of WDC by comparison to similar organisations, but there will be no attempt to grade the performance of WDC against other local government organisations.

In response to the audit, staff will develop an improvement plan to address the issues raised. It is intended that this will be brought to this Committee in September 2020.

The following appendix/appendices accompany the report:

- KPMG Asset Management Planning Review – Internal Audit Report (March 2020)

## 2 RECOMMENDATION

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That –

- The Internal Audit Reporting – Asset Management Planning Review report (document number 10392135) of Dawn Inglis, Group Manager Service Delivery, be received; and*
- The Audit and Risk Committee endorse the proposal for staff to develop an improvement programme to address the issues raised in the internal audit, and request this be presented to the Audit and Risk Committee at its September 2020 meeting.*

## 3 STAFF COMMENTS

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The KPMG review was focussed on the portfolios of Transportation, Water Services and Property Services, alongside Council-wide leadership and asset management support teams (finance, IT, risk management, executive and strategy). Overall KPMG rated council as “**Developing**”.

The review found that WDC’s activity management planning is limited by:

- an ineffective approach to governance;
- persistent resource shortages and staff churn;
- an absence of a documented asset management framework;
- teams operating varied approaches of differing efficiency and effectiveness, and generating different outcomes.

Within each assessed activity area some good practices were observed, and a genuine desire for improvement found. Additionally identification of risk at a project level is very good, and the intention to move to a strategy-led organisation is “commendable”.

A number of actions were suggested to improve asset management and better embed it into our activities. These include group leadership, a single point of accountability and a documented asset management framework and system.

It is noted there are pockets of very good practice within WDC, including work underway to move to a strategy led organisation. This builds upon a reputation that WDC has for well planned growth within the district. Recent work to develop documented systems and processes, and better understand organisational risks, has also supported a move to continuous improvement in how we work. These will be key foundations in how we move to enhanced asset/activity management. Additionally a District Growth Programme Steering Group has been established that meets monthly to monitor growth, both from an infrastructure planning perspective as well as understanding Council's compliance with the National Policy Statement on Urban Development Capacity alongside our FutureProof partners.

Further, subsequent to this audit being undertaken, work has been commenced on reviewing our vision and community outcomes framework which will underpin our strategic plan and our activity management plans. Recently we have also adopted our current strategic plan framework, endorsed by the Executive Team, which guides our work. Additionally Council has now subscribed to the SOLGM Community Wellbeing Data Service to assist in monitoring effectiveness of our work programmes.

The challenge ahead is how best to support and connect those staff who are involved in asset management tasks. A proposed road map improvement programme will be developed to respond to this challenge. Resourcing levels will need to be assessed as it is acknowledged that this work will reflect a cultural shift towards becoming an asset management business, but the benefit gains are expected to be significant. As an organisation we have historically focussed on our asset management plans, rather than asset management planning.



Dawn Inglis  
**GROUP MANAGER SERVICE DELIVERY**

## SUPPORTING INFORMATION: ASSESSMENT OF PROPOSAL

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### 1 Statutory and policy requirements

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#### **Consultation and Engagement**

The content of this report is of an administrative nature and as such no requirements for consultation or engagement are triggered.

#### **Council policy or strategy**

The result of considering this report may require a review of Council's Asset Management Policy, and this will be considered in developing the road map for responding to the issues raised in the Audit Report.

## Appendix 1

KPMG Asset Management Planning Review – Internal Audit Report (March 2020)  
(document number 10394356)



# Asset Management Planning Review

**Waipa District Council**

**Internal Audit Report**

May 2020

[kpmg.com/nz](https://www.kpmg.com/nz)

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## Disclaimers

### Inherent Limitations

This report has been prepared in accordance with our Internal Audit Scope dated 22 October 2019. The services provided have not been undertaken in accordance with any auditing, review or assurance standards. The term "Audit/Review" used in this report does not relate to an Audit/Review as defined under professional assurance standards.

The information presented in this report is based on that made available to us in the course of our work provided by Waipa District Council. We have indicated within this report the sources of the information provided. Unless otherwise stated in this report, we have relied upon the truth, accuracy and completeness of any information provided or made available to us in connection with the Services without independently verifying it.

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### Internal Controls

Due to the inherent limitations of any internal control structure it is possible that errors or irregularities may occur and not be detected. Our procedures were not designed to detect all weaknesses in control procedures as they are not performed continuously throughout the period and the tests performed are on a sample basis. As such, except to the extent of sample testing performed, it is not possible to express an opinion on the effectiveness of the internal control structure.





# 1. Executive summary

## Introduction

As requested by Waipa District Council (WDC), we have completed an internal audit of asset management (AM) planning frameworks and systems in place.

The scope of this internal review was limited to the following portfolios and areas of WDC:

- Transportation
- Water Services
- Property Services
- Council-wide leadership and AM support teams (including finance, IT, risk management, executive and strategy)

This audit has been completed by comparing the current asset management processes employed by WDC for the management of the above portfolios, to the relevant and specific aspects of the IIMM (international Infrastructure Management Manual 2015) and ISO 55001, the recognised global standard for AM.

The specific audit objectives, scope and approach are detailed in Appendix 1 and were agreed with WDC management.

## Overall rating

<b>Overall Rating</b>	<b>Developing</b>
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Based on the results of the Internal Audit, we have rated WDC’s AM planning frameworks and systems as **Developing**. Please refer to Appendix 2 for a full explanation of the classification system for the internal audit ratings.

Asset management across WDC’s asset portfolios is varied. Portfolio teams are currently operating at different rhythms with varying degrees of efficiency and effectiveness.

The control findings identified are the combined result of governance gaps, persistent resource shortages, staff churn, and the absence of a documented asset

management framework that provides clear guidance on how asset management enablers of people, processes and technology combine to deliver effective asset management.

Across council, there are improvements to be made at executive leadership level, in order to embed asset management into every day working practices with a single point of accountability and a documented asset management framework and system required.

The Long-Term Plan (LTP) currently provides the framework for co-ordination at a strategic or group level. Whilst this is a rigorous process that fulfils some of the remit of strategic asset management, it does not perform the function of an asset management system (AMS)

In total, we have made 18 recommendations relating to the 6 key finding areas noted in the table above. Priority matters are documentation of an asset management framework with development of a group level strategic asset management plan. This will help establish a clear point of accountability and leadership for asset management within the Executive team and implementing asset-based risk management to capture risks as a result of failures to assets that do not form part of a capital project.

## Key Strengths

Within individual portfolios we observed some good practices and a genuine desire for further improvement. We noted very good standards of risk reporting and communication of risks potentially arising from capital projects. It was also widely acknowledged that more support at a strategic and / or group level was a logical development area for asset management in the organisation. The attempt to embrace outcome-based asset management planning through adopting ‘activity’ management plans and an intention to move to strategy-based rather than a project-based approach is also commendable.



### Key findings/observations

#	Finding	Rating
1	<b>Governance Framework:</b> Lack of a single point of accountability for AM, absence of a documented AM framework, and out of date Council strategy documents contribute to a weak governance framework for AM.	HIGH
2	<b>Asset Management Maturity:</b> The maturity of all portfolio areas lags targeted asset management maturity. Improvement management is weak, and in some portfolios the level of maturity is inadequate to mitigate key risk issues for Council and the community.	HIGH
3	<b>Planning for Growth:</b> Monitoring of the pattern of growth and feedback of departures from plan projections into the prioritisation, scope and timing of growth related capital projects appears to be absent.	HIGH
4	<b>Reporting, Risk and Review:</b> Risk management is applied in a generic, rather than specific sense and the process of identification and treatment of critical assets is inconsistent and subject to important omissions.	HIGH
5	<b>Asset Management Resourcing and Capability:</b> There are persistent vacancies in asset management roles and a consequent inability to address work other than immediate responsive needs.	MEDIUM
6	<b>Data management and IT systems:</b> There is a lack of clarity regarding the required asset data points in certain portfolios and a lack of direction and drive to close out data system implementation.	MEDIUM

More detailed findings and recommendations are included in Section Two of this report.

### Management action plans

The findings and recommendations were discussed with the WDC Management team. Management action plans have been included in the report.

### Overall management comments

Waipa District Council acknowledges that there are opportunities to improve how activity and asset management is deployed within our organisation to bring greater benefits. There are components of very good practice throughout the organisation, in particular strategic and growth planning. However a framework is needed to support a more effective system for infrastructure response to these, and how this is then incorporated into our Activity Management Planning and Plans.

In response to this audit, staff will move forward with plans to enhance the activity management practices that are so critical to influence good decision making in our asset renewals, improvements to services, addressing risks to how we deliver our services, and implement continuous improvement philosophies into our activity areas. However it is also recognised that with this commitment, there is also a need to dedicate skilled resources to the key tasks of engaging, connecting, and integrating activity management into how we work. Leadership will also be needed to demonstrate our commitment to this task.

To achieve this staff will develop a road map (improvement plan) which will outline all of the tasks necessary to respond to the audit outcomes. The road map will provide a timeline for this also.

## 2. Background and methodology

### Background

Waipa District Council (WDC) is charged with the management of a diverse array of activities to provide for the environmental, economic, social, and cultural well-being of the district and community.

In accordance with its obligations under the Local Government Act 2002 WDC are required to meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses. Asset management is a core function performed by WDC that enables these obligations to be met.

This review is focussed on asset management planning, processes and systems encapsulated within the overall Asset Management System (AMS) as shown in Figure 1 below. The scope of the audit comprised a high-level review of the following portfolios:

1. Transportation
2. Water Services
3. Property Services
4. Council-wide leadership and AM support teams (including finance, IT, risk management, executive and strategy)

See Appendix 1 for an extract of the internal audit scope.

### Methodology

The review was undertaken in a phased approach as follows:

1. Phase 1: Discovery and Background Research
2. Phase 2: Interviews with WDC staff
3. Phase 3: Reporting and Debrief

The review was completed by comparing current WDC asset management procedures against relevant and specific aspects of the IIMM (International Infrastructure Management Manual) which is consistent with the draft WDC AM Policy requirements. The review also draws upon elements of the global standard

for asset management, ISO 55001, where this provides further clarity as to appropriate practice for asset management at WDC.

The relationship of asset management with the organisation’s strategic plan and the key elements that are typically included within an AMS are shown in the diagram below. These elements define the key areas of enquiry that have been examined as part of the AM review.

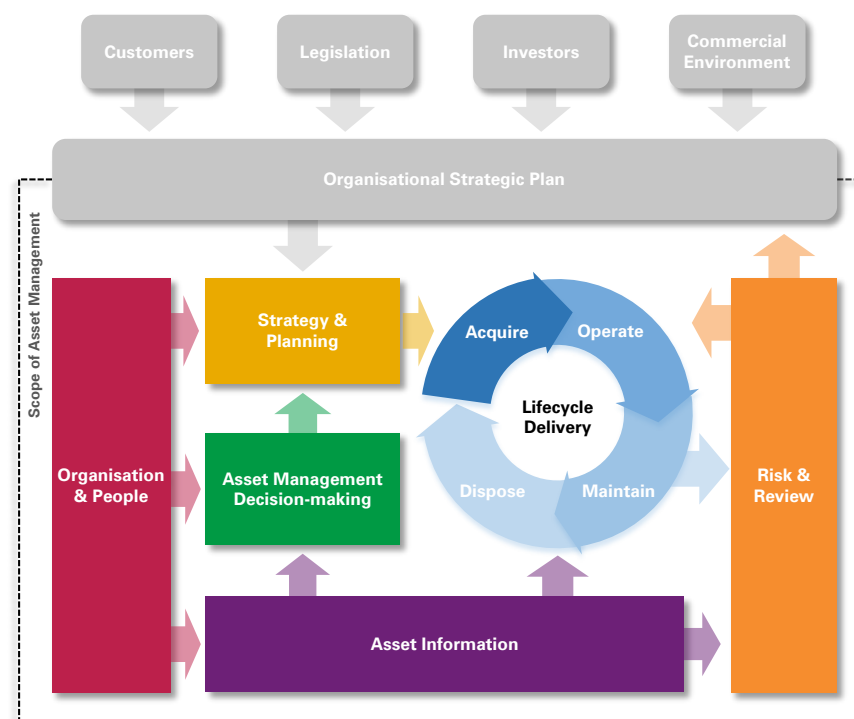


Figure 1 - Generic Asset Management System (AMS) Elements. Adapted from the Institute of Asset Management

As part of the ISO 55001 dimension of this review, Internal Audit sought to identify evidence of the four fundamental concepts that underpin the ISO 55001 standard within each of the AMF elements for WBOPDC, being: Value, Alignment, Leadership and Assurance. These four concepts lie at the heart of any successful asset management system.



Figure 2 - Four Key AMS concepts. Adapted from ISO 55001

### Asset Management Evaluation

Asset Management is a continuously evolving field. In particular, the introduction of ISO 55001 has led to greater understanding and consensus as to the essential ingredients for an effective asset management system. Whilst there is no expectation that WDC is to pursue a path of certification against the standard, adherence to its principles are supported to the extent that they are capable of creating substantial added value for the Council and, ultimately, the community.

The findings and recommendations that follow are not intended to be an exhaustive list but are representative of what we consider to be the most immediate and highest value opportunities for WDC to pursue. It should be expected that improvement of WDC systems of asset management is a continuous and fundamental activity deserving of constant challenge and review.

### 3. Detailed findings and recommendations

**1. Governance Framework:** Lack of a single point of accountability for AM, absence of a documented AM framework, and out of date Council strategy documents contribute to a weak governance framework for AM.

**Rating of finding: High**

#### Internal Audit Finding

Internal Audit noted the following:

- **No single point of accountability for AM Leadership:** Responsibility and accountability for leadership of asset management is assigned to WDC’s management team as a whole. Day-to-day AM is led by portfolio activity managers, with central asset planning reporting being well co-ordinated across the Council by the AM Planning Analyst. There is however no single point of accountability or ‘champion’ named, with staff and management holding different opinions about who holds the de facto point of accountability.
- **Absence of an identifiable documented framework:** An AM framework describes the people, tools and processes that deliver asset management across the organisation. Fragments of a framework exist across different documents however, a framework for asset management within and across asset portfolios is not well defined for existing or new staff members and understanding of the system as a whole is low. It is recognised by interviewees that current institutional knowledge and informal verbal induction processes need to be documented.
- **Asset management planning is predominantly reactive to reporting requirements:** AM planning and strategies are reactive to the constraints and timetables set by the LTP and AMPs, rather than being developed and maintained as part of BAU. Strategies tend to be thought about and developed as the AMPs are being written, making authoring the AMPs a more onerous and drawn out task, rather than being a summary of strategies already intended.
- **Outdated organisational vision and strategy documents:** Council vision and strategy documents including the Economic Development Strategy, Environment Strategy, and Heritage Policy & Implementation Strategy are outdated and programmed to be revised between now and 2021.
- **Outdated or absent strategic asset management documents:** Following on from organisational strategy documents are the strategic asset management documents. The current AM Policy is

#### Recommendations

- Establish a point of accountability for group level asset management within the executive team. Address issues of asset management leadership (as defined in ISO 55001) by providing the support and motivation for key functions to operate in a cross functional and collaborative manner to deliver against WDC’s corporate objectives and drive continuous improvement.
- Establish an AM Steering Group as referred to in the draft AM Policy to support the AM Lead and to communicate AM culture and practices within portfolio teams.
- Put in place an asset management framework to describe the council’s business model and a common structure for asset management business processes, timing and co-ordination. The framework can also be used to show how asset management fits with wider organisational management systems.
- Ensure that the actions in the Future Work Programme to update council strategy documents, vision and outcomes and town concept plans, including place-making initiatives are completed in accordance with the proposed timeframe, in order to inform strategic asset planning.
- Finalise and endorse the revised AM policy and consider also the role of the SAMP, finalise and endorse as appropriate.
- Consider and document the roadmap for the switch in focus from a project-based to a strategy-led organisation.

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outdated and the 2018 draft policy and strategic asset management plan (SAMP) are yet to be finalised and endorsed by the executive team.

- **Route to intended strategic shift unclear:** There is an intention for the Council to move from being project-based to strategy led, however there is no roadmap in place to show how this change will be achieved, and by when, and how existing siloed working practices can be better integrated.
- **Placemaking does not feature fully in existing strategic documents:** Place-making is identified as one of the Council's 5 key priorities, however it does not appear to be under management in any of the AMPs. It is noted that place-making features in town concept plans however there are no holistic objectives for place-making outcomes to drive or influence investment for each of the portfolio groups.

### Impact

- A lack of clarity regarding leadership and accountability for asset management at the group level results in poor cross-functional co-ordination and places collective improvement initiatives at risk. There is also a lack of co-ordination between portfolios and a predominantly tactical and siloed approach to infrastructure investment.
  - Lack of consistency in AM operating rhythms with each portfolio determining their own processes leading to variability of performance results and effectiveness.
  - Portfolio specific processes are implemented without a clear understanding of the wider organisation and the requirements to share data and inform plans. Data is inconsistent, missing, or out of date and as a result, investment planning is inefficient and the ability to proactively identify priority issues and value opportunities impaired.
  - In the absence up-to-date or endorsed strategic documentation investment plans and priorities are unlikely to realise the strategic intent for the Council or Community and capital investment may be ineffective.
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**Agreed Management Actions**

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Waipa DC will establish a point of accountability for group level asset management within the executive team with the GM Service Delivery being the sponsor for this. It is acknowledged that this will provide greater asset management leadership, support cross-organisational collaboration, and drive continuous improvement.

Waipa DC has established an AM Work Group in preparation for the 2021/31 Long Term Plan development. However, it is acknowledged that this group requires greater support and visibility of their role to be of greater value; and indeed move to becoming an AM Steering Group with a reporting line directly to the Council’s Executive Team. The other actions noted above will be incorporated into an organisational response and work plan. Waipa DC is committed to becoming a strategy-led organisation and sees this work as critical to our success, with a key action being how we link or activities through to our strategic framework.

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<b>Responsibility</b>	GM Service Delivery and Manager Strategy	<b>Target Date</b>	December 2020
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**2. Asset management maturity:** The maturity of all portfolio areas lags targeted asset management maturity, improvement management is weak, and in some portfolios the level of maturity is inadequate to mitigate key risk issues for Council and the Community.

**Rating of finding: High**

**Internal Audit Finding**

**Recommendations**

— The draft SAMP as well as the individual AMPs, provide the current and aspired maturity levels for each portfolio, based on the IIMM 2015 Asset Management Maturity Index as summarised in the table below. We note that none of the portfolios are assessed as at their target maturity and that two of the portfolios are assessed as basic reflecting an essentially deficient level of asset management. Based on the actions stated in the AMP improvement plans, and the limited progress on improvement actions to date, achievement of the target levels in the near term is considered unlikely without a refocusing of management effort.

— Address improvement plan weakness issues and demonstrate clear progress in the maturity level of each portfolio area.  
— Provide the property team the resources required to accelerate AM maturity to a steady state of core maturity level. Address known and unknown risk issues as a priority.

Portfolio	WDC Maturity Assessment - Current	WDC Targeted maturity level
Property	Basic	Core
Transport	Core	Intermediate
Storm Water	Basic	Core
Waste Supply	Core	Intermediate
Waste Water	Core	Intermediate

— Whilst both the stormwater and property portfolios are assessed as being a basic level of maturity, the property portfolio has a critical function in providing for the safety of occupants or users of the facilities, and therefore asset failure has the heightened risk of negatively impacting human health and wellbeing either in a chronic or acute sense, e.g. asbestos, black mould, carbon monoxide, legionnaires disease, gas or electrical hazard, fire access or egress etc.



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With specific reference to the AM maturity of the property portfolio, Internal Audit noted the following:

- **The historically informal approach to management of the Property Portfolio is inadequate and presents Council with an unknown risk and health and safety liability:** The property team are aware of the significant gaps in asset management practices for this portfolio area but are still acquiring basic information about the portfolio of assets. The absence of systems and processes and the responsibilities to provide safe and sanitary facilities presents an immediate and as yet unquantified risk to council and users of council properties. The property team will require additional support to address these areas of risk whilst managing day to day responsibilities.
- **Improvement plan within the AMP is incomplete:** We note that the improvement future plan and improvements achieved tables are both incomplete. It is noted that the team are aware of some priority action points, however there is no documented plan for improvement in place showing target dates and person responsible in order to make changes from the status quo.
- **Predominantly reactive asset management:** The property team are aware that they are operating in a reactive manner as a result of resourcing and data management challenges. We have seen evidence of unanticipated or unknown risks materialising i.e. a closed landfill at Pirongia at risk of slipping into the river was remediated under emergency provisions of the RMA; Building Warrant of Fitness (BWOF) failures at a town hall and the Woolshed Theatre.
- **Absence of appropriate data to permit AM planning for the property portfolio:** There is no formal condition survey or asset performance data held for property assets, therefore it is difficult to provide renewal, replacement and upgrade programmes and budgets. Additionally, there is no demand data collected which the property portfolio can use to determine demand drivers which have an impact on their assets. The property portfolio is reliant on projects undertaken by other teams to determine how their assets can best support the holistic intentions for a given area, however there would appear to be a disconnect between activities undertaken by other portfolios and the impact they have on council property requirements.

### Impact

- Below target and minimum standard asset management presents the Council with a risk of asset failure and / or disruption to essential services causing harm or disruption to people and the environment.
  - Reactive asset management and absence of a preventative maintenance or renewal programme leads to higher than necessary repairs and maintenance costs.
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- The condition of assets is not well known and understood has led to serious risk issues materialising. Future risk issues are unknown.
  - The absence of asset planning to support strategic activities of other groups as well as property portfolio initiatives leads to potential for poor direction, use and utilisation of assets.
  - The absence of a documented improvement plan and the limited resource capacity means that it is unlikely that the asset management maturity of the property portfolio will improve in the near future
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#### Agreed Management Actions

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Waipa DC will address improvement plan weakness issues and demonstrate clear progress in the maturity level of each portfolio area. This is currently under preparation through the review of each AMP leading into the 2021/2031 Long Term Plan. However it is recognised that whilst this may be occurring within the AMP it may not be reflecting a wider organisational view on the resourcing levels required or the actions needed.

It is recognised that within the property team there are resource challenges and these will need to be addressed to ensure that AM maturity is raised to a steady state of core maturity level. Work is underway to develop a Property Strategic Plan which will support this work also.

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<b>Responsibility</b>	GM Service Delivery and GM Business Support	<b>Target Date</b>	December 2021
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**3. Planning for Growth:** Monitoring of the pattern of growth and feedback of departures from plan projections into the prioritisation, scope and timing of growth related capital projects appears to be absent

Rating of finding: High

**Internal Audit Finding**

**Recommendations**

With reference to planning for growth, Internal Audit noted the following:

- **Evidence of growth tracking not seen:** The 10-year plan provides growth forecast with the first 5 years being characterised by high growth expectations. We have not seen evidence of investment in and tracking of growth to indicate whether or not growth forecasts are being realised each year (as is referred to in the Waipa Growth Strategy to be reported in the District State of the Environment reports and Waipa 2050 updates). The LTPs and the AMPs provide population growth estimates for the district and main centres, however these estimates do not appear to be regularly tracked so that reactive projects and capital expenditure may be flexed and altered accordingly.
- **Wellbeing and equity in the community have limited tracking:** It is unclear whether social and wellbeing benefits are being realised as a result of investment in growth capital projects i.e. impacts of easier and better transport connections for older people, patronage of public open spaces and engagement in community and council run events.
- **Project delivery is not keeping pace with plan:** Our interviews with staff indicated that this is deemed acceptable on the basis that works not delivered are those relating to developer led growth initiatives which have themselves been delayed. However, there would appear to be no reporting on the impact of project delays – either negligible or material, and no attempt to understand the reason for delays. A dedicated project delivery team has recently been established, but it is not clear that this is addressing the pinch point in available consultant / contractor resources.
- **It isn't clear that the high levels of investment (relative to historical) are geared to growth:** There are numerous 'big-ticket' items relate to EQ strengthening and town centre improvements such as the Cambridge pool complex and new library. The rationale for key projects should be made clearer including how they will support growth, and how their performance post-delivery will be monitored.

- Demonstrate that future demand inputs including population growth and climate changes are being monitored and tracked.
- Apply monitoring information to LTPs and AMPs so they can be adjusted regularly to deliver against current demand profiles and assess timing and appropriateness of investment proposals.
- Track measures of wellbeing in the community to monitor the impact of growth through surveys, customer focus groups etc.
- Assess and monitor the impact of changing delivery timeframes for growth related projects on the community and infrastructure network.

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**Impact**

- Growth related demand information such as population increases are not regularly monitored and reported leading to potential for unnecessary or poorly timed investment in infrastructure. Given the proposed significant increase in growth related capital investment there is a need for close monitoring of long-term growth to ensure healthy levels of debt and financial sustainability are maintained.
  - A lack of monitoring of the impacts of delayed growth projects means that there is potential for the community to be impacted by inadequate infrastructure.
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**Agreed Management Actions**

Work is currently underway to better track future demand inputs including population growth and climate changes. The further challenge is also then how this data is shared with each activity area so that it can be used to inform decisions. This will be a key action for the AMP Steering Group, alongside how to best track measures of wellbeing in the community to monitor the impact of growth on current services and also the delivery timeframes for growth related projects. It is noted that during the development of the current activity Business Cases in preparation for the 2021/31 LTP, all growth business cases are being centrally reviewed by the Infrastructure Growth team leader to ensure that these are aligned and as completed as possible.

Benefit realisation from capital projects has been recognised as a challenge for all infrastructure providers. This is an area where the development of a performance measure framework which identifies the expected benefits from investment in infrastructure, and is then incorporated into an activity management plan, should provide a greater transparency of outcomes to our communities. This will be a longer term goal as it is seen as only just developing in our sector.

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<b>Responsibility</b>	GM Service Delivery	<b>Target Date</b>	December 2020
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**4. Reporting, Risk and Review:** Risk management is applied in a generic, rather than specific sense and the process of identification and treatment of critical assets is inconsistent and subject to important omissions

**Rating of finding: Medium**

**Internal Audit Finding**

**Recommendations**

With reference to reporting, risk and review, Internal Audit noted the following:

- **Communication of specific asset risks from portfolio to group level requires improvement.**  
Project risk reporting is thorough and identifies potential risks as they relate to specific elements of a project however risk management processes (Risk Register and AMPs) currently exclude hazards and issues associated with specific assets which are not part of a capital investment or major programme of work. The AMPs contain risk registers detailing key risk issues and critical asset types for each portfolio, however they do not show that these risk issues have been mapped to specific assets, with the resultant consequence and risk of failure shown. Monitoring and mitigation plans cannot be put in place where the specific risk of failure, instance and location is unknown.
- **Identification of critical assets is inconsistent across portfolios:** A process for the identification of critical assets is provided in the AMPs for three waters and transportation portfolios using criticality assessment tools and critical asset types or groups are listed, The transportation AMP lists specific critical assets i.e. Victoria Street Bridge, and the 3W AMPs contain a summary of asset criticality scores, providing evidence that specific assets are assessed individually. There is however no formal framework in place for property assets to be assessed for criticality. These inconsistencies make comparing criticality of assets across portfolios difficult and consequently on the level of attention and investment required to keep important assets in good condition.
- **Unknown risk issues that were identified only as a result of the risk materialising,** e.g. the unstable land fill at Pirongia requiring emergency works under RMA, BVOF failures in leased properties and dilapidated buildings at Arnold St works depot. This indicates risk management is currently not effective and further unanticipated risk issues are likely to impact communities.

- Apply risk management principles used for project-risks to asset failure risk to determine the specific vulnerable, sensitive, or critical assets and potential hazards, likelihoods and consequences.
- Communicate significant asset risk issues to senior management and implement appropriate risk mitigation tactics.

**Impact**

- As noted above there have been a number of unanticipated failure issues that fortuitously were not more severe in terms of impact on property, people or the environment. If left unchecked the failure to



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properly account for changing risk circumstances will lead to material loss, community disruption, and negative public relations for WDC.

- Non-specific asset risk reporting results in poor visibility of individual hazards and consequential difficulty in managing mitigating risks.

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**Agreed Management Actions**

As noted staff have developed greater understanding of risk, and risk assessment methodologies in our project management functions, and it is recognised that these skills and understandings now need to be translated into asset failure risk assessments, affecting the levels of service we deliver to our customers, and contained within an appropriate risk reporting framework.

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<b>Responsibility</b>	GM Service Delivery; and Business Improvement and Risk Manager	<b>Target Date</b>	June 2021
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**5. Asset Management Resourcing and Capability:** Asset management planning roles are under-resourced leading to inability to address work other than immediate responsive needs

**Rating of finding: Medium**

**Internal Audit Finding**

In relation to Asset Management resourcing and capability, Internal Audit noted the following:

- **Programming of AMP development within other business activities is problematic:** AMP authors need to juggle operations and project delivery with AM planning so don't have adequate time to produce AMPs then need to produce them within a compressed timeframe.
- **We have seen evidence of resource capacity issues across the Council:** New teams have been established and new resources including a Senior Planner are coming on board, but the evidence suggests AM as a discipline is not yet embedded across council.
- **Stormwater and water supply maintenance contract had until recently been poorly performing:** Historically maintenance has been predominantly reactive and where inspections are undertaken no evidence of actioning findings has been seen. We have noted some quality issues and high levels of calls / complaints. A process of catch up is being pursued with a maintenance contractor employed to address deferred issues. It is not clear that processes have been established to mitigate a reoccurrence.

**Impact**

- Under-resourced teams are falling behind with asset planning activities as these are put on hold while available resources tackle operational activities
- It is not clear that adequate resources are in place to implement existing maintenance programmes which could result in worsening asset condition and higher reactive maintenance spends

**Recommendations**

- Understand and investigate the demand on existing asset management planning resources and identify capacity and capability gaps and process inefficiencies and put in place a strategy to adequately support AM teams to be able to implement effective AM planning.
- Investigate the cause of previous poor performance in the SW and WS maintenance contracts. Establish a process to ensure that stormwater and water supply maintenance work is planned to be more proactive, with preventative work programmed and less reliance on reactive maintenance to catch up with deferred repairs and maintain quality and condition of the network.

**Agreed Management Actions**

Waipa DC will engage with other organisations on how they have structured their resourcing of activity management planning to ensure that the appropriate strategic actions are well deployed, but also how these are appropriately engaged with operational areas of each activity to maintain the required linkages to be truly effective. From this assessment an appropriate resourcing plan will be developed. This may be more around creating the right linkages or connections between those staff who are undertaking activity management functions within activities rather than moving tasks out of activity functional areas.



In the SW and Waters activity areas, the lack of dedicated resource and systems has been recognised, and a team re-structure is currently being planned to align key business requirements to the right level of commitment and resource. It is definitely acknowledged that a greater balance between maintenance needs and renewal interventions is required to optimise both the investment needed and the reliability of delivery to our levels of service.

Responsibility	GM Service Delivery	Target Date	June2021
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**6. Data management and IT systems:** There is a lack of clarity regarding the required asset data points in certain portfolios and a lack of direction and drive to close out data system implementation

Rating of finding: Medium

### Internal Audit Finding

- **Under-utilisation of data for strategic decision making:** Strategic decision making for new assets or growth planning does not appear to be substantively informed by asset data and analysis, Strategic planning at a group level or for neighbourhoods or communities may not be fully integrated with asset renewal, demand and capacity planning.
- **No clear asset IT systems roadmap:** There would appear to be a desire to standardise or integrate asset data management and analysis within the AssetFinda, RAM, and TechOne IT systems, however there is no clear or agreed roadmap for any convergence, and no clear brief setting out the role of each system in supporting information requirements at a portfolio or group level.
- **Duplication of asset data across different data systems:** WDC currently manage asset data across multiple systems between finance and service delivery with manual transposition routines established for certain asset data updates. There are opportunities to automate and share data between systems in a more efficient and quality assured manner.
- **Inconsistent management of data quality across portfolios:** Whilst it is appropriate for the attribute data level of detail to vary according to the complexity and risk exposures for each portfolio, the adequacy of data held in certain portfolios is below the level expected of a competent asset management organisation. In particular it was acknowledged there is a deficit of data management within the property portfolio which puts the Council at risk given the responsibilities to tenants and end users associated with the asset types. The team are seeking management support to address data gaps and a more appropriate data management system. It was also noted that there is insufficient data held for above ground assets within the Three Waters teams.

### Recommendations

- Develop a roadmap to close out the data management system options and establish a clear brief of organisational information requirements to inform asset portfolio data models. Establish a clear project delivery structure for the works with senior management sponsorship and formal reporting and assign adequate resources to achieve a successful close out.
- Establish a simple but robust data model for all asset classes that are not well documented. Undertake a review of data gaps and collect and maintain asset registers for all asset classes in accordance with data model requirements. Embed processes of data management in the organisation as has already been started with Promap process mapping.

### Impact

- Underutilisation of data to support strategic decision-making means there is a potential for decisions to be based on subjective factors rather than fact-based evidence

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— The absence of a roadmap to inform the future development and convergence of asset data systems means it is unlikely that a decision will be reached and improvements realised for the benefit of all portfolio teams and the group as a whole.

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**Agreed Management Actions**

It is recognised that there is a need to develop a roadmap to close out the data management system options and establish a clear brief of organisational information requirements to inform asset portfolio data models. Waipa DC is aware that for a number of activities (transport and waters) there are data dictionaries/meta data standards in development, and it will be important to work to these industry standards. Further work is underway to better understand the transition required for formal adoption of these to gain the efficiency benefits, or analysis improvements, such tools should enable.

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<b>Responsibility</b>	IS Manager and GM Service Delivery	<b>Target Date</b>	December 2020 to scope work required and develop implementation timeframe
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# Appendices

## Appendix 1: Internal Audit scope (extract)

### Internal Audit Scope

The scope of the review was to assess WDC's asset management framework and the related processes WDC has in place to ensure effective and efficient asset management. WDC's asset management framework design was assessed against WDC's asset management policy and best practice guidelines including:

- IIMM Guidelines for Asset Management Maturity and Manual 2015
- ISO 55001; and
- Other best practice asset management guidelines relevant to specific risk exposures for WDC.

Assessment was conducted against the following portfolios and areas of WDC:

- Transportation
- Water Services (includes stormwater, waste water and supply)
- Property Services
- Council-wide leadership and AM support teams (includes finance, IT, risk management, executive and strategy)

### Out of Scope

- Maturity assessment of WDC's asset management framework
- Detailed assessment of the robustness or implementation of the individual asset management plans
- Asset management portfolios not identified in the scope above

- Best practice recommendations have been provided specifically to the context of WDC by comparison to similar organisations, but we have not attempted to grade the performance of WDC against other local government organisations.

### Internal Audit Approach

1. Determined the current state of WDC's approach to the management of key assets through a review of key documents and interviews with management and staff responsible for asset management planning;
2. Assessed the design of key controls and WDC's asset management planning systems and processes against the above mentioned guidelines through discussion and review of key documents;
3. Documented key processes to identify risks and associated mitigating controls;
4. Tested the operation of WDC's asset management planning practices. This will involve discussion with key WDC's staff to discuss the practical application of asset management strategy and framework within WDC;
5. Discussed findings with the process owner and the project sponsor;
6. A draft report detailing the findings and opportunities for improvement was provided to management for documentation of their intended action plan;
7. Issued a final report outlining our findings, recommendations, management's action plan and performance improvement areas.

## Appendix 2: Ratings and classifications

### Audit rating

The audit ratings are defined as follows:

Rating	Definition
<b>GOOD</b>	The controls are fit for purpose and are being performed in a manner which effectively mitigates the identified risks.
<b>EFFECTIVE</b>	Despite the fact that some control weaknesses were identified, existing controls within the audited process are considered to be generally adequate, appropriate and effective. They ensure that the audited business processes will achieve their control objectives.
<b>DEVELOPING</b>	Control weaknesses were identified which, if not appropriately addressed, could in the future result in the audited business processes not achieving their control objectives.
<b>NOT EFFECTIVE</b>	Existing controls are considered to be inadequate and ineffective to ensure that the audited business processes will achieve their control objectives. Significant improvements are required to improve the adequacy and effectiveness of the control environment.

### Risk rating

The risk rating assigned to the findings is determined based on an assessment of the impact of the business and the likelihood of the risk occurring, defined as follows:

Rating	Definition
<b>LOW</b>	Matters which are unlikely to have a significant impact on the system of internal control but should be addressed as part of continuous improvement.
<b>MEDIUM</b>	Matters which are important to the system of internal control and should be addressed as soon as possible.
<b>HIGH</b>	Matters which are fundamental to the system of internal control. The matters observed can seriously compromise the system of internal control and data integrity and should be addressed as a matter of urgency.

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# AUDIT AND RISK COMMITTEE REPORT



**INFORMATION ONLY**

**To:** The Chairperson and Members of the Audit and Risk Committee  
**From:** Manager Strategy  
**Subject:** **UPDATE ON 2020/21 ANNUAL PLAN**  
**Meeting Date:** 8 June 2020

## 1 EXECUTIVE SUMMARY

On 12 May 2020, a report was presented to the Audit and Risk Committee, providing an update on the key assumptions underpinning the 2018-28 Long Term Plan as they relate to the 2020/21 Annual Plan.

At that meeting the Committee was advised that a comprehensive review of the 2020/21 Draft Annual Plan (which was publicly consulted on from 23 March to 24 April 2020) was being undertaken by Council staff, having regard to the impacts of the COVID-19 global pandemic.

The Committee requested that a report be presented to this meeting, providing an update on the revised 2020/21 Annual Plan, ahead of it being presented to the Strategic Planning and Policy Committee on 17 June 2020. (Please note that the revised 2020/21 Annual Plan and financials referred to within this report, are still being finalised).

Thus, the purpose of this report is to provide an update and high level overview of the revised Annual Plan.

## 2 RECOMMENDATION

*That the Manager Strategy report (document number 10405743) of 'Update on 2020/21 Annual Plan' be received.*

### 3 STAFF COMMENTS

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#### 2020/21 Draft Annual Plan

The 2020/21 Draft Annual Plan was approved by Council for public consultation before the impacts of the COVID-19 global pandemic could be known.

We moved to Alert Level 3 on 23 March 2020, the same day consultation on the Draft Annual Plan began, and the Alert Level 4 lockdown began 2 days later. For almost 5 weeks, only essential services were able to operate. We moved to Alert Level 3 on 28 April 2020, and more businesses were able to recommence operations, albeit with significant restrictions in place. On 14 May 2020, we moved to Alert Level 2 with restrictions relating to physical distancing, the size of gatherings, and contact tracing, in place at the time of writing this report.

The key drivers for the proposed rates increase of 4.2% in the 2020/21 Draft Annual Plan, prior to COVID-19, were:

- **Recycling** in the Draft Annual Plan was \$618,000 higher than year 3 of the LTP, or 1.2% higher rates compared to year 2 of the LTP. The reason for this is a new contract with Metallic Sweeping that was approved in 18/19, which included a capital outlay on bins. The impact on rates in 19/20 was absorbed by savings relating to the delay of the Cambridge Pool.
- The **Cambridge Pool** increase largely related to increases in operating costs.
- An additional \$1.6 million of operating costs were brought forward for the **Cambridge Wastewater Treatment Plant** to satisfy resource consent requirements (including the removal of sludge).
- For **Roading Asset Revaluation**, this is the impact compared to 19/20. The LTP provided for a budget of \$10.7 million. This increased by a further \$481,000 compared to the LTP.

#### Information gathered for revisiting the 2020/21 Annual Plan

The impacts of the COVID-19 global pandemic on the communities of Waipā are far reaching and include impacts on social, cultural, environmental and economic wellbeing.

To better understand these impacts and to ensure that Elected Members and staff are fully informed as we progress the development of the 2020/21 Annual Plan and the 2021/31 Long Term Plan, we:

- engaged Brad Olsen from Infometrics to provide expertise on the impacts of COVID-19 on the Waipā economy;
- received guidance from the Local Government COVID-19 Response Unit;
- reviewed economic data provided by Te Waka; and
- subscribed to the SOLGM Community Wellbeing Data Service.



### Steps taken to review budgets

The above-mentioned work informed a comprehensive review of the 2020/21 Draft Annual Plan which was undertaken by Council staff. This involved a detailed assessment of Operating Expenditure, Capital Expenditure and the Capital Works Programme, as well as Revenue, across all activity areas of Council to determine: (i) what is realistically able to be delivered; and (ii) what is affordable for our communities.

On 12 May 2020, a report was presented to the Audit & Risk Committee, which provided an update as to the key assumptions which underpin the 2020/21 Draft Annual Plan, having regard to the forecasted impacts on the Waipā economy.

Changes were made in respect of the following:

- **Growth – Impact on Rates**

The growth in rates is now 3.25%, up from 2.7% in the Draft Annual Plan. This 3.25% is not assumed. It is a real figure based on the properties that have been entered into the rating system since the revaluation and which Quotable Value has valued in the past 2 months.

- **Borrowing and Investment Rates**

The borrowing rate has been adjusted from 2.5% in the 2020/21 Draft Annual Plan to 1.5%, based on advice received from our Treasury Advisor, Earl White of Bancorp Treasury Services Limited.

- **Revenue**

For Revenue, we are now forecasting a significant decline in non-rates revenue. The assumption that we have relied on for revisiting the 2020/21 Draft Annual Plan is an 18% decline in residential and non-residential construction. This is a conservative approach based on data provided by Infometrics.

### Submissions received on the 2020/21 Draft Annual Plan

The public consultation process on the Draft Annual Plan commenced on 23 March 2020 and ended on 24 April 2020.

42 submissions were received from individuals, interest groups and community organisations. Key themes included:

- the economic impacts of COVID-19
- limits on/no rates increases
- rates remissions/rebates
- decrease/no increases for fees and charges
- extension of licenses
- focus on core infrastructure

- progress key infrastructure projects
- defer non-essential expenditure
- reduce staff salaries
- community funding proposals

11 submitters presented to Council’s Strategic Planning and Policy Committee at hearings held on 26 and 27 May 2020. Elected Members also deliberated on submissions at that same meeting. Some submissions (those relating to Development Contributions and community funding applications) were deferred to be determined by the Strategic Planning & Policy Committee at its meeting on 17 June 2020.

Overview of the Revised 2020/21 Annual Plan

Reworking the 2020/21 Draft Annual Plan has been a whole of organisation effort, focussed on ensuring that Elected Members are fully informed and are able to make considered decisions whilst successfully delivering on our Vision and Community Outcomes, during these unprecedented times.

The revised 2020/21 Annual Plan is scheduled to be presented to the Strategic Planning and Policy Committee at its meeting on 17 June. It provides for a proposed rates increase of 2.4% and incorporates the following:

Type	Draft AP values	Revised AP values
Operating Expenditure	\$95.28 million	\$93.74 million
Capital Expenditure	\$171.37 million	\$186.61 million
External Interest	\$2.68 million	\$1.87 million
Revenue	\$137.22 million	\$124.45 million
External Debt	\$205.13 million	\$185.5 million

\*Please note that Operating Expenditure is net of External Interest; and the revised 2020/21 Annual Plan and financials referred to within this report, are still being finalised.

The changes in Capital Expenditure for the most part are timing changes, which include:

- The Cambridge Pool was deferred from the 19/20 year
- The Te Awamutu Wastewater Treatment Plant upgrade was similarly deferred from the 19/20 year
- The Cambridge Wastewater Treatment Plant upgrade was also deferred from the 19/20 year
- Te Ara Wai has been deferred to the LTP

From the forecast 19/20, there was a reduction in Capital Expenditure of \$34.9 million. Some of this reduction was due to an increase in Capital Expenditure for 20/21, with some moved into the 2021/31 LTP, as well as actual savings in the level of expenditure.

The key drivers for a reduced rate increase are:

- **Growth – Impact on Rates**  
This has increased from a forecasted 2.7% in the 2020/21 Draft Annual Plan to 3.25%.
- **Interest savings on borrowing**  
The borrowing rates have been reduced from 2.5% in the Draft Annual Plan to 1.5%, representing a cost saving of \$810,000.
- **Decrease in depreciation**  
There has been a decrease in depreciation of \$285,000 due to the timing of Capital Projects.
- **Staff salary savings**  
No market adjustments on salaries, coupled with maintenance of the current head count, and redeployment of staff, represent salary savings of \$783,000.

#### Utilisation of other mechanisms

Other mechanisms to be considered by Elected Members as part of the revised 2020/21 Annual Plan include:

- **District Wide Funding Mix**  
This tool does not provide for a change in the total level of rates required, but provides for a change in the incidence of rates across ratepayers. Residential properties would have slightly reduced rates, whilst large value properties would have a slightly higher increase, or in the case of many rural properties a lower decrease in rates.
- **Central Government funding applications**  
As part of our response to the recovery from the economic impacts of the global COVID-19 pandemic, Waipa District Council has collaborated with the Waikato Regional Council, Waikato District Council and Hamilton City Council, to submit a joint application for \$2.875 billion of Central Government funding for 23 shovel ready projects

The total value of potential projects for Waipā is some \$214 million, which includes:

- a \$73.4 million interest free loan to jump start the development of growth areas in Cambridge
- a \$53 million package of improvements to the district’s water services
- \$16.2 million for the completion of the Te Awa cycleway
- \$41.7 million for Te Ara Wai
- \$30.62 million for Community Services development & restoration

On 21 May 2020, regional leaders were advised that 18 of the region’s 23 shovel-ready projects had made the first cut. They have now been sent to the Minister of

Economic Development, Phil Twyford, and Regional Economic Development Minister, Shane Jones, for further assessment.

In Waipa, a proposal for massive upgrades to waters infrastructure as well as support for new housing areas in Cambridge, remain under consideration. In addition, four projects have been sent to the Provincial Development Unit for consideration. They are the development of a Pan Pasifika Hub in Hamilton, the Hamilton to Cambridge section of the Te Awa cycleway, and two projects to upgrade infrastructure at Hamilton Airport.

Only one project put forward from the region, Te Ara Wai, has not made the short-list.

It is anticipated that additional funding will be made available by Central Government to stimulate the economy by co-funding projects which provide for local job creation.

- **Arbitrage and Cash Surplus**

The arbitrage fund is forecasted to be \$795,900 at 8 June when all current arrangements end. A cash surplus of \$1,165,700 is also indicated.

It is recommended that the arbitrage fund be utilised for the implementation of a recovery package for Waipā communities. The detail pertaining to this package is to be presented to the Strategic Planning and Policy Committee for determination at its meeting on 17 June 2020, by way of a separate report from the Group Manager Strategy & Community Services.

Further, it is recommended that the cash surplus (noting that these are indicative savings to year end) be retained as a buffer given the high level of uncertainty as to the impacts of COVID-19 and the high probability that the key assumptions referred to earlier in this report, will be proven to be wrong (given the fast moving environment and the high level of uncertainty across all parts of our business, our local communities and beyond).

- **Ongoing review of resourcing and efficiencies**

We recognise that the environment is changing and there is a need to be prudent in our leadership of the organisation. As part of our business planning we will be implementing measures to increase efficiencies.

#### Assessment against legislative requirements

Where, in the case of Waipā, consultation on the 2020/21 Draft Annual Plan has already occurred, any new options that depart from what has already been consulted on, are required to be assessed as to whether they:

- are a significant or material change from the options consulted on;
- are a significant or material change from the LTP;

- arise from submissions on the consultation document, and if so, is it a fair reflection of the community's views?

We are required to consider the above, having regard to Council's Significance & Engagement Policy, and the Revenue & Financing Policy.

The proposed rates increase of 2.4% is less than the 4.2% provided in the 2020/21 Draft Annual Plan and the 2.7% provided for in the 2018/28 Long Term Plan, and responds to submissions made through the consultation process.

The revised 2020/21 Annual Plan does not contain any significant or material change to the options that were presented in the 2020/21 Draft Annual Plan that was publicly consulted on.

The revised 2020/21 Annual Plan does not significantly alter the intended Level of Service for any significant activity.

Furthermore, the revised 2020/21 Annual Plan does not contain significant or material changes from the 2018/28 Long Term Plan (other than in regard to timing).

The material contained in the revised 2020/21 Annual Plan is not inconsistent with the Council's Significance & Engagement Policy.

Forecast decreases in revenue for fees and charges relating to Regulatory (animal control, building, development engineering and Civil Defence) and Community Services (libraries, pools, cemeteries, rural halls and recycling) functions, are outside the targets specified in the Council's Revenue & Financing Policy.

External legal advice has been obtained from Simpson Grierson which concludes that the targets in the Revenue & Financing Policy are not prescribed and there is no legal risk if the revenue generated is less than anticipated. It is recommended that a disclosure be made in the Funding Impact Statement detailing this and the reasons for it.

On balance, it is considered that the changes contained in the revised 2020/21 Annual Plan do not require further public consultation.

### Emerging Risks

The following Emerging Risks are included in the Quarterly Risk Report which is being presented to this meeting:

Risk	Description	Risk Reduction Measures
<p>Growth and non-rates revenue forecasted to decrease due to impacts of COVID-19</p>	<p>Growth and non-rates revenue are forecast to decrease as part of a global recession resulting from the global COVID-19 pandemic which experts advise will be worse than the GFC of 2007/08. This will adversely impact on the provision of Council services and/or project delivery. Combined with the risk from low reserves, there is an increased threat to the sustainability of Council's financial position.</p>	<p>Council obtained expert economic and treasury advice and has undertaken a comprehensive review of activity budgets, including: Operating Expenditure, Capital Expenditure and the Capital Works Programme, as well as Revenue, ensuring that our future work programme is realistically able to be delivered and is affordable for our communities.</p> <p>We've focussed on the provision of essential services and looking after what we've got.</p> <p>A revised 2020/21 Annual Plan will be presented to SP &amp; P on 9 June for recommendation to Council for adoption on 30 June.</p> <p>There will be ongoing monitoring by the CFO and Manager Finance. Further, we are moving to monthly forecasting and variance reporting over the next year.</p>
<p>Low reserves</p>	<p>If there is unexpected or unplanned expenditure or cost overruns, then the current and projected finances will be challenged to absorb the deficit, potentially resulting in adverse impacts on service and/or project delivery. This emerging risk has been impacted by Covid-19 in that the level of economic uncertainty has not allowed a risk assessment to be completed.</p>	<p>Ongoing monitoring by CFO and Manager Finance. Move to monthly forecasting and variance reporting over the next year.</p>
<p>Ability to deliver Annual Plan within timeframes</p>	<p>If the current challenges of the significant rework required due to Covid-19 impacts, limited resourcing and tight timeframes are not resolved, then the delivery of the Annual Plan within the statutory timeframes may be compromised.</p>	<p>Workshops have been held with ARC and SP&amp;P to progress the revision of the Draft Annual Plan</p> <p>Reforecasting of budgets and capital works programme has been completed with urgency by budget holders and reviewed by the Executive Team</p> <p>Detailed work plan to ensure</p>

		<p>deliverables are met within the required timeframes.</p> <p>Weekly project team meetings and regular reporting to Chief Executive and Executive Team.</p>
<p>Uncertainty as to accuracy of key assumptions for Annual Plan</p>	<p>The environment is changing at pace and there is a high level of uncertainty. The key assumptions which underpin the Annual Plan have been reviewed and updated. However, with the current level of uncertainty, it is likely that one or more of those assumptions will be proven to be incorrect. This could impact on implementation of the Annual Plan.</p>	<p>Expert advice and data is being sourced from reputable sources.</p> <p>Annual Plan assumptions have been reviewed and revised as part of a comprehensive review of the Draft Annual Plan., Workshops with ARC and SP&amp;P have included the risks and high degree of uncertainty with current planning due to impacts of Covid-19 on wider economy.</p>

Next Steps

The revised 2020/21 Annual Plan is to be presented to the Strategic Planning and Policy Committee on 17 June 2020. The Committee will recommend a revised 2020/21 Annual Plan for adoption by Council at its meeting on 30 June 2020.



Kirsty Downey  
**MANAGER STRATEGY**



Reviewed by Ken Morris  
**DEPUTY CHIEF EXECUTIVE / GROUP MANAGER BUSINESS SUPPORT**



Approved by Garry Dyet  
**CHIEF EXECUTIVE**

# AUDIT AND RISK COMMITTEE REPORT



**INFORMATION ONLY**

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**To:** The Chairperson and Members of the Audit and Risk Committee  
**From:** Procurement Advisor  
**Subject:** **Procurement and Contract Management Improvement Programme Update June 2020**  
**Meeting Date:** 8 June 2020  
**File Reference:** 70.12

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## **1 EXECUTIVE SUMMARY**

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The purpose of this report is to provide the Committee with an update on the Improvement Programme actions in relation to the KPMG internal audit reports on Procure to Pay and Contract Management.

## **2 RECOMMENDATION**

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*That the 'Procurement and Contract Management Improvement Programme Update June 2020' report (document number 10392214) of Adele Bird, Procurement Advisor, be received.*

## **3 STAFF COMMENTS**

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The Sensitive Expenditure and the Fraud and Corruption Policies have been reviewed by Audit New Zealand and some final amendments will be made before the final version is provided to Executive for adoption.

The Office of the Auditor General (OAG) sent a letter to all Chief Executives of local councils to draw their attention an article they prepared following visits to some councils last year – Waipa was one of the councils visited and which contributed towards their insights. Their article poses a series of questions to assist councils in thinking about their procurement processes and procedures and to assist in identifying



any gaps in procurement. The letter and article is attached for the committee's information.

The Procurement Advisor will work through the questions raised by the OAG article and report back to the Executive Team on the findings with recommendations to address any gaps.

KPMG will shortly be undertaking a review as part of their internal audit programme, on Councils utilisation of the Waikato Local Authority Shared Services (WLASS) Professional Services Programme (PSP) to assess whether the end-to-end processes and internal controls are adequately designed, appropriate and operating effectively to mitigate key business risks related to capex procurement.

Configuration and implementation of the contracts module continues to progress. The lockdown has delayed the roll out as we have been unable to undertake user testing of the module but hope to get this underway once we move to level 1. The initial version of the module will allow us to manage all contracts through the system except for the construction contracts. These forms of contract type will be part of an upcoming version upgrade as they require some specialised linkages and fields to the finance system to enable management of contract retentions and bonds. Once that version upgrade occurs, likely to be November/December this year, we will include these contract types within the system.

A review of the WLASS Regional Principles, Policy and Framework against the Government Rules of Procurement has been undertaken and the changes to the Framework approved by the Shared Services Working Party. The revision better aligns the Framework with the Government Rules.

A workshop was recently held with Council on the Procurement Strategy, and the detail and implementation of this continues to be worked through with staff.

The tables below show the status of all items in the Improvement Programmes. Items noted as 'Completed' have been resolved since the last update report (document 10359698) and previously completed items removed from the tables.

## Procure to Pay Internal Audit

	Summary Recommendation	Actions to Address	Status	Timeframe
<b>1</b>	<b>Review the procurement strategy and clarify roles and responsibilities over the procurement function.</b>			
1.3	Review current decentralised procurement model. Confirm roles and responsibilities over procurement activities.	As the Procurement Manual is being reviewed, the model, roles and responsibilities will be made clear. Where possible processes will be put into Promapp to clarify role responsibilities. Will now be moving to assessment of the decentralised model. <i>Procurement Advisor</i>	Delayed. Focus has been on developing the Procurement Strategy.	June 2021
<b>2</b>	<b>Review current procurement practices to limit self-approval of purchases.</b>			
2.1	Perform risk assessment of segregation of duties relating to raising and receipting of Purchase Orders.	<i>Finance Manager</i>	Still to be worked through. With the change in Finance Manager this item has been re-scheduled.	June 2019 <i>Delayed to June 2020</i>
<b>3</b>	<b>Review the practice of amending purchase orders to limit retrospective approval of purchase orders</b>			
3.1	Review current practice and clarify management's expectations of use.	<i>Procurement Advisor.</i>	Still to progress	Delayed December 2020

	Summary Recommendation	Actions to Address	Status	Timeframe
<b>4</b>	<b>Strengthen processes over supplier rationalisation and spend monitoring to leverage opportunities for cost savings and efficiencies</b>			
4.1	Perform category and supplier spend monitoring on a regular basis	Categorisation underway. Using UNSPC, system set up, currently allocating categories to suppliers. <i>Procurement Advisor</i>	In Progress. Was partially implemented before lockdown, will initiate again to capture remaining suppliers	December 2020
4.2	Perform a review of existing supplier base to identify one-off suppliers and potential category spend management opportunities	Supplier reports being regularly generated which allows spend review. Implementing categorisation which will assist in narrowing down spend across various categories. <i>Procurement Advisor</i>	Supplier Reports Completed. Categorisation in Progress	June 2020
<b>5</b>	<b>Perform periodic reviews over contract templates</b>			
5.1	Perform legal review over current contract templates & implement periodic review.	Currently implementing external template provider – Terrace Publications Ltd. Instigating review of Service Delivery’s NZS3910 template <i>Procurement Advisor &amp; Legal Counsel</i>	Completed. New contract templates implemented.  Review of NZS3910 template completed. Risk management assessment in progress.	April 2020

	Summary Recommendation	Actions to Address	Status	Timeframe
<b>6</b>	<b>Process contracts with retentions in PO to enable efficient reporting and monitoring</b>			
6.1	Consider implementing the requirement for contracts with retentions to be processed via ePO in line with other contracts.	Issue with system display in EPO. Testing of next upgrade to 2019B to confirm resolution of this issue. Need to assess resourcing implications. <i>Procurement Advisor</i>	System testing in progress. Finalising supporting Promapps and training.	<i>Delayed to Dec 2020</i>

## Contract Management Review

	Summary Recommendation	Actions to Address	Status	Timeframe
<b>1</b>	<b>Develop a centralised contract register for active management of contracts</b>			
1.1	Develop and maintain a consolidated and centralised contracts register for proactive monitoring of contracts.	Contract management system purchased. Phase 1 implementation for Property Leases & Rentals completed. Phase 2 wider rollout across organisation except construction contracts currently in progress. Procurement and Business Improvement currently undertaking testing prior to wider testing by the organisation. <i>Procurement Advisor &amp; Business Improvement</i>	In progress	December 2020
1.2	Ownership roles and responsibility for management of centralised register should be determined.	Part of the contract management system project. Will be developed as system is phased into the organisation. <i>Procurement Advisor</i>	In progress	December 2020
1.3	Access to register restricted to authorised personnel and periodic review undertaken to ensure accuracy.	<i>Project team</i> to consider appropriate access and discuss as part of configuration. <i>Procurement Advisor</i> to undertake period reviews	In progress	December 2020
<b>2</b>	<b>Implement centralised contract spend monitoring and reporting</b>			
2.1	Spend against contracts. Link POs to contracts.	Developing process to implement for construction contracts. Will be part of phased contract management system implementation. All other contracts require PO to be noted on contract documentation & invoices. Link will occur in the Contract Management System. <i>Procurement Advisor</i>	In progress	December 2020

	<b>Summary Recommendation</b>	<b>Actions to Address</b>	<b>Status</b>	<b>Timeframe</b>
2.2	Spend with Suppliers. Review spend with non-contracted suppliers to investigate opportunities for better trading terms.	Contract management system underway, along with categorisation. Appropriate form of contract template now available. Once contract management system is implemented comparison between contracts and POs will be possible. <i>Procurement Advisor</i>	In progress	December 2020
2.3	Spend by category to enable management of spend in each category.	System functionality implemented. Categorisation implementation underway which will provide ability to analyse category spend. <i>Procurement Advisor</i>	In progress	December 2020
<b>3</b>	<b>Perform legal review of contracts and clarify requirements over the use of non-standard contracts</b>			
3.1	Perform a legal review over the current suite of contract templates.	Service Delivery NZS2910 contract to be legally reviewed. Review outcome report with Service Delivery to address risk areas. <i>Procurement Advisor &amp; Legal Counsel</i>	In Progress	April 2020



Adele Bird  
**PROCUREMENT ADVISOR**



Reviewed by Sarah Davies  
**MANAGER FINANCE**



Approved by Ken Morris  
**DEPUTY CHIEF EXECUTIVE / GROUP MANAGER BUSINESS SUPPORT**

## APPENDIX 1

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OAG Local Government Procurement Article (Document 10392116)





# 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.<sup>1</sup> 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.

<sup>1</sup> Rule 64 of the *Government Procurement Rules*. The rules can be found at [procurement.govt.nz](http://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,<sup>2</sup> 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*.<sup>3</sup>

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

<sup>3</sup> The guide is available at [procurement.govt.nz](http://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.

“  
*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.

————— “ —————  
*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”.<sup>4</sup> 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.

<sup>4</sup> Rule 16 of the *Government Procurement Rules*. The rules can be found at [procurement.govt.nz](http://procurement.govt.nz).

## APPENDIX 2

OAG Letter to Chief Executives (Document 10392113)

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15 May 2020

| John Ryan

Kia ora koutou

## LOCAL GOVERNMENT PROCUREMENT

Firstly I want to acknowledge the very challenging circumstances that you are faced with at the moment. Covid-19 has had a huge impact on all of us, and the communities we live in. I hope this finds you well, and that you and your staff are well placed for the challenges ahead.

I also wanted to bring your attention to my Office's latest work that is about Local Government procurement. Last year, my auditors visited 21 councils to talk to them about how they do procurement. Using insights from those visits, and from my Office's other work on procurement, we have written an article (attached to this letter) that asks a series of questions about procurement practice and culture in an organisation. The questions are designed to help you think about whether procurement processes and procedures in your council are working effectively and whether they can be improved.

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.

I encourage you to reflect on the questions in the article and, where you see gaps in procurement at your council, implement the necessary changes to strengthen your procurement processes and procedures. A good start to assessing whether procurement in your council can be improved would be to ask your Audit and Risk Committee (or equivalent) to review your procurement policies if this hasn't been done recently. You could also consider an internal audit to look at how procurement is working in practice.

The article will be published on our website on 19 May 2020. I encourage you to share it with elected members and staff from your council. Please feel free to contact the Sector Manager you normally deal with or your appointed auditor if you would like more information on any of the topics covered in the article.

Nāku noa, nā



**John Ryan**  
Controller and Auditor-General



# AUDIT AND RISK COMMITTEE REPORT



**INFORMATION ONLY**

**To:** The Chairperson and Members of the Audit and Risk Committee  
**From:** Procurement Advisor  
**Subject:** **PROCUREMENT STRATEGY**  
**Meeting Date:** 8 June 2020  
**File Reference:** 70.1

## 1 EXECUTIVE SUMMARY

Council does not currently have an organisational Procurement Strategy to provide a clear line of sight for staff to align their procurement to Council's Vision and Community Outcomes.

As part of developing a strategy, there is opportunity to utilise this opportunity to assist in the recovery and reset of the Waipa economy, through incorporating a consideration of broader outcomes and a local contribution component as part of our procurement decision-making.

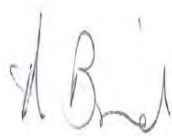
Broader outcomes are now part of the Government Rules of Procurement, which were implemented in October 2019. This requires agencies to look for opportunity to achieve a secondary benefit from any procurement they are undertaking. Broader outcomes ask us to look for benefits we can achieve for the social, cultural, economic and environmental wellbeing of our communities in Waipa.

The strategy is designed to be a Live document to enable us to be agile and responsive to a changing economic environment.

The draft strategy has been workshopped with Council, and is brought to this Committee for information.

## 2 RECOMMENDATION

*That the 'Procurement Strategy' report (document number 10395043) of Adele Bird, Procurement Advisor be received.*



Adele Bird  
**PROCUREMENT ADVISOR**



Approved by Ken Morris  
**DEPUTY CHIEF EXECUTIVE / GROUP MANAGER BUSINESS SUPPORT**

## APPENDIX 1

Draft Procurement Strategy (Document 10390675)

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# Waipa District Council Procurement Strategy

## Summary

This strategy provides direction for when a decision is made to procure goods, services or works in order to deliver on the objectives of Waipa District Council. The purpose of this strategy is to ensure that we apply procurement principles that align with Council's Vision and Community Outcomes and ensure that the Council successfully delivers its strategic goals.

This strategy is intended to be a live document, it is designed around our current environment and will assist Waipa's economic recovery in response to the global COVID-19 pandemic. It's also about ensuring we give due consideration to future development and needs to be a working document with the agility to change so that we best provide for the social, cultural, economic and environmental wellbeing of our communities in Waipa. This document will be reviewed bi-annually however that does not remove the ability to make amendments inside this timeframe if required.

The strategy sits alongside the various strategies, plans and policies of Council, and is designed to ensure there is a clear line of sight from what we do on a daily basis to Council's Vision for Waipa – 'Waipa Home of Champions' 'Building the Future Together' and Community Outcomes.

It's focused on using the funding from our ratepayers in the best way possible to support and develop our communities.

## Defining Procurement

Procurement means the acquisition of all goods, works and services provided by or for the Council. Procurement covers every aspect of the procurement cycle from determining and specifying the needs of the service through the Long Term Plan and/or Annual Plan, through to the acquisition and delivery of goods and services as well as the relationship management of the supplier(s) involved. The procurement process finishes at the disposal of those goods or works or when the service contracts or agreements come to an end. This is called the procurement lifecycle.

Procurement can range from a simple and low risk purchase through to some very complex and high risk activities.

## Alignment to Legislative and Strategic Context

As a public body Council has responsibilities to consider, not just the financial implications for Council of its procurement decisions, but also the short and long term outcomes for the community. The main legislative driver being the Local Government (Community Well-being) Amendment Act 2019, which provides for local authorities to play a broad role in promoting the social, economic, environmental and cultural well-being of their communities, taking a sustainable development approach.

Council has stated its Vision in the 2018-28 Long Term Plan, and we also have our Community Outcomes – what we want for our district. These underpin all strategies, plans and policies developed by Council.

*Socially Responsible* – utilising the knowledge and resources within Waipa for the benefit of the whole community

*Environmental and Cultural Champions* – Building a community that is proud of Waipa’s physical and cultural environment.

*Economically Progressive* – Continuing to build a sustainable thriving economy based upon the district’s unique characteristics.

*Connected with our Community* – ensuring the Waipa Community is actively involved in the decisions and actions that affect Waipa.

Sitting underneath these are our external and internal priorities for the next 3 years:

*External:* Culture and Heritage, District Wide Planning, Place Shaping, Resilience and Water Treatment and Supply

*Internal:* Workforce Planning & Culture, Progressing Digital, Managing Risk, Next 10 Year Plan.

In addition to Council’s own Vision, there are requirements from Government on Council around standards of good practice and ensuring delivery of *public value*.

*Public value* means achieving the best possible value from a procurement. For example, procurement offers the opportunity to support NZ businesses and can also contribute positively towards achieving environmental outcomes by supporting New Zealand’s transition to a low emissions economy or reducing waste.

### **Alignment to Procurement Rules**

The NZ Government Procurement Rules are the Government’s standards of good practice for government procurement. The Rules focus mainly on the process of sourcing and are a flexible framework designed to help agencies make balanced procurement decisions. As a public sector agency local councils are encouraged to follow the Rules.

Waipa District Council is also a participating Council in the Regional Procurement Principles, Policy and Framework, which contains principles to ensure we uphold the integrity of our procurement and provide clear guidance on how procurement is undertaken. The procurement principles and policy within this document aligns with the Government Procurement Rules, and emphasises the public value aspect that needs to be considered for all procurement.

The regulatory environment outlined above places requirements on us as a Council and impacts how we run our organisation. It allows us to identify if we are merely complying, or if we are exceeding these requirements – a hallmark of a leading organisation. We want to use our procurement approach to exceed these requirements and help us to really deliver on our community outcomes.

### **Broader Outcomes**

The Government Procurement Rules requires each agency to consider and incorporate, where appropriate, *Broader Outcomes* when purchasing goods, services or works. *Broader Outcomes* are the secondary benefits that are generated from the procurement activity. They are designed to provide Public Value from government procurement. They can realise environmental, social, economic or cultural benefits. *Broader Outcomes* require you to consider not only the whole-of-life cost of the procurement, but also the costs and benefits to society, the environment, and the NZ economy.

These *Broader Outcomes* align well with Council's Community Outcomes. They encourage increasing access for NZ businesses, workforce skills and development training, supporting the procurement of low-waste and low-emissions goods and services and ensuring compliance with employment standards and health and safety requirements.

Using the *Broader Outcomes* and lining these up with our Community Outcomes means that as a Council we will ensure that our procurement is helping to stimulate the Waipa economy, supporting local employment and ensuring that local benefit is achieved from how we deliver our services. It also supports us in making Waipa a better place to live, work and play.

### **Strategy Principles in the Current Environment**

In the current environment where our District is responding to and recovering from a significant and unprecedented global pandemic with a forecasted economic recession expected to last up to 3 years, this procurement strategy will focus on key areas to assist in resetting and rebuilding our Waipa economy – we want to support the development of a sustainable and thriving economy, and to be socially responsible using our knowledge and resources within Waipa for the benefit of the whole community. So in this first generation of the Procurement Strategy we are going to focus on the following principles. As noted previously, as our environment and economy changes, these principles will be updated to address issues as they are identified.

#### **Principle 1: Make the best use of every dollar**

- Use efficient, effective and appropriate procurement processes to deliver quality goods, works or services. This does not necessitate the selection of lowest price.
- Consider the total costs and benefits of a procurement (total cost of ownership), public value.

#### *Commentary*

The procurement processes used by council need to be fair and transparent, but also need to be agile to meet a fast-changing environment and supplier and supply chain market. Having good, collaborative relationships with our suppliers is critical to ensuring that we are achieving the best possible outcome from our procurement.

A range of procurement processes need to be available for staff to use based on value, risk and complexity. We need the flexibility to use a variety of tools, from simple contracting to competitive and collaborative relationships to select the most appropriate process for the procurement.

The total cost of ownership considerations mean that in some instances, the lowest price tendered may not be the best overall price over the life of the asset. A more expensive up front cost may provide savings across the life of the asset in the areas of maintenance and operation, and offer opportunities to reduce waste of resource (both materials and labour). Best value may not be limited to financial factors.

Looking to make the best use of every dollar also helps drive innovation to look for the most effective and efficient way to deliver a result. By looking at delivering public value it enables us to achieve as much as possible for our community.

*How we will do this:*

- Have a **forward planning pipeline** to ensure a continual supply of work to enable ongoing, stable employment (*A forward pipeline will allow employers to resource themselves with some certainty*)
- Require **well-planned approach** from business case through to contract (*Amend our Procurement Plan, Business Case and Project Plan templates to demonstrate how projects apply the principles*)
- Make the procurement **process scalable and appropriate** to the level of procurement being undertaken (*Ensure its easy for suppliers to respond to procurement and the level of information required is appropriate to the procurement spend*).

## **Principle 2: Consider local contribution**

- Look for where opportunities exist for local suppliers to contribute in a procurement through a local contribution test
- Consider where procurement can be used to stimulate employment and training within Waipa
- *Note:* this is not necessarily a 'Buy Local' strategy, but a desire to increase access to our business for local and smaller suppliers through our procurement processes e.g. inclusion of local employment and training as part of tender evaluations.

### *Commentary*

Where effective local procurement spending occurs, it can impact on the economy directly and indirectly.

Directly:

- By supporting local sustainable businesses that are more likely to survive, expand, innovate, train and invest
- Supporting training, new opportunities, employment security
- Encouraging participation of Maori businesses thereby increasing engagement and employment
- Including supply chain opportunities to maximise local contribution
- Supporting local manufacturers and businesses that source goods manufactured locally

Indirectly:

- Supporting community linkages e.g. local businesses encouraged to support local initiatives, which increases liveability through employment opportunities and encouraging leadership
- Supporting sustainable activity in the local economy, which can have broader impacts through encouraging more sustainable industries and businesses
- Using a local contribution weighting (where appropriate) to encourage the development of emerging industries and suppliers

Our definition of a local supplier is: ***'a supplier of goods or services that maintains a workforce whose usual place of residency (i.e. where they normally live, sleep and eat) is located within the Waipa District boundary'***. This is key because this is where we will see the benefits within our District – employment, involvement in our community and spend within our community.

In applying this definition it is important that a common sense and practical approach is taken. Staff should ensure that the intention of this definition – to support genuinely local workforces – is reflected. The application of this should not in any way conflict with the Government Procurement Rules, which requires that broader outcomes are incorporated in a way that does not discriminate against any supplier. There will be a requirement for suppliers to have local knowledge and presence in the Waipa community e.g. an out of zone business may rent premises in Waipa or employ local people.

*How we will do this:*

We will introduce a classification system where we look at our procurement and classify it into three areas:

1. Always local – Goods and services that, by their very nature are supplied locally
2. Potential to be local – goods and services that have the potential to be supplied locally – local suppliers have the necessary skills and experience, but non-local suppliers are value-for-money competitive in the local market.
3. Doesn't make sense to be local – goods and services that are part of global value chains and/or not part of a locally competitive market.

For *Always Local* we can check to ensure we aren't procuring outside of our local zone for these and where we can look to transition some of our procurement into this *Always Local* space.

In our procurement processes there are two models we can implement for those procurements that fall into the classification of 'Potential to be Local', based on expenditure value:

- For procurements between \$50,000 - \$250,000 as part of the RFX responses suppliers would be required to outline briefly how they will contribute locally as per the contribution options outlined. This would then be assessed as a non-price weighting of X% on a procurement-by-procurement basis and would be described in the procurement plan.
- For procurements over \$250,000 suppliers would be required to provide a local contribution plan to maximise the contribution to the local economy/community for the goods/services being procured. This will also be a non-price attribute with a X% weighting.

The supplier will be evaluated on:

- The number of local jobs supported by the procurement activity
- Use of local contractors, manufacturers and supply chain directly relation to the supply of goods and/or services
- The number of local apprentices and trainees supported by the procurement activity
- How any local iwi businesses are supported by the procurement activity

### **Principle 3: Be sustainable**



- The procurement system will ensure that opportunities for social, economic, environmental and cultural interests and outcomes will be actively considered.

#### *Commentary*

This principle is about wider considerations for our procurement and looks for opportunities to include these and encourage uptake in the Waipa community. It also supports the principle of ‘make the best use of every dollar’ by:

- seeking multiple outcomes from every dollar spent
- it encourages demonstration of greater resource efficiency (e.g. energy generation and use)
- allows staff to consider wider impacts such as environmental sustainability (e.g. carbon reduction opportunities), and economic sustainability
- supports innovation and actively searching for the best use of our physical resources. The inclusion of a sustainable approach will encourage greening of the supply chain.

Using a sustainable approach also requires looking at long term costs and benefits. Short term fixes can impose long term costs on ratepayers. Assessing the impacts of procurement on current and future generations is an essential component in achieving sustainability.

This principle means that every procurement must consider social, economic, environmental and cultural outcomes or impacts early in the procurement process, but recognises that not every procurement will need to address the full range in the final stages of the procurement process. The opportunity to consider these impacts are applied whenever these are possible, relevant and proportionate.

#### *How we will do this:*

- Supplier code of conduct to acknowledge minimum ethical standards which support safe and fair workplaces (*implement requirement for all WDC suppliers*)
- Require opportunities for apprenticeships and training (*part of procurement planning*)
- Local Jobs First = publicly funded projects over a designated value use an appropriately scaled percentage of Waipa apprentices, trainees, engineering cadets (*set baseline and consider project-by-project*)
- Scalable approach for sustainable procurement objectives and corresponding outcomes, based on expenditure (*look for opportunities but be pragmatic*)
- Engaging with Maori businesses (*collect information on Maori businesses within Waipa and make available to staff*)
- Looking for opportunities to engage with social enterprise (*collect information on social enterprises based within Waipa*)
- Environmentally sustainable outputs: project-specific requirements to use sustainable resources and to manage waste and pollution, use of recycled content in construction, conserving energy and water, minimising habitat destruction and environmental degradation
- Environmentally sustainable business practices: adoption of sustainable business practices by suppliers (*make part of procurement considerations*)
- Implementation of Climate Change Policy objectives: - project-specific requirements to minimise greenhouse gas emissions, procurement of outputs that are resilient against impacts of climate

change (*apply climate-change lens, eliminate old inefficient infrastructure that is high emitting, includes incentives to reduce emissions*)

- Providing non-toxic solutions e.g. non-toxic chemical alternatives (*suggest in procurement and weight*).

The Government Procurement Rules include a supplier code of conduct, which outlines expectations of suppliers and their subcontractors around ethical behaviour, labour and human rights, health, safety and security, environmental sustainability and corporate social responsibility. The expectations outlined in this can be applied to our suppliers as these are minimum standards we would expect our suppliers to be implementing.

Sustainable outputs and measures can be requested and weighted as part of tenders, which will encourage uptake of environmental practices.

### Procurement SMART goals

Summary of the goals for the procurement strategy:

Principle	Statement	Goal
1	Make the best use of every \$	Establish forward pipeline of work across the organisation, publish it and update it
		Amend procurement plan & project plan templates to include whole-of-life considerations
2	Consider Local Contribution	10 day payment for X% of POs
		Amend procurement plan & project plan templates to include assessment of Local Contribution opportunities
		Set minimum local content for selected projects
		Include opportunities for local suppliers in X% of significant procurement. Any construction procurement >\$9M to include weighted evaluation for skills development and training.
		100% of Always Local category is supplied by local suppliers
		X% of Potential to be Local category uses local manufacturers, suppliers and contractors
		Contract review includes measurement of Local Contribution component
3	Be Sustainable	100% of WDC suppliers signed Code of Conduct
		Establish register of Maori businesses
		Procurement plan includes assessment of sustainability opportunities
		Weightings for non-price criteria include Sustainability and Local Contribution with minimum weighting of X%

## Conclusion

The Principles outlined above have a clear line of sight to Council's vision and Community Outcomes. They provide a high level approach which focus on key areas. These Principles may be added or changed as our economy or environment changes because we want to make our strategy appropriate and agile to cope with the now and also to help us think about the future. The Principles will translate further into real processes and actions that will help staff to meet the Principles and through that, ensure that we are achieving the vision of Waipa Home of Champions – Building the Future Together.

DRAFT

# AUDIT AND RISK COMMITTEE REPORT



**INFORMATION ONLY**

**To:** The Chairperson and Members of the Audit and Risk Committee  
**From:** Strategic Projects Driver  
**Subject:** **Long Term Plan 2021-31 project update**  
**Meeting Date:** 8 June 2020

## 1 EXECUTIVE SUMMARY

The purpose of this report is to provide the Committee with a quarterly update on the preparation of the 2021-31 Long Term Plan (LTP). This report is provided for information purposes and does not require any decision-making on the part of Committee Members.

## 2 RECOMMENDATION

*That the 'Long Term Plan 2021-31 Project Update' report (document number 10393982) of Haven Walsh, Strategic Projects Driver, be received.*

## 3 KEY ACTIONS SINCE PREVIOUS REPORT

### Population projections

We sought to understand the population projections our Future Proof partner councils (Hamilton City Council, Waikato District Council, and Waikato Regional Council) are using to prepare their LTPs, and how they are factoring in the impacts from the COVID-19 pandemic.

Hamilton City Council confirmed they are using the National Institute of Demographic and Economic Analysis (NIDEA) projections based on the 2013 census. They are, however, seeking a review of the projections in light of COVID-19. We have supported a proposal to expand this review and develop an interim dataset for the entire Future Proof sub-region. The review would essentially adjust the projections for changed migration assumptions.

The output would be population and household projections at the territorial authority level. Staff noted that an interim dataset would be also be useful for updating the Future Proof Strategy.

#### Project business cases

The project governance group directed staff to complete all project business case by 29 May. This key action enables the development of a financial model that:

- shows all capital costs over the ten years of the plan, and
- provides the basis for reviewing and refining the capital project list as we move through the project.

#### Review of risk register

A risk register is maintained for the project. 'Very high risks' are reported to this Committee quarterly – refer section 5 of this report for this. The LTP working group and project governance group are undertaking a full review of the risk register in light of the COVID-19 situation. The updated risk register will be circulated to Committee members for information once the full review is complete.

## 4 NEXT STEPS

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Once the Annual Plan is completed we will:

- Revisit the agreed approach to preparing the LTP – which has been to continue with the current 2018-28 LTP as far as practical, and recommit to delivering a large capital works programme.
- Review and set the external strategic priorities.
- Information that will inform the above steps includes:
  - The findings from pre-consultation with the community on the vision, community outcomes and priorities for the district.
  - A 'State of the Waipā' background document (this document will be regularly reviewed and updated throughout the project).
  - Financial information from the project business cases (the financial model).
  - A summary document with key issues and actions in the Activity Management Plans.
  - Infometrics advice on the economic assumptions that inform the LTP.
  - A staff view on the status of the other (non-economic) significant forecasting assumptions that inform the LTP.

After we reassess the overall approach to preparing the LTP and review the external strategic priorities, we will begin to prioritise which projects go into the LTP and in which year. We will also review the component LTP strategies and policies.

## 5 KEY RISKS

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Currently, there are two 'very high risks', associated with the preparation of the LTP. These are noted below with comment provided on each.

### ***Reliance on key staff***

*The high degree of reliance on key staff in preparing the LTP creates resource, capacity, and knowledge gap risks if those staff are absent or leave the organisation. This risk has been somewhat mitigated by having two staff involved in each project workstream (with the exception of the engagement workstream, for which the whole of the Communications & Engagement team has been involved).*

The COVID-19 pandemic has heightened the 'reliance on key staff' risk, however, it has not been raised to an extreme risk. Over time, it is anticipated;

- staff inputting to the Crisis Management Team and Emergency Operations Centres will be redirected to business as usual (BAU) work.
- staff involved in the strategic and operational response to the pandemic will be redirected to BAU work.
- or other staff will be identified to fill gaps on a longer term basis.

### ***Overestimation of the level of work that can be achieved***

*Departments overestimate the level of work they can achieve and put in budget and project requirements over and above what can be delivered.*

When prioritising projects that go into the LTP, decision makers will have a detailed understanding of what Council has delivered in the current 2018-28 LTP. That understanding will help inform what can be achieved when preparing this next LTP.

Haven Walsh  
**STRATEGIC PROJECTS DRIVER**

Reviewed by Kirsty Downey  
**MANAGER STRATEGY**



Approved by Ken Morris  
**DEPUTY CHIEF EXECUTIVE / GROUP MANAGER BUSINESS SUPPORT**

## SUPPORTING INFORMATION: ASSESSMENT OF PROPOSAL

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### Legal and regulatory considerations

#### ***Local Government Act 2002***

The Local Government Act 2002 (LGA) requires local authorities to, at all times, have a long term plan and that they are reviewed every three years.



# AUDIT AND RISK COMMITTEE REPORT



**INFORMATION ONLY**

**To:** The Chairperson and Members of the Audit and Risk Committee  
**From:** Manager Finance  
**Subject:** **Review of Accounting Policies, Key Accounting Estimates and Proposed Revaluation Approach**  
**Meeting Date:** 8 June 2020

## 1 EXECUTIVE SUMMARY

The purpose of this report is to provide the Committee an opportunity to consider and comment on key discretionary elements of the 30 June 2020 Annual Report process, namely Council's accounting policies, key accounting estimates and accounting treatment matters.

## 2 RECOMMENDATION

*That the information contained in the 'Review of Accounting Policies, Key Accounting Estimates and Proposed Revaluation Approach' report (document number 10407236), of Sarah Davies, Financial Accountant be received.*

## 3 STAFF COMMENTS

### Accounting policies

Council is classified as a tier one public sector public benefit entity (PBE) under the multi-standards financial reporting framework introduced in New Zealand by the External Reporting Board effective 1 July 2014.

The proposed accounting policies for the 30 June 2020 Annual Report are set out in Appendix 1.

There have been several changes in accounting policies proposed for this year as a result of International Public Sector Accounting Standard changes, these changes have been listed in the 'Changes in Accounting Standards' in Appendix 1. There are also

changes coming up over the next few years which have been listed in the 'Standards issued and not yet effective, and not early adopted' in Appendix 1.

### **Proposed approach for the 2020 revaluation of infrastructure assets**

Originally, road corridor assets were scheduled to be revalued and the 'three waters' (water, wastewater and stormwater) assets were scheduled for a fair value assessment to be completed at 30 June 2020. However, road corridor asset revaluation was completed a year early on 30 June 2019 due to the significant movement in fair value of these assets and the three waters assets were also revalued at this date.

A fair value assessment will now be completed for both road corridor and the three waters assets at 30 June 2020 to reflect our biennial revaluation timing. We will reassess the timing of these revaluations in the future as it would be preferable to have these assets revalued on alternate years for workload purposes.

### ***Fair Value Assessment Objectives***

Set out below are the key objectives to be achieved as part of the 2020 fair value assessment process:

1. Complete fair value assessments to ensure there are no material movements in the fair value of road corridor and water assets.
2. Continue ongoing improvement of asset databases and incorporation of database improvements using recommendations from 2019 revaluation reports.

### ***Objective 1: Complete fair value assessments***

We are to complete fair value assessments to ensure there are no material movements in the fair value of road corridor and water assets.

The update on progress to date is as follows:

- We have received draft reports of our fair value assessments for the year ended 30 June 2020, these show immaterial increases to replacement costs of each asset class with overall total increases of 1.38% for road corridor assets and 1.4% for water assets. There were some minor errors in the reports and we have requested some changes to be made to them. We are currently awaiting a second draft of the reports but we are confident that the reports will not trigger a full revaluation report.
- Both fair value reports note the uncertainty in the market due to Covid-19. We are unsure what impact this disclosure will have on Audit confidence in the reports.

**Objective 2: Asset database improvements**

Revaluation reports received for 30 June 2019 included recommendations from prior years revaluation reports.

The update on the progress of recommendations for the year ended 30 June 2020 is as follows:

**Water Services Assets**

*To maintain current Waipa DC's on-cost percentage for 2019 valuation and engage in an active review to verify this level for use in next valuation cycle.*

An active review needs to be completed before next revaluation cycle. We do not want to do this until closer to the time as it needs to be relevant for the 30 June 2021 valuation. This is scheduled for late 2020/21.

*To continue to collect asset condition data for stormwater and wastewater pipes, focusing on representative coverage of all pipe materials. Data collected will further refine the deterioration curves and expected asset lives.*

We are continuing our regime of collecting pipe condition data through the use of CCTV investigations (for stormwater and wastewater) and pipe samplings (for water services). This improvement work is ongoing.

**Road Corridor Assets**

*Formation, Sub-base, Basecourse and Pavement Surface data records should be checked for overlapping or duplicated data, and any gaps in the data based on road start and end displacements in the network.*

Formation, Sub-base and Basecourse data records have minor start / end discrepancies and need manual checking and adjusting and matching with the database top layer of each. Finance are confident at a road level current units are materially accurate so impact of database improvement will be minor. This is time consuming and manual work which is currently in progress and being done on an ongoing basis.

*The Unsealed sub-base data should be checked and any unformed roads removed.*

The Unsealed subbase data is a relatively small part of our asset base and is relatively accurate. A review is in progress to be sure records are accurate and updated if necessary.

*Footpath data records should be continuously monitored through field audits for overlapping, missing or incorrect data and necessary corrections made in RAMM and Finance One.*

The footpath database had a full update in the roading database and subsequent update in the finance database in the 2017/18 Year. Council staff believe the field audit issues were isolated incidents only and they were corrected upon discovery in the field audit. We will continue to tidy up database as improvements are identified. Another full update of footpath data is not due to be completed until the 2021/22 Year (after the next revaluation).

*Collect and populate the asset register with updated streetlight mount condition data.* Condition information from the road corridor database has been updated accordingly in the finance database. A field audit of the streetlight mounts to update condition is going to be completed in the 2020/21 year prior to revaluation.

**Key Accounting Estimates**

At this stage there are no matters to draw to the Committee’s attention in regard to key accounting estimates.



Sarah Davies  
**FINANCIAL ACCOUNTANT**



Approved by Ken Morris  
**DEPUTY CHIEF EXECUTIVE / GROUP MANAGER BUSINESS SUPPORT**

## APPENDIX 1

[NOTE: Yellow highlighting is used to reflect dates or note numbers that are yet to be confirmed]

### **(Proposed) Statement of Accounting Policies for the Year Ended 30 June 2020**

Waipa District Council is a territorial local authority established under the Local Government Act 2002 (LGA) and is domiciled and operates in New Zealand. The relevant legislation governing the Council's operations includes the LGA and the Local Government (Rating) Act 2002.

The group consists of the ultimate parent, Waipa District Council, and the Waipa Community Facilities Trust.

The primary objective of Council and group is to provide goods or services for the community or social benefit rather than making a financial return. Accordingly, Council has designated itself and the group as public benefit entities (PBEs) for financial reporting purposes.

These financial statements of the Council and group are for the year ended 30 June 2020, and were authorised for issue by Council on **XX September 2020**.

#### **Basis of preparation**

The financial statements have been prepared on the going concern basis, and the accounting policies have been applied consistently throughout the period.

The financial statements of the Council and group have been prepared in accordance with the requirements of the LGA and the local Government (Financial Reporting and Prudence) Regulations 2014 (LG(FRP)R), which include the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP).

The financial statements have been prepared in accordance with Tier 1 PBE accounting standards.

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$'000), other than the remuneration and the severance payment disclosures in note **XX**, and the related party transaction disclosures in note **XX**. The remuneration, severance payment, and related party transaction disclosures are rounded to the nearest dollar. The functional currency of Council is New Zealand dollars.

#### **Changes in accounting policies**

##### ***Interests in other entities***

In January 2017, the External Report Board (XRB) issued new standards for interests in other entities (PBE IPSAS 34 -38). These new standards replace the existing standards for interests in other entities (PBE IPSAS 6-8). The new standards are effective for annual periods beginning on or after 1 January 2019, with early application permitted.

Council has applied this standard in preparing its 30 June 2020 financial statements. The main changes relate to the accounting treatment and disclosures for subsidiaries, associates, and

joint ventures. This has had impact on these financial statements which has been disclosed in note XX and note XX.

### **Employee Benefits**

PBE IPSAS 39 aligns the requirements for employee benefits in PBE Standards with those in IPSAS 39. It supersedes PBE IPSAS 25 Employee Benefits. The main changes are:

- Removal of the option to defer the recognition of certain actuarial gains and losses arising from defined benefit plans (the “corridor approach”).
- Elimination of some of the presentation options for actuarial gains and losses arising from defined benefit plans (which enhances comparability).
- Introduction of the net interest approach, which is to be used when determining the defined benefit cost for defined benefit plans.
- Changes to the disclosure structures for defined benefit plans according to explicit disclosure objectives for defined benefit plans.

It introduces disclosures for defined benefit plans that share risks between entities under common control. However for this situation certain information required to be disclosed can be disclosed by cross-reference to disclosures in another group entity’s financial statements in certain situations.

There has been a change to the definition of short-term employee benefits from “due to be settled” to “expected to be settled wholly before twelve months” which puts an emphasis more on what is likely to be settled. Only benefits that meet the revised definition can be recognised at an undiscounted amount.

Council has applied this standard in preparing its 30 June 2020 financial statements. The main changes relate to the removal of options for the recognition and presentation of actuarial gains and losses arising from defined benefit plans and replacing interest cost and expected return on plan assets with a single net interest component. Council does not have defined benefit plans so these changes have not had a material impact on these financial statements.

### **Impairment of Revalued Assets**

The scope of PBE IPSAS 21 Impairment of Non-Cash-Generating Assets has been amended to include assets measured at revalued amounts under the revaluation model in PBE IPSAS 17 Property, Plant and Equipment and PBE IPSAS 31 Intangible Assets (‘revalued assets’). The new standards are effective for annual periods beginning on or after 1 January 2019.

Following the amendments, revalued assets are subject to the same impairment assessment requirements as assets that are measured using the cost model.

Where an impairment loss is recognised for an asset (or group of assets) that is revalued however, an entity is not necessarily required to revalue the entire class of assets to which that impaired asset (or group of assets) belongs.

In addition the amendment clarifies that for revalued assets, impairment losses and reversals thereof are accounted for in the same way as revaluation decreases and increases.

Consequential amendments have also been made to PBE IPSAS 17 and PBE IPSAS 31.

Council has applied this standard in preparing its 30 June 2020 financial statements. The amendments bring revalued property, plant and equipment and intangible assets within the scope of PBE IPSAS 21 and PBE IPSAS 26. The amendments clarify that an impairment of an individual asset outside of the revaluation cycle will not necessitate the revaluation of the entire class of assets to which the impaired asset belongs. Council has assessed the impairment of these additional asset classes while preparing these financial statements.

### **2018 Omnibus Amendments to PBE Standards**

Applies for annual periods beginning on or after 1 January 2019.

The following standards are amended by this document:

- PBE IPSAS 4 The Effects of Changes in Foreign Exchange Rates. The changes made by the NZASB mirror changes introduced by the IASB and then the IPSASB. The changes introduce additional guidance in Appendix A plus set out the initial application requirements when applying the requirements of the guidance in Appendix A. This Appendix clarifies the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or revenue when an entity has received or paid advance consideration in a foreign currency.
- PBE IPSAS 5 Borrowing Costs. The change seeks to mirror changes made by the IASB to IAS 23. The amendments clarified that an entity includes borrowings made specifically to obtain a qualifying asset in general borrowings when that qualifying asset is ready for its intended use or sale. Putting it another way, when determining the capitalisation rate one excludes from this calculation borrowing costs applicable to borrowings made specifically for the purpose of obtaining a qualifying asset until substantially all the activities necessary to prepare that asset for its intended use or sale are complete.
- PBE IPSAS 16 Investment Property. The amendments mirror IASB and IPSASB changes. These amendments relate to the change in use used to determine whether there has been for a property a transfer to or from an investment property.
- PBE IPSAS 37 Joint Arrangements. This change mirrors that made by the IASB and IPSASB. That amendment clarified that when an entity obtains control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
- PBE IPSAS 39 Employee Benefits. The amendments mirror those made by the IASB and IPSASB. The amendments require that an entity use the updated assumptions from the remeasurement associated with a change to a plan (an amendment, curtailment or settlement) to determine current service cost and net interest for the remainder of the reporting period after the change to the plan.
- PBE IFRS 3 Business Combinations. The amendments mirror those made by the IASB and IPSASB. They clarify that when an entity obtains control of a business that is a joint operation prior to acquisition date, it remeasures the entire previously held interests in that business. The amendments to PBE IFRS 3 Business Combinations are effective for business combinations for which the acquisition date is on or after the beginning



of the first annual reporting period beginning on or after 1 January 2019. Earlier application is permitted.

- PBE IPSAS 38 Disclosure of Interest in Other Entities. The amendments mirror those made by the IASB and IPSASB. The amendments clarified the scope of PBE IPSAS 38 by specifying which disclosure requirements in the Standard apply to an entity's interests in other entities that are classified as held for sale, as held for distribution or as discontinued operations in accordance with PBE IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. The amendments to PBE IPSAS 38 Disclosure of Interests in Other Entities are to be applied retrospectively for annual financial statements covering periods beginning on or after 1 January 2019.

Council has applied this standard in preparing its 30 June 2020 financial statements. The changes are minor in nature and these changes have not had a material impact on these financial statements.

### **Standards issued and not yet effective, and not early adopted**

Standards and amendments, issued but not yet effective that have not been early adopted, and which are relevant to the Council and group are:

#### ***Financial instruments***

In January 2017, the XRB issued PBE IFRS 9 Financial Instruments. PBE IFRS 9 replaces PBE IPSAS 29 Financial Instruments: Recognition and Measurement. PBE IFRS 9 is effective for annual periods beginning on or after 1 January 2021, with early application permitted. The main changes under PBE IFRS 9 are:

- Two categories for financial assets being amortised cost or fair value.
- New financial asset classification requirements for determining whether an asset is measured at fair value or amortised cost.
- New classification and measurement requirements for how the amount of change in fair value of financial liabilities is accounted for.
- A new impairment model for financial assets based on expected losses, which may result in the earlier recognition of impairment losses.
- Revised hedge accounting requirements to better reflect the management risks.

Council plans to apply this standard in preparing its 30 June 2022 financial statements. Council and the group has not yet assessed the effects of the new standard.

#### ***Service Performance Reporting***

There has been no PBE Standard dealing solely with service performance reporting. This Standard establishes new requirements for public benefit entities (PBEs) to select and present service performance information. Mandatory for annual periods beginning on or after 1 January 2021.

Council plans to apply this standard in preparing its 30 June 2021 financial statements. Council and the group has not yet assessed the effects of the new standard.



### **2018 Omnibus Amendments to PBE Standards**

Applies for annual periods beginning on or after 1 January 2021.

The following standards are amended by this document:

- PBE IPSAS 2 Cash Flow Statements. Disclosure Initiative (Amendments to IAS 7), issued by the IASB in January 2016, amended IAS 7 Statement of Cash Flows to require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financial assets. The IPSASB subsequently amended IPSAS 2 Cash Flow Statements in Improvements to IPSAS, 2018 and the NZASB amended PBE IPSAS 2 in 2018 Omnibus Amendments to PBE Standards.

Council plans to apply this standard in preparing its 30 June 2022 financial statements. Council and the group has not yet assessed the effects of the new standard.

### **Summary of Significant accounting policies**

Significant accounting policies are included in the notes to which they relate.

Significant accounting policies that do not relate to a specific note are outlined below.

#### ***Basis of consolidation***

The consolidated financial statements are prepared by adding together like items of assets, liabilities, equity, revenue and expenses on a line-by-line basis. All significant intragroup balances, transactions, revenue, and expenses are eliminated on consolidation. As the Waipa Community Facilities Trust is not a significant component for the current year, the consolidated position has been presented via a 'parent and group' column.

#### ***Goods and services taxation (GST)***

All items in the financial statements are stated exclusive of GST, except for receivables and payables which are stated on a GST inclusive basis.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the statement of financial position. The net GST paid to, or received from the IRD is classified as an operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

#### ***Budget figures***

The budget figures are those approved by Council at the beginning of the year in the 2018- 28 Long Term Plan (Year 1). The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by Council for the preparation of these financial statements.

#### ***Critical accounting estimates and assumptions***

In preparing these financial statements the Council has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

- Estimating the fair value of land, buildings, and infrastructural assets– see note XX.
- Estimating the landfill aftercare provision– see note XX.
- Estimating the carrying value of certain capital work in progress projects– see note XX.

### ***Critical judgements in applying accounting policies***

Management has exercised the following critical judgements in applying accounting policies:

- ***(New disclosure, judgements to be confirmed)***

### ***Income tax***

The Council is tax exempt for income tax purposes.

## **Summary cost of service**

### **Cost allocation**

Council has derived the cost of service for each significant activity using the cost allocation system outlined below.

Direct costs are those costs directly attributable and charged to a significant activity. Indirect costs are those costs which cannot be identified in an economically feasible manner with a specific significant activity. Indirect costs are charged to significant activities using appropriate cost drivers such as computer equipment used, staff numbers and floor area.

There have been no changes to the cost allocation methodology during the year.

### **Revenue**

Revenue is measured at the fair value of consideration received.

Revenue may be derived from either exchange or non-exchange transactions.

### ***Exchange transactions***

Exchange transactions are transactions where Council receives assets or services, or has liabilities extinguished, and directly gives approximately equal value to another entity in exchange.

Specific accounting policies for major categories of exchange revenue transactions are listed below.

### ***Interest and dividends***

Interest income is recognised using the effective interest method.

Dividends are recognised when Council's right to receive the payment is established.

***Pensioner housing revenue***

Rental revenue arising from tenancy agreements is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of revenue and expenditure due to its operating nature.

***Other gains and losses***

Other gains and losses include fair value gains and losses on financial instruments at fair value through surplus or deficit, unrealised fair value gains and losses on the revaluation of investment properties and realised gains and losses on the sale of Property, Plant and Equipment (PPE) held at cost.

***Sales of goods***

Revenue from the sale of goods is recognised when a product is sold to the customer.

***Non-exchange transactions***

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, Council either receives value from or gives value to another entity without directly giving or receiving approximately equal value in exchange, or where the value given or received is not able to be accurately measured.

An inflow of resources from a non-exchange transaction, whether this be an asset or revenue, is only recognised if a liability is not also recognised for that particular asset or revenue.

A liability is only recognised to the extent that the present obligations have not been satisfied. A liability in respect of a transferred asset is recognised only when the transferred asset is subject to a condition, such as a condition for the asset to be consumed as specified and/or that future economic benefits or service potential must be returned to the owner.

Specific accounting policies for major categories of non-exchange revenue transactions are listed below.

***Rates revenue***

The following policies for rates have been applied:

- General rates, targeted rates (excluding water-by-meter) and uniform annual general charges are recognised at the start of the financial year to which the rates resolution relates. They are recognised at the amounts due. The Council considers that the effect of payment of rates by instalments is not sufficient to require discounting of rates receivables and subsequent recognition of interest revenue.
- Rates arising from late payment penalties are recognised as revenue when rates become overdue.
- Revenue from water-by-meter rates is recognised on an actual basis. Unbilled usage, as a result of unread meters at year end, is accrued on an average usage basis.
- Rates remissions are recognised as a reduction in rates revenue when the Council has received an application that satisfies its rates remission policy.

***Development contributions***

Development and financial contributions are recognised as revenue when Council provides, or is able to provide, the service for which the contribution was charged. Otherwise, development and financial contributions are recognised as liabilities until such time as Council provides, or is able to provide the service.

***New Zealand Transport Agency roading subsidies***

Council receives funding assistance from the New Zealand Transport Agency, which subsidises part of the costs of maintenance and capital expenditure on the local roading infrastructure. The subsidies are recognised as revenue upon entitlement as conditions pertaining to eligible expenditure have been fulfilled.

***Other grants received***

Other grants are recognised as revenue when they become receivable unless there is an obligation in substance to return the funds if conditions of the grant are not met. If there is such an obligation, the grants are initially recorded as grants received in advance and recognised as revenue when conditions of the grant are satisfied.

***Direct charges***

Rendering of services at a price that is not approximately equal to the value of the service provided by the Council or Group is considered a non-exchange transaction. This includes rendering of services where the price does not allow the Council to fully recover the cost of providing the service (such as resource consents, building consents, water connections, dog licencing, etc), and where the shortfall is subsidised by income from other activities, such as rates. Generally there are no conditions attached to such revenue.

Revenue from such services is recognised when the Council or Group issues the invoice or bill for the service. Revenue is recognised at the amount of the invoice or bill, which is the fair value of the cash received or receivable for the service. Revenue is recognised by reference to the stage of completion of the service to the extent that the Council or Group has an obligation to refund the cash received from the service (or to the extent that the customer has the right to withhold payment from the Council or Group for the service) if the service is not completed.

***Building and resource consent revenue***

Fees and charges for building and resource consent services are recognised on a percentage completion basis with reference to the recoverable costs incurred at balance date.

***Entrance fees***

Entrance fees are fees charged to users of the Council's local facilities, such as the pools. Revenue from entrance fees are recognised upon entry to such facilities.

***Infringement fees and fines***

Infringement fees and fines mostly relate to animal infringements and parking infringements and are recognised when the revenue is received. The fair value of this revenue is determined based on the probability of collecting fines, which is estimated by considering the collection history of fines over the preceding 2-year period.

***Vested or donated physical assets***

Where a physical asset is acquired for nil or nominal consideration the fair value of the asset received is recognised as income. Assets vested in Council are recognised as revenue when control over the asset is obtained.

The fair value of vested assets is usually determined by reference to the cost of constructing the asset. For assets received from property developments, the fair value is either based on construction price information provided by the property developer or values as per the last revaluation.

For long-lived assets that must be used for a specific purpose (e.g. land must be used as a recreation reserve), Council immediately recognises the fair value of the asset as revenue. A liability is only recognised if Council expects that it will need to return or pass the asset to another party.

Council is required by the New Zealand Local Government Funding Agency Limited (LGFA) Guarantee and Indemnity Deed to disclose in its financial statements (or notes) its annual rates income. That Deed defines annual rates income as an amount equal to the total revenue from any funding mechanism authorised by the Local Government (Rating) Act 2002 together with any revenue received by Council from other local authorities for services provided by that Council for which those other Local Authorities rate. The annual rates income of Council for the purposes of the LGFA Guarantee and Indemnity Deed disclosure is shown below.

**Personnel costs**

Employer contributions to KiwiSaver are accounted for as defined contribution superannuation schemes and are expensed in the surplus or deficit as incurred.

**Other expenses*****Grant expenditure***

Non-discretionary grants are those grants that are awarded if the grant application meets the specified criteria, and are recognised as expenditure when an application that meets the specified criteria for the grant has been received. Discretionary grants are those grants where Council has no obligation to award on receipt of the grant application and grants are recognised as expenditure on payment.

***Operating leases***

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

**Finance costs**

In accordance with PBE IPSAS 5 Borrowing Costs, all borrowing costs are recognised as an expense in the period in which they are incurred.

## Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the Statement of Financial Position.

## Trade and other receivables

Short-term receivables are recorded at the amount due, less any provision for uncollectability.

A receivable is considered to be uncollectable when there is evidence that the amount due will not be fully collected. The amount that is uncollectable is the difference between the amount due and the present value of the amount expected to be collected.

### *Fair Value*

Receivables are generally short-term and non-interest bearing. Therefore, the carrying value of receivables approximates their fair value.

### *Assessment for collectability*

The Council does not provide for any uncollectability on rates receivable, as it has various powers under the Local Government (Rating) Act 2002 to recover any outstanding debts. These powers allow the Council to commence legal proceedings to recover any rates that remain unpaid four months after the due date for payment. If payment has not been made within three months of the Court's judgment, then the Council can apply to the Registrar of the High Court to have the judgment enforced by sale or lease of the rating unit.

Ratepayers can apply for payment plan options in special circumstances. Where such repayment plans are in place, debts are discounted to their present value of future payments if the effect of discounting is material.

As of 30 June, all overdue receivables, except for rates receivable, have been assessed for impairment and appropriate provisions applied. Council holds no collateral as security or other credit enhancements over receivables that are either past due or impaired.

The impairment provision for the prior year has been calculated based on expected losses for Council's pool of debtors. There are no anticipated losses. All receivables more than 30 days in age are considered to be past due.

## Other financial assets

Council classifies its investments in the following categories:

- Financial assets at fair value through surplus or deficit;
- Loans and receivables;
- Held-to-maturity investments; and
- Financial assets at fair value through other comprehensive revenue and expense.

The classification depends on the reason behind acquiring the investment. Council decides how to classify its investments when they are acquired.

Purchases and sales of investments are recorded on the value date. Financial assets are no longer recognised when the right to receive cash flows from the financial assets has expired or has been transferred. The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active, Council establishes fair value through valuation techniques. At each year end Council assesses whether there is evidence that a financial asset or group of financial assets is impaired. Any impairment loss is recognised in the Statement of Comprehensive Revenue and Expense.

### ***Financial assets at fair value through surplus or deficit***

This category has two sub-categories: financial assets held for trading, and those designated at fair value through surplus or deficit. A financial asset falls in this category if acquired principally to sell in the short-term or if designated this way by Council. After initial recognition, they are measured at their fair values with gains or losses on re-measurement recognised in the surplus or deficit. These financial assets are classified as current assets if they are held for trading or expected to be realised within twelve months of the year end date.

### ***Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments not quoted in an active market. They arise when Council provides money, goods or services directly to a debtor with no intention of selling the receivable asset. After initial recognition, they are measured at amortised cost using the effective interest method. Gains and losses when the asset is impaired or derecognised are recognised in the surplus or deficit. They are included in current assets, except for those with maturities greater than twelve months after the year end date, which are classified as non-current assets.

### ***Held-to-maturity investments***

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that Council has the intention and ability to hold to maturity. After initial recognition, they are measured at amortised cost using the effective interest method. Gains or losses when the asset is impaired or derecognised are recognised in the surplus or deficit.

### ***Financial assets at fair value through other comprehensive revenue and expense***

Financial assets at fair value through other comprehensive revenue and expense are those that are designated into the category at initial recognition or are not classified in any of the other categories above. They are included in non-current assets unless management intends to dispose of the share investment within 12 months of balance date or if the debt instrument is not expected to be realised within 12 months of balance date. The Council includes in this category:

- investments that it intends to hold long-term but which may be realised before maturity; and
- shareholdings that it holds for strategic purposes.

These investments are measured at their fair value, with gains and losses recognised in other comprehensive revenue and expense, except for impairment losses, which are recognised in the surplus or deficit. On de-recognition, the cumulative gain or loss previously recognised in other comprehensive revenue and expense is reclassified from equity to the surplus or deficit.



## **Investments in subsidiaries, associates, and joint ventures**

The Council and group has adopted the new group standards, PBE IPSAS 34 to 38, in preparing these financial statements. In adopting these new standards, the Council and group has updated its accounting policies for its investments in subsidiaries, associates, and joint ventures. Disclosures have also been updated for the new disclosure requirements of PBE IPSAS 38.

Further information about the initial adoption of these standards is provided in note **XX**.

### ***Subsidiaries***

The Council consolidates in the group financial statements those entities it controls. Control exists where the Institute is exposed, or has rights, to variable benefits (either financial or non-financial) and has the ability to affect the nature and amount of those benefits from its power over the entity. Power can exist over an entity if, by virtue of its purpose and design, the relevant activities and the way in which the relevant activities of the entity can be directed has been predetermined by the Council.

Investments in subsidiaries are measured at cost in the Council's parent financial statements.

### ***Associate***

An associate is an entity over which the Council has significant influence and that is neither a subsidiary nor an interest in a joint venture. Investments in associates are accounted for in the group financial statements using the equity method of accounting.

Investments in associates are measured at cost in the Council's parent financial statements.

### ***Joint venture***

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint control is the agreed sharing of control of an arrangement by way of a binding arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Investments in joint ventures are measured at cost in the Council's parent financial statements.

### ***Equity method of accounting in group financial statements***

Investments in associates and joint ventures are accounted for in the group financial statements using the equity method of accounting.

Under the equity method of accounting, the investment is initially recognised at cost and the carrying amount is increased or decreased to recognise the group's share of the change in net assets of the entity after the date of acquisition. The group's share of the surplus or deficit is



recognised in the group surplus or deficit. Distributions received from the investee reduce the carrying amount of the investment in the group financial statements.

If the share of deficits of the entity equals or exceeds the interest in the entity, the group discontinues recognising its share of further deficits. After the group's interest is reduced to zero, additional deficits are provided for, and a liability is recognised, only to the extent that the group has incurred legal or constructive obligations or made payments on behalf of the entity. If the entity subsequently reports surpluses, the group will resume recognising its share of those surpluses only after its share of the surpluses equals the share of deficits not recognised.

### **Assets held for sale**

Assets held for sale are classified as held for sale if their carrying amount will be recovered principally through a sale transaction, not through continuing use. Assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Any impairment losses for write-downs of non-current assets held for sale are recognised in the surplus or deficit.

Any increases in fair value (less costs to sell) are recognised up to the level of any impairment losses that have been previously recognised.

These assets are not depreciated or amortised.

### **Property, plant and equipment**

Property, plant and equipment consists of:

- Operational assets which include land, buildings, library books, plant, furniture and equipment, and motor vehicles.
- Infrastructural assets which are the fixed utility systems. Each asset class includes all

items that are required for the network to function, for example sewer reticulation includes reticulation piping and sewer pump stations.

Property, plant and equipment is shown at cost or valuation, less accumulated depreciation and impairment losses.

#### ***Additions***

The cost of an item of property, plant and equipment is recognised as an asset if it is probable that future economic benefits or service potential associated with the item will flow to Council and the cost of the item can be measured reliably. Additions are generally recognised at cost. Where an asset is acquired through a non-exchange transaction, it is recognised at its fair value at the date of acquisition.

#### ***Disposals***

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposal are included in the Statement of

Comprehensive Revenue and Expense. When revalued assets are sold, the amounts included in asset revaluation reserves in respect of those assets are transferred to retained earnings.

### **Subsequent costs**

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential with the item will flow to Council and the cost of the item can be measured reliably. The costs of day-to-day servicing of property, plant, and equipment are recognised in the surplus or deficit as they are incurred.

### **Depreciation**

Depreciation is provided on a straight-line basis on all property, plant and equipment other than land, at rates that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

	Components	Years
Water Treatment	Structures	25 – 80
	Plant	10 – 100
	Pipes	60
Water Reticulation	Pipes	30 – 100
	Fittings	10 – 30
Sewage Treatment	Structures	25 – 100
	Plant	10 – 100
	Pipes	60
Sewerage Reticulation	Pipes	50 – 100
	Fittings	25 – 100
	Manholes	80
Stormwater	Structures	15 – 80
	Pipes	50 – 100
	Manholes	50 – 80
Formation/carriageway and shoulder		Infinite
Pavement structure		12 – 150
Pavement surface (seal)		6 – 65
Catchpits and culverts		50 – 75
Bridges		50 – 115
Kerb and channel		50 -75
Lighting		20 – 35

	Components	Years
Footpaths		15 – 70
Signs		10 – 35
Railings		20 – 35
Islands		35 - Infinite
Traffic Signals		15 – 50
Buildings – not componentised		20 – 100
Building – structure		40 – 100
Building – fit-out		25 – 40
Building – services		40 – 45
Plant/motor vehicles		2 – 30
Furniture, fittings and equipment		5 – 75
Computer equipment		3 – 10
Intangibles		0 – 10
Library Books		7

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year end.

### **Revaluation**

Infrastructure assets are valued on a two-yearly cycle and Operational Land and Buildings are valued every three years, on the basis described below.

The carrying values of all revalued assets are either revalued on the frequencies noted above, or where not revalued they are assessed each balance date to ensure that the carrying values do not differ materially from the assets' fair values. If there is a material difference, then the off-cycle asset classes are revalued.

Revaluations of property, plant, and equipment are accounted for on a class-of-asset basis.

The net revaluation results are credited or debited to other comprehensive revenue and expense and are accumulated to an asset revaluation reserve in equity for that class-of-asset. Where this would result in a debit balance in the asset revaluation reserve, this balance is not recognised in other comprehensive revenue and expense but is recognised in the surplus or deficit. Any subsequent increase on revaluation that reverses a previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously expensed, and then recognised in other comprehensive revenue and expense.

***Operational land and buildings***

At fair value as determined from market-based evidence where there is a market, or depreciated replacement cost for specialised assets, by an independent valuer. The most recent valuation was performed by Quotable Value Limited - Asset and Advisory (registered valuers) and the valuation is effective as at 30 June 2020.

***Infrastructural assets***

At fair value determined on a Depreciated Replacement Cost (DRC) basis by an independent valuer. The valuation of the utility assets was performed by AON New Zealand and the valuation is effective as at 30 June 2019. The valuation of the roading assets was performed by Beca Valuations Limited (Beca) and is effective as at 30 June 2019.

***Land under roads and road reserves***

Valued by Opus International Consultants Limited (registered valuers) using estimates provided by Quotable Value at current market prices (\$/ha) for land use categories through which the roads pass. The valuation is effective as at 1 July 2006. On transition to New Zealand equivalents to International Financial Reporting Standards on 1 July 2006, the Council elected to use the fair value of land under roads as at 1 July 2006 at deemed cost. Land under roads is no longer revalued.

***Impairment of property, plant and equipment and intangible assets***

Property, plant, and equipment are reviewed for impairment at each balance date and whenever events or changes in circumstances indicate that the carrying amount might not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written down to the recoverable amount. For revalued assets, the impairment loss is recognised against the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the surplus or deficit.

For assets not carried at a revalued amount, the total impairment loss is recognised in the surplus or deficit.

The reversal of an impairment loss on a revalued asset is credited to other comprehensive revenue and expense and increases the asset revaluation reserve for that class of asset. However, to the extent that an impairment loss for that class of asset was previously recognised in the surplus or deficit, a reversal of an impairment loss is also recognised in the surplus or deficit.

For assets not carried at a revalued amount, the reversal of an impairment loss is recognised in the surplus or deficit.

***Value in use for non-cash-generating assets***

Non-cash-generating assets are those assets that are not held with the primary objective of generating a commercial return.

For non-cash generating assets, value in use is determined using an approach based on either a depreciated replacement cost approach, restoration cost approach, or a service units approach. The most appropriate approach used to measure value in use depends on the nature of the impairment and availability of information.

### ***Value in use for cash-generating assets***

Cash-generating assets are those assets that are held with the primary objective of generating a commercial return.

The value in use for cash-generating assets and cash-generating units is the present value of expected future cash flows.

### ***Critical accounting estimates and assumptions***

#### *Infrastructural assets*

There are a number of assumptions and estimates used when performing DRC valuations over infrastructural assets. These include:

- The physical deterioration and condition of an asset, for example the Council could be carrying an asset at an amount that does not reflect its actual condition. This is particularly so for those assets, which are not visible, for example stormwater, wastewater and water supply pipes that are underground. This risk is minimised by Council performing a combination of physical inspections and condition modelling assessments of underground assets;
- Estimating any obsolescence or surplus capacity of an asset; and
- Estimates are made when determining the remaining useful lives over which the asset will be depreciated. These estimates can be impacted by the local conditions, for example weather patterns and traffic growth. If useful lives do not reflect the actual consumption of the benefits of the assets, then Waipa District Council could be over or under estimating the annual depreciation charge recognised as an expense in the Statement of Comprehensive Revenue and Expense. To minimise this risk Waipa District Council's infrastructural assets useful lives have been determined with reference to the NZ Infrastructural Asset Valuation and Depreciation Guidelines published by the National Asset Management Steering Group, and have been adjusted for local conditions based on past experience. Asset inspections, deterioration and condition modelling are also carried out regularly as part of Waipa District Council's asset management planning activities, which gives Waipa District Council further assurance over its useful life estimates.

Experienced independent valuers perform the Council's infrastructural asset revaluations.

The total fair value of infrastructure assets is determined on a DRC basis at 30 June 2019.

### ***Operational land and buildings***

There are a number of assumptions and estimates used when performing market valuations over operational land and buildings assets. These include:

#### *Land (operational)*

- Land is valued as vacant and incorporates the influences of size, contour, quality, location, zoning, designation and current and potential usage.

- Assumption of an open market “willing buyer willing seller” scenario. This is effectively the price an informed purchaser would have to pay to acquire a similar property.
- Where there is a designation held against the land, adjustments have been made to reflect that designation.

#### *Buildings (operational)*

- All buildings have been valued on either a fair market basis or depreciated replacement cost approach.
- Where the fair value of an asset can be determined by reference to the price in an active market for the same asset or a similar asset, the fair value of the asset is determined using this information. Where fair value of the asset is not able to be reliably determined using market-based evidence, depreciated replacement cost is considered to be the most appropriate basis for determination of the fair value.
- The highest and best use of the property is considered when formulating which approach to undertake the building valuation. Where market-based evidence exists, structures have been valued on a market basis in relation to market-based net rates per square metre.

Experienced independent valuers perform the Council’s Operational Land and Buildings asset revaluations.

#### **Other**

Work in progress shows the amount of capital projects that are in the course of construction, and will be capitalised once completed in future years.

There are no restrictions over the title of Council’s property, plant and equipment assets, nor are property plant and equipment assets pledged as security for liabilities.

The Local Government Act 2002 requires Council to separate treatment from reticulation for water and sewage assets but Council still considers this to be one class of asset.

#### ***Treatment of bore drilling costs***

The outcome for projects such as bore drilling are largely unknown until the project is substantially complete. It is only then that the future economic benefits or service potential of such assets can be determined. Council assesses each borehole in the light of the future economic benefits or service potential to Council. Costs associated with bores that show no evidence of yielding future economic benefits or service potential are treated as impairment losses.

This year Council has impaired any boreholes that show no evidence of yielding future economic benefits or service potential to Council. Council believes it appropriate for the remaining costs to sit in work in progress until these are put to use and further assessment for capitalisation/impairment at that point.

## Intangible assets

### *Software acquisition and development*

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs associated with maintaining computer software are recognised as an expense when incurred. Staff training costs are recognised in the surplus or deficit when incurred. Costs associated with development and maintenance of the Council's website are recognised as an expense when incurred.

### *Amortisation*

The carrying value of an intangible asset with a finite life is amortised on a straight line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the Statement of Comprehensive Revenue and Expense. The useful lives and associated amortisation rates of computer software have been estimated at 3-10 years (33% - 10%).

### *Impairment of intangible assets*

Intangible assets that have an indefinite useful life, or not yet available for use, are not subject to amortisation and are tested annually for impairment. Assets that have a finite life are reviewed for indicators of impairment and tested annually for impairments each balance date.

For further details, refer to the policy for impairment of property, plant and equipment in note XX. The same approach applies to the impairment of intangible assets.

### *Emissions trading scheme*

Gains and losses on disposal are determined by comparing the disposal proceeds with the carrying amount of the New Zealand Units (NZU). Gains and losses on disposals are reported in the surplus or deficit. If at the end of any financial year there has been some deforestation (such as harvesting) that is yet to be replanted, a contingent liability will be disclosed until such time as replanting has occurred. After initial recognition, Emission Trading Scheme credits are measured at their fair values with gains or losses on re-measurement recognised in the surplus or deficit. NZUs are not amortised and have an indefinite life.

## Forestry assets

Forestry assets are independently revalued annually at fair value less estimated point of sale costs. Fair value is determined based on the present value of expected net cash flows discounted at a current market determined pre-tax rate. This calculation is based on existing sustainable felling plans and assessments regarding growth, timber prices, felling costs and silvicultural costs and takes into consideration environmental, operational and market restrictions.

Gains or losses arising on initial recognition of forestry assets at fair value less estimated point of sale costs, and from a change in fair value less estimated point of sale costs, are recognised in the Statement of Comprehensive Revenue and Expense. The costs to maintain the forestry assets are included in the Statement of Comprehensive Revenue and Expense.

### **Financial risk management strategies**

Council is exposed to financial risks arising from changes in timber prices. Council is a long-term forestry investor and forestry interests form only a small part of Council's business activity and asset base, therefore, it has not taken any measures to manage the risks of a decline in timber prices.

Council had 272 hectares of eligible forest area of pre-1990 forest land at the time of application. This land is subject to the provisions of the New Zealand emissions trading scheme ("ETS"). The implication of this for the financial statements is two-fold:

Should the land be deforested (that is, the land is changed from forestry to some other purpose), a deforestation penalty will arise; and

As a result of the deforestation restriction, compensation units are being provided by the Government.

### **Investment property**

Properties leased to third parties under operating leases are classified as investment property unless the property is held to meet service delivery objectives, rather than to earn rentals.

Initially, investment properties are measured at cost including transaction costs. Subsequent to initial recognition investment properties are measured at fair value as determined annually by an independent valuer. Gains and losses on revaluation, acquisition and disposal are recognised in the Statement of Comprehensive Revenue and Expense.

### **Trade and other payables**

Trade and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

### **Provisions**

Council recognises a provision for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that expenditures will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

### **Employee benefit liabilities**

Employee benefits expected to be settled within twelve months of balance date are measured at nominal values based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date, and sick leave. A liability for sick leave is recognised to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried



forward at balance date, to the extent that it is anticipated it will be used by staff to cover those future absences.

## **Borrowings**

Borrowings are initially recognised at their fair value. After initial recognition, all borrowings are measured at amortised cost using the effective interest method.

## **Derivative financial instruments**

Council uses derivative financial instruments to hedge its exposure to interest rate risks arising from financing activities. In accordance with the treasury management policy Council does not hold or issue derivative financial instruments for trading purposes.

Derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on re-measurement to fair value is recognised immediately in the Statement of Comprehensive Revenue and Expense. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged. The fair value of interest rate swaps is the estimated amount that the Council would receive or pay to terminate the swap at the Statement of Financial Position date, taking into account current interest rates and the current credit worthiness of the swap counterparts.

### ***Hedging***

Derivatives are first recognised at fair value on the date a contract is entered into and are subsequently re-measured to their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Council designates certain derivatives as either: (1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or (2) hedges of highly probable forecast transactions (cash flow hedges). At the inception of the transaction Council documents the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. Council documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

#### ***Fair value hedge***

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the Statement of Comprehensive Revenue and Expense, together with any changes in the fair value of the assets or liability that are attributable to the hedged risk.

#### ***Cash flow hedge***

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the Statement of Comprehensive Revenue and Expense.

Amounts accumulated in equity are recycled in the Statement of Comprehensive Revenue and Expense in the periods when the hedged item will affect profit or loss (for instance when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of the non-financial assets (for example inventory) or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the measurement of the initial cost of carrying amount of the asset or liability.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at the time remains in equity and is recognised when the forecast transactions is ultimately recognised in the Statement of Comprehensive Revenue and Expense. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the Statement of Comprehensive Revenue and Expense.

#### *Derivatives that do not qualify for hedge accounting*

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that do not qualify for hedge accounting are recognised immediately in the Statement of Comprehensive Revenue and Expense.

## **Equity**

Equity is the community's interest in Council and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into a number of reserves, the components are:

- Retained earnings
- Council created reserves
- Revaluation Reserves
- Cash flow hedge reserve

#### ***Council created reserves***

Council created reserves are a component of equity representing a particular use to which various parts of equity have been assigned. Council may alter them without reference to any third party or the Courts. Transfers from these reserves may be made only for certain specified purposes or when certain specified conditions are met.

#### ***Revaluation reserves***

This reserve relates to the revaluation of property, plant and equipment to fair value.

#### ***Cash flow hedge reserves***

This reserve comprises the effective portion of the cumulative net change in the fair value of derivatives designated as cash flows hedges.

## **Financial Instruments**

### ***Financial instrument risk***

Council has a series of policies to manage the risks associated with financial instruments. Council is risk averse and seeks to minimise exposure from its treasury activities. Council has

established Liability Management and Investment policies which do not allow any transactions that are speculative in nature.

#### **Price risk**

Price risk is the risk that the value of the financial instrument will fluctuate as a result of changes in the market prices. Council is not exposed to price risk as it does not enter into widely held equity security transactions.

#### **Currency risk**

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. It is rare for Council to enter into foreign currency transactions of any significant value. However, during the 2017/18 financial year a contract was entered for the purchase of the tank and associated plant and equipment for the new Cambridge Pool. The contract is supported by a currency hedging arrangement that protects Council from exposure to currency risk.

#### **Interest rate risk**

Interest rates on borrowings are disclosed in note XX.

#### **Fair value interest rate risk**

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Borrowing at fixed rates exposes Council to fair value interest rate risk and the Liability Management Policy outlines the level of borrowing that is to be secured using fixed rate instruments. Fixed to floating interest rate swaps may be entered into to hedge the fair value interest rate risk arising from borrowing at fixed rates. Disclosure of these hedging arrangements is made in note XX. In addition investments at fixed interest rates give an exposure to fair value interest rate risk.

#### **Cash flow interest rate risk**

Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates. Borrowings and investments issued at variable interest rates expose the Council to cash flow interest rate risks.

Generally, the Council raises long-term borrowings at floating rates and swaps them into fixed rates using interest rate swaps in order to manage the cash flow interest rate risk. Such interest rate swaps have the economic effect of converting borrowings at floating rates into fixed rates that are generally lower than those available if the Council borrowed at fixed rates directly. Under the interest rate swaps, the Council agrees with other parties to exchange, at specified intervals, the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional principal amounts.

#### **Credit risk**

Credit risk is the risk that a third party will default on its obligation, causing Council to incur a loss. There are no specific concentrations of credit risk. Council only invests funds in bank deposits and local authority stock and the Investment Policy limits the exposure to any one organisation.

Council is exposed to credit risk as a guarantor of community organisation loans and LGFA borrowings. Information about this exposure is explained in note XX.

### ***Credit quality of financial assets***

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to Standard and Poor's credit ratings (if available) or to historical information about counterparty default rates.

Debtors and other receivables arise mainly from the Council's statutory functions. Therefore, there are no procedures in place to monitor or report the credit quality of debtors and other receivables with reference to internal or external credit ratings. The Council has no significant concentrations of credit risk in relation to debtors and other receivables, as it has a large number of credit customers, mainly ratepayers. The Council has powers under the Local Government (Rating) Act 2002 to recover outstanding debts from ratepayers.

### ***Liquidity risk***

Liquidity risk is the risk that Council will encounter difficulty raising liquid funds to meet commitments as they fall due. In order to meet its commitments, Council maintains a liquidity buffer of \$1.5m and has a committed cash advance facility of \$5.0 million.

Council is exposed to liquidity risk as a guarantor of all of LGFA's borrowings. This guarantee becomes callable in the event of the LGFA failing to pay its borrowings when they fall due. Information about this exposure is explained in note XX.

### **Fair value hierarchy disclosures**

For those instruments recognised at fair value in the statement of financial position, fair values are determined according to the following hierarchy:

- Quoted market price (level 1) – Financial instruments with quoted prices for identical instruments in active markets.
- Valuation technique using observable inputs (level 2) – Financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.
- Valuation techniques with significant non-observable inputs (level 3) – Financial instruments valued using models where one or more significant inputs are not observable.

### ***Valuation techniques with significant non-observable inputs (level 3)***

The fair value for the investment in Waikato Regional Airport has been determined based on Council's proportion of ownership of the airports net assets.

### **Capital management**

Council's capital is its equity (or ratepayers' funds), which comprise retained earnings and reserves. Equity is represented by net assets.

The Local Government Act 2002 [the Act] requires Council to manage its revenues, expenses, assets, liabilities, investments, and general financial dealings prudently and in a manner that promotes the current and future interests of the community. Ratepayers funds are largely managed as a by-product of managing revenues, expenses, assets, liabilities, investments, and general financial dealings.

An objective of managing these items is to achieve intergenerational equity, which is a principle promoted in the Act and applied by Council. Intergenerational equity requires today's ratepayers to meet the costs of utilising Council's assets and not expecting them to meet the full cost of long term assets that will benefit ratepayers in future generations. Additionally, Council has in place asset management plans for major classes of assets detailing renewal and maintenance programmes, to ensure ratepayers in future generations are not required to meet the costs of deferred renewals and maintenance.

The Act requires Council to make adequate and effective provision in its Long Term Plan (LTP) and in its annual plan (where applicable) to meet the expenditure needs identified in those plans. The Act also sets out the factors that Council is required to consider when determining the most appropriate sources of funding for each of its activities. The sources and levels of funding are set out in the funding and financial policies in the Council's Long Term Plan.

Waipa District Council has the following Council created reserves:

- reserves for different areas of benefit;
- insurance reserves; and
- reserves and special funds.

Reserves for different areas of benefit are used where there is a separate rate set as distinct from the general rate. Any surplus or deficit relating to these separate areas of benefit is applied to the specific reserves.

Special reserves are set up where Council has received funds that are restricted for particular purposes. Interest is added to these reserves where applicable and deductions are made where funds have been used for the purpose they were donated.



**To:** The Chairperson and Members of the Audit and Risk Committee  
**From:** Manager Finance  
**Subject:** **AUDIT DISCUSSION ON COVID-19 IMPACTS**  
**Meeting Date:** 8 June 2020  
**File Reference:** 72.19

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## 1 EXECUTIVE SUMMARY

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The COVID-19 pandemic crisis and its economic effects will have an impact on the preparation of the Annual Report and the subsequent audit of the Annual Report.

Leon Pieterse, Audit Director from Audit New Zealand, has asked for the opportunity to have a discussion with the Committee on the impact of COVID-19 for Council and the audit of our Annual Report.

## 2 RECOMMENDATION

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*That the report titled 'Audit Discussion on Covid-19 Impacts' (document number 10407522) of Sarah Davies, Manager Finance, be received.*

## 3 STAFF COMMENTS

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Leon Pieterse, Audit Director from Audit New Zealand, has asked for the opportunity to have a discussion with the Committee on the impact of COVID-19 on the following:

- 1) Waipā District Council (Mr Pieterse has indicated that Audit will ask for a formal assessment as part of the final audit visit too);
- 2) The annual audit:
  - a) There is a signal to expect some modification to the Audit Report (similar to those of Tertiary Institutions);
  - b) Possible impact on timing of audits and the possible movement of statutory deadlines for all public entities (including Councils).

This report provides the opportunity for this discussion to happen.



Sarah Davies  
**MANAGER FINANCE**



Approved by Ken Morris  
**DEPUTY CHIEF EXECUTIVE / GROUP MANAGER BUSINESS SUPPORT**



# AUDIT AND RISK COMMITTEE REPORT



INFORMATION ONLY

**To:** The Chairperson and Members of the Audit and Risk Committee  
**From:** Manager Finance  
**Subject:** **Outstanding Management Report Items**  
**Meeting Date:** 8 June 2020  
**File Reference:** 72.19

## 1 EXECUTIVE SUMMARY

At each meeting of the Audit and Risk Committee a report will be considered providing a status update on outstanding audit management report items arising from previously received audit management reports. This report provides the latest update on the status of management follow-up action on the outstanding management report recommendations for the 2014/15, 2015/16, 2016/17 Annual Report audits; and the 2017/18 and 2018/19 Interim Audit Reports and final Management Reports.

A number of the items in the final column are noted as “No further action proposed”. For these items management believe the matter is sufficiently addressed to no longer require monitoring, although this status has not been agreed with Audit New Zealand to date. We trust that a number of these matters will be able to be cleared once we receive the Interim Audit Report from the interim audit visit which took place in March 2020 or after the Annual Report Audit in August / September 2020.

## 2 RECOMMENDATION

*That the information contained in the ‘Outstanding Management Report Items’ report (document number 10395262), of Sarah Davies, Manager Finance, be received.*

## 3 STAFF COMMENTS

The following tables provide the update:



## 2014/15 Annual Report

Audit Recommendation	Status	Priority	Management response	Status update
<b>Electronic purchase order system uptake</b>				
<p>We encourage the full implementation of an integrated electronic purchase order system to provide Council with significantly increased assurance that appropriate approval processes are being applied. This would mean using the EPO system for all purchases.</p>	<p><b>May 2019 update</b></p> <p>We understand that an analysis of expenditure that is not currently processed through EPO is underway, and management intend to develop processes to enable an effective and efficient processing of these expenditures. We understand this project is delayed until the Cloud migration.</p> <p><b>Matter progressing</b></p>	<p>Necessary</p>	<p><i>Management agrees with the recommendation.</i></p>	<p><b>June and September 2019 update</b></p> <p>A process has been developed and some testing completed to increase the scope of transactions processed via the EPO system, implementation has been delayed due to the delay in the Cloud migration.</p> <p><b>December 2019 update</b></p> <p>Testing is currently underway for the next upgrade of Technology One which is hoped to resolve the issue with entering large numbers of lines for contracts which has delayed any progress on this.</p> <p><b>March 2020 update</b></p> <p>Testing has been completed and we are awaiting resolution of one issue with Technology One before moving forward with this.</p> <p><b>June 2020 update</b></p> <p>The issue has been resolved and staff are progressing getting contracts into the EPO system and aiming for 1 July 2020 implementation.</p> <p>Staff will continue to progress this matter.</p>

## 2015/16 Annual Report

Audit Recommendation	Status	Priority	Management response	Status update
<b>Usefulness of contract management system in assisting in contract renewal decisions</b>				
<p>The contract management system could be enhanced to retain sufficient information on contractor performance throughout the contract that can be used to assist with contract renewal decisions. This type of information may come from a formal “contract performance review” process and include, for example, service delivery, timeliness, and quality metrics. Such contract performance reviews can take place during the contract (not only at the end of the contract) at recognised milestones. The collection of such information will enable comparisons and assist with contract renewal decisions.</p>	<p><b>May 2019 update</b></p> <p>We understand that the implementation of an electronic contracts register was initially programmed for completion by December 2020, and progress was made in the scoping of the contracts module and implementation plan. However, we understand that the progress has been delayed by the delay in implementation of ECM and Cloud migration.</p> <p><b>Matter progressing</b></p>	<p><b>Beneficial</b></p>	<p><i>Noted. We will consider implementing your recommendation. We are also planning to explore the software market to identify appropriately suited contract management reporting tools that would assist Council to better monitor and identify areas for improvement in its contract management process.</i></p>	<p><b>December 2016 update</b></p> <p>The project team have commenced discussions on this matter and will progress project scoping and planning towards the end of the first quarter of next calendar year.</p> <p><b>March 2017 update</b></p> <p>This project is temporarily on hold until the EPO software update and refresher training programme are complete. Project discussions are expected to resume in April 2017.</p> <p><b>June 2017 update</b></p> <p>A business case has been developed for this project and will be considered by the executive team for approval as part of the 2018/28 Ten Year Plan process.</p> <p><b>September 2017 update</b></p> <p>As above.</p> <p><b>March 2018 update</b></p> <p>The business case was placed on hold pending the recommendations following the internal audit on contract management conducted by KPMG and the recruitment of a Procurement Advisor who will have a focus on implementing the improvement plan in this area.</p>

Audit Recommendation	Status	Priority	Management response	Status update
				<p><b>June 2018 update</b></p> <p>A Procurement Advisor has been appointed and has started collating the recommendations from the KPMG internal audits for Procure to Pay and Contract Management. A consolidated improvement plan will be developed and implemented.</p> <p><b>September 2018 update</b></p> <p>The implementation of an electronic contracts register has been programmed for completion by December 2020.</p> <p><b>December 2018 update</b></p> <p>Progress has been made in the scoping of the contracts module and implementation plan.</p> <p><b>June 2019 update</b></p> <p>Some progress has been made, although delay in Cloud migration has delayed overall progress. The Business Improvement Programme Control Group has been established and the implementation of contract management software is expected to be one of its key priorities. Staff will continue to progress this matter.</p> <p><b>September 2019 update</b></p> <p>Contract Management Software testing has begun and implementation is planned to be phased in over the 2019/20 financial year.</p>

Audit Recommendation	Status	Priority	Management response	Status update
				<p><b>December 2019 and March 2020 update</b></p> <p>Contract Management Software has been implemented for one department, with other departments to be phased in over the 2019/20 financial year. This will apply to all new contracts but there will be no migration of existing contracts.</p> <p><b>June 2020 update</b></p> <p>Progress with the Contract Management Software stalled with COVID-19 but we have recommenced work and are continuing to progress the testing and implementation of the system.</p> <p>Staff will continue to progress this matter.</p>

## 2016/17 Annual Report

Audit Recommendation	Status	Priority	Management response	Status update
<b>Need to assess where the Council may be susceptible to fraud</b>				
<p>Council undertake a formal fraud assessment to assess those transactions, activities, or locations that may be susceptible to fraud; and what controls/processes the group has in place to mitigate those risks.</p>	<p><b>December 2019 update</b></p> <p>A review has been included in the District Council's internal audit work programme. It is anticipated this review will take place in 2022.</p>		<p><i>A review has been included in the District Council's internal audit work programme. It is anticipated this review will take place in 2022.</i></p>	<p><b>September / December 2018, June 2019, March / June 2020 update</b></p> <p>Council factored this matter into discussions with KPMG when scoping the new three year internal audit plan. A full 'Fraud Risk Management Gap Analysis' was included in year 3 of the plan, but has now been brought</p>

Audit Recommendation	Status	Priority	Management response	Status update
				forward to year 2, which is the upcoming 2020/21 year. No further action proposed

## 2017/18 Interim Audit Report

Audit Recommendation	Status	Priority	Management response	Status update
<b>Expenditure: segregation of duties</b>				
<p>Finance staff should not be provided with “super user” access to the Finance System. That an electronic control is put in place to ensure segregation of duties over changes to Accounts Payable masterfile data.</p> <p>That regular reviews are performed to determine the appropriateness of users with access to the system.</p>	<p><b>December 2019 update</b></p> <p>We noted minimal progress has been made on this issue.</p> <p><b>Matter progressing</b></p>	<p>Necessary</p>	<p><i>Finance staff require super user access to maintain the operational finance system, the number of super user access will be assessed and reduced if appropriate. Management agrees with the segregation of duties.</i></p> <p><i>Regular review will be conducted in relation to user access.</i></p>	<p><b>September / December 2018 update</b></p> <p>Assessment of the number of super users and electronic controls over segregation of duties in the accounts payable masterfile has been completed.</p> <p>Officers believe that all super user access is appropriate and no changes have been made. Further consideration is required of the system configuration to enable the segregation of duties for the accounts payable masterfile.</p> <p>Regular reviews of user access will be established.</p> <p><b>June 2019 update</b></p> <p>A review was completed and a recommendation to reduce the number of “super user” accesses was made. Finance now has three “super users”.</p> <p>No further action proposed</p> <p><b>December 2019</b></p> <p>Due to the introduction of the Systems Accountant Position (December 2019), we can now provide segregation of duties for Creditors Masterfile changes and reduce the number of Finance staff which have super user access.</p>

Audit Recommendation	Status	Priority	Management response	Status update
				<p><b>March 2020 update</b></p> <p>Super user access was reviewed in February 2020 with changes to be made in March 2020.</p> <p><b>June 2020 update</b></p> <p>Super user access was updated in March 2020 with only the Systems Accountant having this access.</p> <p><b>No further action proposed.</b></p>
<b>Cloud Migration</b>				
<p>We recommend that:</p> <ul style="list-style-type: none"> <li>• an independent project manager be appointed to represent Council on the project, and that formalised project governance, decision-making and reporting be established;</li> <li>• key affected parties are involved in the project, including application functionality and interface testing, data migration strategies and data migration checking sign off;</li> <li>• reviews of users and their access levels, system parameters and controls is undertaken to ensure controls remain effective throughout the transition;</li> </ul>	<p><b>December 2019 update</b></p> <p>The District Council had performed a review of users, however, no review of users' access had been completed for the financial module.</p> <p><b>Matter progressing</b></p>	<p><b>Necessary</b></p>	<p><i>Support the recommendation of Council employing a project manager reporting to a project steering group.</i></p> <p><i>Actions taken to date:</i></p> <p><i>Project Governance meeting cadence has been established (monthly) and meetings held March 21, April 18, May 16.</i></p> <p><i>Governance group includes business system owner; Group Manager Business Support, Manager Finance (Council system owner policy). Minutes of the meeting held discussing project delay are filed TRIM 100-07-02/1/3.</i></p> <p><i>Third party testing agency PlanIT has been engaged to undertake the development of a User Testing Strategy with business module owners (including Finance system</i></p>	<p><b>September 2018 update</b></p> <p>Project Governance meetings have continued, and testing has been completed for the Tech One modules with support from external consultants. Officers believe the migration project is progressing well.</p> <p><b>No further action was proposed</b></p> <p><b>December 2019 update</b></p> <p>Audit have left this recommendation open due to the outstanding item of the review of user access for the financial module. Due to the introduction of the Systems Accountant Position (December 2019), we are now planning to review the super user access in early 2020.</p> <p><b>March 2020 update</b></p> <p>Super user access was reviewed in February 2020 with changes to be made in March 2020.</p>

Audit Recommendation	Status	Priority	Management response	Status update
<ul style="list-style-type: none"> <li>• independent quality assurance of the project is undertaken; and</li> <li>• a post implementation review is carried out.</li> </ul>			<p><i>administrator). 336 Master scenarios identified and 118 priority test cases.</i></p> <p><i>A Technology One cloud database transition report has been created showing reconciliation of tables for CES &amp; PR systems, vendor obsolete tables between cloud and on premise database schemas were removed. Identified proprietary Council required database objects were migrated into the cloud. All CES + P&amp;R User profile and access management configuration has been copied from production as part of the database migration, ECM access management configuration is part of the ECM project. T1 Cloud SAML authentication and authorization leverages Council's existing Microsoft single sign-on active directory federation service (currently used for 2 factor authentication). Review of the user maintenance screens is part of the go-live checks.</i></p> <p><i>Testing to date has shown the cloud environment to be functioning as expected with no major system issues identified.</i></p>	<p><b>June 2020 update</b></p> <p>Super user access was updated in March 2020 with only the Systems Accountant having this access.</p> <p><b>No further action proposed.</b></p>



Contract Management and Project Management process				
<p>We recommend that:</p> <ul style="list-style-type: none"> <li>the contract management system could be enhanced to retain sufficient information on contractor performance throughout the contract that can be used to assist with contract renewal decisions. This type of information may come from a formal “contract performance review” process and include, for example, service delivery, timeliness, and quality metrics. Such contract performance reviews can take place during the contract (not only at the end of the contract) at recognised milestones. The collection of such information will enable comparisons and assist with contract renewal decisions;</li> <li>an organisation wide Supplier categorisation model is implemented differentiating between the relative importance of suppliers (e.g. strategic partners, routine suppliers, commodities etc.). This categorisation should then be used to inform a differential</li> </ul>	<p><b>December 2019 update</b></p> <p>Council is making strong progress on these recommendations. Our findings are below:</p> <p>We understand that expectations of contract managers (particularly those contracts within Service Delivery) are that they undertake contract performance reviews, this is part of their project reporting requirements. The contract management system is delayed due to the delay of the migration to the cloud. The contracts module will allow capture of contract review information. In the Draft Procurement Manual (which is currently out for consultation), there is some information on contractor monitoring and performance assessment.</p> <p>Work on this is progressing, with discussions in place with Technology One on specifications around supplier categories in Finance1. The contracts module will link to the financial system. The contract management system implementation is delayed due to the delay of the migration to the cloud.</p> <p><b>Matter progressing</b></p>	<p>Necessary</p>	<p><i>Management agrees with these recommendations. A Procurement Advisor has been employed and is currently developing an improvement plan incorporating recommendation from the two internal audits and the recommendations above.</i></p>	<p><b>September 2018 update</b></p> <p>The Procurement Advisor has developed a plan to implement the recommendations of the KPMG internal audit reports on Procurement and Contract Management, this plan is on the agenda for the September meeting of this Committee. The actions in this plan will address these concerns.</p> <p>Work is continuing to improve compliance with the project management process and completion of the supporting documentation.</p> <p><b>December 2018, June and September 2019 update</b></p> <p>Progress is being made on the implementation of the recommendations set out in the plan. Staff will continue to progress this matter.</p> <p><b>December 2019 and March 2020 update</b></p> <p>With implementation of the Contract Management Software, contractor performance will be able to be captured within the system and referred to as part of comparisons for tenders and contract renewal decisions.</p> <p>Categorisation of suppliers is in progress and expected to be completed in early 2020.</p> <p>Contract Management is now led by Procurement with a dedicated resource providing the oversight.</p>

<p>approach to contact management;</p> <ul style="list-style-type: none"> <li>contract management is led by a dedicated resource that can provide oversight and coordination of staff;</li> <li>there is consistent application of the Project Management Framework across the full organisation; and</li> <li>there is a systematic approach to capturing and sharing lessons learned - whilst we note that this information is captured in the project close out reports (for those instances where the project close out reports are completed) we suggest a structured approach to collating lessons learned is adopted.</li> </ul>				<p>The Project Management Framework is now applied across the organisation and training has been provided.</p> <p>Lessons learnt are now part of the project close out reports.</p> <p><b>June 2020 update</b></p> <p>Progress with the Contract Management Software stalled with COVID-19 but we have recommenced work and are continuing to progress the testing and implementation of the system.</p> <p>Staff will continue to work on the items in progress.</p>
<b>Procurement processes</b>				
<p>We recommend that:</p> <ul style="list-style-type: none"> <li>procurement is led by a dedicated resource;</li> <li>the procurement information system interfaces or is integrated with the financial system and also allows spend analysis. This system could also be used to identify future procurement activity, and provide data to inform the</li> </ul>	<p><b>May 2019 update</b></p> <p>Progress is being made on the implementation of these recommendations. We note that procurement is now led by a dedicated resource, and therefore this component of the recommendation has been closed.</p> <p>Whilst some supplier reporting is now available, Council are in the</p>	<p>Necessary</p>	<p><i>Management agrees with these recommendations. A Procurement Advisor has been employed and is currently developing an improvement plan incorporating recommendation from the two internal audits and the recommendations above.</i></p>	<p><b>September 2018 update</b></p> <p>The Procurement Advisor has developed a plan to implement the recommendations of the KPMG internal audit reports on Procurement and Contract Management, this plan is on the agenda for the September meeting of this Committee. The actions in this plan will address these concerns.</p> <p><b>December 2018, June and September 2019 update</b></p>

<p>medium term approach to procurement planning; and</p> <ul style="list-style-type: none"> <li>• documentation to support all procurement activity is consistently stored electronically and is easily accessible, and that the data and documentation supporting procurement is accurate and up to date.</li> </ul>	<p>process of getting the remainder of the reporting set up. We will keep a watching brief on this.</p> <p>We also note from discussions with management that the document management expectations are made clear to staff through our processes and policies. Whilst some financial documentation is still retained by hard copy, there is a project in development to implement invoice scanning. We also understand that Council is in the process of transitioning from the existing document management system TRIM to EDRMS and the project team will manage storage of existing historical documentation.</p> <p>Council are also in transition of implementation of the Regional Procurement Framework, Principles and Policy. We will keep a watching brief on this.</p> <p><b>Matter progressing</b></p>		<p>Progress is being made on the implementation of the recommendations set out in the plan.</p> <p><b>December 2019 &amp; March 2020 update</b></p> <p>With implementation of the Contract Management Software, financial information will be linked to the contract for monitoring and auditing purposes, with access and regular reporting provided to Managers. Contract documentation to support procurement activity will also be stored within the software.</p> <p><b>June 2020 update</b></p> <p>Progress with the Contract Management Software stalled with COVID-19 but we have recommenced work and are continuing to progress the testing and implementation of the system.</p> <p>Staff will continue to progress this matter.</p>
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## 2017/2018 Annual Report

Audit Recommendation	Status	Priority	Management response	Status update
<b>Compliance with the Local Authorities (Members' Interest) Act 1968</b>				
<p>Waipa DC seek retrospective approval for transactions which exceed the approved limits under the Local Authorities (Members' Interest) Act 1968</p> <p>Waipa DC Implement additional controls to ensure all related party transactions are captured, and that purchases from related parties do not exceed the approved limits.</p>	<p><b>May 2019 update</b></p> <p>We note retrospective approval was obtained on the 10 October 2018 for the transactions which exceeded the approved limits in the prior year.</p> <p>We recommend Council monitor transactions monthly to ensure all related party transactions are captured and transactions with related parties do not exceed the approved limit.</p> <p>In addition we identified three instances in the current year where potential interests were not declared.</p>	<p>Necessary</p>	<p><i>Council has been liaising with the Office of the Controller and Auditor-General (OAG) regarding the approval granted for this contract in April 2017. The additional costs referred to are specific costs which Council reimburses the contractor for items such as cleaning and an outdoor pursuit's operator. In essence they are agency reimbursements for payments to secondary suppliers and they are provided for in the contractual terms that Council has with GL Events Limited. Council will seek an amendment to the approval to take account of future reimbursement payments that are not included in the approved contact sum. Past payments will be addressed via a retrospective OAG approval. In both cases we would expect application to be successful given the nature of the item.</i></p> <p><i>We have recently reviewed how we record and monitor the interests declared by Elected Members. We now have a more detailed declaration form and we have</i></p>	<p><b>December 2018 update</b></p> <p>Council has received approval for the increase to the approved amount to include the reimbursement payments.</p> <p>Retrospective approval has been granted for the reimbursement payments made since April 2017.</p> <p>Better systems are now established for identifying and managing elected members' interests.</p> <p><b>No further action proposed.</b></p>

Audit Recommendation	Status	Priority	Management response	Status update
			<p><i>implemented a revised monitoring spreadsheet which takes a more comprehensive and robust approach to monitoring than the current system.</i></p>	
<p><b>Policy guidance for the Mayor's expenditure</b></p>				
<p>Inclusion of guidance in the sensitive expenditure policy stating who should approve the Mayor's expenditure.</p>	<p><b>December 2019 update</b>                      The Sensitive Expenditure Policy has not been updated. Our testing also identified instances where expenditure incurred by the Mayor had not been appropriately approved.</p> <p><b>Matter progressing</b></p>	<p><b>Beneficial</b></p>	<p><i>Council's 'Elected Members' Expense and Allowance Rules', as approved by the remuneration Authority, provide for all member expense claims to be approved by the Group Manager Business Support (the Chief Financial Officer) or the Chief Executive. Council will review its policy provisions and processes to ensure a clear and consistent approval process for all sensitive expenditure.</i></p>	<p><b>December 2018 update</b>                      Officers are currently reviewing other elements of the 'Elected Members Expense and Allowance Rules' for consideration by Council in the first quarter of next year.</p> <p><b>June and September 2019 update</b>                      The 'Elected Members Expense and Allowance Rules' have been updated but the sensitive expenditure policy is yet to be updated.</p> <p><b>December 2019 update</b>                      The Sensitive Expenditure Policy has been updated in draft form. Finalisation of the policy and the 'Elected Members' Expense and Allowance Rules' are expected in early 2020.</p> <p><b>March and June 2020 update</b>                      This matter has been addressed in both the review of the Sensitive Expenditure Policy (currently finalising) and the re-adopted elected member expense and allowance rules.</p> <p><b>No further action proposed.</b></p>

Accounts Payable Masterfile review				
We recommend that Accounts Payable Masterfile Changes are reviewed in a timely manner.	<p><b>December 2019 update</b></p> <p>We noted that January 2019 masterfile changes were not reviewed in a timely manner. They were reviewed in March 2019.</p>	Beneficial	Management agrees with the recommendation.	<p><b>June 2019 update</b></p> <p>Future reviews will be completed in a more timely manner.</p> <p>No further action proposed</p>

## 2018/2019 Interim Audit Report

Audit Recommendation	Status	Priority	Management response	Status update
Goods and Services Tax (GST) – historical reconciling differences				
We recommend management identify the reconciling items and rectify the difference.	We completed a review of the GST return for January 2019. During this review, it was noted the GST pay/refund account in the general ledger did not reconcile to the GST return for the month. The reconciling difference is approximately \$140,000. This was discussed with management who are currently working to identify the reconciling items and rectify the difference. It is believed this difference is a historical difference carried forward from prior years.	Necessary	The task has been allocated to one of the Finance Team to have completed by 30 June 2019.	<p><b>September 2019 update</b></p> <p>Staff have investigated the difference, received tax advice and resolved this issue.</p> <p>No further action proposed</p>

Audit Recommendation	Status	Priority	Management response	Status update
<b>Masterfile changes not received at month-end</b>				
<p>We recommend a process is implemented to ensure all monthly independent reviews are completed to ensure that all changes to the Accounts Payable Master File are bona fide.</p> <p>We also recommend that the August 2018 Accounts Payable Master File change report is retrospectively reviewed to ensure that changes made were bona fide.</p>	<p>On a monthly basis the Audit Report for changes made to the Accounts Payable master file is independently reviewed by the Financial Planner (who does not have access to make changes to the Accounts Payable master file). We identified that the August 2018 masterfile changes report was not reviewed.</p>	<p>Necessary</p>	<p><i>The August file has been reviewed. When the August review was missed the process had recently been implemented and since then files have been reviewed on a timelier basis.</i></p>	<p><b>September 2019 update</b> Staff had already updated their process to ensure that the reviews did not get missed.</p> <p><b>No further action proposed</b></p>
<b>Regular patching of end user devices</b>				
<p>Procedures should be established for ensuring end user devices such as PCs and laptops are patched on a regular basis. At the least, we recommend a review and updating of critical patches.</p>	<p>Patching of servers is being managed by Datacom. However, we noted that patching of desktops and end user devices is not being carried out on a regular basis, raising a potential cybersecurity risk to Council.</p>	<p>Necessary</p>	<p><i>Council have a vulnerability and patching process in place for staff computers. In the previous 12 months the process was placed on hold while other system changes were planned. A patching exception report was completed for this time.</i></p>	<p><b>September 2019 update</b> Staff are now completing regular patching.</p> <p><b>No further action proposed</b></p>

Audit Recommendation	Status	Priority	Management response	Status update
<b>Sensitive Expenditure Policy</b>				
<p>We recommend that sensitive expenditure policies are reviewed and updated to encompass good practice in line with “Controlling sensitive expenditure: Guidelines for public entities” as published by the OAG.</p>	<p>In the current year we completed an in depth review of the sensitive expenditure policy in place at Waipa District Council. We found the policy was due for renewal in December 2017. However, the policy has not yet been reviewed. Upon review of the policy we found the District Council’s policy is generally in line with good practice. However, we identified the following areas where we believe some further changes are required: Policies should specify the monitoring and reporting regime and, where applicable, any internal audit checks that may be applied;</p> <ul style="list-style-type: none"> <li>• Travel, meals and accommodation expenditure;                             <ul style="list-style-type: none"> <li>○ Waipa DC should have travel policies and procedures that require at least all international travel to have prior written approval; and</li> <li>○ For Cash advances (such as when an employee is without an entity’s credit card but is required to travel overseas), Waipa DC’s</li> </ul> </li> </ul>	<p><b>Beneficial</b></p>	<p><i>Council will review and update the policies for sensitive expenditure.</i></p>	<p><b>September 2019 update</b> The sensitive expenditure policy is yet to be updated. Staff will look to progress this matter by the end of the 2019 calendar year.</p> <p><b>December 2019 update</b> The Sensitive Expenditure Policy has been updated in draft form. Finalisation of the policy is expected in early 2020.</p> <p><b>March 2020 update</b> The Sensitive Expenditure Policy has been fully reviewed with a number of updates made, it has been endorsed by the Executive Team and is currently with Managers and the Audit and Risk Committee for feedback before proposed adoption in March 2020.</p> <p><b>June 2020 update</b> The Sensitive Expenditure Policy has been fully reviewed and feedback incorporated from the Executive Team, Managers and the Audit and Risk Committee. The draft policy was sent to Audit New Zealand for feedback and that has been incorporated. It now just requires final Executive Team approval and sign-off.</p> <p><b>No further action proposed.</b></p>



Audit Recommendation	Status	Priority	Management response	Status update
	<p>policies and procedures should state whether or not there is an allowance for this, and the policy should ensure cash advances are properly documented and accounted for.</p> <ul style="list-style-type: none"> <li>• Koha                             <ul style="list-style-type: none"> <li>○ The policy should ensure that koha is not confused with any other payment that an entity makes to an organisation.</li> <li>○ Waipa DC should ensure that the policy on giving gifts specifies the purpose and occasions when it is acceptable, and the nature and value of gifts that are appropriate to particular occasions.</li> </ul> </li> </ul> <p><b>Matter progressing</b></p>			

Audit Recommendation	Status	Priority	Management response	Status update
<b>Policy and practice improvements: Bribery and corruption</b>				
<p>We recommend that a policy, code of conduct or ethical guidelines be developed that further encompasses bribery and corruption. An appropriate policy needs to be able to be effectively implemented across each of the functions and applies to all (for example employees, directors, contractors and consultants).</p> <p>We recommend that Waipa District Council makes the appropriate policies and guidelines (once developed) related to bribery and corruption available to staff.</p> <p>We recommend that Waipa District Council complete an effective risk assessment to identify where it is most at risk for bribery and corruption. The risk assessment should be tailored to individual circumstances. The risk assessment should be adequately resourced and the results should be documented.</p>	<p>An additional area of focus this year across all clients have been around bribery and corruption. We made enquires with management and as a result note the following suggested areas of improvement.</p> <p><b>Matter progressing</b></p>	<p><b>Beneficial</b></p>	<p><i>Council will review and update the policies in regards to bribery and corruption, Council aims to following best practice. Corruption and fraudulent behaviour will be included in the discussion with our Internal Auditors during the planning of the internal audit programme.</i></p>	<p><b>September 2019 update</b> Bribery and corruption policies are yet to be created. Staff will look to progress this matter by 30 June 2020.</p> <p><b>December 2019 update</b> The Bribery and Corruption Policy has been created in draft form. Finalisation of the policy is expected in early 2020.</p> <p><b>March 2020 update</b> The Fraud and Corruption Policy has been fully reviewed with a number of updates made and the content significantly broadened, it has been endorsed by the Executive Team and is currently with Managers and the Audit &amp; Risk Committee for feedback before proposed adoption in March 2020.</p> <p><b>June 2020 update</b> The Fraud and Corruption Policy has been fully reviewed and feedback incorporated from the Executive Team, Managers and the Audit &amp; Risk Committee. The draft policy was sent to Audit New Zealand for feedback and that has been incorporated. It now just requires final Executive Team approval and sign-off.</p> <p><b>No further action proposed.</b></p>

Audit Recommendation	Status	Priority	Management response	Status update
<p>We recommend that mitigations and controls in relation to bribery and corruption are identified, documented and implemented as appropriate. Oversight should be the responsibility of one or more senior officers, which sufficient resources, authority and independence from management.</p> <p>We recommend processes and controls are developed and implemented to ensure management or those charged with governance are notified about breaches of the code of conduct and the ethical guidelines, or incidents of bribery and corruption.</p> <p>We recommend that mechanisms are put in place to notify and deal with breaches of the policies relating to bribery and corruption. Investigations should be completed by an appointed group/person in the organisation who is independent. Processes should be in place for escalation from initial assessment to full detailed investigations, including</p>				

Audit Recommendation	Status	Priority	Management response	Status update
oversight. Senior management should be involved in oversight and results of investigations reported to those charged with governance.				

## 2018/2019 Annual Report

Audit Recommendation	Status	Priority	Management response	Status update
<b>Quality and timeliness of information provided for audit</b>				
<p>The annual report process is planned and scheduled on a project basis and closely monitored to ensure milestones are met. The process should include the preparation of a substantiation file that includes copies of relevant documents and workpapers to support information in the annual report.</p>	<p>Management is required to provide information for audit relating to the annual report of the District Council. This includes the draft annual report with supporting workpapers. The audit process did not go as smoothly as anticipated. The District Council provided the first draft annual report on 5 August 2019 within the timeframes agreed in the Audit Plan dated 6 March 2019. However, when we started reviewing the first draft we noted that the quality of the draft was not as good as anticipated due to internal delays which Council has indicated were the result of unanticipated issues with migrating its financial systems to the cloud, and some supporting documentation was not available immediately. An effective and efficient annual report process relies on close monitoring of delivery. In case of delays, some contingency could be built into the process to allow for the management of these.</p>	<p>Necessary</p>	<p><i>The main reason for the delays was the finance system cloud migration being so close to financial year end, and unanticipated issues arising with this, meaning some functions or documentation were either difficult or unable to be produced. This caused an overall delay in the preparation of the draft Annual Report and our ability to supply supporting documentation in a timely manner.</i></p> <p><i>However, a project group will be established for the 2019/20 year and staff will progress this matter as recommended.</i></p>	<p><b>December 2019 update</b> A project group will be set up in early 2020.</p> <p><b>March 2020 update</b> An annual report project group was set up in February 2020.</p> <p><b>June 2020 update</b> The annual report project group is up and running and is managing the process on a project basis.</p> <p><b>No further action proposed</b></p>

Audit Recommendation	Status	Priority	Management response	Status update
	<p>The preparation of a substantiation file that includes copies of relevant documents and workpapers to support information in the annual report is essential. Once our guidance around this is released we will work with management to ensure there is a common understanding of expectations.</p> <p><b>Matter outstanding</b></p>			
<b>Capital works programme</b>				
<p>We recommend that Council formally considers the risks posed by the under delivery of the capital works programme, and determines the desired level of residual risk. Mitigations and steps should then be implemented to reduce the identified risks to Council's desired level of residual risk.</p>	<p>By 2050, the District Council is expecting an additional 25,000 people living in the Waipa district, bringing the population to nearly 75,000. This has resulted in the District Council's capital work programme increasing significantly from previous years.</p> <p>A consistent issue we have noted across the sector is that suppliers and contractors are overstretched, resulting in delays in delivering works and also inflated prices for capital works.</p> <p>We considered the progress the District Council is making against budget for its capital work programme. We identified a number of projects that have been carried forward to 2019/20 (approximately \$23.6 million). There are plans for the District Council to continue with</p>	<p><b>Necessary</b></p>	<p><i>Council is very conscious of the risks that are described here. The delivery of the capital works programme has been confirmed by both the Audit and Risk Committee and Council itself as one of Council's Top 12 strategic risks. A robust governance and monitoring regime is in place over the capital works programme including:</i></p> <ul style="list-style-type: none"> <li>- <i>a number of dedicated Programme Control Groups</i></li> <li>- <i>monthly oversight by the Executive Team</i></li> <li>- <i>quarterly oversight by the Audit and Risk Committee.</i></li> </ul> <p><i>In all of these forums, there is good consideration of both the level of delivery as well as project risks.</i></p>	<p><b>December 2019 update</b></p> <p>Project delivery framework has already been reviewed by an external consultant and considered appropriate. This delivery of the LTP programme of projects has been identified as a 'Top Risk', it is a key focus of staff, and updates on the delivery of the programme and project risks are provided to the Audit and Risk Committee on a quarterly basis.</p> <p><b>No further action proposed</b></p>

Audit Recommendation	Status	Priority	Management response	Status update
	<p>these projects. However, carry forwards are continuing to increase significantly every year. From a project delivery perspective, this poses the risk that the District Council will not be ready to accommodate the anticipated high levels of growth in the district. There are also concerns that the desired levels of service for key functions of the District Council, such as roading and water, wastewater, and storm water, will not be able to be delivered to the community.</p>		<p><i>Council had its project delivery framework reviewed by an appropriately experienced external consultant around 12 months ago and their conclusion was that an appropriate framework was in place.</i></p>	
<b>Property, plant, and equipment – valuer recommendations</b>				
<p><b>Three waters valuation</b> We recommend the District Council considers the valuer’s recommendations before the next valuation is due.</p> <p><b>Roading valuation</b> We recommend the District Council implements or addresses the recommendations made by the valuer to ensure the data is accurate and complete to avoid any duplications or overlapping in future valuations.</p>	<p><b>Three waters valuation</b> AON performed a review of the unit rates for the three waters. They recommended the District Council performs an active review to verify the level of current on-cost percentages for future valuations.</p> <p><b>Roading valuation</b> We noted that the value for basecourse assets decreased from the prior year. This was a result of overlapping and duplication of assets where an area of 8,512,546m<sup>2</sup> was valued this year compared to 9,001,202m<sup>2</sup> in 2018. In Beca’s valuation report they have made some recommendations</p>	<p>Necessary</p>	<p><i>An asset database improvement plan has been devised by staff and identified improvements prioritised based on database size (overall asset value) and severity of likely improvements. The identified improvements include recommendations made by the valuers. Items will be addressed in order of ranking. Staff will continue to progress this matter.</i></p>	<p><b>December 2019, March and June 2020 update</b></p> <p>The asset database improvement plan has been updated following the 2019 infrastructural asset revaluations. Staff are working on items in order of ranking.</p> <p>Staff will continue to progress this matter.</p>

Audit Recommendation	Status	Priority	Management response	Status update
	<p>where the District Council can improve its asset data, they are:</p> <ul style="list-style-type: none"> <li>• data records should be checked for overlapping or duplicated data, and any gaps in the data based on road start and end displacements in the network; and</li> <li>• the basecourse is currently valued on a square metre basis assuming standard depth for each record based on road type. However, some road sections have multiple layers recorded. This needs to be reviewed to ensure there are no additional layers at the same location.</li> </ul> <p><b>Matter progressing</b></p>			



Audit Recommendation	Status	Priority	Management response	Status update
<b>Contract register maintenance</b>				
<p>We recommend the contracts register is maintained accurately, and care is taken in calculating the amounts of the capital commitments disclosure for the annual report to ensure the errors are minimised going forward.</p>	<p>Capital commitments as disclosed in the annual report are derived from the contracts register maintained by the District Council. We obtained the contracts register to recalculate the disclosed capital commitments in the annual report and agreed a sample of commitments back to supporting documentation to confirm the amounts disclosed as a commitment. In performing our work, we identified a number of errors in the contracts register, resulting in the amount initially disclosed as commitments in the financial statements being erroneous, including:</p> <ul style="list-style-type: none"> <li>• double counting of commitments in the register;</li> <li>• exclusion of contracts;</li> <li>• incorrect calculation of the capital portion of commitment;</li> <li>• removal of contracts which have not been completed;</li> <li>• accruals not included in the value of work to date leading to an incorrect commitment recorded at year end; and</li> <li>• incorrect approved contract sum used for calculation.</li> </ul> <p><b>Matter progressing</b></p>	<p><b>Necessary</b></p>	<p><i>The Technology One Contracts module was implemented in September 2019, with the contracts transitioning to the solution via a planned, phased approach. The new register will provide a much more accurate record of contract sums. Staff will continue to progress this matter.</i></p>	<p><b>December 2019 and March 2020 update</b></p> <p>Contract Management Software has been implemented for one department, with other departments to be phased in over the 2019/20 financial year. This will apply to all new contracts but there will be no migration of existing contracts.</p> <p><b>June 2020 update</b></p> <p>Progress with the Contract Management Software stalled with COVID-19 but we have recommenced work and are continuing to progress the testing and implementation of the system.</p> <p>Staff will continue to progress this matter.</p>

Audit Recommendation	Status	Priority	Management response	Status update
<b>Journals</b>				
We recommend that all manual journals are approved by a staff member who is senior to the person who created the journal.	Our review of journals processed during the year identified a number of instances where journals were approved by staff who were not senior to the person who created the journal. This results in an increased risk of management override of controls as staff may be requested to approve journals created by a senior staff member or peer.	Necessary	<i>The recommendation has been actioned and staff will ensure future journals are being approved by a senior staff member.</i>	<p><b>December 2019 update</b></p> <p>Journal processes have now been changed to approval by staff who are senior to the person who created the journal.</p> <p><b>No further action proposed</b></p>
<b>Crown Infrastructure Partners housing infrastructure programme</b>				
Should the District Council consider engaging with CIP funding, we would recommend that legal advice is obtained regarding how the infrastructure payments would be collected from the property owners.	Crown Infrastructure Partners (CIP) bulk housing team have developed a commercial model for Government and private sector funding of new roading and three water infrastructure, to support growth in housing. The goal is to significantly bring forward in time the building of bulk infrastructure, which will in turn allow new houses to be built now and in the coming years. Infrastructure payments, which will be used to repay the financing received by the developer, are payable by owners of properties in the development. The approach of using the rates assessment and invoice for the purpose of collecting infrastructure payments carries some risk.	Beneficial	<i>The recommendation has been noted. Council resolved at its September meeting that it would not be actively pursuing the CIP funding opportunity at present, but staff would continue discussions with Crown agencies around this topic.</i>	<p><b>December 2019 update</b></p> <p>Council has resolved that it will not actively pursue this funding opportunity at present.</p> <p><b>No further action proposed</b></p>

Audit Recommendation	Status	Priority	Management response	Status update
<b>Sensitive expenditure</b>				
<p>To ensure compliance with the policy and good practice guidelines, we recommend the District Council ensures all transactions are appropriately approved.</p> <p>We also recommend the District Council reminds staff of the importance of retaining itemised tax invoices to support all expense claims and that expenditure incurred should comply with the District Council's sensitive expenditure policies.</p>	<p>We have recently seen a number of situations regarding sensitive expenditure and the use of expenses by senior management in the public sector, which are cause for concern. We selected a sample of transactions from areas of sensitive expenditure incurred during the period and reviewed them for compliance with the District Council's policies and accepted good practice. In particular we tested travel and accommodation, entertainment and hospitality, reimbursement of expense claims for senior management and expenditure incurred by the Mayor and Chief Executive.</p> <p>Based on our limited sample testing, we identified the following:</p> <ul style="list-style-type: none"> <li>• An instance where the approver of expenditure for accommodation also benefited from the expenditure incurred, i.e. self-approval of expenditure.</li> <li>• An instance where there was inadequate supporting documentation (i.e. no tax invoice) for a meal expense incurred. We noted that approval was based on an Orbit statement therefore neither the approver of the expenditure nor the audit team</li> </ul>	<p><b>Necessary</b></p>	<p><i>Staff are currently progressing a review of the sensitive expenditure policy.</i></p> <p><i>The newly identified matters of Mayoral hospitality spend, and Mayoral expenditure being approved by the Chair of the Audit and Risk Committee, will be added to the other matters being considered in this review.</i></p> <p><i>In respect to purchases of alcoholic and non-alcoholic beverages by the Mayoral office, Council's sensitive expenditure policy is built on the premise that all sensitive expenditure spend is 'moderate and conservative', and it is our belief that this is the case in relation to this expenditure.</i></p> <p><i>In regard to the approval of Mayoral expenditure, at present we are applying the Remuneration Authority approved 'Policy on Elected Members' Allowances and Recovery of Expenses' which provides for the Group Manager Business Support or the Chief Executive to approve these costs.</i></p> <p><i>Staff believe the self-approval instances were isolated events</i></p>	<p><b>December 2019 update</b></p> <p>The Sensitive Expenditure Policy has been updated in draft form. Finalisation of the policy is expected in early 2020.</p> <p><b>March 2020 update</b></p> <p>The Sensitive Expenditure Policy has been fully reviewed with a number of updates made, it has been endorsed by the Executive Team and is currently with Managers and the Audit &amp; Risk Committee for feedback before proposed adoption in March 2020.</p> <p><b>June 2020 update</b></p> <p>The Sensitive Expenditure Policy has been fully reviewed and feedback incorporated from the Executive Team, Managers and the Audit and Risk Committee. The draft policy was sent to Audit New Zealand for feedback and that has been incorporated. It now just requires final Executive Team approval and sign-off.</p> <p><b>No further action proposed.</b></p>

Audit Recommendation	Status	Priority	Management response	Status update
	<p>were able to determine if the expenditure incurred was appropriate and in line with the District Council’s sensitive expenditure policy.</p> <ul style="list-style-type: none"> <li>• Instances of purchases of alcoholic and non-alcoholic beverages by the Mayoral office for hospitality purposes.</li> <li>• A number of instances where the Mayor’s expenditure had been approved by the Executive Assistant or the CEO/Deputy CE. Good practice guidelines state that Mayoral expenditure should be approved by the Chair of the Audit and Risk Committee.</li> </ul> <p><b>Matter progressing</b></p>		<p><i>where there were several staff on one form and the approver was missed as being amongst the attendees. Likewise we believe the inadequate supporting documentation matter to be isolated. That said staff will be mindful of reducing the risk of repeat exceptions.</i></p>	



Sarah Davies  
**MANAGER FINANCE**



Approved by Ken Morris  
**DEPUTY CHIEF EXECUTIVE / GROUP MANAGER BUSINESS SUPPORT**

# AUDIT AND RISK COMMITTEE REPORT



**INFORMATION ONLY**

**To:** The Chairperson and Members of the Audit and Risk Committee  
**From:** Manager Project Delivery  
**Subject:** **Capital Programme Update 30 April 2020**  
**Meeting Date:** 8 June 2020

## 1 EXECUTIVE SUMMARY

The delivery of the 10-Year Plan Capital Expenditure Programme is one of Council's Top Risks.

The attached appendix provides a summary of the Service Delivery and Community Services and Strategy Group's capital programme as at the end of April 2020.

173 projects are currently being delivered across the Service Delivery and Community Services and Strategy Groups.

The updated forecast budget is \$90.9 million for capital projects, which takes into account as much as practicable delays associated with Covid-19 response and construction sites closing during Alert Level 4. Notwithstanding those issues, the delivery of the projects are progressing well, with \$62 million, 69% of the 2019/20 forecast budget, spent and a further \$26 million, 29% of the budgets, committed. The criteria for a budget allocation to be shown as a committed spend is only when a contract for either professional services or physical works has been approved and signed. There is currently \$2.4 million, 3% of the 2019/20 budget, that is outstanding. This outstanding budget is largely related to land purchase for growth projects.

The report in Appendix 1 also provides information on the current percentage spend on projects via funding type such as Renewals, Level of Service and Growth. This is a Chief Executive Key Performance Indicator. The targets set report against the Organisational 2019/20 Annual Plan budget, and therefore do not take into account any budget reforecasting that has occurred throughout the year.

The renewal projects currently have 74% spent against the Annual Plan budget and are on track to meet the target of 100%. The level of service and growth projects are 63% and 41% respectively. The growth projects are behind the percentage spend KPI target

due to developer led projects being deferred to 2020/21 and 2022/23, as a result of commitments by the developer which are outside of Council's influence.

Lorraine Kendrick will be present at the meeting to answer any questions.

The following appendix accompanies this report:

- Appendix 1 – Audit and Risk Committee Report – Service Delivery & Community Services and Strategy Programme Update (document number 10392413)

## 2 RECOMMENDATION

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*That the 'Capital Programme Update' report (document number 10391920) of Lorraine Kendrick, Manager Project Delivery, be received.*



Lorraine Kendrick  
**MANAGER PROJECT DELIVERY**



Approved by Ken Morris  
**DEPUTY CHIEF EXECUTIVE / GROUP MANAGER BUSINESS SUPPORT**

## Appendix 1

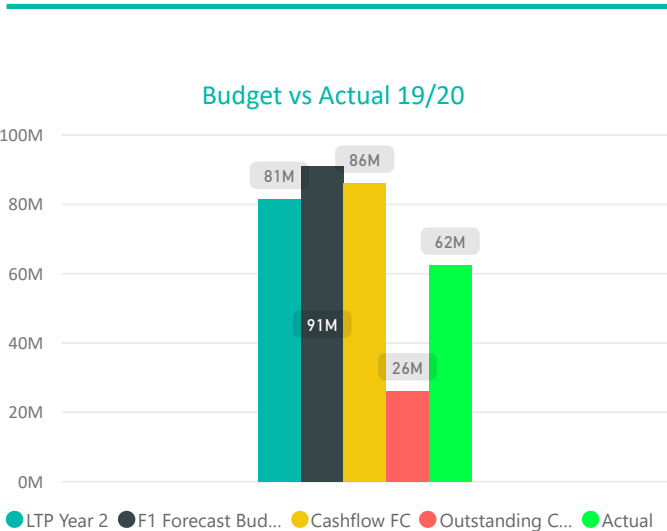
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Audit & Risk Committee Report – Service Delivery & Community Services & Strategy Programme Update (document number 10392413)



# Audit & Risk Committee Report - Service Delivery & Community Services & Strategy Programme Update

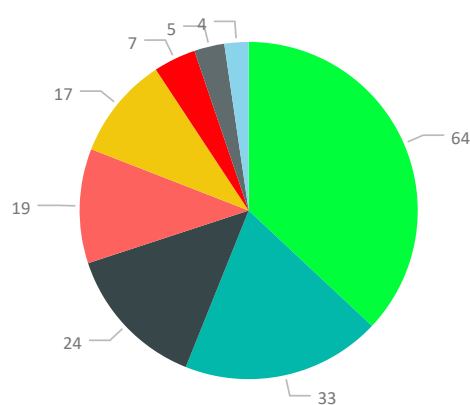
## 30/04/2020



Total No. Projects  
173

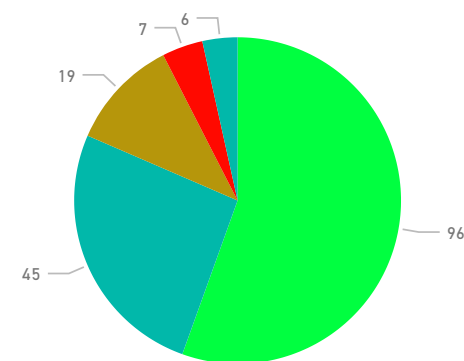
### Project Phase Current Month

- Construction
- Design
- Planning
- Complete
- Plan2Construct
- On Hold
- Procurement
- Post Construction



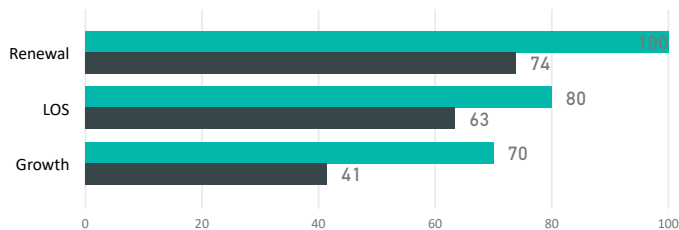
### Project Tracking

- On Track
- Slightly Delayed
- Complete
- On Hold
- Behind

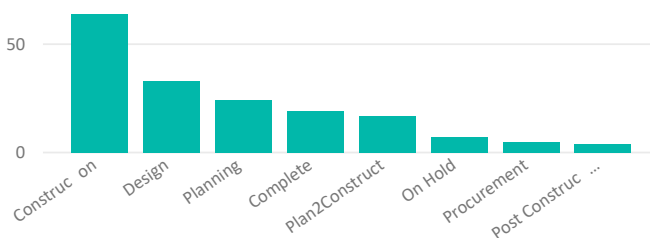


### Current % Spend - CE KPI

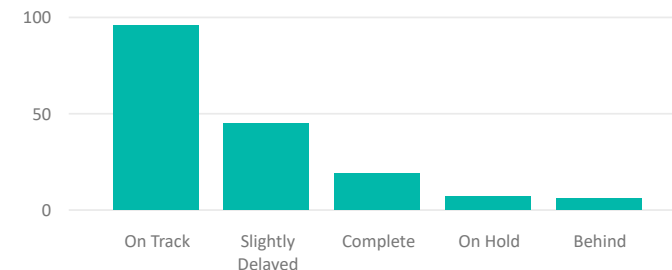
- KPI Goal
- KPI Percentage



### Project Phase



### Project Tracking





**To:** The Chairperson and Members of the Audit and Risk Committee  
**From:** Governance  
**Subject:** **RESOLUTION TO EXCLUDE THE PUBLIC**  
**Meeting Date:** 8 June 2020

## 1 RECOMMENDATION

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

*The general subject of the 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:*

<b>General subject of each matter to be considered</b>	<b>Reason for passing this resolution in relation to each matter</b>	<b>Ground(s) under section 48(1) for the passing of this resolution</b>
1. <i>Capital Programme Risks - April 2020</i>	<i>Good reason to withhold exists under section 7 Local Government Official Information and Meetings Act 1987</i>	<i>Section 48(1)(a)</i>
2. <i>Litigation Update</i>		
3. <i>Deep Dive into 'Top Risks' – Risk #2 Failure to Deliver the 10 Year Programme of Projects</i>		
4. <i>Group Risk Discussion with General</i>		

<p><i>Manager (Strategy and Community Services)</i></p> <p><i>5. Chief Executive Risk Discussion</i></p>		
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*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, are as follows:*

<b>Item No.</b>	<b>Section</b>	<b>Interest</b>
1	<i>Section s7(2)(h)</i>	<i>To enable the council to carry out, without prejudice or disadvantage, commercial activities.</i>
2,3,4 & 5	<i>Section 7(2)(a) and Section 7 (2)(b)</i>	<i>Protect the privacy of natural persons, including that of deceased natural persons; and  To protect information which if public would; i. disclose a trade secret; or ii. unreasonably prejudice the commercial position of the person who supplied or who is the subject of the information.</i>