

Audit & Risk Committee Public Agenda 14 June 2021



Waipa District Council
Council Chambers
101 Bank Street
Te Awamutu

Chairperson
Bruce Robertson

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

14 June 2021 10:40 AM - 01:42 PM

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AUDIT AND RISK COMMITTEE AGENDA



APOLOGIES

There are no apologies



2. DISCLOSURE OF MEMBERS' INTERESTS

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.



3. LATE ITEMS

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.



4. CONFIRMATION OF ORDER OF MEETING

Recommendation

That the order of the meeting be confirmed.

AUDIT AND RISK COMMITTEE REPORT



To: The Chairperson and Members of the Audit and Risk Committee
From: Governance
Subject: **CONFIRMATION OF MINUTES**
Meeting Date: 14 June 2021

1 EXECUTIVE SUMMARY

To confirm the minutes of the Audit and Risk Committee meeting held on 8 March 2021.

2 RECOMMENDATION

That the open minutes of the Audit and Risk Committee meeting held on 8 March 2021, having been circulated, be taken as read and confirmed as a true and correct record of that meeting.

3 ATTACHMENTS

- Audit and Risk Committee Minutes – 8 March 2021

AUDIT AND RISK COMMITTEE MINUTES



Time: 10:00am
Date: Monday 8 March 2021
Venue: Council Chambers
101 Bank Street, Te Awamutu

PRESENT

Chairperson

Bruce Robertson

Members in Chambers

His Worship the Mayor JB Mylchreest, Councillors AW Brown, RDB Gordon, SC O'Regan [arrived 10.16am] and CS St Pierre.

In attendance via Zoom

Leon Pieterse - Audit New Zealand
Bineeta Nand - KPMG

1 APOLOGIES

RESOLVED

14/21/01

That the Audit and Risk Committee accept the apologies for lateness from Councillor O'Regan.

Councillor St Pierre/Mayor Mylchreest

2 DISCLOSURE OF MEMBERS' INTERESTS

There were no new disclosures.

AUDIT AND RISK COMMITTEE MINUTES



3 LATE ITEMS

There were no late items.

4 CONFIRMATION OF ORDER OF MEETING

RESOLVED

14/21/02

That the order of the meeting be confirmed.

Chairperson Robertson/Councillor Gordon

5 CONFIRMATION OF MINUTES

RESOLVED

14/21/03

That the open minutes of the Audit and Risk Committee meeting held on 7 December 2020 having been circulated, be taken as read and confirmed as a true and correct record of that meeting.

Chairperson Robertson/Councillor St Pierre

6 RISK MANAGEMENT UPDATE

Genny Wilson, Business Resilience and Risk Advisor, and Georgina Knapp, Manager Business Improvement and Risk Management, highlighted points from the report and answered questions from members of the committee.

The 'Very High' risk assessment for COVID-19 was challenged. It was agreed that it would be reconsidered for next quarter. There was considerable discussion on the amount of compliance reporting in the Quarterly Risk Management Report, particularly in regard to drinking water compliance. Staff were asked to consider this further with suggestion that the water reporting could be condensed down to exception reporting.

AUDIT AND RISK COMMITTEE MINUTES



RESOLVED

14/21/04

That the 'Risk Management Update' report (document number 10548739), including the Quarterly Risk Report for December 2020 to February 2021 (document number 10564238), of Genny Wilson, Business Resilience and Risk Advisor, be received.

Councillor St Pierre/Mayor Mylchreest

7 BUSINESS RESILIENCE IMPROVEMENT PROGRAMME

The Business Resilience Improvement Programme report, included in the agenda, provided information on the programme's progress. The analysis phase has been completed and the goal is to have 75% of the Business Continuity Plans required to be developed and/or refreshed completed by the end of June 2021.

Genny Wilson, Business Resilience and Risk Advisor, and Georgina Knapp, Manager Business Improvement and Risk Management, highlighted points from the report and answered questions from members of the committee.

The committee asked for an update next quarter on the number of response plans completed.

RESOLVED

14/21/05

That the 'Business Resilience Improvement Programme' report (document number 10548750) of Genny Wilson, Business Resilience and Risk Advisor, be received.

Councillor O'Regan/Councillor A Brown

8 PROCUREMENT AND CONTRACT MANAGEMENT IMPROVEMENT PROGRAMME UPDATE MARCH 2021

The purpose of this report, included in the agenda, was 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. Only two of the identified actions remain outstanding. Adele Bird, Procurement Advisor, answered questions from members of the committee.



Councillor St Pierre indicated that she would like to see regular reporting on social / local procurement to demonstrate delivery. Chairperson Robertson indicated that Far North District Council had done good work in that space.

RESOLVED

14/21/06

That the 'Procurement and Contract Management Improvement Programme Update March 2021' report (document number 10543171) of Adele Bird, Procurement Advisor, be received.

Councillor Gordon/Councillor St Pierre

9 ASSET MANAGEMENT PLANNING AUDIT IMPROVEMENT PROGRAMME

The report, included in the agenda, provided the committee an update on progress on the development programme to address issues raised in an internal audit. Dawn Inglis, Group Manager Service Delivery, provided an update and answered questions from members of the committee.

RESOLVED

14/21/07

That the report titled 'Asset Management Planning Audit Improvement Programme' (document number 10558014) of Dawn Inglis, Group Manager Service Delivery, be received.

Chairperson Robertson/Councillor A Brown

10 CONFIRMATION OF 2021/22 INTERNAL AUDIT PROGRAMME AND INTERNAL AUDIT SCOPE DOCUMENT

The purpose of this report, included in the agenda, is to update the committee on the internal audit plan for the 2021/22 financial year and the internal audit scope document. Genny Wilson, Business Resilience and Risk Advisor and Leon Pieterse, KPMG, provided an overview of the report and answered questions from members of the committee.

AUDIT AND RISK COMMITTEE MINUTES



RESOLVED

14/21/08

That –

- a) *The ‘Confirmation of 2021/22 Internal Audit Programme and Internal Audit Scope document’ report (document number 1054757), of Genny Wilson, Business Resilience and risk Advisor; the ‘Internal Audit Plan FY2021’ (document number 10561108); and the ‘Fraud Risk Management Gap Analysis Internal Audit Scope’ (document 10561118), be received;*
- b) *The Audit and Risk Committee approve the ‘Internal Audit Plan FY2021’ as Council’s internal audit programme for the 2021/22 year; and*
- c) *The audit and Risk Committee endorse the ‘Fraud Risk management Gap Analysis Internal Audit Scope’.*

Councillor A Brown/Councillor St Pierre

11 LONG TERM PLAN 2021-31 PROJECT UPDATE

The purpose of the report, included in the agenda, presented by Strategic Projects Driver, Haven Walsh was to provide the committee with a quarterly update on the preparation of the 2021-31 Long Term Plan and the associated risk register.

Staff noted that an error had been found in the financial calculations for the Long Term Plan but it had been rectified once found, with little overall difference to the calculations. The committee noted its appreciation to staff for rectifying the issue speedily and keeping the time line intact for the Long Term Plan.

RESOLVED

14/21/09

That the ‘Long Term Plan 2021-31 Project Update’ report (document number 10559903) of Haven Walsh, Strategic Projects Driver, be received.

Councillor St Pierre/Mayor Mylchreest

The meeting was adjourned 12.00pm and reconvened 12.30pm

AUDIT AND RISK COMMITTEE MINUTES



12 AUDIT PLAN

This report, included in the agenda, provided the committee with an understanding of the content of the Audit Plan (formerly known as the Audit Arrangements Letter), and the timetable for adoption of the Annual Report, with the view to securing the committee's approval of the Audit Plan as provided for in the committee's delegations. Audit director Leon Pieterse spoke briefly to the Audit Plan document.

RESOLVED

14/21/10

That –

- a) *The 'Audit Plan' report (document number 10560306), of Sarah Davies, Manager Finance, be received; and*
- b) *The Audit and Risk Committee approves the Audit Plan (document number 10562857), as provided for in the Committee's Terms of Reference.*

Councillor St Pierre/Councillor Gordon

13 OUTSTANDING MANAGEMENT REPORT ITEMS

This report, included in the agenda, provided the latest update on the status of management follow-up action on the outstanding management report recommendations for the 2014/15, 2015/16 and 2016/17 Annual Report audits; and the 2017/18, 2018/19 and 2019/20 Interim Reports and final Management Reports. Sarah Davies, Manager Finance, answered questions from the committee.

RESOLVED

14/21/11

That the information contained in the 'Outstanding Management Report Items' report (document number 10558301), of Sarah Davies, Manager Finance, be received.

Mayor Mylchreest/Councillor St Pierre

14 CAPITAL PROGRAMME UPDATE TO 31 JANUARY 2021

The purpose of the report, included in the agenda, is to provide the committee information about the delivery of the Long Term Plan Capital Expenditure

AUDIT AND RISK COMMITTEE MINUTES



Programme. Peter Thomson, Manager Project Delivery, presented the report and answered questions from the committee.

RESOLVED

14/21/12

That the report titled 'Capital Programme Update to 31 January 2021' (document number 10558682), of Peter Thomson, Manager Project Delivery, be received.

Councillor St Pierre/Mayor Mylchreest

15 RESOLUTION TO EXCLUDE THE PUBLIC

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

RESOLVED

14/21/13

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:

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
16. <i>Confirmation of Public Excluded Minutes</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>
17. <i>Capital Programme Risks to 31 January 2021</i>		
18. <i>Litigation Update</i>		
19. <i>Deep Dive Risk Discussion</i>		
20. <i>Group Risk Discussion with Group Managers</i>		

AUDIT AND RISK COMMITTEE MINUTES



21. <i>Organisation Risk Discussion with the Chief Executive</i>		
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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
16	<i>Sections 7(2)(j)</i>	<i>To prevent the disclosure or use of official information for improper gain or advantage.</i>
17	<i>Section 7(2)(h)</i>	<i>To enable the council to carry out, without prejudice or disadvantage, commercial activities.</i>
16,18,19,20 & 21	<i>Sections 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>

Councillor A Brown/Councillor St Pierre

There being no further business the meeting closed at 2.59pm.



CONFIRMED AS A TRUE AND CORRECT RECORD

CHAIRPERSON: _____

DATE: _____

AUDIT AND RISK COMMITTEE REPORT



To: The Chairperson and Members of the Audit and Risk Committee
From: Business Resilience and Risk Advisor and Procurement Advisor
Subject: **Internal Audit Reporting – Fraud Risk Management Gap Analysis**
Meeting Date: 14 June 2021

1 EXECUTIVE SUMMARY

As agreed in the Internal Audit Plan for 2020/21 Council's Internal Auditors (KPMG) have completed a Fraud Risk Management Gap Analysis Internal Audit.

The results of this audit have rated Waipā District Council's (WDC's) fraud risk management framework as **4 – 'approaching better practice'**. This result equates to the Internal Audit rating of 'Good'.

This result reflects a fraud control programmes that is relatively mature with the processes and framework relating to fraud risk management robust and effective.

A small number of areas for improvement have been identified and a workplan to implement these changes has been agreed and will largely be implemented over the next two years.

Role of the Committee

This Internal Audit report is presented in line with the Terms of Reference of the Committee, with the Committee having responsibility for monitoring the delivery of the internal audit programme and the implementation of any internal audit recommendations.

2 RECOMMENDATION

That the 'Internal Audit Reporting – Fraud Risk Management Gap Analysis' report (document number 10611065), of Genny Wilson, Business Resilience and Risk Advisor and Adele Bird, Procurement Advisor, be received.

3 STAFF COMMENT

This Internal Audit report is presented with the Committee having responsibility for monitoring the delivery of the internal audit programme and the implementation of any internal audit recommendations. This is outlined in the following extract from the Terms of Reference for the Committee:

Internal Audit

- *Monitor the delivery of any internal audit work programme including the review of any internal audit reports*
- *Assess whether any significant recommendations of any internal audit work programme have been properly implemented by management. Any reservations the Internal Auditor may have about control risk, accounting and disclosure practices should be discussed by the Committee.*

The overall objective of this internal audit was to review WDC's fraud risk management framework against the best practice standard and provide recommendations where improvement opportunities exist.

The results of this audit have rated Waipā District Council's (WDC's) fraud risk management framework as **4 – 'approaching better practice'**. The term 'approaching better practice' is described in the standard as effective but with a relatively small number of areas in need of improvement, which could be achieved with minimal effort. This result equates to the Internal Audit rating of 'Good'.

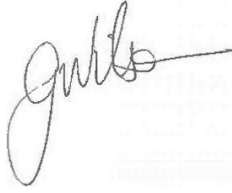
The three areas for improvement identified were:

- Formalise a risk and corruption awareness training programme for all staff members
- Complete a formal Fraud Risk Assessment and Fraud Risk Appetite Statement
- Develop a programme of proactive data analysis to identify indicators of control failings and potential fraud and corruption.

A high level work plan for completing these recommendations has been developed and is summarised in the table below:

Recommendation	Action Plan	Responsibility	Indicative Timeframe
Formal Fraud awareness training for all staff	Risk Management training being developed to include module on Fraud risk that will be completed by all existing and new staff. Refresher training will be developed and delivered on an annual basis through the LMS once delivered.	Business Resilience and Risk Advisor	Initial training to all staff to be rolled out by June 2022. Refresher training annually from 2023.
Fraud Risk Assessment completed across organisation	Following training in fraud risk management a formal risk assessment will be completed with all Business Units.	Business Resilience and Risk Advisor in conjunction with Procurement Advisor	2022/23
Fraud Risk Appetite Statement	WDC Risk Appetite Statement is due for annual review. A specific fraud risk appetite statement will be included in the 2021/22 WDC Risk Appetite Statement.	Business Resilience and Risk Advisor	September 2021
Programme of proactive data analytics	Identify candidate reports based on existing data (KPMG here to provide advice). Implement agreed reports on ongoing basis.	Procurement Advisor (with support from IS)	Ongoing - with first agreed reports developed and implemented by June 2022

Progress on this work plan will be reported at the December Audit and Risk Committee meeting.



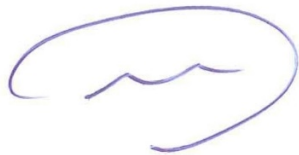
Genny Wilson
BUSINESS RESILIENCE AND RISK ADVISOR



Adele Bird
PROCUREMENT ADVISOR



Reviewed by Georgina Knapp
MANAGER BUSINESS IMPROVEMENT AND RISK MANAGEMENT



Ken Morris
DEPUTY CHIEF EXECUTIVE / GROUP MANAGER BUSINESS SUPPORT

APPENDIX 1

KPMG Internal Audit Fraud Risk Management Gap Analysis Report (document number 10624261)



Fraud Risk Management Framework Gap Analysis

Waipa District Council – Internal Audit Report

June 2021

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

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Disclaimers

Inherent Limitations

This report has been prepared in accordance with our scope dated March 2021. The services provided under our engagement letter ('Services') 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/publicly available information/information provided by Waipa District Council (WDC). 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.

No warranty of completeness, accuracy or reliability is given in relation to the statements and representations made by, and the information and documentation provided by, WDC's management and personnel / stakeholders consulted as part of the process.

KPMG is under no obligation in any circumstance to update this report, in either oral or written form, for events occurring after the report has been issued in final form.

Any redistribution of this report requires the prior written approval of KPMG and in any event is to be a complete and unaltered version of the report and accompanied only by such other materials as KPMG may agree. Responsibility for the security of any electronic distribution of this report remains the responsibility of those parties identified in the engagement letter. KPMG accepts no liability if the report is or has been altered in any way by any person.

Third Party Reliance

This report is solely for the purpose set out in the "Scope" section of this report and for WDC information, and is not to be used for any other purpose or copied, distributed or quoted whether in whole or in part to any other party without KPMG's prior written consent.

Other than our responsibility to WDC, neither KPMG nor any member or staff members of KPMG assumes any responsibility, or liability of any kind, to any third party in connection with the provision of this deliverable. Accordingly, any third party choosing to rely on this [deliverable] does so at their own risk.

1. Executive summary

Introduction

We have completed a Fraud Risk Management Framework Gap Analysis as per the FY2021 Internal Audit Plan approved by the Waipa District Council (WDC) Audit and Risk Committee. This report summarises our assessment of WDC’s fraud risk management framework against the 15 Fraud and Corruption control attributes drawn from the Australia-New Zealand corporate governance standard AS 8001-2008. The standard provides a benchmark against recommended best practice and an assessment of where WDC should focus its efforts to strengthen the approach to managing fraud risk.

Objective

The overall objective of this internal audit was to review WDC’s fraud risk management framework against the best practice standard and provide recommendations where improvement opportunities exist.

An effective fraud risk management programme is an essential tool in reducing the risk of fraud occurring, detecting fraud should it occur and responding to any fraud events. It is an expectation of the Auditor General that public sector organisations will have an effective programme in place.

The specific objectives, scope and approach of the internal audit were agreed with WDC Management and are set out in Appendix 1.

Overall rating

Based on the results of the Internal Audit, we have rated WDC’s fraud risk management framework as **4 – ‘approaching better practice’**. The term ‘approaching better practice’ is described in the standard as effective but with a relatively small number of areas in need of improvement, which could be achieved with minimal effort. This overall rating of 4 – “Approaching better practice” equates to the Internal Audit rating of “Good”. See Appendix 3 for rating classification.

Overall Rating	Good
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The above rating is based on a consolidated view of the 15 Fraud and Corruption control attribute scores. Each attribute is scored out of 5, with 1 being ‘inadequate’ and 5 being equivalent to ‘better practice’. Typically, a score of 3 is the minimum acceptable level. Therefore, an overall rating of 4 – “approaching better practice” for WDC, reflects a fraud control programme that is relatively mature. We found WDC’s processes and framework relating to fraud risk management robust and effective.

The following diagram provides a pictorial view of the 15 attributes. As depicted, WDC’s strongest areas are fraud control strategy, senior management commitment, internal audit, pre employment screening, third party due diligence and investigations. Across the above areas WDC have put adequate systems and controls in place to mitigate the inherent risk of fraud. However, there are three further areas that require strengthening in order to lift the overall fraud maturity. These are detailed below.

WDC - Fraud Risk Framework - Assessment



The chart above should be read in accordance with the following colour coding:

- **Light blue area:** The WDC programme’s current practice against our better practice integrity model.

- **Mid blue area:** The difference between current position and our view of an industry target - approaching better practice.
- **Dark blue area:** Equivalent to better practice across all areas.

Recommended improvements

KPMG has identified the following three areas to strengthen the current fraud risk management framework maturity at WDC.

Framework Element	Improvement opportunity
P4 – Fraud and Corruption Awareness	While fraud training has been provided to the Managerial level, there are opportunities to increase fraud awareness at the staff member level via formal training sessions. Consider implementing a process for refresher training and incorporating a mechanism to enhance awareness of new staff members as part of the induction process.
P5 – Fraud Risk Assessment	Conduct an enterprise wide Fraud Risk Assessment (FRA) and document the organisation’s Fraud Risk Appetite to ensure consistent understanding and expectation for fraud risk management throughout the organisation. The output of the FRA approach should be documented in a fraud risk register. We acknowledge that WDC completes comprehensive operational risk

	assessments. We suggest that these assessments could be leveraged to include consideration of fraud risk.
D1 – Fraud Detection Program	Upon completion of the FRA, focus on developing detection procedures and processes for the key risks identified in the FRA. These may include data analytics-based testing of key controls and fraud risk indicators on a regular basis. By implementing effective detective procedures fraud can be detected quicker, minimising any potential fraud losses.

Management action plans

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

Overall management comments

WDC accepts the overall rating of 4 - ‘approaching better practice’ and notes the areas for improvement. A workplan to implement the recommendations will be actioned over the next two years. This will allow the organisation to successfully resource and consolidate the improvements and fraud risk management maturity alongside the overall risk management improvement programme.

2. Positive Attributes

Ref	Framework Element	Positive Attributes
P1	Fraud Control Strategy	<ul style="list-style-type: none"> - Formal policies relating to fraud risk management are in place and can be accessed by staff members via the intranet. - WDC has a zero-tolerance attitude when considering its response to any incidents of fraud that may occur.
P2	Senior Management Commitment	<ul style="list-style-type: none"> - Strong tone at the top and recognition by management of the importance of preventing fraud and the consequences of fraudulent behaviour.
P3	Ethical Framework	<ul style="list-style-type: none"> - Code of conduct and conflict of interest policy are in place which set the tone for WDC's overall control culture and management's commitment to integrity.
P4	Fraud Awareness	<ul style="list-style-type: none"> - Formal fraud awareness training provided to managerial level staff members.
P6	Internal Control	<ul style="list-style-type: none"> - Strong risk management practices including identification of controls as part of operational risk registers.
P7	Line Manager responsibility	<ul style="list-style-type: none"> - The managerial level staff members demonstrate a good level of commitment to controlling the risk of fraud and corruption.
P8	Responsibility Structures	<ul style="list-style-type: none"> - WDC reflects the importance of fraud and corruption control through the allocation of a central point of contact within the organisation. - Risk Management policy is in place with defined roles and responsibilities for the staff members.
P9	Internal Audit	<ul style="list-style-type: none"> - The Internal audit activity is planned and conducted in accordance with areas that are considered higher risk and are in line with activities noted in an organisation's fraud control strategy.
P10	Pre-Employment Screening	<ul style="list-style-type: none"> - A comprehensive pre-employment process for new staff members including contractors, which is managed by the Human Resources team.
P11	Third Party Due Diligence	<ul style="list-style-type: none"> - There is a Procurement Policy and a suite of processes in place relating to third party due diligence. The procurement process document breaks down into detail what the requirements and expectations are.

Prevention

	Ref	Framework Element	Positive Attributes
Detection	D1	Fraud Detection Programme	- Recently some data analytics Basic data analytics is being performed by and finance team.
	D2	Fraud Reporting Systems	- There is a Protected Disclosure procedure in place and available to all staff members. It makes a clear commitment to supporting and protecting all staff members reporting suspected fraud and encourages staff members to make disclosures. - The reports of behaviour involving possible fraud or corruption are maintained by Human resource team and communicated to Senior Management.
Response	R1	Investigation	- The investigation procedure is briefly defined in the fraud control policy and there are clear guidelines for what should occur when fraud is reported. This involves reviewing the preliminary assessment, performing initial inquiries, allocating and determining the scope of the investigation. The internal investigations assessment team have the responsibility of making referrals to external parties on case to case basis.
	R2	Insurance	- There is a Waikato Local Authority Shared Services (WLASS) crime policy which covers any fraud or dishonesty committed by a staff members of WDC.

3. Detailed findings and recommendations

1. Increase fraud and corruption awareness for staff members

Risk Rating: Medium

Internal audit finding	Recommendation
<p>WDC does not currently have a formal fraud and corruption awareness training programme for all staff members. The formal fraud training that does occur is directed at managerial level staff members. We do note that updates made to fraud related policies, however, are communicated to all staff members.</p> <p>The fraud and corruption awareness training sessions for staff members below the managerial level is very ad-hoc and the delivery of that training is left to the discretion of the business unit managers.</p> <p>We understand that WDC has taken steps to implement a Learning Management System and it is likely that this system will address the lack of formality around fraud training.</p>	<ul style="list-style-type: none"> – Conduct formal fraud risk awareness training sessions for all the staff members on a regular basis. – In addition, consider more proactive communication (email, intranet posting, poster, and newsletter) to staff members on their responsibilities in eliminating fraud, what constitutes fraudulent activity and fraud detection measures. – Implement a process for refresher training for existing staff members to ensure fraud risk awareness remains current – Incorporate a mechanism, as part of the induction process, that enhances fraud awareness for new staff members.

Agreed Management Actions

A module specific to fraud risk management will be developed in conjunction with the risk management training being rolled out to all staff. This will be implemented over the next financial year. Refresher training will then be completed and managed through the Learning Management System on an annual basis, once the system is implemented. An update to the induction information for all staff for risk management will include specific fraud and corruption awareness.

Responsibility	GM Business Support	Target Date	June 2022
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2. Develop an enterprise wide fraud risk assessment across the organisation

Risk Rating: Medium

Internal audit finding

Recommendation

Fraud Risk Assessment

A Fraud Risk Assessment (FRA) is one of the key components of an effective Fraud Control Framework. In conjunction with an effective fraud risk appetite statement, the FRA is one of the first and most critical steps in developing a balanced strategic approach.

Currently, there is no proactive programme of FRA at WDC. A FRA has not been conducted across the organisation (i.e. all business units, functions and processes) to identify risks of fraud.

Fraud Risk Appetite Statement

WDC has a risk appetite statement that addresses the organisation’s tolerance for risk, but it does not have a specific fraud risk appetite statement. In our experience, public sector organisations typically have a lower tolerance for fraud risk than for other types of operational risk.

A statement of fraud risk appetite sets out an organisation’s tolerance for the risk of fraud occurring. This should not be confused with an organisation’s approach to dealing with fraud that is detected. WDC has a zero-tolerance approach to fraud that it detects but it has not defined its tolerance for the risk of fraud occurring. It is tempting to set the fraud risk appetite at zero, but this ignores the reality of operating a complex business. There is always going to be an inherent risk of fraud occurring in an organisation such as Council. We anticipate that WDC will have a low tolerance for fraud risk and that to remain within the specified tolerance level, it will implement policies, procedures and controls to mitigate the inherent risk.

- Ensure WDC has a functional, clearly defined and well understood Fraud Risk Appetite statement.
- Develop a robust programme, that outlines a systematic approach to undertaking fraud risk assessments. This should be a consultative approach that involves all levels of staff members. In our experience, FRA workshops are the ideal format for ensuring that a comprehensive range of fraud risks are identified and considered. As described below, developing such an approach can be achieved in key phases:
 - **Assessment:** identifying the nature of fraud and misconduct risk that the organisation faces. Assessing the likelihood and seriousness of the identified fraud risks.
 - **Design:** Developing controls to prevent, detect, and respond to identified risks so that any residual risk is consistent with the organisation’s risk appetite.
 - **Implementation:** Deploying a process for implementing new controls and assigning responsibility to individuals with the requisite level of authority, objectivity and resources to support the process.
 - **Evaluation:** Evaluating the design and operating effectiveness of controls through control self-assessment, substantive testing, and routine monitoring.
- The FRA should include an implementation programme that sets out the proposed mitigation actions. Ensure that identified risks are mitigated so that any residual risks fit within WDC’s risk appetite.

Agreed Management Actions

A formal Fraud Risk Assessment will be completed across all Business Units and will inform any further areas for improvement or control. The annual refresh of the WDC Risk Appetite Statement will include a specific Fraud Risk Appetite Statement.

Responsibility	GM Business Support	Target Date	Fraud Risk Appetite Statement Sept 2021
			Formal Risk Assessments across organisation June 2023

3. Develop proactive fraud detection

Risk Rating: Medium

Internal audit finding

WDC’s approach to managing fraud risk predominantly focuses on prevention (through awareness and controls) and reaction (through investigation and remediation). The third pillar of fraud control is detection. If a fraud does occur, then early detection is critical in reducing financial loss and maintaining stakeholder confidence. The value of using data analytics as a fraud detection tool is that an organisation can run automated tests on its existing data. There is no requirement to collect additional information or to use labour intensive audit processes. In our view data analytics provides the most cost effective, long term solution for detecting fraud.

Recommendation

- Develop a programme of proactive data analysis to identify indicators of control failings and potential fraud and corruption.
- We suggest WDC use its fraud risk matrix as a starting point for identifying high risk areas for the business. It can then consider what data relates to those high-risk areas and incorporate data analytics into any control strategies.
- Examples of the types of data analytic tests that WDC could run, include; access logs for sensitive data, exception reporting around changes to master files, cross referencing bank account numbers across the organisation, exception reports for contract deviations.
- A control strategy can either be designed as a covert detection tool or an overt prevention tool. In our view, the most effective control strategies use publicised detection tools that contain closely guarded parameters. For example, an organisation might publicise the fact that all corporate credit cards are subject to analytical tests but not reveal exactly what those tests might be. This acts as a general deterrent to fraud, prevents staff members from bypassing known controls and detects any fraud that might be occurring within the parameters of the tests.

Agreed Management Actions

WDC has begun basic data analytics and will progress the candidate reports over the next two years. KPMG are to provide advice as to the possible reports or data mining that can be completed as part of this. An ongoing reporting and data analytics programme will be implemented progressively.

Responsibility

GM Business Support

Target Date

June 2023



Appendices

Appendix 1: Internal Audit scope (extract)

Internal Audit Objectives

This internal audit had the following objectives:

- Conduct a high-level review of WDC’s fraud risk management framework
- Benchmarked WDC’s current fraud risk framework against better practice standards
- Provided recommendations for improvement where opportunities exist.

Internal Audit Scope

The review benchmarked components of WDC’s fraud risk framework against better practice standards. The standards used for the purposes of this review was the Australian Standard AS8001 (AS8001) on Fraud and Corruption Control. KPMG’s fraud risk management breaks AS8001 down into the following 15 key components that help an organisation prevent, detect and respond to fraud and corruption.

15 ‘Better Practice’ Components of a Fraud Risk Management Framework

01 Fraud control strategy	09 Internal audit
02 Senior Management commitment	10 Pre-employment screening
03 Ethical framework	11 Third party due diligence
04 Fraud awareness	12 Detection programme
05 Fraud risk assessment	13 Reporting systems
06 Internal control	14 Investigations
07 Line manager responsibility	15 Insurance
08 Responsibility structures	



Through this assessment we have made recommendations to enhance WDC’s current framework that are proportionate to its nature, size and assessed risk profile.

Internal audit approach

We employed KPMG’s fraud risk management methodology in conducting this review. The methodology is designed to identify gaps between WDC’s approach to fraud risk management and AS8001.

The approach included the following steps:

Planning

1. Reviewed policies and procedures relevant to managing fraud and corruption risks.

Fieldwork

2. Interviewed key personnel in different departments in order to increase our understanding of WDC’s business and areas most susceptible to fraud and corruption. We have also obtained their views on the organisation’s approach to fraud risk management. These interviews were guided by the 15 ‘better practice’ attributes. We have leveraged of the knowledge and understanding of WDC’s business by the Internal Audit team to avoid duplication of information requested and documentation.
3. Documented key points from interviews and identified common themes in the organisation’s approach to fraud risk management.
4. Benchmarked WDC’s fraud risk framework against the 15 ‘better practice attributes’ using information gathered from our review of policies and procedures relevant to fraud and interviews with key stakeholders

Reporting

5. Prepared a draft report that included a high-level assessment of the organisation’s fraud risk framework against the 15 ‘better practice’ attributes and recommendations that are aligned to its nature, size and risk profile.
6. Issued final report including management action plans to address Internal Audit’s recommendations.

Appendix 2: Ratings and classifications

Audit rating

The audit ratings are defined as follows:

Rating	Definition
GOOD	The controls are fit for purpose and are being performed in a manner which effectively mitigates the identified risks.
EFFECTIVE	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.
DEVELOPING	Control weaknesses were identified which, if not appropriately addressed, could in the future result in the audited business processes not achieving their control objectives.
NOT EFFECTIVE	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
LOW	Matters which are unlikely to have a significant impact on the system of internal control but should be addressed as part of continuous improvement.
MEDIUM	Matters which are important to the system of internal control and should be addressed as soon as possible.
HIGH	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.

Fraud Risk Management Framework maturity rating

Rating	Explanation	
5	Equivalent to 'better or leading' practice	The organisation's fraud and corruption control programme in relation to this attribute is equivalent to current better or leading practice.
4	Approaching better practice	Approaching better practice, but with a relatively small number of areas for potential improvement. In our view currently adequate in fulfilling its fraud and corruption control function.
3	Minimum acceptable level	Significant progress has been made towards achieving better practice. Currently at the minimum acceptable level in fulfilling a fraud and corruption control function and at least "partially effective".
2	Inadequate but some progress made	Some progress towards achieving better practice, but in our view currently inadequate in fulfilling a fraud and corruption control function.
1	Inadequate	Currently inadequate, with substantial improvement needed in order to render it effective in fulfilling a fraud and corruption control function.

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AUDIT AND RISK COMMITTEE REPORT



To: The Chairperson and Members of the Audit and Risk Committee
From: Manager Human Resources, Stephanie Shores and Health & Safety Advisor, Bev Taylor
Subject: **KPMG SafePlus Health & Safety follow-up assessment**
Meeting Date: 14 June 2021

1 EXECUTIVE SUMMARY

As agreed in the Internal Audit Plan for 2020/21 Council's Internal Auditors (KPMG) have completed the KPMG SafePlus health and safety follow-up assessment. The findings of the assessment and full report were shared and discussed with elected members at the Finance & Corporate Committee meeting on 18 May 2021, as part of the four-month health and safety reporting.

The results of this assessment have rated Waipā District Council (WDC) as 'Effective', a pleasing outcome and improvement on the 2018 result of 'Developing'. 'Effective' is defined as "even though some improvements or weaknesses were identified, the policies, processes and practices are adequate, appropriate and effective."

Representatives of KPMG will be in attendance at this meeting to present the findings and recommendations of the assessment and report.

2 RECOMMENDATION

That the information contained in the 'KPMG SafePlus Health and Safety follow-up assessment' (document number 10624508), report of Manager HR, Stephanie Shores and Bev Taylor, H&S Advisor; be received.

3 STAFF COMMENTS

KPMG originally completed an on-site SafePlus Assessment in March 2018. The specific departments assessed were: Libraries and Animal Control, in both Te Awamutu and Cambridge. Animal Control is a high risk unit, and the libraries are one of the departments that record the highest number of events/incidents.

It was agreed that Council would reassess the Animal Control and Library departments in 2021, to gauge the success of improvement initiatives put in place as a result of the 2018 assessment.

<p>2021 SafePlus Health and Safety Assessment Objective:</p> <ul style="list-style-type: none"> ▪ <i>The extent to which WDC has progressed against the agreed recommendations in the 2018 SafePlus onsite assessment report.</i> ▪ <i>The current state of WDC’s health and safety management system (with reference to the maturity scores recorded in the 2018 SafePlus onsite assessment report).</i>
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The 2021 SafePlus report has provided management with a high level of assurance, noting our performance rating has improved from the 2018 result of ‘Developing’ to ‘Effective’. The five areas for improvement identified in the SafePlus report provide a strong platform to develop the next one-three year health and safety work plan. The recommended improvements and Council’s high level action plan is summarised below:

Recommendation	Action Plan	Responsibility	Indicative Timeframe
VITAL – Moving from health and safety to Vital	Increase usage and understanding of the VITAL brand; refine and enhance H&S goals.	Health & Safety Advisor	July 2021 to December 2021
VITAL performance reporting	Utilise enhanced H&S goals and VITAL brand, to review and improve reporting mechanisms.	Health & Safety Advisor Manager HR	Oct 2021 to March 2022
Critical Risks and critical controls	Review critical risks and controls to achieve comprehensive understanding from the target audience; approach from two levels, 1) organisation-wide and 2) teams/departments.	Health & Safety Advisors	Jan 2022 to Dec 2023
Near Misses	Increase education regarding near miss incidents and reporting; explore models and frameworks to support understanding and awareness.	Health & Safety Advisors	June 2022 to June 2023

Recommendation	Action Plan	Responsibility	Indicative Timeframe
Decluttering and 'simple rules'	Investigate the 'simple rules' philosophy with a view to simplifying and decluttering health and safety paperwork; align with what staff need to know and put into practice in their everyday working environment	Health & Safety Advisors	2022-2023

4 CONCLUSION

The Health and Safety team are grateful to KPMG for undertaking a second SafePlus assessment of our library and animal control areas. As noted in the Finance & Corporate Health & Safety report, external feedback and audits are essential; of equal importance and in alignment with SafePlus principles, is receiving feedback from staff on their perceptions of safety and wellbeing in the workplace. In this respect, the Staff Engagement survey results from February/March this year, are particularly pleasing, with all health and safety related questions in the survey placing in the overall Top Ten assertions; on average 80% of staff agreed or strongly agreed with the assertions below.

Assertion from Ask Your Team Annual Survey	Average level of agreement		
	2021	2020	2019
▪ I feel safe at work.	81%	80%	82%
▪ The people I work with demonstrate commitment to my safety in the workplace.	82%	81%	80%
▪ The leaders of this organisation are committed to health and safety.	79%	79%	78%
▪ Workplace health and safety is considered important in this organisation.	81%	80%	81%

The full report is available as Appendix 1.



Stephanie Shores
MANAGER HUMAN RESOURCES



Bev Taylor
HEALTH & SAFETY ADVISOR

APPENDIX 1

KPMG SafePlus H&S Follow-up Assessment Report (document: 10625325)



SafePlus follow-up assessment

Waipā District Council

May 2021

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

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Disclaimers

Inherent Limitations

This report has been prepared in accordance with our Terms of Reference dated December 2020. The services provided under our Terms of Reference have not been undertaken in accordance with any auditing, review or assurance standards. The terms 'Audit' and 'Review' used in this report do not relate to an Audit or 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, publicly available information and information provided by Waipā 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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1. Executive summary

Introduction

This report presents the observations and opportunities for improvement resulting from KPMG's SafePlus follow-up assessment carried out in February 2021.

The SafePlus onsite assessment in February 2018 resulted in a largely positive outcome with eight of the ten SafePlus performance requirements graded as 'Performing' on a scale of 'Developing-Performing-Leading'. The remaining two performance requirements were assessed at the 'Developing' level.

In the three years since the assessment, Waipā District Council (WDC) has worked on maintaining and improving its health and safety management system. An action plan that consolidated the 28 recommendations from the SafePlus report into 19 areas was central to this work.

KPMG's task was to review the progress made on the action plan and provide any advice, guidance and insights that could potentially drive further improvement.

Assessment objectives, scope and approach

Objectives

We assessed:

1. The extent to which WDC has progressed against the agreed recommendations in the 2018 SafePlus onsite assessment report.
2. The current state of WDC's health and safety management system (with reference to the maturity scores recorded in the 2018 SafePlus onsite assessment report).

In addition, we provided advice and guidance on areas of health and safety practice that arose during the engagement.

Scope

We carried out a document review on selected material relating to health and safety practice and performance. Of particular importance was the reports that are

presented to decision-makers and the minutes or notes of meetings about health and safety performance and assurance.

To ensure consistency and continuity, the assessment covered the same workplaces and workgroups as those assessed in February 2018, that is, the libraries in Te Awamutu and Cambridge and the Animal Control operations. The latter included visiting the pounds in Kihikihi and Cambridge.

Approach

Our approach was modelled on the SafePlus assessment methodology, that is, examining practice over paperwork. We spent most of our time talking with workers at all levels of the organisation.

Because this engagement was a follow-up assessment, we have weighted the report towards advice rather than judgement. It is a bias favoured by the SafePlus philosophy, as education is a key element in the SafePlus performance improvement toolkit. Therefore, we have written 'opportunities for improvement' (OFIs) rather than 'recommendations'. The intent is that these OFIs spur thinking and discussion that, in turn, prompt actions to enhance and strengthen existing practices.

Overall rating

Effective

Our assessment indicates that WDC is performing at an 'Effective' level. Its health and safety policies, procedures and practices are adequate and appropriate for the scale and complexity of the organisation. (See Appendix 2 for a definition of the ratings.)

The observations listed in this report reflect the growing maturity of practice in the health and safety space and the positive manner in which WDC welcomes and acts on opportunities. A noticeable example is the progress made on the recommendations from the 2018 SafePlus onsite assessment report. WDC constructed an action plan that consolidated the recommendations into 19 areas and

has achieved 14 of them. The remaining five areas are partially achieved and show significant movement towards completion.

The suggestions presented in this report predominantly relate to strengthening existing documentation and practices, embedding new initiatives and ways of thinking, and moving more purposefully to monitoring and reporting on positive and proactive indicators of performance.

Main messages

Positive culture and leadership

We wrote in February 2018 that WDC had a positive health and safety culture. That remains the case. Accidents will invariably happen but WDC has, for the most part, the practices and people in place to fail safely and rebound quickly.

Senior leadership and the Health and Safety team continue to provide the stability and direction needed for normal business operations and for improvement activities.

Progress on 2018 SafePlus assessment

Performance has improved in each of the ten SafePlus performance requirements. Notable are the refresh of the health and safety policy and commitment to the VITAL initiative, the resourcing of workgroups to provide additional support to the frontline, the understanding of what constitutes the organisation's critical risks, and the degree of worker engagement.

We acknowledge the bold steps WDC has taken to energise its approach to health and safety through development of the VITAL message. However, the four core components of VITAL (which are, essentially, goals) are not explicitly featuring in performance reports or as discussion points at meetings. Therefore, it is difficult to see if progress towards attainment is being tracked.

We believe VITAL could be expanded and become more integrated in all work activities and we encourage WDC to look for ways to further embed the 'brand'.

WDC has policies and procedures in place to meet minimum legislative requirements for health and safety. But putting plans on paper is only one step in making sure people are healthy and safe. An important step is to carry out workplace checks on competence and behaviours and, thus, be assured that 'work-as-prescribed' is 'work-as-done'. WDC carries out some checks but they are not systemised, not linked to goals and critical risk management, and not reported on as a positive performance indicator.

Resourcing

Resourcing of health and safety is satisfactory and is considered when new or revised projects, processes and programmes are developed and implemented. The principle of designing safety at an early stage into processes, practices and plant is becoming more entrenched. A couple of recent projects indicate WDC needs to involve frontline workers more heavily and frequently in the 'Safety in Design' process.

Mental health and wellbeing

Contemporary health and safety thinking is increasingly placing the focus on people's mental health and wellbeing and WDC is making determined progress in this area. It has acted on feedback from worker surveys to establish a Wellbeing Group, ReVitalise, comprising Health and Safety team members and Health and Safety Representatives (HSRs). WDC has committed to implementing initiatives arising from that group, as well as from other WDC people and functions.

An example of a recent initiative is the purchase of the 'Healthy Food Guide', which is accessible to all employees and has seen good buy-in. Another example is the monthly blogs, challenges and activities on a range of wellbeing matters. We understand mental health is a focus each month.

The strong and increasing mahi happening in this area, particularly around work-related stress, is yet to be qualitatively and quantitatively monitored, evaluated and reported on in a consistent, systematic manner.

Managing risks v. making good decisions

WDC is viewing health and safety more through the lens of managing risks rather than making good decisions. The former tends to look at things not going right and WDC's health and safety performance reports reflect this perspective. Much of the information, especially graphical, is historic, negative and lacks meaning.

We suggest WDC focuses more on gathering positive performance indicators, such as percentages of workers competent and confident at particular work activities, number of positive interactions with other Councils about dog control practices, levels of work-related stress in workgroups, number of interactions between senior leaders and frontline workers (and findings), and so on.

This assurance information is, we believe, more valuable than knowing a policy has been created or a risk register has been reviewed. It is information that should be presented to senior leaders and the workforce. It should have the purpose of stimulating discussion and argument and it should help people make the best decision they can to maximise the chance of everyone getting home safe and healthy.

Critical risks and critical controls

Everyone we spoke to were aware of the critical health risks and safety risks in their jobs and most people knew the critical controls that were in place to mitigate the risks.

This tacit understanding could be documented more convincingly and coherently in health and safety material. A succinct, plainly worded list is needed of the risks and their controls, with the hierarchy of control clearly shown. Communication in various forms should follow to demonstrate that WDC understands what areas it needs to pay most attention to and what resources must be allocated to ensure positive health and safety outcomes.

Pride

Frontline workers commented on the pride they felt working for WDC and for their community. Working healthily and safely was woven into that comment and underlying sentiment and there was a universal belief that 'health and safety is better than it was - and getting even better.'

Acknowledgement - Kia ora e WDC whānau

Kia ora koutou mō to koutou manaakitanga.

We want to acknowledge the high degree of engagement exhibited by the people we talked to during the review. We appreciated their friendliness, willingness to talk openly and the caring they showed about the topics we were discussing. It was a pleasure to once again spend time in the Waipā rohe.

WDC management comments

The 2021 SafePlus report gives management a high level of assurance noting our performance rating has improved from 'Developing' to 'Effective'. Whilst there are still improvements to make, an effective rating indicates our policies, processes and practices are adequate, appropriate and effective.

A comprehensive action plan was put in place following the 2018 assessment; this informed health and safety activities and resourcing priorities. It is not surprising that a key theme from the 2021 assessment is for Council to now embed the new initiatives that have been adopted since 2018. There is a strong recommendation to raise the visibility of our VITAL brand and Garry's Health & Safety Commitment to link with, and ground, our health, safety and wellbeing activities, including wellbeing initiatives, reporting mechanisms and risk management.

A strategy will now be developed to implement the actions set out in this report. The recommendations from both SafePlus assessments thus far, have greatly assisted and will continue to assist, Council's H&S improvement journey, reinforcing our commitment that health, safety and wellbeing is vital to our organisation and will be embedded in everything we do.

2. Observations and Opportunities for Improvement - Feb 2021

The following section presents the main observations from our SafePlus follow-up assessment. It describes our review of a selection of health and safety-related documents and the conversations we had with workers. We have presented opportunities for improvement (OFIs) for each observation that, if implemented, should result in strengthened processes and practices.

2.1. VITAL	Rating: Low
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Observations	Opportunities for Improvement
<p><i>Moving from 'health and safety' to 'VITAL'</i></p> <p>The new VITAL branding and messaging has started well but could benefit from expansion and reiteration.</p> <p>Workers were aware of the involvement of frontline workers in its development and the commitment of managers and senior leaders in its implementation. There was a sense that workers 'bought into' the new approach and language. But it was not fully planted in people's consciousness. With strong worker engagement in the brand, it could be time for WDC to go 'all in' and more relentlessly displace the term 'health and safety' with the message of 'VITAL'.</p> <p>At present, WDC is not 'all in'. An example is the performance reports to Council, Executive Leadership Team (ELT) and the Health and Safety Committee (HSC) - and, by extension, to the rest of the organisation. They are called health and safety reports rather than VITAL reports. They do not consistently and comprehensively reference the VITAL message and principles. In the body of the reports, there are few links between the decisions and actions of various people to the four components of VITAL and their associated principles.</p> <p>We acknowledge the personal engagement of the Chief Executive in health and safety. An example is 'Garry's Health and Safety Commitment'. At the next review of policy, commitment, and so on, WDC may like to consider extending this idea to something like 'Our Vital Commitment', while keeping the Chief Executive's signature on the material.</p> <p>In our conversations with workers, the VITAL message did not 'trip off the tongue' as freely and unconsciously as it could. People talked about 'health and safety' more than VITAL, such as 'at our health and safety meetings', 'health</p>	<ol style="list-style-type: none"> 1. Use the VITAL language more often and more consistently in conversations and meetings; on printed material, such as reports, forms, policies, procedures, and so on; on intranet pages, including blogs; and in external communications. 2. Refine the VITAL 'goals' to make them more succinct, accessible and meaningful.

<p>and safety is important’, ‘our health and safety representative is...’, and ‘safety procedures’. Rarely did we hear the word ‘vital’ in relation to what people were doing.</p> <p><i>Goals</i></p> <p>The four core components of VITAL - people, workplaces, practices and representatives - are, in essence, the organisation’s health and safety improvement goals.¹ But when asked about WDC’s goals, workers did not refer to these four components of the VITAL philosophy. Most workers were unsure whether there were any explicit goals beyond the general phrases of ‘look after people’, ‘get home safe’, and so on.</p> <p>The descriptors for the four ‘goals’ are well intentioned and encompassing. However, there is some repetition and redundancy that introduce a risk of confusion and complication. For instance, the VITAL workplaces goal does not need ‘equipped’, and ‘maintained’. For a workplace to be safe and healthy, it will be equipped and maintained. While ‘sustainable’ is a noble principle, we were unsure how it related to people being safe and healthy in an Animal Control van, dog pound or library.</p> <p>The other three ‘goals’ have similar issues of trying to be everything for everyone. By trimming the descriptors, WDC may have a better chance of communicating a straightforward message, monitoring activities that contribute to attainment of the goal and reporting on progress.</p>	
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Agreed management actions		OFI # 1	
Work with H&S Committee to refine the H&S goals by utilising the VITAL rings from Garry’s H&S Commitment: People, Workplaces, Practices and Representatives.			
Responsibility	Bev Taylor	Target date	6 months (July 2021 to December 2021)

Agreed management actions		OFI # 2	
Collaborate with H&S Representatives regarding initiatives for using and raising the VITAL brand.			
Responsibility	Bev Taylor	Target date	6 months (July 2021 to December 2021)

¹ WDC, ‘Garry’s Health and Safety Commitment’, February 2020.



2.2. VITAL performance reporting

Rating: Low

Observations

Opportunities for Improvement

Performance reports

The health and safety performance reports are insufficiently future-focused and are, consequently, not providing decision makers with enough information to form good decisions.

Assurance to officers² - and others - that goals and objectives are being realised, critical risks are being effectively managed, and resources are being used appropriately is not obvious in the performance reporting. There is no highlighting of areas of concern or priorities needing action.

However, the reports do contain plenty of information and the format, especially the dashboard, is more engaging and positive than previous iterations.³ We noted that some of the information is proactive, such as workers being monitored on their health, worker engagement meetings happening, and paperwork being produced. The sections in the dashboard on lead indicators, priority risks and due diligence have the makings of a useful report.

However, too much of the information in the written report and dashboard falls into the categories of 'quite interesting' and 'historic, negative and reactive'. For readers of this information who are in decision-making roles, we wonder what is expected of them once they have digested the information. At present, the Finance and Corporate Committee is asked to receive and the Executive Team to discuss.

To be more specific, we query the significance of listing many of the incidents from the previous period. Why does the reader need to know about drug dealing in the cemeteries, branches falling off trees and trailers coming unhitched? Were there legislative breaches? Are they indicative of perhaps a lack of competence, the wrong equipment or work demands exceeding capacity? The point we are making is that large parts of the reports (narrative and graphs) are not adequately showing what WDC thinks matters the most and over what period. The reports tell the reader what is happening and has happened but do not elaborate on the 'so what' and, crucially for a senior decision-maker, do not signpost and invite discussion on the 'now what'.

In our view, leaders and managers are not asking with sufficient force and regularity questions like 'What do you want me to do with this information?' and 'What decision are you asking for?' If the desired answers are 'Note it' and 'None', then perhaps the report is not providing sufficient insight and foresight.

3. Revise the health and safety performance reports to meet the needs of intended readers and ensure they are forward-focused, decision-focused and engaging.
4. Provide officers with information in multiple forms that enables them to fulfil their due diligence obligations.
5. Present information in the health and safety performance reports that shows progress towards health and safety improvement goals.
6. Develop a range of positive performance indicators that:
 - a. Tell a rich, comprehensive story about the safety of work not the work of safety
 - b. Can be consistently reported on
 - c. Provoke discussion and promote good decision-making.

² WDC's officers under HSWA are the Elected Members and the Chief Executive. See HSWA, s 18 and s 44.

³ We note the Finance and Corporate Committee agreed the current report format provided them with the information they needed as well as prompting discussions. Our point is less concerned with the format and more concerned with the content. We are suggesting that WDC builds its future not on its past events and mistakes but on its strengths and opportunities.



Officer due diligence

A problem for officers, especially Elected Members, is finding the time to understand the work the organisation does and the health risks and safety risks that are associated with that work.⁴ Although gaining this comprehension is a personal and proactive responsibility, many organisations help their officers to fulfil it. WDC does so in providing information on the dashboard (among other things). The examples we sighted did not adequately communicate what work activities and risks would be pertinent to an officer. The small amounts of text had no links to critical areas, recent decisions around resourcing, unease, success or failure.

Officers could visit workplaces and talk with workers but there are logistical and communication barriers inherent in that approach. More feasible would be for WDC to provide officers with short video clips showing work activities narrated by workers. These clips could align to procurement decisions, progress of initiatives or upcoming events. As with other pieces of information, they should demonstrate where the 'unease needle' sits, prompt discussion and invite a decision.

Goals

The performance reports do not explain the progress being made towards health and safety goals.

For example, if 'We will have VITAL workplaces' is an agreed goal, then performance reports should be showing how close to - or far from - that goal the organisation is at present, what barriers or frustrations are causing concern, and what is being done to advance. This information will enable decision-makers to allocate resources where needed - or consciously continue with the status quo.

Lead and lag indicators → positive performance indicators

WDC is not actioning and reporting on enough positive performance indicators (PPIs).⁵

WDC has developed and reports on several lead indicators and a raft of lag indicators. The lead indicators give some assurance that WDC's work activities tomorrow, next week and next month should be safe and healthy. We see that workers have their health checked, have access to counselling and that there are communications about health and safety. But some of the lead indicators are ambiguous. For example, for a workforce of around 300 employees, is having nine people accessing the EAP counselling a good or bad thing? What does the number tell us, and should we be concerned or reassured? Another example is the number of people making an appointment with the Waikato Occupational Health Consultancy. Is the number of 21 Parks & Reserves appointments the right proportion?

⁴ See HSWA, s 44(4)(b) - reasonable step for an officer to take to satisfy due diligence over health and safety matters.

⁵ Positive performance indicators are selected measures of the effectiveness of critical risk management. They may be lead or lag indicators. A key consideration is that they point in the desired direction of travel. Different PPIs may be used for different reports. For instance, governance-level reports may include PPIs that highlight significant changes or new risks, and operationally focused reports may show the proportion of workers competent to perform certain tasks, percentage of site safety conversations held and amount of positive reinforcement activity at different levels.

These numbers need more contextualisation, such as proportion or percentage and trends. Without that detail, the numbers tell us little and assumptions can propagate. An example of where raw data does not tell the entire story is an indicator WDC uses to measure the status of mental health, that is, EAP usage. Understandably, there are confidentiality issues at play with EAP data and details are not - and should not - be forthcoming. Nevertheless, an inference one could draw from a recent performance report is that nine EAP referrals for an organisation of over 300 people is pretty good. Or is it? Without more context from other sources and evaluation of other metrics, we have not moved enough from a position of uncertainty to one of greater certainty.⁶ Therefore, we are not as assured as we could be that we are making progress towards achieving the VITAL goal of having workplaces where people are safe and healthy.

Some lag indicators, usually in the form of incident data, are needed to record and highlight any possible breaches of health and safety legislation. That is an organisational obligation. But reporting on historic and negative events because they happen to be in TRAX is not needed. There must be a purpose behind presenting these events, such as a discernible trend, potential for catastrophe or a systemic issue. A dilemma for readers of these lag indicators is that they observations of the past and the problem with hindsight is that it often arrives too late.

Our view is that categorising indicators as lead or lag misses the point, which is that decision makers and other interested parties need information that either increases or decreases their inherent level of unease around safety and health in the workplace. Whether it is classed as lead or lag is irrelevant. What is relevant is that the measures or indicators move the 'unease needle' up or down. WDC needs to know if its VITAL actions in the form of PPIs are contributing to higher levels of health and safety performance, maintaining the same level or making things worse.

Weak signals

An area worth exploring is the capture of 'weak signals' and their subsequent value in shaping decisions and actions.⁷ An engaging and probing conversation, we argue, is an effective way of getting the right sort of information. These conversations can be undertaken by senior leaders, managers, Health and Safety Representatives (HSRs) and colleagues. By asking what is going well and what could be done to make it even better, there is a possibility of getting to hear the weak signals that indicate system collapse. After all, it is less expensive to fix weak signals than rebound from a catastrophe.

⁶ As with many aspects of health and safety, certainty will never be achieved as long as human beings are involved in the system.

⁷ A weak signal is the noise that is heard during normal, successful work. It is the nuisance or frustration that is often dismissed or hurried over because it is a distraction to getting the work done. But dismissing weak signals can lead, ultimately, to a loud crash when something fails. It is at that moment when people say, "We didn't see that coming" or "It was a disaster waiting to happen."

Agreed management actions		OFI # 3-6	
Review Finance & Corporate Committee, and Executive Team health and safety reports as per recommendations in the SafePlus report. Incorporate the refined H&S goals as noted in Action 1. Develop a template/example to present to Finance & Corporate Committee and Executive Team for feedback prior to adoption.			
Responsibility	Stephanie Shores & Bev Taylor	Target date	6 months (October 2021 - March 2022)

2.3. Critical risks and critical controls

Rating: Low

Observations

Opportunities for Improvement

Consistency and visibility

WDC’s critical health risks and safety risks - and their related critical controls -are neither consistent nor visible enough.

We noted some inconsistency in what workers think are the top health risks and safety risks and what WDC is presenting in reports and registers. Workers had a sound, tacit understanding of their top three critical risks, namely aggression and violence from people and animals, mental ill health due to work-related stress and vehicle crashes. Slips, trips and falls and ergonomic factors were also mentioned.

WDC has an organisational risk register listing nine critical risks and a section in the dashboard contains six ‘priority health & safety risks organisation-wide’. Some of these risks are not risks, for instance, ‘contractor management’, ‘asbestos management plan’, ‘health monitoring’ and ‘recording H&S training’.

To embed what workers and the organisation believe are its most critical health risks and safety risks - the ones most deserving of resourcing - an agreed and concise list needs to be developed. Communication can then follow - through team meetings, posters, intranet, video blogs, good practice awards, performance reporting, and so on - to reinforce and reiterate the consolidated view.

Clarity

Different terms and descriptions are used by workers and the organisation for the critical health risks and safety risks. This variance is not helped by documented risk titles and descriptions that are ambiguous and not comprehensive enough.

One example in the risk register is ‘Driving On The Road’. We believe a better description is ‘vehicle crash’ as it covers all forms of driving that WDC’s workers carry out and conveys the criticality of the situation. A vehicle crash while at work was top of mind for most of the workers we interviewed. Part of their reasoning was linked to the prevalence of vehicle-related harm in New Zealand.

7. Review the titles and descriptions for the critical risks to ensure they are clear, simple and succinct, yet comprehensive.
8. Determine the critical controls for each critical risk.
9. Apply the hierarchy of control.
Note: Key people may need further training or reiteration of principles.
10. Use a variety of channels to communicate the organisation’s critical risks and critical controls.
11. Provide driver competence training and assessment to all WDC workers required to drive WDC vehicles.

The description for the 'driving' risk is a 71-word sentence containing several sub-clauses and numerous examples. Despite its length, it does not fully describe the Consequence, Asset, Source and Event.⁸ Other risk descriptions also do not contain each one of these factors or have confused wording.

Another example is 'Stress in the Workplace', which inadequately explains that the issue is that workers can experience work-related stress due to work demands, workflow and insufficient resourcing resulting in mental ill health.

Critical controls

Lacking in visibility are the critical controls for each critical risk. Workers were reasonably confident about what they were, but the risk register tells a different story. Workers tended to focus on controls like engineering, physical barriers, dynamic decision-making (including go/don't go calls), sufficient staffing, sufficient time, and so on. In contrast, the risk register mainly documents soft controls, such as policies and guidelines, training and inspections and audits.

Neither the workers nor the registers gave us a clear indication as to which controls WDC consider are 'critical'.⁹ Furthermore, we did not hear and did not see reference to the hierarchy of control, leading us to conclude it was not an embedded concept.¹⁰

Using the 'driving' risk again as an example, the register lists three controls: observations, assessments, vehicle checks and GPS monitoring; reviews of hazards and controls; and, a 'report to Exec Team'. There is no discernible prioritisation or hierarchy and no mention of what we consider are the three, main controls, that is, work design, vehicle suitability and driver competence.

We asked Animal Control Officers (ACOs) about these three, main controls and discovered:

- a. Working hours and work demands are such that tiredness and fatigue are not an issue.
- b. The vehicles used by Animal Control were of a high safety standard and, in fact, some were brand new. However, not having high ground clearance and not being four-wheel drive, the vehicles could get stuck in some places. Also, the design of the rear compartment was lacking a modular solution that would be safe for ACOs and animals and would cater for different sizes and temperaments of animals.

⁸ We think one of the better methodologies for describing a risk is CASE (Consequence, Asset, Source and Event). Developing a risk description comprised of these four factors or considerations is simple, adaptable and makes sense. The description does not need to have these factors in that order but it must include them all. Any order will do, so long as the description is succinct and in plain language. It must mean something to frontline workers, the people exposed to the risk.

Consequence: what is the impact? - Asset: who or what is at risk? - Source: what will cause harm? - Event: what type of incident?

⁹ By 'critical', we mean the controls that if removed would significantly influence the risk rating or would have the biggest impact in managing the risk.

¹⁰ The hierarchy of control is stated in the Health and Safety at Work (General Risk and Workplace Management) Regulations 2016, reg 6. Further information can be accessed [here](#).

- c. Drivers have to hold a current, valid and full driver’s licence. Having a driver’s licence is adequate - but minimal. A more robust assurance mechanism is to measure competence through the provision of in-vehicle driver assessment, preferably in the work vehicle and in the work area. Some workers said they had not taken part in such training and assessment.

Our conclusion was that driver competence is not sufficiently to the fore as a critical control to mitigate the risk of a vehicle crash.

For the other previous example - mental ill health due to work-related stress - only three administrative controls are documented in the risk register. In our opinion, none of the three are critical. More effective, we believe, is to view this risk mitigation using the lenses of work design, work environment and relationships. Doing so would expand the risk definition and the range of controls. It would also correspond to accepted research on this topic, in that the mental health of workers (to a large degree) depends on the absence of psychosocial stressors. A large workload due to poor work design is often defined by workers as being the most significant workplace stressor, that is, having too much to do and not enough time to do it. It is not only the amount of work that makes a difference but also the extent to which workers have the resources to do the work well.

Agreed management actions

OFI # 7-11

The H&S Team will approach this piece of work on two fronts 1. organisation-wide health and safety risks and controls, and 2. teams/departments health and safety risks and controls. Objective is to achieve clarity on risks and ensure mitigations/controls are appropriate to the level of risk, understood and agreed with the target audience, and effective.

Responsibility	H&S Advisors	Target date	24 months (1 Jan 2022 – 31 Dec 2023)
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2.4. Near misses

Rating: Low

Observations

Opportunities for Improvement

Current state

The number of near miss reports - compared to the size of the workforce and the range and amount of work activity - suggests WDC is experiencing significant under-reporting.

For instance, in the period July to October 2020 there were seven near miss reports. That figure compares to 51 accidents (events that actually occurred) in the same period. Typically, near misses outweigh accidents. Near miss reporting is a means of better understanding risk control effectiveness and providing further assurance.

Reasons and barriers

Although we did not probe this area in detail during our conversations with workers, what we did discover corresponds with published research on this topic, as well as with our experience assessing other organisations. There are two, main reasons why workers do not report near misses:

- Work interruption - completing the near miss form is an additional task that would interrupt other work and is not seen to add value.
- Lack of feedback and recognition - there can be a poor response from leaders either at the time or later once the report has been analysed and, possibly, investigated.

The second point was elaborated on by several workers, who commented that they wished there was more senior leader involvement and accountability around near misses. They thought more overt acknowledgements from senior leaders would result in higher levels of reporting.

Other reasons may include:

- Definition - unsure of what constitutes a near miss.
- Red tape - unsure of what would follow the report and if it would involve more work.
- Status quo - there was nothing to see so why bother reporting it.
- Training - workers know where the form is located but say they have not received enough training on why the reports are needed and what changes are made as a result.

12. Strengthen the quantity and quality of near miss reporting through implementation of a four-step accountability model: Define, Train, Measure, Recognise.
See Appendix 2 for more information.

Agreed management actions

OFI # 12

The H&S Team will investigate and, if appropriate, adopt the Improving Near Miss Reporting model as provided in Appendix 2 of our SafePlus Report. The need for communication channels will be built into the Near Miss Reporting framework.

Responsibility	H&S Advisors	Target date	6 months (1 June 2022 – 31 Dec 2022)
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2.5. Decluttering and ‘simple rules’

Rating: Low

Observations

The following observation is of a general nature. It reflects our thinking and incorporates work carried out by leading health and safety practitioners and academics, such as Dr David Provan, Dr Andrew Rae and Prof. Sidney Dekker.

Decluttering

Around 80% of the ‘assurances’ in the Organisational Health and Safety Critical Risk Register are paperwork-related. While some of this paperwork may contribute to the safety of work, much of what is produced in the name of safety may not. It may, in some cases, actually hinder work.

When talking with frontline workers, the critical controls and assurances they mentioned were not policies and guidelines but staffing numbers, equipment, work design and conversations with colleagues on how best to work safely. Yet, these aspects are not documented as ‘assurances’.

We were told that a rationalisation exercise is underway at WDC to reduce paperwork. But our review of the performance reports and HSC meeting minutes found no instances of purposeful efforts to reduce safety clutter through asking, ‘How effective is this safety policy/procedure/checklist/audit/etc?’ and ‘How does this safety policy/procedure/checklist/audit/etc contribute to us working safely and healthily? These questions and this type of activity may be occurring, however, and is not being recorded as a positive step towards a strong health and safety culture.

Simple rules

Part of the decluttering exercise may involve agreeing on and implementing ‘simple rules’.¹¹ It was a topic we discussed with some workers when talking about how they deal with dynamic, and potentially dangerous, situations. We heard that they use ‘simple rules’ that they could consistently deploy and were specific to them and their work situation.

It is a topic we encourage WDC to explore and, perhaps, introduce. We would suggest conducting micro-experiments first to gauge how effective ‘simple rules’ are and how they may decrease the number and length of safety documents.

Opportunities for Improvement

13. Review which safety paperwork contributes meaningfully to safety; keep or delete, as warranted; communicate to affected people.
14. Include decluttering exercises or effectiveness drives as a PPI in reports.
15. Consider the introduction of ‘simple rules’ to replace or augment operating procedures and policies.

¹¹ See the work of Donald Sull and Kathleen Eisenhardt for more information, for instance, <https://www.youtube.com/watch?v=rglIBDy-xgA> and <https://www.youtube.com/watch?v=3bNBKNglWfE>, also Sull, D. and Eisenhardt, K., ‘Simple Rules: How to Thrive in a Complex World’, John Murray: London, 2015.

Agreed management actions

OFI # 13-15

The H&S Team has been working on developing policies and guidelines in accordance with the adopted WLASS H&S Management Framework. This has involved consolidating, reviewing, updating or replacing current documentation to achieve consistency in terms of format and content.

The H&S Team will investigate the 'simple rules'/decluttering recommendation to assess the effectiveness of WLASS framework from an operational perspective.

A report confirming outcomes and agreed approach will be discussed with the Executive Team.

Responsibility	H&S Advisors	Target date	12 months (June 2022 – June 2023)
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3. Action Plan

WDC developed an action plan based on the recommendations presented in the SafePlus onsite assessment report dated February 2018. The column on the far right contains our view on the extent of progress WDC has made to address the recommendations.

KPMG Feb 2018		Waipā District Council			KPMG Feb 2021
	SafePlus report recommendation	Comments	Status	Completion date	Comments
1	Review the 'Health and Safety Policy' – ensure it aligns with the central tenets of the new health and safety legislation, is written in accessible language and reflects the vision/direction.	"Vital" brand to feed into the design of Garry's Health and Safety Commitment – to replace the 2015 'Policy'.	Garry's Health and Safety Commitment, adopted in Dec 2019	Dec 2019	Achieved VITAL branding understood and accepted by workers. <i>Next steps:</i> <i>Expand and embed VITAL</i>
2	Further develop mechanisms that deliver positive reinforcement in a timely, consistent and proportional way, and communicate more frequently and widely the stories about good practice and performance.	H&S Committee to be responsible for implementing and monitoring a communication plan, i.e.: - 5 minute Fridays - Positive Messages (V&As for H&S reps) - Presentations at Wisard - Dedicated intranet site	Completed: - Wisard presentations - 5 min Fridays	March 2019	Achieved Workers reported more positivity in various forms of communication but said more could be done to embed positive reinforcement within the organisation. <i>Next steps:</i> <i>Success stories could feature more heavily at the start of ELT and Council H&S performance reports - link to VITAL goals.</i> <i>Use variable ratio reinforcement with desired targets.</i> <i>Present as a qualitative measure in verbal and written reports.</i>

KPMG Feb 2018		Waipā District Council			KPMG Feb 2021
	SafePlus report recommendation	Comments	Status	Completion date	Comments
3	Promote the value of senior leaders visiting work areas and talking with frontline workers about their work and the health and safety aspects. Report back to the work area - and wider organisation - the results of these direct interactions, perhaps in line with the above recommendation	Exec Team already complete safety conversations as part of the Officers' due diligence plan.		Ongoing	Partially achieved Some senior leader interactions are happening, but they are infrequent and are not reported as a PPI. A common remark from frontline workers was that they wanted to see their senior leaders in their workplaces more often and in a more natural and collegial manner.
4	<ul style="list-style-type: none"> — Set specific health goals and safety goals linked to a clearly articulated vision/direction. — Plan and implement actions to meet the health goals and safety goals. — Monitor and evaluate progress against the health goals and safety goals 	Coordinated with the H&S Committee following August 2018 workshop	Completed and now ongoing annually	June 2019	Achieved WDC has a clear sense of direction and forward momentum - four components of VITAL are health and safety improvement goals. <u>Next steps:</u> <i>Fully translate the commitment and principles in the VITAL concept to tangible, measurable goals that can be more easily and efficiently tracked.</i> <i>Performance reporting could include a section on goals and current state, as well as commentary on barriers to progress and decisions that need to be made.</i> <i>Communicate performance to workers.</i>
5	Review the administrative requirements placed on team leaders and frontline workers to manage health and safety; if warranted, deliver training, employ administrative support, simplify processes, provide more effective technology, and so on.	Dedicated 'champion' in Payroll Coordinator provides supporting administrative TRAX support.	Ongoing	Feb 2019	Achieved More people resources, for instance, Team Leader in Animal Control. Training delivered. Mobile digital solutions. Effective HSC.

KPMG Feb 2018		Waipā District Council			KPMG Feb 2021
	SafePlus report recommendation	Comments	Status	Completion date	Comments
6	Develop a training schedule for health and safety activities that link to the achievement of goals and elimination or minimisation of critical risks.	With appointment of Capability & Development Advisor decision made to consolidate the management of organisation-wide training. Status quo for now with processes for capturing H&S training events – via department for role specific, and HR for general H&S training (ie: First Aid certificates).	Commenced the scope of this project end 2019 – input Phase 1 in the HR and H&S Business Plans. Joint project.	June 2020 – phase 1, to identify training requirements for every role within Council.	Partially achieved Project underway at organisational level in Learning and Development area - progress affected by Covid-19.
7	Ensure proportional levels of health and safety expertise are applied to the various procurement and project stages.	Currently undertaken in part by H&S Advisor. Need further discussion around this with relevant Unit Managers. Safety in design discussions regarding the pound with workers and this will be ongoing until decisions have been made	Completed – This is now included in contract management documents	May 2019 Ongoing	Achieved Increase in Health and Safety team resourcing has helped. Example of liners at cemeteries.
8	Demonstrate the benefits of TRAX through, for example, the publication of trend analysis and evaluation or contributions the data made in procurement decisions.		Completed - This is part of reporting to Exec and F&CC meetings; also part of the work Adele is completing around procurement processes.	Jan 2019 Ongoing	Partially achieved While TRAX data is being shown in performance reports, there is little narrative on what the data is portraying and how it is influencing decision-making. Predominantly lag indicators - hindsight - few proactive metrics captured in TRAX, then analysed and presented in graphical form.

KPMG Feb 2018		Waipā District Council			KPMG Feb 2021
	SafePlus report recommendation	Comments	Status	Completion date	Comments
9	Consider ways in which data can be entered into TRAX as efficiently as possible, for example, by simplifying forms, designing filters, and so on.	Ongoing improvement of system in collaboration with SHE software. Payroll Officer and H&S Advisor (Bev Taylor) taking the lead.		April 2020 Ongoing	Achieved Agree it is an ongoing process. <i>Next steps:</i> <i>Decide on what data would be beneficial to capture - info that points to the future safety of work and why it does.</i>
10	Develop a mechanism for reporting issues or making suggestions in an anonymous and/or confidential way.	Discuss how to progress this with the H&S Committee. Believe this is a cultural matter-reinforce confidentiality where practicable. Some limitations with entering into TRAX anonymously	Agreed that H&S Advisors can make an entry 'confidential'.	Dec 2019 Ongoing	Achieved Functionality is there to enter a confidential matter into TRAX. <i>Next steps:</i> <i>Communication is needed on how the mechanism works and who directs and actions the issues and suggestions.</i> <i>Some workers unsure on who reads these reports and just how confidential their report is - also unsure on ability and authority of receiver to effect resolution.</i>
11	<ul style="list-style-type: none"> — Develop a set of activities (ad hoc and scheduled) for HSRs to complete during their term. Ensure management support and that accountabilities and responsibilities for completion are well understood. — Consider ways in which the HSC and the activities of its members can be raised. 	<p>Internal audit programme and training for HSRs.</p> <p>H&S Committee develop brand and vision; and feed into key decisions, such as Garry's commitment.</p> <p>H&S Committee to work up and be responsible for H&S communications plan.</p>	<p>Completed - Brand and vision is now complete.</p> <p>Audit training package has been developed for roll-out at training workshops.</p> <p>Workshops on new policies and guidelines are now occurring with the H&S committee</p>	Sep 2019 Ongoing	Achieved <i>Next steps:</i> <i>Encourage HSRs to be part of second line assurance activities, such as field checks and document reviews.</i> <i>Record their involvement as a PPI.</i> <i>Suggest setting time at end of meeting to agree on key messages to take back to workgroups - general and contextualised.</i>

KPMG Feb 2018		Waipā District Council			KPMG Feb 2021
	SafePlus report recommendation	Comments	Status	Completion date	Comments
12	Consider using established risk identification and assessment methodologies to increase accuracy and consistency.	To develop training/refreshers on assessment methodologies	Completed - Risk management workshops have been developed and delivered to H&S committee	March 2019	Achieved An ongoing activity to ensure people are aware of what risks matter and what everyone is doing about mitigating risks.
13	Investigate ways in which animal control workers can obtain confidential information on people and properties while away from the office.	Part of the wider remote devices issue being looked into by Information Services.	This is aligned to an IT project to get some of our programmes accessible on mobile devices		Achieved <u>Next steps:</u> <i>Review accessibility in field</i> <i>Some ACOs reported that they often completed risk assessments using the system in the office as the mobile solution was slower to process information. 'A bit laggy' said one ACO.</i>

KPMG Feb 2018		Waipā District Council			KPMG Feb 2021
	SafePlus report recommendation	Comments	Status	Completion date	Comments
14	Clarify the activities required to check that controls are in place and effective; develop a framework that details the monitoring activities at each level of assurance, particularly at the second line of assurance.	For further discussion. In house audit/assessment training in progress and launch of the form. Informal observations occurring and a general task assessment form to be developed	In progress	May 2020	<p>Partially achieved</p> <p>Ad hoc, informal checks are occurring as one activity at second line but are not systemised nor reported on. Insufficient involvement of colleagues and HSRs in conducting safety observations. No set method and observations not captured in TRAX - therefore, not analysed and evaluated for insights and assurances.</p> <p>Individual competence not being systematically assessed as part of team dynamic and how that person contributes to team effectiveness. Needs shift to looking at system competence and narrowing the 'work-as-done v. work-as-imagined' gap.</p> <p>Sufficient development and continual improvement of policies, procedures and guidelines.</p>

KPMG Feb 2018		Waipā District Council			KPMG Feb 2021
	SafePlus report recommendation	Comments	Status	Completion date	Comments
15	Ensure 'Safety in Design' principles, with input from workers and their representatives, are incorporated in any new construction or refurbishment project, for example, the dog pounds or Cambridge Library.	Safety a key driver of new Pound design. Environmental Services Team Leader working with Property.	Completed – Built into contract documents i.e. Karapiro WTP, CB pool		<p>Achieved</p> <p>Strong progress in this area - more awareness</p> <p><u>Next steps:</u></p> <p><i>Consider as a PPI for performance reports to keep it 'front of mind' - examples provided of when Safety in Design resulted in tangible benefits to safety of work.</i></p> <p><i>A couple of projects, such as security upgrades and new vehicles, had insufficient involvement from frontline workers. Indicates that Safety in Design is not quite fully realised as operational kaupapa.</i></p>

KPMG Feb 2018		Waipā District Council			KPMG Feb 2021
	SafePlus report recommendation	Comments	Status	Completion date	Comments
16	Consider installing duress alarms providing safe areas at the libraries.	In Progress. Project team led by Debbie Lascelles in place to advance this area. Doors installed for Safe areas for library staff. Cameras and duress alarms operating – still requires processes for activation.	Delay due to COVID 19 in getting processes worked up	Tentative Oct 2020	<p>Partially achieved</p> <p>Manager HR has taken over the project. Security upgrade should be completed by end of March 2021.</p> <p>Workers commented on slow progress, insufficient consultation and design inadequacies. Project meetings are held but some frontline workers not as involved as they would like and feel they do not have an adequate voice on design matters. Note that weekly project meetings held with key staff members. Links to comments about Safety in Design principles.</p> <p>Training on what to do when a duress alarm is activated has not been fully rolled out.</p> <p>Mobile duress alarms ordered but not yet arrived.</p> <p>Review to be held on feasibility of body-worn cameras for ACOs.</p>

KPMG Feb 2018		Waipā District Council			KPMG Feb 2021
	SafePlus report recommendation	Comments	Status	Completion date	Comments
17	Reinforce the requirement to report and record all incidents. Demonstrate through data analytics or similar modelling the benefits of accurate and comprehensive data gathering		Completed – data analysis incorporated in the H&S committee reports, EXEC and F&CC reports	Nov 2019	<p>Achieved</p> <p>Accident reporting satisfactory.</p> <p><u>Next steps:</u></p> <p>Improve near miss reporting.</p> <p>Present data (graphs, tables, and so on) that leads to informed decisions.</p> <p>Provide accompanying evaluation (to the graphs) of event severity, event location and event type. Limit random inference.</p> <p>Provoke discussion; prompt decisions.</p>
18	Conduct a tabletop or 'live' emergency response exercise involving a lone worker needing assistance. Include in the exercise the escalation process to senior levels in the organisation		Completed: Man down exercise completed by external H&S Contractor. Panic button tested monthly by Guardian Angel	Nov 2018	<p>Achieved</p> <p>This exercise should now be listed as an activity at the second line of assurance.</p> <p><u>Next steps:</u></p> <p>Once the security project is complete, these response exercises should be scheduled sporadically to test not only that the hardware is functioning as it should but also how well people cope in the moment and how well the escalation process works.</p> <p>Senior leaders need to be involved.</p>

KPMG Feb 2018		Waipā District Council			KPMG Feb 2021
	SafePlus report recommendation	Comments	Status	Completion date	Comments
19	Explore options for learning about different or new manual handling techniques and equipment.	Consider alternative/additional manual handling workshops.	Completed: Access to videos with manual handling techniques for team meetings and sourced an alternative manual handling trainer.	Dec 2018	<p>Achieved</p> <p><u>Next steps:</u></p> <p><i>Further minimise manual handling through incorporation of Safety in Design principles when redesigning areas in the libraries, such as 'after hours' book return placement and the size and shape of bins.</i></p>



Appendices

Appendix 1: Terms of Reference (extract)

Background

Waipā District Council (WDC) undertook a KPMG-led SafePlus onsite assessment in March 2018.

Our findings were largely positive. We noted many examples of good practice and continual improvement. On the three-point maturity scale of Developing-Performing-Leading, eight of the ten performance requirements were assessed as Performing. The remaining two were assessed as Developing. Due to the Developing ratings, the overall result was Developing.

In the main body of the report, we provided 28 recommendations that would help WDC maintain or improve its health and safety performance. Some of the recommendations related directly to an issue that, if addressed, would lead to a more positive SafePlus assessment and, possibly, a shift on the maturity scale. Other recommendations reflected the educative element of the SafePlus initiative and were more about things WDC could consider.

Following the acceptance of the SafePlus report, WDC has worked on the agreed recommendations. It is this progress - and other work in the health, safety and wellbeing space - that WDC wants us to assess.

This assessment is one of several internal audit engagements within the FY2021 Internal Audit Plan approved by the Audit and Risk Committee and as discussed with WDC management.

Assessment objectives

We will assess:

- The extent to which WDC has progressed against the agreed recommendations in the 2018 SafePlus onsite assessment report.
- The current state of WDC's health and safety management system (with reference to the maturity scores recorded in the 2018 SafePlus onsite assessment report).
- In addition, we will provide advice and guidance, where warranted, on areas of health and safety practice that arise during the engagement.

Assessment approach

We will align our assessment approach to:

- 1 The ten SafePlus performance requirements and the associated statements that describe good practice.
- 2 The recommendations stated in the 2018 SafePlus onsite assessment report.
- 3 The ethos of the SafePlus initiative, that is, to explore safe work practices rather than safety paperwork.

As we did in 2018, we will talk to librarians, Animal Control Officers, managers and senior leaders at their places of work. Our aim is to interact with a broad and deep range of people to gain as comprehensive a picture as possible of the changes that have occurred in WDC's health and safety processes and practices. This interaction, along with the document review and conversations with WDC's Health and Safety team members, will enable us to form a view of the current state of WDC's health and safety management and how it performs against the SafePlus benchmarks.

Assessment scope

Our focus is on the two workgroups that were the subject of the 2018 SafePlus onsite assessment, namely Libraries and Animal Control. We will visit their workplaces in Te Awamutu and Cambridge. We will also spend time at WDC's head office.

A document review is included in the scope of work. We will concentrate our attention on the workplan (or similar document) that was produced following the 2018 SafePlus onsite assessment and the documents that support the improvement plan. We may review other documents that have a bearing on our achievement of the assessment objectives.

The 2018 SafePlus onsite assessment took an in-depth look at three critical risks: violence and aggression, working alone and manual handling. In this proposed follow-up assessment, we will explore these risks once more, specifically the actions WDC has taken to address the recommendations set out in the report for each risk.

Out of scope

The scope of the assessment does not indicate full coverage or satisfaction of strategic health and safety risks, as strategic risks are managed through a number of business processes and control procedures.

Obligations for health and safety performance rest primarily with WDC. Therefore, KPMG is not responsible for, nor able to provide assurances around, WDC's future and ongoing compliance with these obligations.

The following items are specifically excluded from the scope of this project engagement:

- Assurances of detailed compliance against any standards, codes of practice or similar documents for both WDC and its contractors.
- Human resource-related activities including, but not limited to, employment contracts, grievance and dispute resolution, harassment, anti-discrimination and disciplinary processes.
- Technical compliance and assurance reviews concerning legislative requirements for equipment, building, public, fire, transport, food and/or product safety.
- Health and safety practices of operational areas within WDC not previously stated in this document.

As a professional services firm, KPMG is required to comply with various professional standards relating to the performance of particular types of engagements, where applicable. The services provided in connection with this engagement comprise an advisory engagement, which is not subject to assurance and other standards issued by the New Zealand External Reporting Board and, consequently, no opinions or conclusions intended to convey assurance will be expressed.

Appendix 2: Ratings and definitions

Overall assessment rating

The assessment rating is based on the observations and significance of the opportunities for improvement. It is an overall evaluation of achievement against the assessment objectives, defined measures and good practice.

Rating	Definition
GOOD	The policies, processes and practices are fit for purpose and activities are being performed in a manner that effectively mitigate the identified risks.
EFFECTIVE	Even though some improvements or weaknesses were identified, the policies, processes and practices are adequate, appropriate and effective.
DEVELOPING	Improvements or weaknesses were identified which, if not addressed, could result in the policies, processes and practices not meeting objectives and/or being fit-for-purpose.
NOT EFFECTIVE	The policies, processes and practices are inadequate and ineffective. Objectives are unlikely to be met. Significant improvements are required.

Risk rating for observations

The risk rating assigned to the observations is based on the consequence or impact and the likelihood of them occurring. They are a judgement made at the time of the assessment and using the information available.

Rating	Definition
LOW	Matters that have a minor to moderate impact on the achievement of objectives and should be addressed as part of continual improvement.
MEDIUM	Matters that have a moderate to severe impact on the achievement of objectives and should be addressed as soon as possible.
HIGH	Matters that have a severe impact on the achievement of objectives. These matters could result in a compliance issue and should be addressed as a priority. Other findings may rely on these actions having been completed.

Appendix 3: Improving Near Miss Reporting

One method WDC could use to improve near miss reporting is the four-step accountability model developed by Mike Williamsen, Ph.D and Dr. Dan Petersen. The following information is a summary of the method.



Step 1: Define and communicate WDC’s expectations around near miss reporting

- Explain the type of near miss that needs to be reported.
- Explain what management will do when a near miss is reported.
- Treat all near miss reports as important.

Step 2: Training

- Train workers on how to complete the forms, when to log the near miss, how the system works and how the positive reinforcement mechanism operates.
- Train managers on expectations and their role.
- Train senior leaders on communication and response.

Step 3: Measure performance

- Monitor the reports coming through the system - verbal and written.
- Conduct learning reviews of high potential near misses - same process as for an accident.
- Analyse and evaluate; present in narrative and graphical form.

Step 4: Recognise and incentivise

- Incorporate near miss reporting into existing positive reinforcement activity.
- Involve senior leaders in prompt recognition of near miss reports - quick phone call or text to acknowledge receipt and say thanks.

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AUDIT AND RISK COMMITTEE REPORT



To: The Chairperson and Members of the Audit and Risk Committee
From: Business Resilience and Risk Advisor
Subject: **RISK MANAGEMENT UPDATE**
Meeting Date: 14 June 2021
File Reference: 10611048

1 EXECUTIVE SUMMARY

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

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

This report outlines initiatives that in staff's view should provide members of the Committee with confidence that risks are being well managed across the organisation and there is continuous improvement in the management of risk at Council.

This formal reporting sits alongside the less formal Chief Executive and Group Manager risk discussions, and the 'Deep Dive' discussions, that generally take place at each meeting of the Committee.

The following appendix accompanies the report:

- Appendix 1 – Quarterly Risk Management Report for the period March to May 2021 (document number 10622710)

2 RECOMMENDATION

That the 'Risk Management Update' report (document number 10611048), including the Quarterly Risk Report for March to May 2021 (document number 10622710), of Genny Wilson, Business Resilience and Risk Advisor, be received.

3 STAFF COMMENTS

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

Emerging Risk re Aggressive Customers

An emerging risk has been identified in regards to the health and safety impacts of increasingly aggressive customers and abuse towards staff, both verbally and through social media channels. Frontline staff have been supported through the rollout of improved security measures. This includes duress alarms and CCTV for front counters; bodycams and CCTV at the pounds; and scripting for unacceptable behaviour through the Call Centre. Further work to refine the current procedures and processes is underway with a working group established.

Given recent events, response plans and procedures for bomb threats are being completed and procedures for suspicious packages updated. The working group are also determining how this information will be disseminated effectively to all staff and displayed within offices. These are additional response plans to those identified through the business resilience improvement plan. Other emergency response plans are in place and will be reviewed as part of the business continuity review process.

Information Management Risk – Cybersecurity

The recent ransomware attack at Waikato District Health Board has provided a timely reminder of the vulnerability of organisations to cybersecurity attacks. Council is in the process of proactively working with other Councils within WLASS to prepare a Cybersecurity Incident Response Plan (CSIRP), including incident playbooks to assist when certain incidents occur.

A review of the security status of critical systems is also being completed as part of the business resilience improvement programme.

Risk Improvement Change Management Programme Update

The Risk Improvement Change Management Programme is on track and the detailed training plan is approved. Content development has begun and will be tested with the Risk and Compliance Oversight Group (RCOG) before rollout to all staff in the new financial year. Current planning is to include a pilot of the materials for Elected Members at a workshop with ARC prior to the September meeting. A workshop with the remainder of Council will then be scheduled.

Other Councils in the cross Council Risk Forum are also looking at the development of risk training material and Waipā is exploring opportunities for co-operation and sharing of materials and approaches.

Policy Rationalisation Project

The first stage of this project is the development of an organisational charter based upon Council's recently refreshed values. The charter will form the basis for linking Council's policies which the project working group seeks to rationalise over time.

HumanKind who assisted Auckland Council with the development of their Organisational Charter is assisting Waipā with this piece of work. A workshop with representatives from across the organisation (primarily the Risk and Compliance Oversight Group) has been completed with the output intended to provide the first draft of the Charter.

As part of this project HumanKind is also assisting with the development of a new policy template to ensure clarity and alignment of approach and language used with the Charter.

Risk Management Policy

The Risk Management Policy is due for its biennial review. The review is underway and will align with policy rationalisation project standards. It is planned to present the updated policy to the September ARC meeting for approval.

Compliance Management Improvement Programme Update

Council has procured the ComplyWith system and is on track with implementation. The register of legislation within the system will facilitate the compliance gap analysis and development of a detailed plan for the risk based compliance management improvement programme.

Risk Management Software

The Risk Management module of Promapp has been procured and will be implemented over the next six months. This will facilitate reporting and management of operational risk, and will support the operational risk training rolled out to staff.

The module is currently utilised by 17 New Zealand Councils and learnings from neighbouring Councils will be used in the implementation.

Risk Mitigant Actions Update

The risk mitigant actions are reported in the quarterly risk management report. The off track actions will remain off track for the remainder of the financial year, in one case (2 off track mitigants) it relates to the implementation of a Learning Management System for tracking and managing staff training and competencies. Following a review of approach to align with the digital roadmap principles, this system will be part of the wider implementation of the human resources and payroll module within our enterprise system, Technology One. This will require a phased approach and adjustment to timeframes to the next financial year.

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 to May 2021 period is attached as Appendix 1.

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 management 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. The dashboard for Key Risk Indicators (KRIs) for the Top Risks that involve the assumptions in the Annual Plan is included for month ending April 2021. This report is included in the monthly Finance and Corporate Committee agenda, with the latest snapshot included in the quarterly risk report.

The evolution of risk management reporting 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

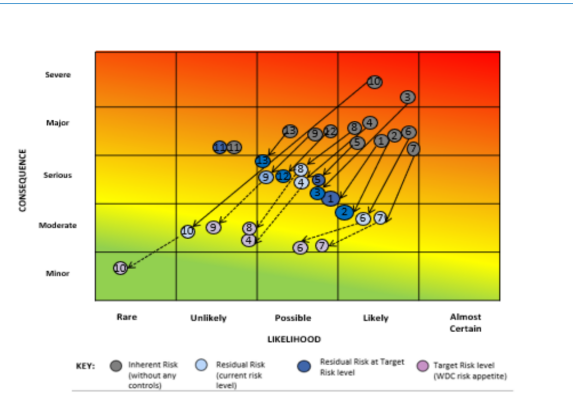
Quarterly Risk Management Report For March to May 2021

KEY INSIGHTS

- The Top Risks are undergoing review for the 2021/22 year with a facilitated workshop prior to the ARC meeting.
- The risk to Financial Sustainability is trending upwards due to the higher than expected revaluation of assets and the resulting impact on LTP financials. This has reduced the level of buffer available to Council for unexpected expenditure.
- Remedial work is supporting strong mitigation of our Information Management risk. The DHB incident however gives caution to highlight this risk as trending down.
- While the COVID impact risk is not materialising at levels first indicated the risk rating has been retained due to the continued uncertainty. Information from our economic advisor supports maintaining this level of risk. The uncertainty continues due to the relative slow vaccine roll out and supply chain issues.
- The failure to prioritise and develop future projects that meet community expectations is trending down with the addition of community projects to the LTP after consultation.
- Key Risk Indicators are now being reported monthly through to the F&C Committee.
- Note the emerging risk around customer behaviour. Response plans are in place, with additional response plans for bomb threats being developed given recent scares. Other security measures are being progressed. A further update on business resilience will be provided at the September meeting.
- The Top Risk Mitigation Actions exceptions are shown below. The not started action was for the water reforms Tranche 2 funding that will now not happen. The off track actions are due to timing issues and the move to an organisation wide approach to a Learning Management System. These actions do not materially impact on the overall effectiveness of the mitigation of the Top Risks.

QUARTERLY RISK MANAGEMENT REPORT FOR MARCH TO MAY 2021

TOP RISKS HEAT MAP



- A total of 13 Top Risks identified and assessed for this financial year.
- The uncertainty created economically by COVID-19 is the key risk driver this year.
- Some risk mitigation actions have been pushed into the next year due to resource constraints and re-prioritisation.

SUMMARY OF TOP RISKS

#	Risk Area and Statement	Residual (current) level	Trend
1	Adequate staffing capacity and capability to deliver Council's objectives: If Council is not adequately resourced, both in terms of capacity and capability, then this under resourcing may contribute to failure and/or significantly increased costs to deliver service levels and key projects.	High	➔
2	Failure to deliver the programme of capital works impacting future projects and priorities: If Council fails to plan and deliver the proposed programme of capital works then this will impact the overall delivery of infrastructure to support growth, levels of service improvements and asset replacement.	High	➔
3	COVID-19 Impact: If Council fails to adequately respond and recover from the ongoing impacts of COVID-19 then there will be a negative impact on the wellbeing of both the organisation and District.	Very High	➔
4	Risks to Information Management: If information management is compromised through actions of staff or other parties, technology system impacts, cyber-security attacks, privacy breaches, or data loss or corruption then Council's delivery of services and reputation will be negatively impacted.	High	➔
5	Changes in Central Government policy or legislation: If Council does not proactively monitor and respond to the increased level of proposed and pending changes of legislation and/or policy, then adequate financial planning and exploiting potential opportunities may be missed.	High	➔
6	Failure of relationships with key stakeholders: If Council has a breakdown in relationships with stakeholders, then Council's ability to operate and deliver services and key projects cost effectively and within reasonable timeframes will be significantly impacted.	High	➔
7	Failure of Iwi/Mana Whenua partnership: If Council's partnerships with Iwi/Tangata Whenua breakdown then Council's ability to operate and deliver key projects will be significantly impacted and it may also fail to meet its post Treaty settlement obligations.	High	➔
8	Risk to Financial Sustainability: If Council does not have sufficient liquidity and/or funding or debt levels are at limit, then delivery of service levels and key projects will be significantly impacted.	High	⬆
9	Failure to respond to Customer Demand: If Council does not meet the increasing expectations of customers in how they engage with Council and what services Council provides as well as respond to changing demands then customers will be dissatisfied, and Council's reputation will be negatively impacted.	High	➔
10	Failure to embed a Health and Safety culture: If Council does not have a strong Health and Safety culture and commitment to keeping staff, contractors and members of the public safe for Council controlled activities then there will be unacceptable injuries and potentially fatalities with legal consequences.	Medium	➔
11	Climate change impacts: If Council does not understand and/or adequately prepare for climate change impacts, then the lack of knowledge and forward planning may have significant financial and reputational effects as well as adverse economic and social impacts on the community.	High	➔
12	3 Waters reforms: If Council does not understand and/or adequately prepare for the proposed 3 waters changes from Central Government, then there may be adverse financial and reputational impacts as well as the economic and social wellbeing of the community being negatively impacted.	High	➔
13	Failure to prioritise and develop future projects that meet community expectations: If Council fails to prioritise and develop the future projects that meet community expectations then there will be adverse impacts on finances and reputation and contention for capital expenditure.	High	⬇

TOP RISK MITIGATION ACTION MONITORING



Top Risk	Measure/Action	Status	Action	Tracking Indica...	Status	Dec Owner	Status Comment
Failure to embed a Health and Safety culture	Centralized learning management system - provide Council with a robust mechanism for capturing and recording organisation-wide learning/training episodes. Note: This will provide benefits across Council but will allow specific tracking of H&S training	In progress	Off track	➔	➔	Mgr, HR	This project was superseded by the broader digital roadmap project of achieving organisation-wide systems integration, which an HR & Payroll TechOne suite is integral to achieving. Part of this suite is a TechOne Learning Management System which Business Improvement, Information Services and the HR Teams are reviewing.
Adequate staffing capacity and capability to deliver Council's objectives	Centralized learning management system - identify courses required to provide Council with a robust mechanism for capturing and recognising organisation-wide learning/training episodes. Phase 1: identify competencies for all roles organisation-wide.	In progress	Off track	➔	➔	Mgr, HR	This project was superseded by the broader digital roadmap project of achieving organisation-wide systems integration, which an HR & Payroll TechOne suite is integral to achieving. Part of this suite is a TechOne Learning Management System which Business Improvement, Information Services and the HR Teams are reviewing.
Failure to prioritise and develop future projects that meet community expectations	Phase 1: identify competencies for all roles organisation-wide.	In progress	Off track	➔	➔	Mgr, HR	In progress. To circulate draft. Not completed.

EMERGING RISK

The following emerging risk this quarter has been identified:
If the increasing episodes of bad behaviour, abuse and aggression from customers continue or escalate then staff and Council representatives' health, safety and wellbeing may be compromised and/or there may be a major incident impacting Council and the community.

- The KRI report is for the month end 30 April 2021.
- Specific commentary about the Capital Projects is provided under a separate agenda item.
- Resource consents are tracking slightly below last year.

Key Risk Indicator Report



QUARTERLY RISK MANAGEMENT REPORT FOR MARCH TO MAY 2021

DELETED RISKS

There are no deleted risks this quarter

ADDITIONAL RISK REPORTING (as per Risk Management Policy)

OPERATIONAL RISKS

Promapp Risk Management Module has been purchased and will be used to record and report operational risks once rolled out over the next quarter.

PROJECT DELIVERY RISKS (Capital Works)

Project Delivery Risks (Capital Works) will be discussed under Project Delivery Report agenda item (may be Public Excluded).

OTHER PROGRAMME AND PROJECT RISKS

Project	Description	Risk Reduction Measure & Treatment Type	Residual Risk Rating
Digital programme	If COVID 19 safety measures are activated then project timeframes will be delayed due to vendors not being able to complete site visits and key staff being unavailable.	Projects' progress are being monitored and where possible remote/online options are being investigated. Risk highlighted to BI PCG.	Very High Risk
Digital programme	If the complexity of LTP and ongoing COVID impacts continue to put pressure on resources then progress and spend on projects will reduce.	Review the programme of planned work to identify projects that could be brought forward where business resource constraints are felt. Clear resource planning completed up front for all projects.	Very High Risk

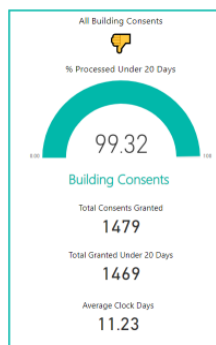
CYBER SECURITY

The overall level of cybersecurity risk during the reporting period continues to see improvement since the previous report. There is no change to previous reports for external threat trends and social engineering attacks continue to be the most common type of attack.

The recent Waikato DHB cyber security incident should serve as a reminder to ARC that cybersecurity incidents must be considered at all times. Council is in the process of working with other Councils within WLASS to prepare a Cybersecurity Incident Response Plan (CSIRP), including incident playbooks to assist when certain incidents occur.

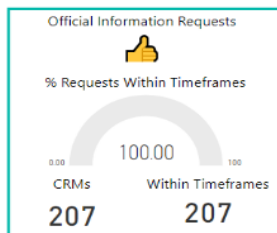
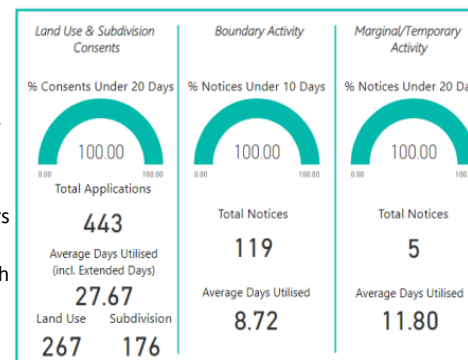
COMPLIANCE REPORTING

STATUTORY TIMEFRAME COMPLIANCE (YTD from 1 July 2020 to 30 April 2021)

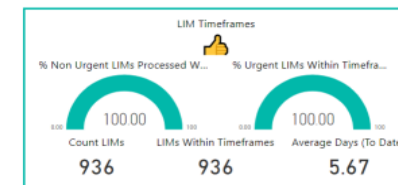


Building Consent Non-Compliance

The volume of building consents has increased significantly. The volume was well beyond the capacity of staff due to the increased consents numbers submitted to council in March and our processing contractors having nil capacity for April. Ten consents have gone over 20 days with an overall compliance of 99.3%..



Water Compliance



Water Compliance: 18 of the 19 monitored compliance points have achieved 100% compliance for the year to date. The exception is Te Awamutu where E. coli was detected in a routine sample. No evidence was found to support a failure in the water treatment system nor an actual contamination event. It is suspected that there may have been an issue with the sampling methodology so improvements have been identified in the Shared Services sampling practices; these matters are being worked on.

INTERNAL AUDIT UPDATE

Audit	Type of Audit	FY audit completed	Expected programme completion	RAG status
Business Continuity Management Gap Analysis	Maturity	May-2017	Dec-2022	Green
Procure to Pay	Internal control	May-2017	Jun-2021	Green
Contract Management	Internal control	Mar-2018	Jun-2021	Green
Risk Management Maturity	Maturity	Jun-2018	Jun-2022	Green
Legislative compliance framework	Maturity	Mar-2019	Jun-2022	Green
Cyber security maturity assessment (now aligned to ALGIM framework through WLASS)	Maturity	Feb-2019	Jun-2022	Green
Asset management planning framework	Internal control	May-2020	Jun-2022	Yellow
Capex procurement (Professional Services Panel)	Internal control	Nov-2020	Feb-2021	Green
Fraud risk management gap analysis	Internal control	Mar-2021	Jun-2023	Green

The internal audit improvement programmes are largely on track.

The Professional Services Panel update is provided as a separate agenda item.

The Asset management planning framework is progressing, although the LTP has been prioritised.

All actions from the earlier Payroll and Health and Safety Internal Audits have been completed.

AUDIT AND RISK COMMITTEE REPORT



INFORMATION ONLY

To: The Chairperson and Members of the Audit and Risk Committee
From: Procurement Advisor
Subject: Monitoring of PSP Improvement Programme
Meeting Date: 14 June 2021

1 EXECUTIVE SUMMARY

The purpose of this memo is to update the Audit and Risk Committee on the implementation of improvements to the PSP process, as outlined in the previous report of 7 December 2020 to this committee (document number 10515469).

2 RECOMMENDATION

That the 'Monitoring of PSP Improvement Programme' report (document number 10613633) of Adele Bird, Procurement Advisor be received.

3 UPDATE ON IMPLEMENTATION

The review undertaken by KPMG made a number of recommendations, being:

- Define, document objectives, strategy and establish formal measurement and monitoring over PSP
- Ensure completeness of data and information captured in the PSP register
- Improve evaluation and performance monitoring of PSP suppliers
- Clarify conflict of interest declaration requirements for the PSP procurement
- Monitor adherence to completion of the exemptions for engaging consultants outside the PSP
- Ensure contract rates are included by suppliers in the IFS for transparency and accuracy of charging.

In response to these recommendations the following actions have been undertaken:

- A draft strategy has been prepared with defined objectives on use of the PSP, including measures for monitoring the utilisation of the PSP. This strategy will be finalised after the current WLASS PSP review has been completed.
- The contract module has been implemented with a specific contract type of PSP. This ensures that all PSP engagements are captured, along with any amendments to engagements, allowing accurate monitoring and reporting. The review component of the module is in development, which will also capture performance feedback. The module also ensures that purchase orders are related to IFS's (Instruction for Service) to accurately capture spend.
- A report has been designed which will allow PSP reporting from the contracts module for internal and WLASS reporting to occur on a quarterly basis.
- As part of the module Exemptions to the PSP process are required to be captured.
- There has been ongoing monitoring by the Procurement Advisor of IFS engagements, which has resulted in improved detail being included in all IFS documents.
- The IFS template has been updated to ensure that appropriate KPIs have been included, and a conflict of interest declaration has been added for the signatories of both the Council and the consultant.
- Staff training on the PSP has been provided, and a new PSP guidance document has been prepared for staff which includes detailing the level of information that needs to be included in any IFS. This is intended to replace the requirement for each IFS to be reviewed by the Procurement Advisor.

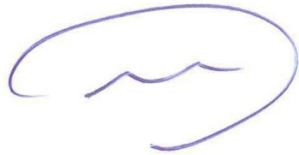
In addition, the Procurement Advisor is part of the WLASS Project Team currently undertaking a review of the PSP. This review includes surveying of subject matter experts within participating councils on the effectiveness of the PSP, and identification of any areas of improvement – including performance monitoring. A survey has also been provided to all PSP consultants for their view of the PSP and its effectiveness in engaging with councils.



Adele Bird
PROCUREMENT ADVISOR



Sarah Davies
FINANCE MANAGER



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: Strategic Projects Driver
Subject: **Long Term Plan 2021-31 project update**
Meeting Date: 14 June 2021

1 EXECUTIVE SUMMARY

Council is required to prepare and adopt a Long Term Plan (LTP) under the Local Government Act 2002 (LGA) every three years.

The purpose of this report is to provide the Committee with a quarterly update on the preparation of the 2021-31 LTP and the associated risk register.

This report is provided for information purposes and does not require any decision-making on the part of Committee Members. The Committee may wish to provide feedback or comment on the LTP project.

The following appendices accompany this report:

- Appendix 1 – Report to the Council on the audit of Waipā District Council’s Long Term Plan Consultation Document (Document ID 10622919)
- Appendix 2 – Infometrics Update Report (Document ID 10626556)

2 RECOMMENDATION

That the ‘Long Term Plan 2021-31 Project Update’ report (document number 10622920) of Haven Walsh, Strategic Projects Driver, be received.

3 ISSUES FOR DISCUSSION

Audit

The draft consultation document and supporting information (draft 2021-31 LTP) were presented to elected members in a workshop on 2 February 2021 for endorsement to send to Audit New Zealand.

Audit of the draft consultation document and supporting information that the LTP consultation document was based on took place in February/March 2021. The content was subject to a 'Hot Review' audit (which is essentially an additional quality control audit of the audit). The Hot Review audit was undertaken by a separate review panel and is designed to ensure consistency between the audits being undertaken across the entire sector. All Councils were required to go through the initial Hot Review audit.

Following the Hot Review audit, an audit opinion was provided to Council. The audit opinion was included in the consultation document (a legislative requirement s93C(4) LGA). Council also received a report on the audit of the consultation document and supporting information that sets out Audit New Zealand's findings. This is attached as appendix one of this report.

The next step in the audit process will be the audit of the final 2021-31 LTP document. Council will prepare a 'schedule of changes' to the financial forecasts, draft LTP, and performance framework that were the basis of the consultation document, alongside the draft of the final 2021-31 LTP. This will enable Audit NZ to carry out their audit work. This final audit process will also include a "Hot Review" process for our Council on the basis that we are classified as a 'growth Council'.

Under section 94(1) of the LGA, the audit report on the LTP forms part of the LTP, which Council is required to adopt before 1 July 2021 (section 93(3)). The audit report will be provided in time for the Council meeting on 29 June 2021, when it will be recommended that the 2021/31 LTP be formally adopted.

The key dates in the audit timetable are as follows:

Action	Timeframe
Draft 2021-31 LTP and schedule of changes sent to Audit	3 June
Audit work completed	22 June
Council receive unsigned draft opinion letter	23 June
Submission of materials for Hot Review	23 June
Hot Review Date	25 June
Receive audit opinion	29 June

Formal consultation

The Strategic Planning and Policy Committee approved the consultation document and supporting information for public consultation on 16 March. These documents were subject to public consultation using the Special Consultative Procedure of Section 82 of the Local Government Act 2002 (LGA).

Public consultation ran from March 26 to April 27. Council received an unprecedented level of response from the community including:

- 1506 written submissions on the consultation document for the draft 2021-31 LTP and draft Development Contributions policy (including 810 'bulk submissions' associated with Memorial Park, and
- 64 verbal submissions.

Council heard the verbal submissions on 11/12/13 May, and deliberated on decisions on 13/14/19 May.

Draft of the Final 2021-31 Long Term Plan

With decisions on the 2021-31 LTP made, staff have processed the changes and prepared the schedule of changes and a draft of the Final 2021-31 LTP for audit. The draft of the Final 2021-31 LTP will be presented to the Strategic Planning and Policy Committee on 15 June 2021 for approval to recommend to Council for adoption on 29 June.

Infrastructure revaluation

A full revaluation of all infrastructure assets has been completed for 30 June 2021 as required by Council's accounting policy.

Infrastructure assets are revalued on a two-yearly cycle with Transportation and Three Waters normally done on different years in order to smooth workload and depreciation impact. However, both revaluations were completed this year due to the Transportation revaluation being triggered in 2019 by an internal fair value assessment.

The 2021 infrastructure revaluations have resulted in significant increases in asset values, particularly in the Three Waters area. The increased infrastructure values increase the amount of depreciation Council is required to fund from year 1 of the Long Term Plan with an additional \$3,224,867 being required from rates funding (approximately 4.7%).

In order to reduce and smooth the impact required from rates, staff applied the following tools:

- Utilisation of infrastructure operating reserves.

- Non-funding of depreciation of some community assets that Council was unlikely to replace using rates funding, in line with Council policy (including community buildings, cycleways and the journeys app).
- Realign Work in Progress (WIP) capitalisation figures with likely capitalisation of assets.

Once all tools were applied, the depreciation impact was an average rates increase of 0.4% per year over the ten years of the Long Term Plan.

A formal resolution was obtained during the deliberations process agreeing that these measures were appropriate and prudent. Transparent disclosures in regard to the use of these measures will also be incorporated in the Final LTP document.

Waka Kotahi NZ Transport Agency funding

On 31 May 2021 Waka Kotahi NZ Transport Agency advised that their Board has endorsed indicative investment for Waipa District Council's continuous programmes as shown in the table below.

Activity class	2021-24 programme bid - requested total (Gross \$)	2021-24 programme with indicative funding approval (Gross \$)	2018-21 forecast allocation in August 2018 (Gross \$)
Local roads maintenance	\$44,561,000	\$41,500,000	\$36,891,000
Road safety promotion	\$533,000	\$477,000	\$448,000

This represents slightly decreased revenue over the first 3 years of the draft 2021-31 LTP to what we had forecast. The total value of the funding decrease is \$1.59m.

The draft 2021-31 LTP retains Council's share of these projects, but the funding change means we will need to decrease our programme of works by the decrease in funding (\$1.59m). This is likely to have a minor impact on levels of service as we decrease our budgets to this same value.

It will take staff weeks (and possibly months) to determine which specific projects we will reduce funding for as we apply the funding changes to our programme of work. This is in part because we will have to work with our external contractors. However, we have determined that the main impact will be on operating maintenance for areas where we can drop levels of service (e.g. amenity areas such as street cleaning and litter collection) and possibly renewals where they are planned for low usage assets, rather than areas that impact safety or asset integrity.

We have processed this change in the draft of the Final 2021-31 LTP by decreasing the subsidies and grants revenue by \$529,890 each year for the first 3 years of the LTP and reducing other expenses (operating expenditure) by the same amount. We are planning to keep the expenditure side (credit) in one operating expenditure general

ledger code so we can appropriately allocate to individual codes when we do our yearly planning.

Impacts from COVID-19

As discussed with this committee previously, the population and economic assumptions will come with a higher degree of uncertainty than previous LTPs (due to the full impacts of COVID-19 remaining unclear). We have received a further update from Brad Olsen (Senior Economist Infometrics) on the economic based assumptions underpinning the draft 2021-31 LTP. This is attached as appendix 2. Overall, the update does not trigger any changes to the assumptions in the draft 2021-31 LTP.

4 PROJECT TIMEFRAME AND NEXT STEPS

The project remains on track to achieve adoption by 29 June 2021. The project timeline centres on key dates for completion of:

- draft documents in December/January 2020 (completed)
- auditing in February / March 2021 (completed)
- consultation in March / April 2021 (completed)
- decisions in May / June 2021 (largely complete)

The below table provides a summary of key dates and timeframes.

Description	Start	Finish
Present draft LTP financials to Elected Members	N/A	COMPLETE
Infrastructure and Financial Strategies	June 2020	COMPLETE
Forecasting Assumptions	August 2020	COMPLETE
Māori Participation in Decision Making	September 2020	COMPLETE
Significance and Engagement Policy, Revenue and Financing Policy, Development Contributions Policy, Rates Remission Policy, Treasury Management Policy	August 2020	COMPLETE
Performance Framework	July 2020	COMPLETE
LTP Activity Pages	September 2020	COMPLETE
Draft Consultation Document	September 2020	COMPLETE
Activity Management Plans	January 2019	COMPLETE
User Fees and Charges	August 2020	COMPLETE
Elected members endorse release of draft LTP and consultation documents to audit	N/A	COMPLETE
External audit process	8 February	COMPLETE
SP&P approval to release the draft CD and LTP for public consultation	N/A	COMPLETE
Public consultation	26 March	COMPLETE
Hearings	11 May	COMPLETE

Description	Start	Finish
Deliberations	N/A	COMPLETE
Audit opinion	3 June	29 June 2021
Recommendation to adopt LTP	N/A	29 June 2021

5 RISK

A risk register is maintained for the project and is regularly reviewed by the project working group. Overall project risk has decreased.

Previously there were four 'very high risks', associated with the preparation of the LTP. These risks have all reduced to 'medium risks'. Commentary on each risk is provided below.

Not achieving timeframes

The Long Term Plan must be adopted by 30 June 2021. 18 months has been allocated to preparation of activity management plans, developing budgets, and other supporting documents. The remaining 6 months is allocated to the auditing process, consultation on the documents, hearings and amendments. Slippage of meeting timeframes flows into subsequent phases of the project and risks the final deadline of 30 June 2021.

The project is on track to be approved by 30 June 2021. With this now such a short time away the likelihood in not meeting the timeframes has significantly reduced. The overall risk rating is 'medium'.

Lack of resourcing / reliance on key staff

The preparation of the LTP represents a higher workload for financial, communications and strategy staff than an Annual Plan. The high level of organisational reliance on key staff in these teams could result in capacity and knowledge gaps when those staff are absent or leave the organisation.

The content of the plan has been completed (subject to audit) and the risk has been lowered to 'medium'.

Inaccurate forecasting assumptions

The underlying assumptions are critical to the robustness of the LTP and it is essential that we work with the best information available. If our forecasting assumptions are significantly inaccurate it could result in misallocation of resources to plan for the development of our district. Key forecasts for Council are population growth projections and the economic environment.

The content of the plan has been completed (subject to audit) and the risk has been lowered to 'medium'.

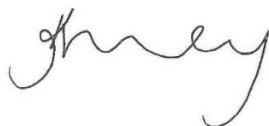
Overestimate the level of work Council can do

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

The content of the plan has been completed (subject to audit) and the risk has been lowered to 'medium'.



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

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: 14 June 2021

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 2021 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 10614386), of Sarah Davies, Manager Finance; 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 2021 Annual Report are set out in Appendix 1.

There have been no changes in accounting policies proposed for this year as a result of International Public Sector Accounting Standard changes. Upcoming changes have been listed in the 'Standards issued and not yet effective, and not early adopted' in Appendix 1.

Proposed approach for the 2021 revaluation of infrastructure assets

Originally, 'three waters' (water, wastewater and stormwater) assets were scheduled to be revalued and the transportation assets were scheduled for a fair value assessment to be completed at 30 June 2021. However, transportation 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. This has led to all Infrastructure Assets being due for biennial revaluation this year.

A fair value assessment will now be completed for both road corridor and the three waters assets at 30 June 2022 to reflect our biennial revaluation timing. It is possible, due to market pressures, that the 'three waters' assets will need to be revalued again after the fair value assessment has been undertaken at 30 June 2022.

If a revaluation is not triggered from our fair value assessments, 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.

Infrastructure Asset Objectives

Set out below are the key objectives to be achieved as part of the 2021 revaluation process:

1. Complete full revaluation of all Infrastructure Assets.
2. Continue ongoing improvement of asset databases and incorporation of database improvements using recommendations from 2019 revaluation reports.

Objective 1: Complete full revaluation of Infrastructure Assets

We are to complete full revaluation of all Infrastructure Asset classes as at 30 June 2021.

The update on progress to date is as follows:

- We have received and processed the final reports of our revaluations of our 'three waters' and transportation assets for the year ended 30 June 2021, these show material increases to replacement costs of each asset class with overall total increases of 0.5% for transportation assets and 22.7% for water assets. We are currently completing the processing of these reports and we are aware of some minor changes to be made to them.
- Data confidence of Three Waters Assets below:

The assets in AF are based on hierarchical standardised assets with reliable attribute information. Attributes includes accuracy ratings based on the IIMM 1 (excellent) to 5 (very poor) grading system. In general nearly 100% of the data was rated as average and above. This is accepted in terms of data context.

For data confidence, IIMM grading across attributes that are essential for a valuation. These are condition, quantity, unit rate and base life and are rated in accordance with the following table.

Confidence Level	Description	Accuracy	Condition	Quantity	Unit rate	Base Life
A	Highly Reliable and Accurate	100%				A
B	Reliable with Minor Inaccuracies	+ - 5%	B	B	B	
C	50% estimated	+ - 20%				
D	Significant data estimated	+ - 30%				
E	All data estimated	+ - 40%				

We are aware that not all assets have been inspected and condition has been assessed as N/A on anecdotal evidence, hence the B grading.

Quantities across the assets are accepted as reliable as they have been captured at GIS locations with linear measurements line assets, however, WDC has assigned several stormwater and wastewater manholes at a surface depth (which does not exist) indication the manhole depths are lacking, hence the B rating.

Unit rate have been from both observed contract and escalated from the 2019 unit rates. As it is not possible to collect observed rates for all assets, escalations are relied upon to reassess unit rates, hence the B rating. Unit rates can be made more reliable by using size ranging by costing techniques.

For base lives, and in the absence of contradicting evidence, base lives conform within IIMM base live ranges guidelines, hence the A rating.

Overall, we consider a data confidence of B* is appropriate for this valuation.

- Data confidence of Transportation Assets below:

Confidence Grade	General Meaning
A	Highly Reliable Data almost completely matches what is found in the field. Some very minor discrepancies found that are negligible in terms of impacting a valuation.
B	Reliable Data largely matches what is found in the field. Some discrepancies found that will have a minor impact based on sound records, procedure, investigations and analysis which is properly documented but has minor short comings; for example, the data is old, some documentation is missing, and reliance is placed on unconfirmed reports of some extrapolation.
C	Uncertain Many discrepancies found between the data and the field which are likely to have a large impact on valuations results.
D	Very Uncertain Data Based on unconfirmed verbal reports and/or cursory inspection and analysis.

Asset / Component	Confidence	Reason and Notes
Basecourse	A	Basecourse data generally complete. Some missing materials, however, this does not impact the valuation results
Subbase	A	Subbase data generally complete. Some missing materials, however, this does not impact the valuation results
Pavement Surfacing	A-	Data generally complete for pavement surfacing records, but some minor short-comings identified including apparent gaps and duplicated or overlapping records. Field audit found one missing record
Unsealed Pavement	B	Data found to have minor shortcomings with recorded lengths. One section included in the 2019 field validation was found to be a paper road as is still in the data. This was checked again in 2021.
Formation	B	Data generally complete for formation records, but some short-comings identified with apparent gaps and duplicated or overlapping records
Bridge	A	Data for bridges based on sound records and procedures. One underpass not found in the field audit.
Bus Shelters	A	Good data for all bus shelter records.
Signs	A-	Good data for provided high value signs. One additional gantry found during field audit. Speed indication devices potentially relocated from recorded location. It is noted that low value signs and related posts/structures are not included in the valuation.
Streetlight Lamps	A	Data generally complete for streetlight lamp records, a few missing assets found in field audit.
Streetlight Mounts	A	Data generally complete for streetlight mounts.
Roading Islands	A-	Good data record completeness. One additional island found in the field audit and minor discrepancies in length.
Railings	A	Good data for provided railings. Noted that some sight rails <20m in length were found however it is understood assets of this length are not capitalised by WDC.
Footpaths	B+	Data generally complete for footpath records. Some assets not found in the field. Some discrepancies in locations, age, area and condition.
SWC	B	Data generally complete but some short comings identified. Some assets not found in the field. Some discrepancies in locations, age, length and condition.
Catchpits	A	Good data for recorded catchpit assets. Some minor discrepancies in make and condition identified in field audit.
Culverts	A-	Good data for recorded culvert data. A few assets unable to be located in the field (possibly buried or not visible).
Retaining Walls	A	Accurate data provided for retaining walls
Traffic Signals	A	Accurate data provided for traffic signals

Objective 2: Asset database improvements

Revaluation reports received for 30 June 2019 included recommendations from prior years revaluation reports. All recommendations have now been actioned. New recommendations have been given as part of the 30 June 2021 revaluations but these are relatively minor for both groups.

Final update on the progress of recommendations from the 2019 revaluation reports is as follows:

Three Waters 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 was completed before the revaluation cycle. This remained unchanged for the 30 June 2021 valuation.

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 been manually checked and significant database improvements and updates completed. The database confidence in the draft revaluation report has noticeably improved.

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

The Unsealed subbase data was reviewed and updated as necessary. This database is a relatively small part of our asset base and was therefore a lower priority than other improvements. The database confidence in the draft revaluation report identifies further improvements to be made.

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 needs to be completed in the 2021/22 year (after the next revaluation).

New recommendations (2021 Revaluations):

Three Waters Assets

WDC's data at component level is very good. The few data issues noted are minor. These include applying appropriate units of measure (each, m, m², m³) with quantities and validating manhole and chamber depths.

We recommend, if not already in progress for hydraulic modelling purposes, the validation of stormwater and wastewater manholes diameters and depths.

For valuation purposes, manholes with unknown diameters have been assumed to be 1050mm standard and those with unknown "surface" depths have been assumed to be the less than one metre depth.

Transportation Assets

This report includes a few recommendations for consideration. Many of these are minor in nature and would not make a significant change to the valuation results. A data improvement plan should be developed to capture and prioritise these. These are:

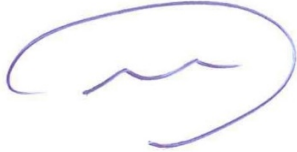
- The Unsealed subbase data should be checked, and any unformed roads removed, or identified for excluding from the valuation.
- Footpath data records should be continuously monitored through field audits for overlapping, missing or incorrect data and necessary corrections made in RAMM and Finance One.
- Collect and populate the asset register with updated streetlight mount and lamp condition data.
- Railing data to be populated to allow end terminals to be valued as separate elements from main guardrail.

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
MANAGER FINANCE



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 2021

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, the Waipa Community Facilities Trust, and the Cambridge Town Hall 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 2021, and were authorised for issue by Council on **XX September 2021**.

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

There have been no changes in accounting policies for the year ended 30 June 2021.

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:

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. This was originally mandatory for annual periods beginning on or after 1 January 2021 but was extended to 2022 due to the Covid-19 pandemic.

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.

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.

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.
- PBE IPSAS 40 Combinations. The change is to be applied prospectively to PBE combinations for which the amalgamation date or acquisition date is on or after 1 January 2021 This new PBE Standard will supersede PBE IFRS 3 Business Combinations, the current PBE Standard dealing with business combinations. PBE IFRS 3 is based on New Zealand IFRS 3 Business Combinations, which in turn is based in IFRS 3 Business Combinations issued by the International Accounting Standards Board. Key differences Broader scope – there are fewer scope exclusions, classify each combination as an amalgamation or an acquisition – PBE IFRS 3 requires that an acquirer be identified,

pooling of interests method used for amalgamations and acquisitions – additional restrictions on the recognition of goodwill.

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 (WCFT) and Cambridge Town Hall Trust (CTHT) are not a significant component for the current year, the consolidated position has been presented via a 'parent and group' column.

Waipa District Council has retained ownership of the majority of the assets that both WCFT and CTHT uses for their operations and provide a major source of funding for the trusts. The assets that are held within WCFT and CTHT are not available for access or use by Council and Council is unable to settle liabilities of WCFT and CTHT with the exception of the WCFT ASB Bank loan which is guaranteed by Council.

There is minimal risk for Council with its interest in WCFT and CTHT due to Council retaining ownership of the majority of the assets that WDC use for their operations and as a source of funding for the trust. This risk remains unchanged.

Council is unlikely to lose control of WCFT and CTHT due to Council being a settlor of the Trusts and irreversibly pre-determining the material operating and financing policies of the Trusts.

Council also owns most of the assets that WCFT and CTHT use for their operations and provide a major source of funding for both trusts. If Council were to lose control during the reporting period, this would not have a material impact on the Councils performance.

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.

Covid-19 Impacts

(Disclosure regarding ongoing impacts to be inserted– need to see final results and updated assumptions first).

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.

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.

Waka Kotahi (New Zealand Transport Agency) transportation subsidies

Council receives funding assistance from the Waka Kotahi (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.

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.

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.

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
Footpaths		15 – 70
Signs		10 – 35
Railings		20 – 35
Islands		35 - Infinite
Traffic Signals		15 – 50

	Components	Years
Buildings – not componentised		0 – 100
Building – structure		35 – 100
Building – fit-out		20 – 40
Building – services		30 – 45
Plant/motor vehicles		15 – 25
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.

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.

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: 14 June 2021

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 and 2016/17 Annual Report audits; and the 2017/18, 2018/19 and 2019/20 Interim 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 follow-up, although this status has not been agreed with Audit New Zealand to date.

We are hoping that some of these items will be formally removed after the 2020/21 Interim Report.

2 RECOMMENDATION

That the information contained in the ‘Outstanding Management Report Items’ report (document number 10615623), of Sarah Davies, Manager Finance, be received.

3 STAFF COMMENTS

The following tables provide the update:

2014/2015 Annual Report

Audit Recommendation	Status	Priority	Management response	Status update
Electronic purchase order system uptake				
<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>December 2020 update</p> <p>We understand that an analysis of expenditure that is not currently processed through EPO is underway where management intend to develop processes to enable an effective and efficient processing of these expenditures.</p> <p>Open.</p>	<p>Necessary</p>	<p><i>Management agrees with the recommendation.</i></p>	<p>June and September 2019 update</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>December 2019 update</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>March 2020 update</p> <p>Testing has been completed and we are awaiting resolution of one issue with Technology One before moving forward with this.</p> <p>June 2020 update</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>September & December 2020 update</p> <p>Contracts are now being entered into the EPO system from 1 July 2020. Exception was made for any contracts ending prior to 31 December</p>

Audit Recommendation	Status	Priority	Management response	Status update
				<p>2020. The majority of purchases are now going through the EPO system with the exception of contracts ending within the calendar year and a few items with different processes such as staff reimbursements which we are currently investigating.</p> <p>March 2021 update</p> <p>From 31 March 2021, all purchases will be through the EPO system. Library book purchases are now going through EPO's and a new process for staff reimbursements is being introduced via EPO's on 31 March 2021.</p> <p>June 2021 update</p> <p>All purchases are now put through the EPO system.</p> <p>No further action proposed</p>

2016/2017 Annual Report

Audit Recommendation	Status	Priority	Management response	Status update
Need to assess where the Council may be susceptible to fraud				
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	<p>December 2020 update</p> <p>A review has been included in the District Council's internal audit work</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>September 2020 update</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 is now proposed to be</p>

Audit Recommendation	Status	Priority	Management response	Status update
has in place to mitigate those risks.	programme. It is anticipated this review will take place in 2022. Matter outstanding			brought forward to year 2, which is the upcoming 2020/21 year. June 2021 update The internal audit is now complete, with the report on its findings due to be reported to the June 2021 meeting alongside this report. The report provides a good assessment. There are some improvement actions noted which will be progressed and monitored via an ongoing improvement programme. No further action proposed

2017/18 Interim Report

Audit Recommendation	Status	Priority	Management response	Status update
Expenditure: segregation of duties				
<p>Finance staff should not be provided with “super user” access to the Finance System.</p> <p>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</p>	<p>December 2020 update</p> <p>A new system accountant has been appointed to administer the Finance One system.</p> <p>IT staff access has been reduced and some finance staff access has been reduced, however there are still a high number of finance staff with administrator access in the Finance One System.</p>	Urgent	<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>September / December 2018 update</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>

Audit Recommendation	Status	Priority	Management response	Status update
<p>appropriateness of users with access to the system.</p>	<p>Matter progressing.</p>			<p>Regular reviews of user access will be established.</p> <p>June 2019 update</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>December 2019</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> <p>March 2020 update</p> <p>Super user access was reviewed in February 2020 with changes to be made in March 2020.</p> <p>June 2020 update</p> <p>Super user access was updated in March 2020 with only the Systems Accountant now having this access.</p> <p>No further action proposed.</p>
<p>Contract Management and Project Management process</p>				
<p>We recommend that:</p> <ul style="list-style-type: none"> the contract management system could be enhanced to retain sufficient information on contractor performance throughout the contract that 	<p>December 2020 update</p> <p>We understand that the District Council is currently in the process of implementing a contract management system.</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</i></p>	<p>September 2018 update</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</p>

Audit Recommendation	Status	Priority	Management response	Status update
<p>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> <ul style="list-style-type: none"> • 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 approach to contact management; • contract management is led by a dedicated resource that can provide oversight and coordination of staff; 	<p>Matter progressing.</p>		<p><i>recommendation from the two internal audits and the recommendations above.</i></p>	<p>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>December 2018, June & September 2019 update</p> <p>Progress is being made on the implementation of the recommendations set out in the plan.</p> <p>December 2019 & March 2020 update</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>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>June 2020 update</p>

Audit Recommendation	Status	Priority	Management response	Status update
<ul style="list-style-type: none"> • there is consistent application of the Project Management Framework across the full organisation; and • 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. 				<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>September & December 2020 update</p> <p>The Contract Management Software is currently in User Acceptance Testing phase of the implementation.</p> <p>March 2021 update</p> <p>The Contract Management software is fully implemented and operational as of 22 February 2021. All existing contracts will be migrated by 30 June 2020.</p> <p>June 2021 update</p> <p>All existing contracts have been migrated.</p> <p>No further action proposed.</p>
Procurement processes				
<p>We recommend that:</p> <ul style="list-style-type: none"> • procurement is led by a dedicated resource; • 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 	<p>December 2020 update</p> <p>No change has been made. We understand that these recommendations will be addressed as part of the implementation of a new contract management system.</p> <p>Matter outstanding</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>September 2018 update</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>

Audit Recommendation	Status	Priority	Management response	Status update
<p>medium term approach to procurement planning; and</p> <ul style="list-style-type: none"> • 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. 				<p>December 2018, June & September 2019 update</p> <p>Progress is being made on the implementation of the recommendations set out in the plan.</p> <p>December 2019 & March 2020 update</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>June 2020 update</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>September & December 2020 update</p> <p>The Contract Management Software is currently in User Acceptance Testing phase of the implementation.</p> <p>March 2021 update</p> <p>The Contract Management Software is fully implemented and operational as of 22 February 2021. All existing contracts will be migrated by 30 June 2020.</p> <p>June 2021 update</p>

Audit Recommendation	Status	Priority	Management response	Status update
				All existing contracts have been migrated. No further action proposed.

2017/2018 Annual Report

Audit Recommendation	Status	Priority	Management response	Status update
Accounts Payable Masterfile review				
We recommend that Accounts Payable Masterfile Changes are reviewed in a timely manner.	December 2020 update A number of month end reviews were not completed in a timely basis i.e within one month of month end	Beneficial	<i>Management agrees with the recommendation.</i>	June 2019 update Future reviews will be completed in a more timely manner. No further action proposed

2018/2019 Interim Report

Audit Recommendation	Status	Priority	Management response	Status update
Masterfile changes not reviewed at month-end				
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.	December 2020 update A number of month-end reviews were not completed in a timely basis, i.e. within one month of month-end. Matter outstanding.	Beneficial	<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>	September 2019 update Staff had already updated their process to ensure that the reviews did not get missed. No further action proposed

Audit Recommendation	Status	Priority	Management response	Status update
<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>				
Sensitive Expenditure Policy				
<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>December 2020 update The District Council is in the process of updating the sensitive expenditure policy. We expect to be able to address this matter upon receipt of the finalised policy.</p> <p>Matter outstanding.</p>	<p>Beneficial</p>	<p><i>Council will review and update the policies for sensitive expenditure.</i></p>	<p>September 2019 update 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>December 2019 update The Sensitive Expenditure Policy has been updated in draft form. Finalisation of the policy is expected in early 2020.</p> <p>March 2020 update 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 & Risk Committee for feedback before proposed adoption in March 2020.</p> <p>June 2020 update The Sensitive Expenditure Policy has been fully reviewed and feedback incorporated from the Executive Team, Managers and the Audit & Risk Committee. The draft policy was sent to Audit New Zealand for feedback and that has</p>

Audit Recommendation	Status	Priority	Management response	Status update
				been incorporated and we are awaiting confirmation from Audit New Zealand. September 2020 update The new Sensitive Expenditure Policy has now been signed off. No further action proposed
Policy and practice improvements: Bribery and corruption				
<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</p>	<p>December 2020 update The District Council is in the process of updating the fraud and corruption policy. We expect to be able to address this matter upon receipt of the finalised policy.</p> <p>Matter outstanding.</p>	<p>Beneficial</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>September 2019 update Bribery and corruption policies are yet to be created. Staff will look to progress this matter by 30 June 2020.</p> <p>December 2019 update The Bribery and Corruption Policy has been created in draft form. Finalisation of the policy is expected in early 2020.</p> <p>March 2020 update 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 & Risk Committee for feedback before proposed adoption in March 2020.</p> <p>June 2020 update The Fraud and Corruption Policy has been fully reviewed and feedback incorporated from the</p>

Audit Recommendation	Status	Priority	Management response	Status update
<p>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>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>Executive Team, Managers and the Audit & Risk Committee. The draft policy was sent to Audit New Zealand for feedback and we are awaiting confirmation from Audit New Zealand.</p> <p>September 2020 update</p> <p>The new Fraud and Corruption Policy has now been signed off.</p> <p>No further action proposed</p>

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

2018/2019 Annual Report

Audit Recommendation	Status	Priority	Management response	Status update
Quality and timeliness of information provided for audit				
<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</p>	<p>December 2020 update The audit did not go as smoothly as anticipated but it is difficult to identify improvements in a Covid-19 year. We will continue to work with management to ensure the process keeps improving.</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</i></p>	<p>December 2019 update A project group will be set up in early 2020.</p> <p>March 2020 update An annual report project group was set up in February 2020.</p>

Audit Recommendation	Status	Priority	Management response	Status update
and workpapers to support information in the annual report.	Matter outstanding		<p><i>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>June 2020 update</p> <p>The annual report project group is up and running and is managing the process on a project basis.</p> <p>No further action proposed</p>
Property, plant, and equipment – valuer recommendations				
<p>Three waters valuation We recommend the District Council considers the valuer’s recommendations before the next valuation is due.</p> <p>Roading valuation 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>December 2020 update Council is making progress in addressing the recommendations, with work scheduled before the next valuation cycle to ensure relevancy to the 2021 valuation.</p> <p>We understand that regular updates are reported to the Audit and Risk Committee.</p> <p>Matter outstanding</p>	Necessary	<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>December 2019 update</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>March 2021 update</p> <p>All appropriate recommendations from the last revaluations have been completed prior to our database going to the valuers in March 2021.</p> <p>No further action proposed</p>
Contract register maintenance				
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	<p>December 2020 update Our testing of commitments continued to identify errors. We continue to recommend that care is taken in calculating the amounts for</p>	Necessary	<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</i></p>	<p>December 2019 & March 2020 update</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</p>

Audit Recommendation	Status	Priority	Management response	Status update
the errors are minimised going forward.	the capital commitments disclosure in the annual report. Matter outstanding		<i>more accurate record of contract sums. Staff will continue to progress this matter.</i>	contracts but there will be no migration of existing contracts. June 2020 update 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. September & December 2020 update The Contract Management Software is currently in User Acceptance Testing phase of the implementation. March 2021 update The Contract Management Software is fully implemented and operational as of 22 February 2021. All existing contracts will be migrated by 30 June 2020. June 2021 update All existing contracts have been migrated. No further action proposed.
Sensitive expenditure				
To ensure compliance with the policy and good practice guidelines, we recommend the District Council ensures all transactions are appropriately approved.	December 2020 update The District Council is in the process of updating the sensitive expenditure policy. We expect to be able to address this matter upon receipt of the finalised policy.	Beneficial	<i>Staff are currently progressing a review of the sensitive expenditure policy.</i> <i>The newly identified matters of Mayoral hospitality spend, and Mayoral expenditure being</i>	December 2019 update The Sensitive Expenditure Policy has been updated in draft form. Finalisation of the policy is expected in early 2020. March 2020 update

Audit Recommendation	Status	Priority	Management response	Status update
<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>Matter outstanding</p>		<p><i>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 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</i></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 & Risk Committee for feedback before proposed adoption in March 2020.</p> <p>June 2020 update</p> <p>The Sensitive Expenditure Policy has been fully reviewed and feedback incorporated from the Executive Team, Managers and the Audit & Risk Committee. The draft policy was sent to Audit New Zealand for feedback and that has been incorporated and we are awaiting confirmation from Audit New Zealand.</p> <p>September 2020 update</p> <p>The new Sensitive Expenditure Policy has now been signed off.</p> <p>No further action proposed</p>

Audit Recommendation	Status	Priority	Management response	Status update
			<i>mindful of reducing the risk of repeat exceptions.</i>	

2019/2020 Interim Report

Audit Recommendation	Status	Priority	Management response	Status update
General ledger reconciliations				
Monthly general ledger reconciliations are prepared and independently reviewed on a timely basis.	<p>December 2020 update Our review found that the reconciliations had not been independently reviewed for the months August to October 2019.</p> <p>Matter outstanding</p>	Necessary	<i>Monthly general ledger reconciliations are now prepared electronically and a reminder system has been set up to ensure that checks are completed in a timely manner.</i>	<p>September 2020 update Staff had already implemented a new process prior to receiving this report.</p> <p>No further action proposed</p>
Annual leave entitlement				
Additional employee entitlements are updated and recorded in the employee's agreement that is signed by both parties.	<p>December 2020 update We identified an instance where an employee's annual leave entitlement in the payroll system (five weeks) was higher than the entitlement stated in the employee's employment agreement (four weeks).</p> <p>Matter outstanding</p>	Necessary	<i>Management believe that this was a one off issue but can confirm Council's position of gifting all staff who have worked for Council for 5 continuous years (or previously recognised public service), an additional week of annual leave entitlement. This anomaly has been corrected in the employee's personnel file.</i>	<p>September 2020 update The anomaly has been corrected in the employee's personnel file.</p> <p>No further action proposed</p>

Audit Recommendation	Status	Priority	Management response	Status update
Confirmation that all contractor network access is valid				
Establish a central register for contractors working at the District Council that is reconciled against payments made to contractors and the network. Staff who previously worked at the District Council and return to work as a contractor should also follow the same process as a contractor.	December 2020 update The District Council regularly engages a high number of external contractors. We noted that there is no central register of these contractors to record if they are currently working at the District Council. As a result, we were unable to verify that users on the network are valid and are authorised to access the District Council's data and systems. Matter outstanding	Necessary	<i>Management will investigate a process to record active contractors and staff who have returned as contractors.</i>	September & December 2020 update Process for managing contractors and staff who have returned as contractors will be investigated in the 2020/21 year. March 2021 update This matter is currently being assessed by the Manager Information Services. Staff will continue to progress this matter.

2019/2020 Annual Report

Audit Recommendation	Status	Priority	Management response	Status update
Non-Financial Performance Measures Rules 2013 for Roads and Footpaths				
The result calculated for this mandatory performance measure be based on all crashes that have occurred on the District Council's roading network, including intersections with state highways.	One of the mandatory performance measures the District Council is required to report in its Annual Report is "the change from the previous financial year in the number of fatalities and serious injury crashes on the local road network, expressed as a number".	Necessary	<i>Management have considered the recommendation made by Audit New Zealand, moving forward Council will report the change from the previous financial year in the number of fatalities and serious injury crashes on the local road network, including those, which</i>	December 2020 update Moving forward Council will report the change from the previous financial year in the number of fatalities and serious injury crashes on the local road network, including those, which occur within 10 metres of a State Highway. No further action proposed

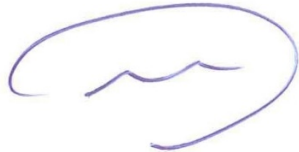
Audit Recommendation	Status	Priority	Management response	Status update
	<p>Our initial review of the performance measure, we noted that the District Council was only reporting on the number of fatalities and serious injuries resulting from a crash that occurred on the District Council’s roading network. This result also excluded crashes that occurred within 10 metres of a state highway network.</p> <p>The reporting of the result for this performance measure was inconsistent with the methodology prescribed by the Department of Internal Affairs (DIA). DIA has indicated that a local authority should be disclosing the number of crashes that result in a fatality or serious injury. The result should also include crashes that have occurred at an intersection of a local road and state highway.</p> <p>Based on discussions with DIA, the intention of the measure is to recognise the public’s interest in the safety of roads in the Council’s area. While road accidents can involve factors outside the District Council’s control, such as a dangerous intersection with a state highway, nevertheless, the District Council can contribute to improved road safety in these areas.</p>		<p><i>occur within 10 metres of a State Highway.</i></p>	

Audit Recommendation	Status	Priority	Management response	Status update
	<p>In the annual report, the District Council has reported the result of both crashes and fatalities/serious injury that include and exclude crashes that occurred within 10 metres of a state highway. We reviewed the District Council's disclosure reported in the annual report and are satisfied the disclosure made is appropriate.</p>			
Sensitive Expenditure				
<p>To ensure compliance with policy, we recommend the District Council remind staff of the importance of ensuring expenditure incurred complies with the District Council's sensitive expenditure policy and accepted good practice in the public sector.</p>	<p>Each year, as part of the audit, we select a sample of expenditure transactions to review for compliance against the District Council's policies and accepted good practice in the public sector. In particular, we tested travel and accommodation, entertainment and hospitality and reimbursement of expense claims.</p> <p>Based on our limited sample testing, we identified the following:</p> <ul style="list-style-type: none"> - An instance where there was inadequate supporting documentation (no detailed tax invoice) for a meal expense incurred. As a result, we were unable to determine if the expense incurred complied with the District Council's policies 	<p>Necessary</p>	<p><i>The expense in relation to an elected member's spouse has since been reimbursed and was an oversight. The cost was not substantial (<\$35) and was promptly reimbursed when this was drawn to our attention.</i></p> <p><i>The Sensitive Expenditure Policy has recently been reviewed and we will remind staff of the need to familiarise themselves of the requirements of the Sensitive Expenditure Policy.</i></p>	<p>December 2020 update</p> <p>Staff have been reminded of the requirements of the Sensitive Expenditure Policy via internal blog and presentation at the Managers meeting. We will continue to do regular updates and reminders to staff around the sensitive expenditure policy and its application.</p> <p>No further action proposed</p>

Audit Recommendation	Status	Priority	Management response	Status update
	<p>and accepted good public practice.</p> <ul style="list-style-type: none"> - An instance where the District Council paid for the expenses of an elected member’s spouse while travelling on District Council business. - An instance where expenditure incurred for recognition of long service had not been appropriately pre-approved by a General Manager. Clause 5.9.3 (c) of the District Council’s sensitive expenditure policy states that expenditure for farewells, retirements or long service achievements is to be pre-approved by the relevant Group Manager. 			



Sarah Davies
MANAGER FINANCE



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

AUDIT AND RISK COMMITTEE REPORT



To: The Chairperson and Members of the Audit and Risk Committee
From: Manager Project Delivery
Subject: **CAPITAL PROGRAMME UPDATE TO 30 APRIL 2021**
Meeting Date: 14 June 2021
File Reference: 72.19

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, Community Services and Strategy Group's capital programme delivery as at the end of April 2021.

A total of 198 projects are currently being delivered across the Service Delivery, Community Services and Strategy Groups. The total number of projects has grown by 7% (from 185) over the financial year. The increase in projects is largely in the Transportation and Water Services areas, resulting from decisions by Council and the Executive, and includes design for Picquet Hill roading improvement, Mangapiko cycle bridge, Innovating Streets, and projects relating to the Three Waters Reform Delivery Plan.

The delivery of the projects is progressing well, with \$72.6 million spent (65.7% of the current 2020/21 forecast), and a further \$31.3 million committed (28.3% of the forecast). 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 \$6.6 million (6% of the forecast), that is not yet committed.

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 an organisational (Chief Executive) Key Performance Indicator. The targets set are reported on when compared with the 2020/21 Annual Plan budget and therefore do not take into account any budget reforecasting that has occurred throughout the year.

The Renewal projects currently have 63% spent against the Annual Plan budget, and are expected to fall short of the KPI goal of 100% at year end. This is largely due to

\$2.9M of renewal expenditure at the Cambridge waste water treatment plant being deferred, due to Council needing to substantially upgrade the facility in the next few years for long term operations.

The Level of Service (LOS) projects are at 86% spent, and have already exceeded the KPI goal of 80%. The spend should approach 100% by the end of the financial year.

The Growth projects are only 18% spent and are well behind the KPI goal due to developer led, and development agreement dependent projects being deferred to 2021/22. Timing of these Growth projects is largely outside of Council's influence and control. Significant Growth budgets have been re-cast and carried forward into the new LTP.

Peter Thomson, Manager Project Delivery, 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 10612028*).

2 RECOMMENDATION

That the report titled 'Capital Programme Update to 30 April 2021' (document number 10609584), of Peter Thomson, Manager Project Delivery, be received.



Peter Thomson
MANAGER PROJECT DELIVERY



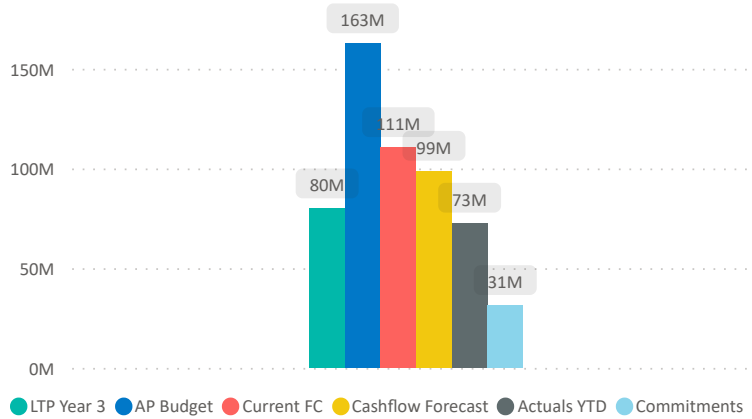
Dawn Inglis
GROUP MANAGER SERVICE DELIVERY

APPENDIX 1

Audit and Risk Committee Report – Service Delivery & Community Services and Strategy Programme Update (*document number 10612028*)

Audit & Risk Committee Report - Service Delivery & Community Services & Strategy Programme Update 30 April 2021

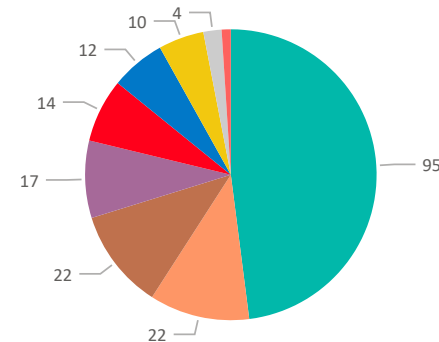
Budget vs Actual 2020/21



Total No. Projects
April
198

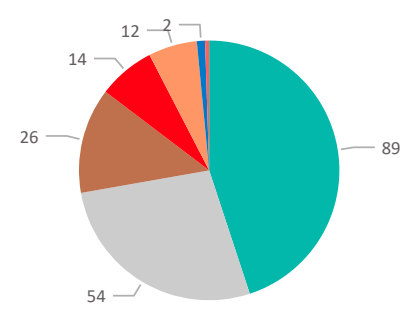
Project Phase

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



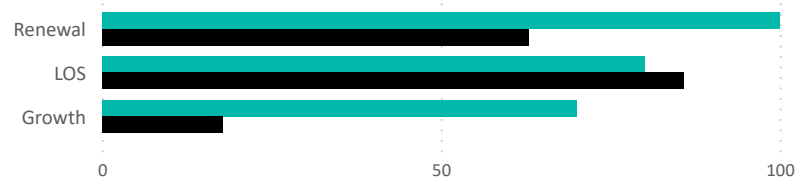
Project Tracking

- On Track
- Slightly Delayed
- Complete
- On Hold
- Reactive
- Not Started
- Delayed

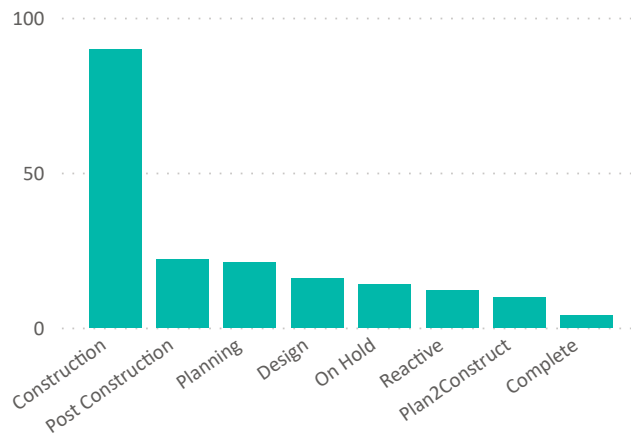


Current % Spend - Organisational KPI

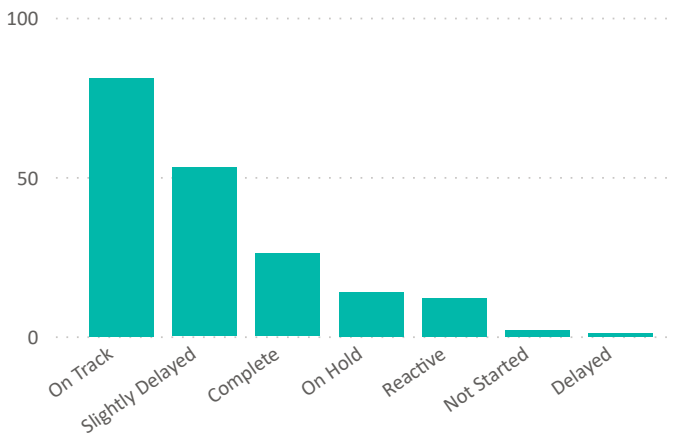
- KPI Goal
- KPI Percentage



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: 14 June 2021

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:

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
16. Confirmation of PE Minutes 17. Capital Programme Risks to 30 April 2021 18. Litigation Update 19. Deep Dive Risk Discussion 20. Risk Discussion with the Group Manager Strategy and Community Services 21. Organisational Risk Discussion with the Deputy Chief Executive	<i>Good reason to withhold exists under section 7 Local Government Official Information and Meetings Act 1987</i>	Section 48(1)(a)

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, or Sections 6, 7 or 9 of the Official

Information Act 1982, as the case may be, 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
16,19,20,21	Section 7(2)(a) and Section 7 (2)(b)	<i>To protect the privacy of natural persons, including that of deceased natural persons; and To protect the 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>
18	Section 7(2)(g)	<i>To maintain legal professional privilege</i>
17	Section 7(2)(h)	<i>To enable the council to carry out, without prejudice or disadvantage, commercial activities</i>