



RANGITIKEI
DISTRICT COUNCIL
Making this place home.

ORDER PAPER

RISK AND ASSURANCE COMMITTEE MEETING

Date: Wednesday, 20 March 2024

Time: 9.30am

Venue: Council Chamber
Rangitikei District Council
46 High Street
Marton

Chair: Mr Philip Jones

Membership: Cr Fi Dalgety
Cr Simon Loudon
Cr Piki Te Ora Hiroa
Cr Dave Wilson
HWTM Andy Watson

For any enquiries regarding this agenda, please contact:

Kezia Spence, Governance Advisor, 0800 422 522 (ext. 917), or via email

kezia.spence@rangitikei.govt.nz

Contact:	0800 422 522 info@rangitikei.govt.nz www.rangitikei.govt.nz (06) 327 0099				
Locations:	<table border="0" style="width: 100%;"> <tr> <td style="width: 50%; vertical-align: top;"> <u>Marton</u> Head Office 46 High Street Marton </td> <td style="width: 50%; vertical-align: top;"> <u>Bulls</u> Bulls Information Centre Te Matapihi 4 Criterion Street Bulls </td> </tr> <tr> <td style="vertical-align: top;"> <u>Taihape</u> Taihape Information Centre 102 Hautapu Street (SH1) Taihape </td> <td></td> </tr> </table>	<u>Marton</u> Head Office 46 High Street Marton	<u>Bulls</u> Bulls Information Centre Te Matapihi 4 Criterion Street Bulls	<u>Taihape</u> Taihape Information Centre 102 Hautapu Street (SH1) Taihape	
<u>Marton</u> Head Office 46 High Street Marton	<u>Bulls</u> Bulls Information Centre Te Matapihi 4 Criterion Street Bulls				
<u>Taihape</u> Taihape Information Centre 102 Hautapu Street (SH1) Taihape					
Postal Address:	Private Bag 1102, Marton 4741				
Fax:	(06) 327 6970				

Notice is hereby given that an Risk and Assurance Committee Meeting of the Rangitikei District Council will be held in the Council Chamber, Rangitikei District Council, 46 High Street, Marton on Wednesday, 20 March 2024 at 9.30am.

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AGENDA

1 Welcome / Prayer

2 Apologies

3 Public Forum

4 Conflict of Interest Declarations

Members are reminded of their obligation to declare any conflicts of interest they might have in respect of items on this agenda.

5 Confirmation of Order of Business

That, taking into account the explanation provided why the item is not on the meeting agenda and why the discussion of the item cannot be delayed until a subsequent meeting, [enter item number](#) be dealt as a late item at this meeting.

6 Confirmation of Minutes

6.1 Confirmation of Minutes

Author: Kezia Spence, Governance Advisor

1. Reason for Report

- 1.1 The minutes from **Risk and Assurance Committee Meeting held on 6 December 2023** are attached.

Attachments

1. **Risk and Assurance Committee Meeting - 6 December 2023**

Recommendation

That the minutes of Risk and Assurance Committee Meeting held on 6 December 2023 [**as amended/without amendment**] be taken as read and verified as an accurate and correct record of the meeting, and that the electronic signature of the Chair of this Committee be added to the official minutes document as a formal record.

MINUTES



UNCONFIRMED: RISK AND ASSURANCE COMMITTEE MEETING

Date: Wednesday, 6 December 2023

Time: 9.00am

**Venue: Council Chamber
Rangitikei District Council
46 High Street
Marton**

Present Mr Philip Jones
Cr Simon Loudon
Cr Fi Dalgety
Cr Dave Wilson
HWTM Andy Watson

In attendance Mr Kevin Ross, Chief Executive
Mr Arno Benadie, Chief Operating Officer
Mrs Carol Gordon, Group Manager- Democracy and Planning
Mrs Sharon Grant, Group Manager- People and Performance
Mr Dave Tombs, Group Manager- Corporate Services
Ms Gaylene Prince, Group Manager- Community Services
Mrs Adina Foley, Group Manager- Capital Projects
Mr Matt Gordon, Health, Safety and Wellbeing Advisor
Ms Kezia Spence, Governance Advisor

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1 Welcome / Prayer

Mr Jones opened the meeting at 9.02am and read the council prayer.

2 Apologies

Resolved minute number **23/ARK/060**

Apologies were received from Cr Calkin and Cr Piki Te Ora Hiroa.

Cr F Dalgety/Cr S Loudon. Carried

3 Public Forum

There was no public forum.

4 Conflict of Interest Declarations

There were no conflicts of interest declared.

5 Confirmation of Order of Business

Cr Wilson arrived during this item at 9.04am.

Item 9.9 was withdrawn from the agenda due to new information.

6 Confirmation of Minutes

Resolved minute number **23/ARK/061**

That the minutes of Risk and Assurance Committee Meeting held on 21 September 2023 **without amendment** be taken as read and verified as an accurate and correct record of the meeting, and that the electronic signature of the Chair of this Committee be added to the official minutes document as a formal record.

Mr Jones/Cr F Dalgety. Carried

7 Follow-up Actions

7.1 Follow-up Action Items from Risk and Assurance Meetings

The report was taken as read.

Resolved minute number **23/ARK/062**

That the report 'Follow-up Action Items from Risk and Assurance Meetings' be received.

Mr Jones/Cr D Wilson. Carried

8 Chair's Report

8.1 Chair's Report - December 2023

Mr Jones emphasised implications for Council's Long Term Plan processes and the amount of uncertainty due to changes signalled by Central Government.

Resolved minute number 23/ARK/063

That the Chair's Report –December 2023 be received.

Mr Jones/HWTM A Watson. Carried

9 Reports for Information

9.1 Protected Disclosures Update

The report was taken as read.

Resolved minute number 23/ARK/064

That the report 'Protected Disclosures Update' report be received.

Cr D Wilson/Cr S Loudon. Carried

9.2 Privacy Update

The report was taken as read.

Resolved minute number 23/ARK/065

That the report 'Privacy Update' be received.

Cr D Wilson/Cr S Loudon. Carried

9.3 Health, Safety and Wellbeing Update

Mrs Grant explained there is a detailed internal investigation being undertaken for the notifiable injury that took place in the November reporting period, during a staff training event. There will be no further training of this nature until the investigation has been completed.

Mr Jones requested that future reports show whether contractors are complying with health and safety requirements to give assurance to the committee.

Resolved minute number 23/ARK/066

That the Health, Safety and Wellbeing Report together with attachments, be received.

Cr S Loudon/HWTM A Watson. Carried

9.4 Risk and Assurance Committee Work Programme

His Worship the Mayor left the meeting during this item at 9.42am.

The Rate Remission policy will be reviewed in 2024.

Mr Jones requested that reviews that are legally required should be highlighted in the report, and that the report should include the date these need to be reviewed by.

Mr Jones requested that he receive the Revenue and Financing policy when the draft is completed.

Resolved minute number 23/ARK/067

That the report 'Risk and Assurance Committee Work Programme' be received, noting that the Rates Remission policy is currently under review.

Mr Jones/Cr F Dalgety. Carried

9.5 Treasury Reporting

The report was taken as read.

Resolved minute number 23/ARK/068

That the report 'Treasury Reporting' be received.

Cr D Wilson/Cr S Loudon. Carried

9.6 Insurance Update

Mr Tombs confirmed Council have received a letter regarding Risk Pool.

Resolved minute number 23/ARK/069

That the report 'Insurance Update' be received.

Mr Jones/Cr F Dalgety. Carried

9.7 Audit NZ Management Letter Points

The committee were disappointed that the new management letter had not been received yet from Audit NZ.

Resolved minute number 23/ARK/070

That the report Audit NZ Management Letter Points be received.

Cr F Dalgety/Cr S Loudon. Carried

9.8 Internal Audit Programme

Mr Jones recommended that the effectiveness of the committee be discussed at the next meeting.

Resolved minute number 23/ARK/071

That the report ‘Internal Audit Programme’ be received.

Cr D Wilson/Cr F Dalgety. Carried

9.9 Marton Rail Hub - Project Risks Review

This item was withdrawn.

9.10 Strategic Risk Review - Climate Change

Mr Jones requested that the risks associated with climate change come back to the committee.

Resolved minute number 23/ARK/072

That the report on Strategic Risk – Climate Change be received.

Mr Jones/Cr F Dalgety. Carried

10 Public Excluded

The meeting went into public excluded session 10.14am

Resolution to Exclude the Public

Resolved minute number 23/ARK/073

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

- 1 Risk and Assurance Committee Meeting - 21 September 2023
- 2. Cybersecurity
- 3. Fraud Reporting

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

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48 for the passing of this resolution

ITEM 6.1 ATTACHMENT 1

10.1 - Risk and Assurance Committee Meeting - 21 September 2023	To consider the minutes relating to matters that were the subject of discussion at the 21 September meeting	S48(1)(a)
10.2 - Cybersecurity	s7(2)(j) - Improper Gain or Improper Advantage	s48(1)(a)(i)
10.3 - Fraud Reporting	s7(2)(a) - Privacy	s48(1)(a)(i)

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

Cr D Wilson/Cr F Dalgety. Carried

11 Open Meeting

The meeting went into open session 10.30am

Resolved minute number 23/ARK/074

That the public excluded meeting move into an open meeting, and the below recommendations be confirmed in the open meeting:

22/RDC/074- 22/RDC/0756

Cr D Wilson/Cr S Loudon. Carried

The meeting closed at 10.30am.

The minutes of this meeting were confirmed at the Risk and Assurance held on 20 March 2024.

.....Chairperson

7 Follow-up Action Items from Previous Meetings

7.1 Follow-up Action Items from Risk and Assurance Meetings

Author: Kezia Spence, Governance Advisor

1. Reason for Report

- 1.1 On the list attached are items raised at previous Audit and Risk meetings. Items indicate who is responsible for each follow up, and a brief status comment.

2. Decision Making Process

- 2.1 Staff have assessed the requirements of the Local Government Act 2002 in relation to this item and have concluded that, as this report is for information only, the decision-making provisions do not apply.

Attachments:

1. **Follow-Up Actions Register** [↓](#)

Recommendation

That the report 'Follow-up Action Items from Risk and Assurance Meetings' be received.

Current Follow-up Actions

Item	From Meeting Date	Details	Person Assigned	Status Comments	Status
1	6-Dec-23	The Revenue and Financing policy be sent to the chair	Dave Tombs	This has been sent and comments incorporated	Closed
2	6-Dec-23	Risk and Assurance Committee Work Programme include the dates in the report of when they legally must be reviewed	Dave Tombs	The dates have been added	Closed
3	6-Dec-23	Advise committee on how often RDC does cybersecurity training	Dave Tombs	This is addressed in Section 3 of the March 2024 Cybersecurity report	Closed
4	6-Dec-23	Climate change Strategy and Action Plan - report back on relevant risks to this committee next year	Kezia	This will come to the September meeting	In progress
5	6-Dec-23	Follow up on draft Management Report from Audit	Dave Tombs	This has been received	Closed
6	21-Sep-23	Dry weather sewerage overflows (pg 57 of the agenda)	Arno Benadie	Discuss this further with the Auditors to see what they want	In progress
7	21-Sep-23	What is the role of this committee in terms of financial reporting that goes to Council? Report for next meeting	CE	Agreed between CE and Chair of Finance / Performance that a six monthly finance report would be provided to this committee and others if appropriate.	Completed
8	21-Sep-23	Council to further review the Treasury Management Policy by 30 June 2024	Dave Tombs	This is scheduled for June 2024	In progress
9	21-Sep-23	Regarding the Treasury Management Policy - review limits (%) as part of the review of the Financial Strategy for the LTP	Dave Tombs	A minimum of \$5m debt-ceiling buffer (to the maximum debt limits as per LGFA borrowing covenants) is included in the amended Finance Strategy	Completed
10	22-Jun-23	add column "strategic risk" next to work plan table	Dave Tombs	Incorporated into the March 2024 reporting	Completed
11	15-Mar-23	What is the role of the Risk & Assurance Committee and independent chair to review council's major decisions (e.g roading contract, shared services agreement etc)	Committee Members		
12	15-Mar-23	Develop protocols for EMs to speak to the Risk & Assurance Chair - develop these with CE and Phillip	Peter, Philip	Risk and Assurance Chair and Chief Executive agree open dialogue should exist between Elected Members and the Chair, and that the Chair will ensure all committee members are transparently kept updated on matters requiring their attention.	Ongoing
13	5-Sep-22	The Committee requested that staff highlight the agreement for shared services between the Rangitikei and Manawatu District Council's as an area of focus for the Committee.	Arno Benadie	Future workshop discussion	In progress
14	10-Mar-22	As per resolution 22/ARK/004 : The report 'Rail Hub Project - Significant Risks and Mitigations (first draft)' contained in the 10 Mar 22 Order Paper is to be distributed to the Rail Hub Project Advisory Board, in order to seek their guidance in identifying 'tier 1 risks' associated with the project. Following the receipt of the Project Advisory Board's guidance, staff are to analyse these responses and present a formal report back to the Committee.	CE	A paper was provided to the December 2023 Committee meeting, but was legally challenged so will now go to a future meeting in 2024 to allow time to consider the points raised in the letter.	In progress

8 Chair's Report

8.1 Chair's Report - March 2024

Author: Philip Jones, Chair

While I have nothing formally to report on, I do want to bring to the committee's attention highlights of a recent Aon insurance seminar.

Aon GRMS 2023 – Top 10 Global Risks

1. Cyberattacks data breaches
2. Business interruption
3. Economic slowdown/slow recovery
4. Failure to attract or retain top talent
5. Regulatory/legislative changes
6. Supply chain or distribution failure
7. Commodity price risk/scarcity of materials
8. Damage to reputation or brand
9. Failure to innovate/meet customer needs
10. Increased competition

While these are not necessarily all reflected in the local government sector, there are some consistent themes that can be applied to all local government entities.

Another key highlight was the fact that while insurance is a significant risk mitigation (financial risk transfer), broadly of only 30% of all risks can be insured. Examples of risks which cannot be insured for local government include:

- Regulatory and legislative change and political risk
- Land use changes
- Loss of revenue due to economic factors
- Population loss
- Community impact
- Cash flow or liquidity risks
- Reputation risk
- Climate change

Recommendation

That the Chair's Report –March 2024 be received.

9 Reports for Information

9.1 Health, Safety and Wellbeing Update

Author: Sharon Grant, Group Manager - People & Performance

Authoriser: Kevin Ross, Chief Executive

1. Reason for Report

- 1.1 This report provides an update on health, safety and wellbeing matters. The report includes standard items such as the Health, Safety and Wellbeing Dashboards for the current reporting period, an update on due diligence activities and highlights from the Health, Safety and Wellbeing Work Programme. The report also includes a summary of the accident investigation for the notifiable injury occurring in November 2023, and a summary of the results of the Safe Plus Assessment completed in November 2023.

2. Context

- 2.1 Elected Representatives are considered Officers under the Health and Safety at Work Act 2015 (Act). This means they have an obligation to exercise due diligence in relation to health and safety matters. Due diligence is defined in section 44(4) of the Act as taking reasonable steps to:
 - 2.1.1 Acquire and update knowledge of health and safety matters; and
 - 2.1.2 Gain an understanding of the operations carried out by the organisation, and the hazards and risks generally associated with those operations; and
 - 2.1.3 Ensure the person conducting business or undertaking (PCBU) has appropriate resources and processes to eliminate or minimise those risks; and
 - 2.1.4 Ensure the PCBU has appropriate processes for receiving and considering information about incidents, hazards and risks, and for responding to that information in a timely way; and
 - 2.1.5 Ensure there are processes for complying with any duty, and that these are implemented; and
 - 2.1.6 Verify that these resources and processes are in place and being used.
- 2.2 Council's Health, Safety and Wellbeing Dashboards (Dashboards) provide monthly incident data and year-to-date trends. The Dashboards support Elected Members to exercise due diligence obligations by providing up-to-date information on incidents, hazards and risks, together with current activities and wellbeing initiatives.
- 2.3 Council is committed to continuous improvement across all aspects of workplace health, safety and wellbeing. Continuous improvement is achieved through actions identified in the Health, Safety and Wellbeing Due Diligence Plan and the Health, Safety and Wellbeing Work Programme.

3. Discussion

3.1 Health, Safety and Wellbeing Dashboards

- 3.1.1 The Dashboards for November 2023 to February 2024 are attached to this report.
- 3.1.2 The Dashboard for November 2023 includes 6 events, 2 near misses and 3 new hazards. The reported event categories are motor vehicle (3), slip-trip-fall, animal (insect) attack, and abusive behaviour. The reported near miss categories are slip-trip-fall (3). The reported hazards related to the categories of security and motor vehicle.
- 3.1.3 The combined Dashboard for December 2023 and January 2024 includes 13 events and 1 near miss. The reported event categories are abusive behaviour (7), motor vehicle (2), plant / machinery (1), slip-trip-fall (1), cut (1) and behaviour (1). The reported near miss category was motor vehicle.
- 3.1.4 The Dashboard for February 2024 includes: 6 events, and 2 new hazards. The reported event categories are behaviour event (1), plant/machinery (2), abusive behaviour (2), and motor vehicle (1). The reported hazards related to a behaviour event and object strike.
- 3.1.5 Noting that December and January were shorter working months, the trend towards increased reporting continues and majority of incident reports have been made using the new on-line incident reporting tool.
- 3.1.6 The most commonly reported event / near miss categories (year-to-date) are abusive behaviour, motor vehicle, plant/machinery and slip-trip-fall.
- 3.1.7 The November 2023 Dashboard shows one noticeable injury (fracture). An accident investigation has been undertaken and is summarised in further detail below. There were no Work Safe notifiable injuries or incidents during the December 2023, January 2024 and February 2024 reporting periods.
- 3.1.8 All reported events, near misses and hazards have been appropriately investigated and corrective actions taken where required.

3.2 Accident Investigation of Notifiable Injury

- 3.2.1 A workplace injury occurred in November 2023 which required notification to WorkSafe in accordance with WorkSafe notification regulations under the Act. The criteria that made the injury 'notifiable' was the nature of the injury (fracture) and because the person (RDC employee) was admitted to hospital. Notification to WorkSafe occurred within the required timeframes and was acknowledged by WorkSafe.
- 3.2.2 The notifiable injury occurred inside a private motor vehicle during a workplace driver training exercise. At the time of the injury, participants were undertaking an activity which taught emergency breaking techniques whilst travelling at a speed of 60 – 70 kilometres per hour. The incident occurred on a sealed driving track. There was no vehicle collision or damage to the vehicle, and there were no other people in the vehicle at the time the incident occurred. The vehicle was warranted, registered, road worthy and appropriately insured for the activity. The driver was wearing their seatbelt.
- 3.2.3 An internal investigation was undertaken to determine the likely cause(s) of the injury together with an assessment of learnings and future mitigations. The investigation assessed the circumstances in which the incident occurred and considered the actions and responsibilities of RDC as the injured persons

employer, together with the actions and responsibilities of the external training provider and training venue (joint PCBU approach).

- 3.2.4 Following investigation, in relation to cause, it appears that the injury occurred while the driver was practicing an emergency braking manoeuvre as part of the training exercise. The injury was diagnosed as a stress fracture of the lower back. It is considered that the injury may have been caused by unintended movement of the driver's lower body during the braking manoeuvre. This injury was described by the attending doctors as highly unusual and not an injury they would expect in the circumstances.
- 3.2.5 The investigation also considered possible risk controls and mitigations for any future practical driver training events. These controls and mitigations include:
1. Specific requirement for all vehicles used to be equipped with modern vehicle safety features (such as ABS braking), in addition to general road worthiness and appropriate insurance; and
 2. Greater information to participants prior to the training on the possible body forces experienced, including considerations for any pre-existing medical conditions.
- 3.2.6 The injured employee is recovering well and has returned to work at full capacity. Appropriate return-to-work procedures and rehabilitation measures have been undertaken.
- 3.2.7 WorkSafe have confirmed that they are satisfied with the information provided in RDC's notification and that they do not intend to investigate the matter further.

3.3 Health, Safety and Wellbeing Due Diligence Plan

3.3.1 The Health, Safety and Wellbeing Due Diligence Plan (Due Diligence Plan) supports Elected Members to meet due diligence requirements by providing opportunities for enhanced understanding of RDC's critical health, safety and wellbeing risks, and the controls for these risks. The Risk and Assurance Committee endorsed a revised Due Diligence Plan at its March 2023 meeting (attached for information).

3.3.2 Safe Plus Assessment

One of the scheduled activities within the Due Diligence Plan is a biennial assessment of health and safety performance, using the Safe Plus framework. RDC previously undertook Safe Plus assessments in 2019 and 2021 and received overall ratings of Developing (2019) and Performing (2021).

RDC undertook a third biennial Safe Plus Assessment in November 2023. While the overall rating remained as 'Performing', RDC improved its performance in eight of the ten performance indicators (with one of the remaining two indicators already achieving 100% in the 2021 assessment). The assessment report highlights RDC's significant progress since the 2021 SafePlus assessment noting that RDC has moved into 'Leading' in eight of the ten categories.

The report notes significant improvements in health and safety leadership and worker engagement and is complimentary of RDC's use of high engagement methodology in its approach to risk management. The report provides positive comments about the engagement and interest demonstrated by Elected

Members, stating that those spoken to during the assessment demonstrated excellent understanding of their governance health, safety and wellbeing role and due diligence obligations.

The report also includes some value recommendations which will be incorporated into the health, safety and wellbeing work programme and continuous improvement cycle. Key recommendations include:

- Clearer integration of RDC's existing health, safety and wellbeing frameworks into one operating system.
- Fully imbedding the newly developed health, safety and wellbeing risk management framework including further work on risk tolerance for critical risks.
- Greater visibility of critical health and safety risks and the controls for these.
- Review and development of contractor health and safety management practices (as per project already underway).
- Review of the Health, Safety and Wellbeing Strategy including revised objectives, action plans and performance indicators.

The performance summary report for the 2023 Safe Plus Assessment is attached for information. Also attached is the performance requirements summary from the 2021 assessment which allows comparison with the 2023 results.

3.4 Health, Safety and Wellbeing Work Programme

3.4.1 The health, safety and wellbeing work programme includes new initiatives and opportunities, together with the ongoing review and continuous improvement of existing health, safety and wellbeing frameworks and practices.

3.4.2 Health, safety and wellbeing work programme highlights achieved since the last report include:

- Development of a continuous review process for RDC's new Health, Safety and Wellbeing Risk Register (review of hazards plus verification of controls).
- Review and development of accident/incident response and investigation procedures.

3.4.3 Health, safety and wellbeing activities currently underway:

- Review and development of health and safety management processes for contractors. This project includes developing an improved process for the verification of SiteWise pre-qualification criteria for individual RDC contractors, including assessment of the practical application of contractor health and safety procedures and site safety plans.
- Review and development of health and safety management processes for volunteers.
- Review and development of lone worker health and safety management processes.
- Update of health, safety and wellbeing work programme to incorporate 2023 Safe Plus Assessment Recommendations.

3.4.4 Health, safety and wellbeing activities coming soon:

- Review of Health, Safety and Wellbeing Strategy.
- Design of a health, safety and wellbeing operating system, to demonstrate how RDC's health, safety and wellbeing frameworks integrate.
- Development of Health, Safety and Wellbeing Risk Management Framework with a focus on critical risks and risk tolerance.

Attachments:

1. **Health, Safety and Wellbeing Dashboard, November 2023** [↓](#)
2. **Health, Safety and Wellbeing Dashboard, December 2023 - January 2024** [↓](#)
3. **Health, Safety and Wellbeing Dashboard, February 2024** [↓](#)
4. **Health, Safety and Wellbeing Due Diligence Plan** [↓](#)
5. **RDC SafePlus Assessment Performance Summary, November 2023** [↓](#)
6. **RDC SafePlus Assessment Outcomes by Performance Requirement, 2021** [↓](#)

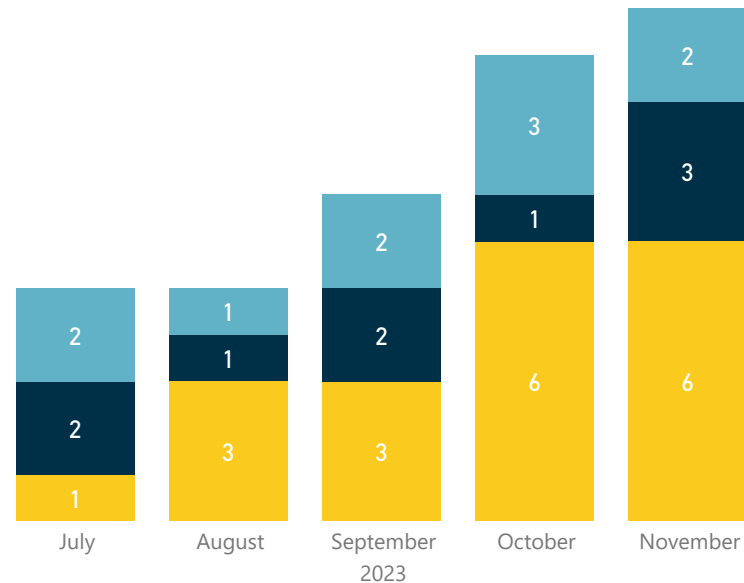
Recommendation

That the Health, Safety and Wellbeing Report be received.

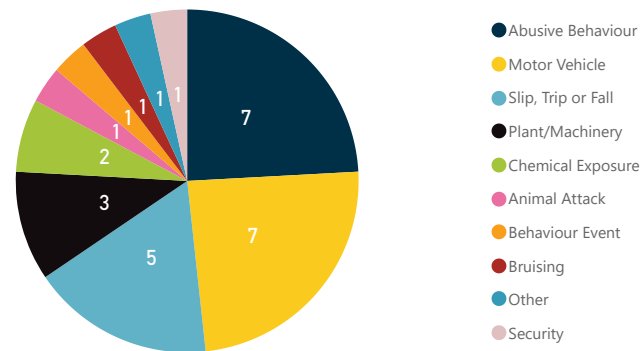
RDC Health and Safety Dashboard November 2023

Events, Hazards and Near Misses 01 July 2023 to date

● Event ● Hazard ● Near Miss



Event/Near Miss Category 01 July 2023 to date



Wellbeing News

Safe Plus Assessment 14th / 15th November

Thanks to everyone involved in the recent Safe Plus Assessment. Our Assessors, Jeena and Jen, commented on how welcome they felt and the willingness of staff to participate in the discussions. Thanks everyone for your contributions, we'll let you know the assessment outcomes once we receive them.

Sun Smart

As summer is approaching, we are encouraging staff to stay Sun Smart. If you are working outside or spending any time in the outdoors remember to Slip, Slop, Slap and Wrap. Sunscreen is available at the People and Performance Office. Please remember to apply 20 minutes before going outside and reapply every 2 hours.

Holiday Season Safety and Wellbeing

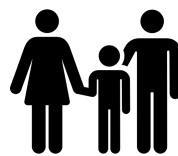
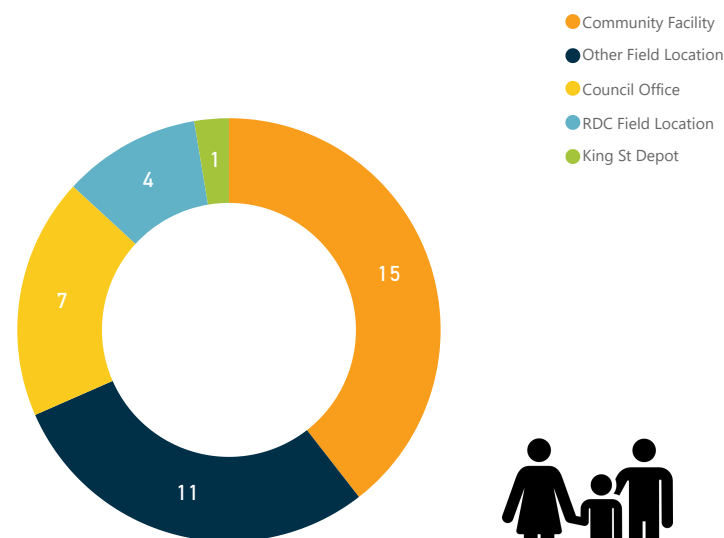
With Christmas fast approaching and everyone enjoying the holiday cheer don't forget to take time out to look after your wellbeing. The holiday season is about spending quality time with family and friends, slowing down and enjoying the moment! Take time out to enjoy yourself and please ensure yours and others safety while doing so.

Summary of Month

6 Events
0 Notifiable Incidents
1 Notifiable Illness/Injuries

2 Near Misses
3 Hazards

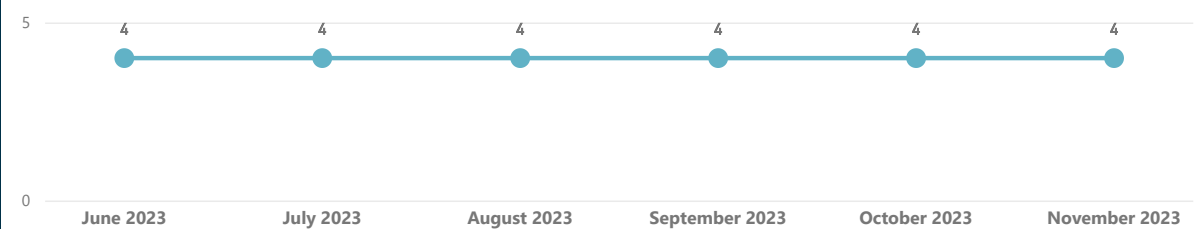
Location Events, Hazards and Near Misses



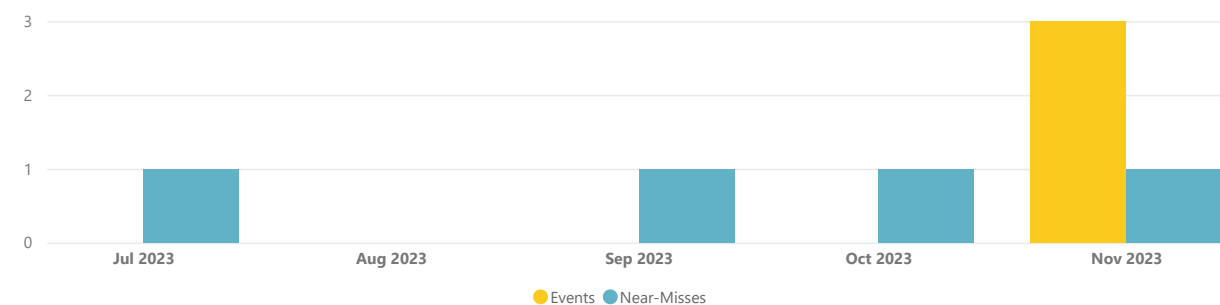
Average Driver Ratings

Ratings from E-Road Dashboard (Overspeed / Harsh Braking & Harsh Acceleration Events)

48% Completed Driver Safety Training

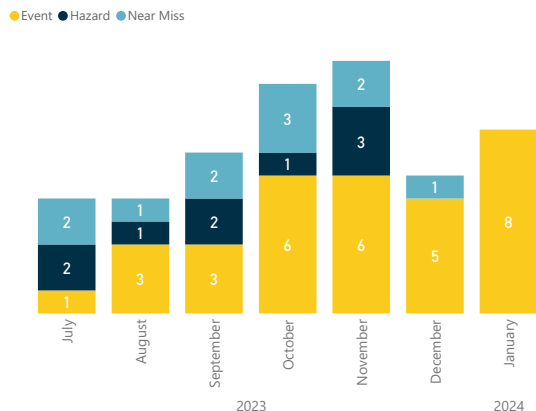


Vehicle Incidents

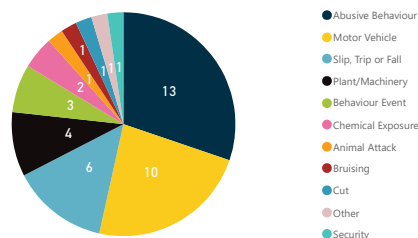


RDC Health and Safety Dashboard December 23 - January 24

Events, Hazards and Near Misses 01 July 2023 to date



Event/Near Miss Category 01 July 2023 to date



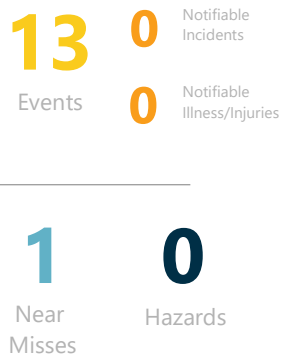
Wellbeing News

Staff Bicycles
Did you know that RDC has two bicycles available for everyone's use? They're located in the file room next to Chambers at the Marton Office. Feel free to grab one to travel to a local meeting, or for a lunchtime bike ride. Please remember your helmet, and ensure you adjust the seat for your height.

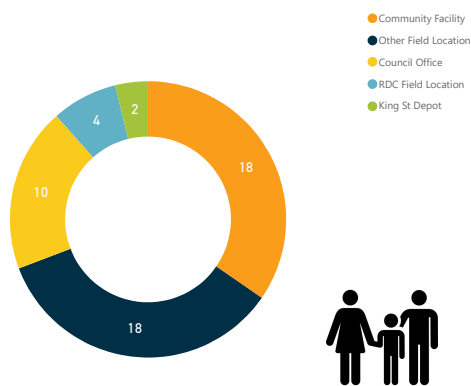
Winter Protection
As we lap up the high temperatures and sun, spare a thought for the gloomy weather and cold that Autumn and Winter will bring. Through our Wellbeing Program, RDC will be offering staff on-site Flu Vaccinations / Covid Boosters along with Buccaline Tablets to help protect against winter ills. More information about how to receive these services will be available in February.

Sick Leave Gifting
Sick leave gifting enables you to donate your unused sick leave days on a voluntary basis to a sick leave bank. The sick leave bank provides an option for colleagues who are unwell, and have no other leave options, to apply for gifted sick leave. You can read more on the Sick Leave Gifting Policy on Kapua, Working Here, Polices page.

Summary of Dec - Jan

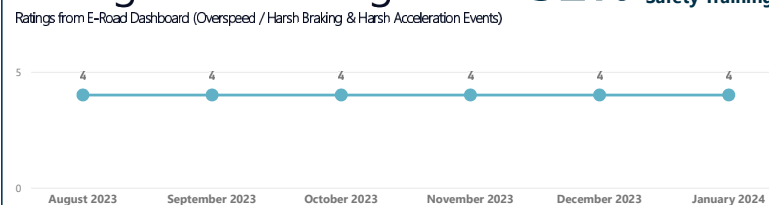


Location Events, Hazards and Near Misses

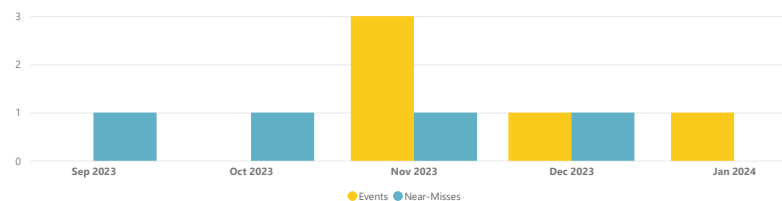


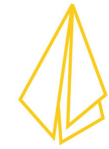
Average Driver Ratings

52% Completed Driver Safety Training



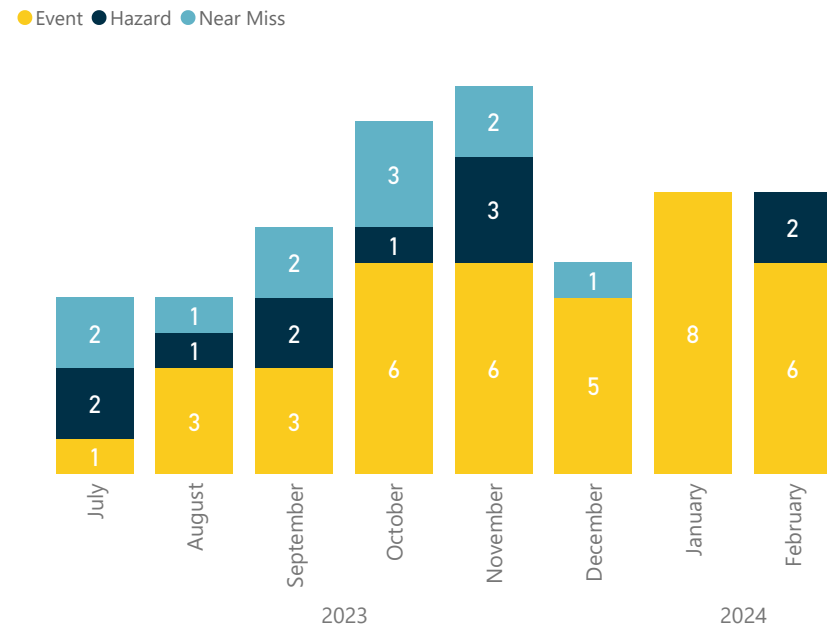
Vehicle Incidents



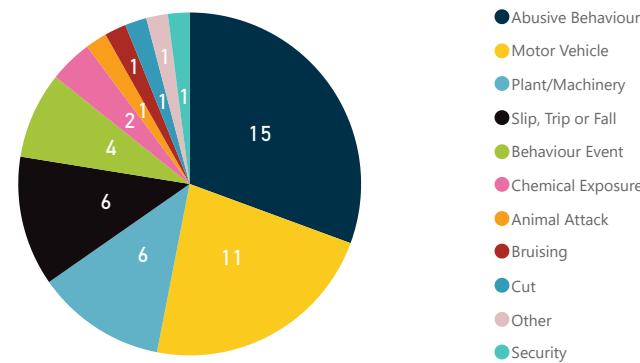


RDC Health and Safety Dashboard February 2024

Events, Hazards and Near Misses 01 July 2023 to date



Event/Near Miss Category 01 July 2023 to date



Wellbeing News

Protect yourself (and others) from seasonal illness. We're arranging on-site Flu vaccinations for RDC staff, and we'll let you know dates and details soon. You'll be able to receive a Covid booster at the same time if you choose to.

Buccaline Tablets are now available from pharmacies in Taihape, Marton and Bulls. These are funded through our Wellbeing Programme, so if you would like a dose, please pop into one of the pharmacies and show your RDC ID card.

Please remember all the usual health and hygiene protocols and **stay home if you're sick.**

Stars of Matariki – Safety and Wellbeing

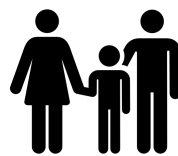
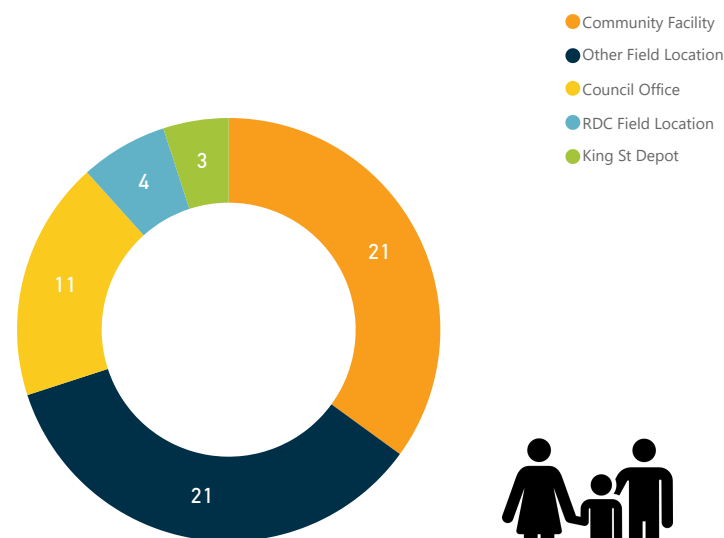
Nominations are open for our annual Stars of Matariki Awards. The Tupuarangi Award acknowledges individuals and teams who have demonstrated care for the safety and wellbeing of themselves and others. This is a great opportunity to nominate and recognise your colleagues for health, safety and wellbeing excellence. Nomination can be done on Kapua and are open until 31 March.

Summary of Month

6 Events
0 Notifiable Incidents
0 Notifiable Illness/Injuries

0 Near Misses
2 Hazards

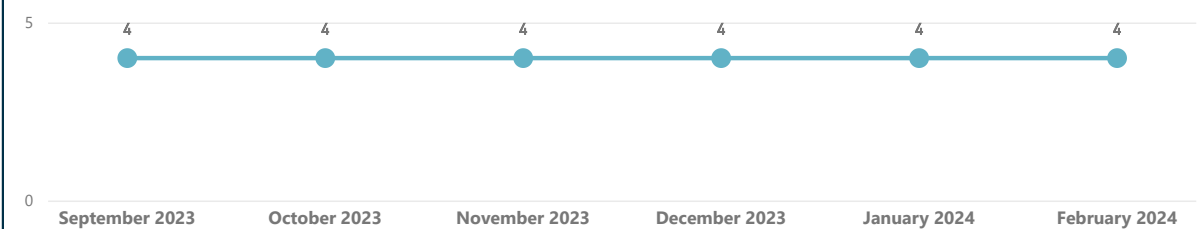
Location Events, Hazards and Near Misses



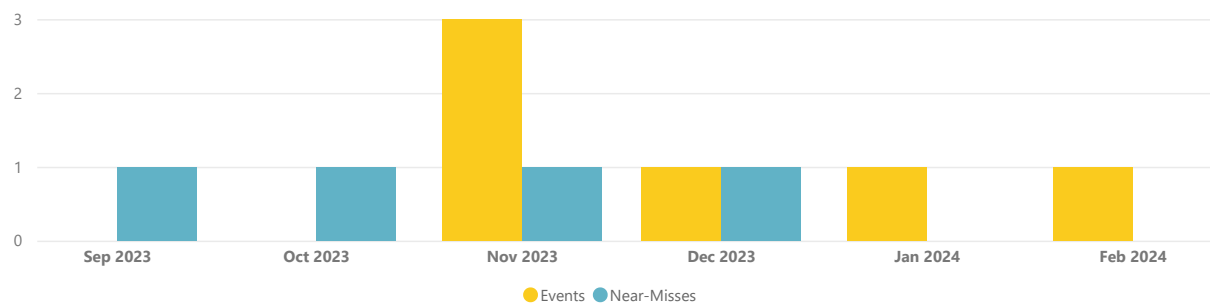
Average Driver Ratings

52% Completed Driver Safety Training

Ratings from E-Road Dashboard (Overspeed / Harsh Braking & Harsh Acceleration Events)



Vehicle Incidents



Health, Safety and Wellbeing Due Diligence Plan 2023 - 2025

This Due Diligence Plan is aligned to the Institute of Directors Health and Safety Guide: Good Governance for Directors (March 2016) and aims to enhance due diligence in health, safety and wellbeing (HS&W) leadership at Rangitikei District Council (RDC).

A positive and robust HS&W culture begins at the Council table and spreads throughout the organisation. The Health and Safety at Work Act places a duty on elected members – as Officers – to exercise due diligence to ensure that RDC complies with its health and safety duties and obligations.

Due diligence requires Officers to take reasonable steps to understand RDC’s operations and HS&W risks, and to ensure that they are managed so that everyone is safe. Due diligence is defined in the Health and Safety at Work Act as taking reasonable steps to:

- Acquire and update knowledge of health and safety matters
- Gain an understanding of the operations carried out by the organisation and the hazards and risks generally associated with those operations
- Ensure the organisation has, and uses, appropriate resources and processes to eliminate or minimise those risks
- Ensure the organisation has appropriate processes for receiving and considering information about incidents, hazards and risks, and for responding to that information in a timely way
- Ensure there are processes for complying with any duty, and that these are implemented
- Verify that these resources and processes are in place and being used.

This due diligence plan outlines the activities that will be undertaken to enhance elected member knowledge and understanding of HS&W matters. The plan is aligned to the elements of policy and planning, delivery, monitoring and review.

A key part of this plan is the ‘Work as Done’ sessions. The intent of these sessions is for the key staff responsible for each area to demonstrate the nature of their operations, the hazards and risks associated with those operations, and their HS&W approach and processes to eliminate or minimise those risks. Where appropriate, a site visit will be scheduled as part of this process.

Scheduled activities		Due diligence element				When
What	Who	Policy & planning	Delivery	Monitoring	Review	
Workshop on HS&W governance for new Elected Members	Council		*			TBC
Appoint / re-confirm Governance HS&W Champion	Council	*				TBC if required
Endorse HSW Due Diligence Plan, including HSW Reporting Structure	Risk and Assurance Committee	*				March 2023 (Complete)
Review and endorse HSW Governance Charter Endorsed HSW Charter to full Council for adoption.	Risk and Assurance Committee Council	*			*	May 2023 (Complete)
Institute of Directors Advanced H&S Governance Training (on-line)	Governance HSW Champion (if new person appointed)		*			As required
Review and Endorse HS&W in the Workplace Policy	Audit and Risk Committee	*				May 2023 (Complete)
SafePlus Assessment	Whole organisation	*			*	Nov 2023 (Complete)
Review and endorse HSW Strategy	Risk and Assurance Committee	*			*	2024

Regular activities and reporting structure		Due diligence element				When
What	Who	Policy & planning	Delivery	Monitoring	Review	
Monthly HS&W Report (Dashboard)	Full Council CE and Executive Leadership Team			*		Monthly
Quarterly HS&W Report (full report), including update of HS&W incidents, innovations and other matters.	Risk and Assurance Committee			*		Quarterly
Full report of notifiable incidents or accidents	Risk and Assurance Committee			*		As needed
Work as Done Sessions (on-site experiences)	Elected Members Chief Executive, ELT, Officers.		*	*		Annually / as required
HS&W Committee Meetings	GM People and Performance Second ELT representative		*	*		Bimonthly
Review of HS&W Committee Meeting minutes and matters arising	CE and Executive Leadership Team		*	*	*	Bimonthly
Departmental HS&W Toolbox Meetings	Departmental GM's		*	*	*	Monthly
Updates / training on HS&W Matters	As appropriate		*			As needed



14 – 15 NOVEMBER 2023

Rangitīkei District Council Onsite SafePlus Assessment Performance Summary

Introduction

SafePlus aims to help lift the performance of workplace health and safety in New Zealand businesses. It assesses how well a business is performing against good practice health and safety requirements and provides tailored advice and guidance on how to improve. SafePlus has been jointly developed, with industry, by WorkSafe New Zealand, the Accident Compensation Corporation (ACC) and the Ministry of Business, Innovation and Employment (MBIE), in collaboration with health and safety experts.

WHAT IT IS

SafePlus includes a framework of 10 performance requirements, which are organised under three key elements: Leadership, Worker Engagement, and Risk Management. Each performance requirement has four or five indicators, which explore how the business performs against the requirements in more detail. Each performance requirement also has a three-level maturity scale applied to it: Developing, Performing and Leading.

Continuous improvement underpins all the requirements. Performance is measured against each requirement.



ASSESSMENT FOCUS

The assessment approach is evaluative and behaviour-based with a focus on:

- people
- behaviours
- culture
- values
- attitudes
- systems
- practices.

For more on SafePlus, see: www.safeplus.nz

RANGITĪKEI DISTRICT COUNCIL ASSESSMENT

This SafePlus assessment was completed on the 14 and 15th November 2023.

The assessors visited the Rangitīkei District Council (RDC) Office in Marton, and observations took place at the Depot in King Street, Marton.

The assessors undertook interviews and focus groups with the following people and groups:

- Health, Safety and Wellbeing Advisor
- General Manager, People and Performance
- Interim Chief Executive
- Executive Leadership Team
- Senior Leadership Team
- Risk and Assurance Committee
- Health, Safety and Wellbeing Committee
- Health, Safety and Wellbeing Representatives
- Third Tier Activity Managers
- Field staff and office-based staff
- Contractors – Roding and Higgins
- MDC shared services staff.

The GM People and Performance and the Health, Safety and Wellbeing Advisor provided documentation, further information, and context for the Assessor.

The assessment included a Deep Dive assessment on how the following risks are being managed:

- Working alone and working in isolation
- PCBU/contractor activities
- Mental health and wellbeing – with an emphasis on aggressive behaviours from the public, unacceptable behaviours, and workload.

SCOPE OF THIS ASSESSMENT*In scope*

The scope of this assessment is limited to insights gained through SafePlus methodology in relation to:

- The RDC Office in Marton and observations at sites visited.
- Stakeholders provided by the company for interviews as listed in the previous section.
- Deep Dive risks selected by the company:
 - Working alone and working in isolation
 - PCBU/contractor activities
 - Mental health and wellbeing – with an emphasis on aggressive behaviours from the

public, unacceptable behaviours, and workload

Out of scope

This report reflects a slice in time at the above sites and should not be extrapolated beyond the scope noted above.

Out of scope are:

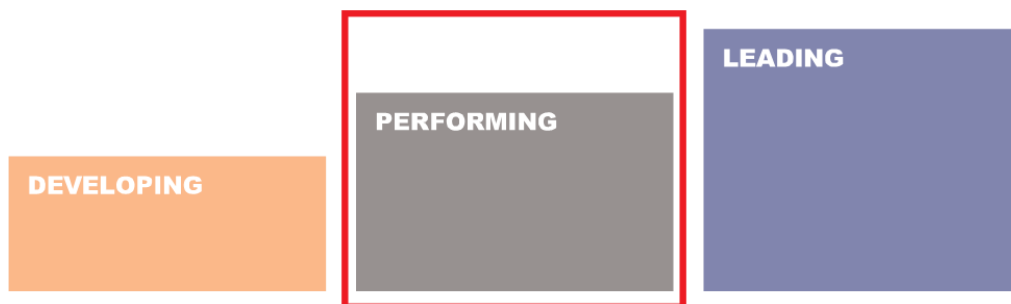
- Sites not visited
- Stakeholders not interviewed
- A full technical review of all documentation, work processes, deep dive risks and other risks.

Thank you to Rangitīkei District Council managers and workers for your time, effort, and engagement and for the manaakitanga that was shown.

Illustration of Performance

Three levels of performance are used to determine your current health and safety strengths and areas for improvement – Developing, Performing and Leading. Performance is measured against each of the 10 performance requirements and the overall outcome is based on these results.

OVERALL OUTCOME 2023:

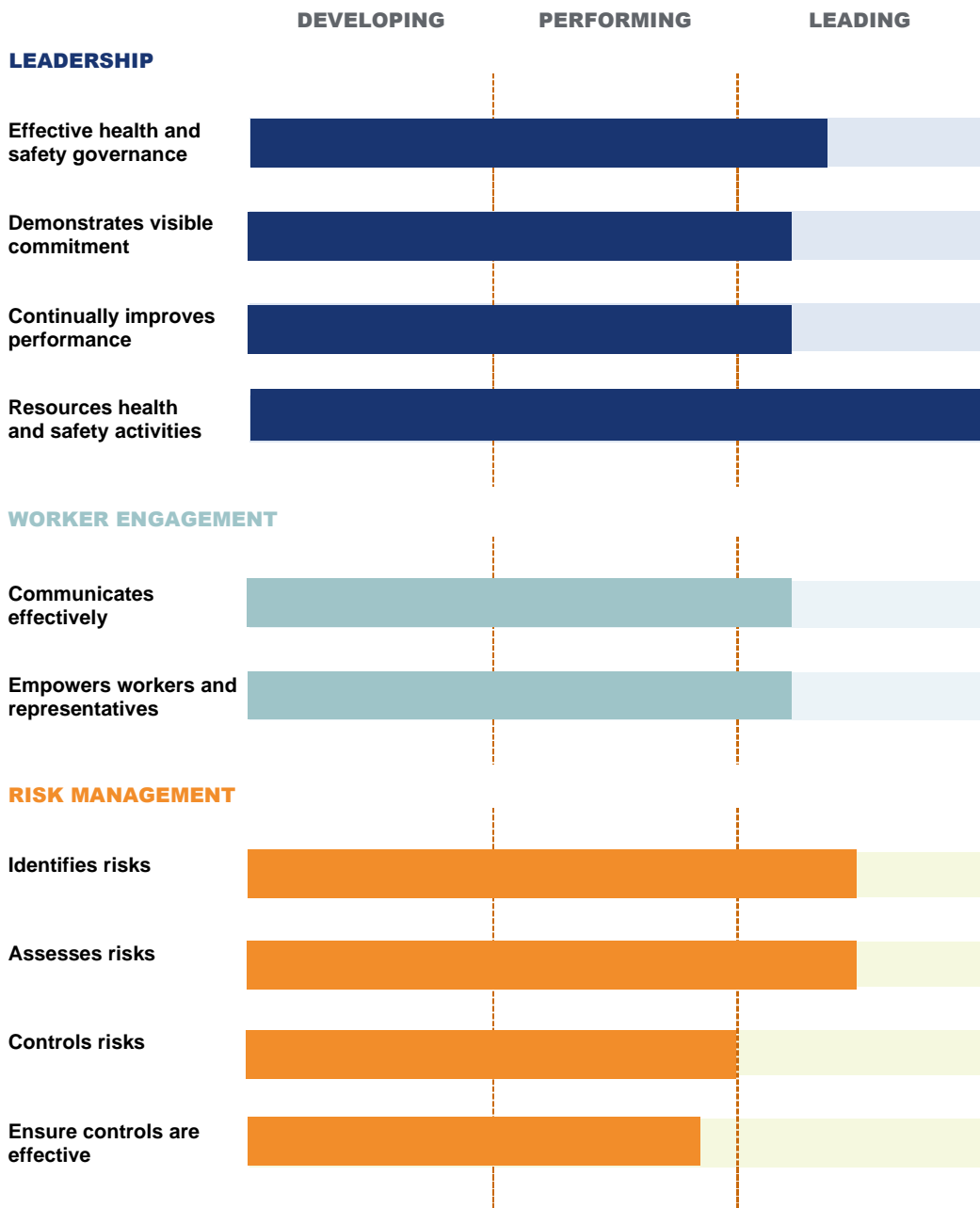


RECOMMENDED REASSESSMENT:

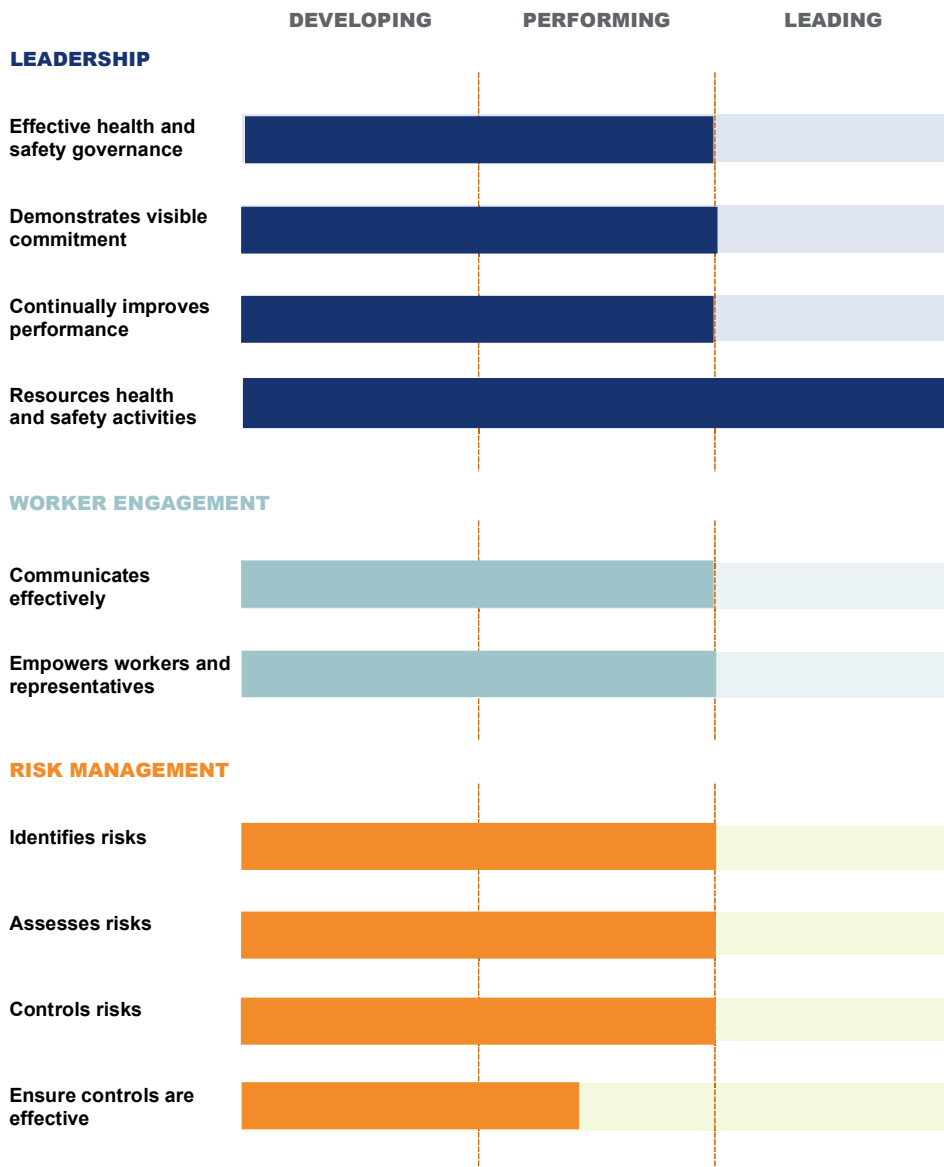
It is recommended that Rangitīkei District Council (RDC) develop an improvement plan based on the recommendations in this report. Progress against the plan should occur at least every six months.

It is recommended that RDC has a reassessment completed every two years to track its progress against the performance requirements.

OUTCOMES BY PERFORMANCE REQUIREMENTS 2023:



OUTCOMES BY PERFORMANCE REQUIREMENTS:



9.2 Protected Disclosures Update

Author: Sharon Grant, Group Manager - People & Performance

Authoriser: Kevin Ross, Chief Executive

1. Reason for Report

- 1.1 This report provides an update on protected disclosures for the reporting period, this update being that there are no protected disclosures to report.

2. Context

- 2.1 The Protected Disclosures Act 2022 (Act) came into force on 1 July 2022 and replaced the Protected Disclosures Act 2000. The purpose of the Act is to facilitate the disclosure and timely investigation of serious wrongdoing in or by an organisation and protect people who make a disclosure under the Act.
- 2.2 Under the Act a disclosure can be made by an employee. The definition of employee under the Act is wider than other legislation and includes employees, secondees, contractors, volunteers and boards / governing bodies.
- 2.3 Employees who make a disclosure under the Act are not liable to any civil or criminal proceedings, or to disciplinary proceedings by the employer, for reasons of that disclosure.
- 2.4 Rangitīkei District Council maintains a Protected Disclosures Policy and Procedure which is aligned to the requirements of the 2022 Act.
- 2.5 Internal policies are available on the staff intranet (Kapua). Policies are communicated to staff at regular intervals including when the policy is introduced, when changes are made, as part of the orientation process for new staff and when it is timely to do so. Training on the Protected Disclosures Policy and Procedure has been provided to staff.

3. Discussion

- 3.1 There are no protected disclosures to report for this period.

Recommendation

That the report 'Protected Disclosures Update' report be received.

9.3 Privacy Update

Author: Sharon Grant, Group Manager - People & Performance

Authoriser: Kevin Ross, Chief Executive

1. Reason for Report

- 1.1 This report provides an update on privacy breaches for the reporting period, this update being that there are no known privacy breaches to report.

2. Context

- 2.1 The Privacy Act 2020 (Act) governs how agencies may collect, store, use and share private information about individuals. The Act also provides for an individual's right to access information held about them and ask for it to be corrected.
- 2.2 The Office of the Privacy Commissioner receives and considers privacy complaints. Agencies must notify the Privacy Commissioner if a notifiable privacy breach has occurred. A notifiable privacy breach is one which has caused, or is likely to cause, serious harm to the affected individual(s).
- 2.3 Rangitīkei District Council (RDC) has an internal Privacy Policy and Procedure (last reviewed in February 2023). The Privacy Policy and Procedure outlines how RDC manages private information related to individuals who work for Council. It also outlines RDC's procedure for responding to actual or potential privacy breaches related to private information held about all individuals, including employees and the public.
- 2.4 RDC also has an external Customer Privacy Statement which details how RDC will protect private information held about customers. The Customer Privacy Statement is published on RDC's website and is accessible through the following link: [Privacy Statement](#).
- 2.5 In RDC's context, *private information* includes information collected or held by Council about identifiable individuals, such as information about employees, rate payers and members of the public who interact with Council.
- 2.6 RDC has a Privacy Officer as required under the Act. RDC's Privacy Officer is the Group Manager People and Performance.
- 2.7 The internal Privacy Policy and Procedure is available on the staff Intranet (Kapua). Policies are communicated to staff at regular intervals including when the policy is introduced, when changes are made, as part of the orientation process for new staff and when it is timely to do so. Training on the Privacy Act and Privacy Policy and Procedure has recently been provided to Elected Members and RDC staff.

3. Discussion

- 3.1 There are no known privacy breaches to report.

Recommendation

That the report 'Privacy Update' be received.

9.4 Treasury Reporting

Author: Dave Tombs, Group Manager - Corporate Services

Authoriser: Dave Tombs, Group Manager - Corporate Services

1. Reason for Report

- 1.1 This is a standard report, provided at the Committee's previous request, that provides the Risk and Assurance Committee with a report on Council's expected Treasury performance for 2023/24.

2. Context

- 2.1 Council's Liability Management Policy is contained within Council's Treasury Management Policy. The Liability Management Policy includes four borrowing covenants that Council's must comply with.
- 2.2 The four borrowing covenants are as follows:
1. Net Interest/Total Revenue must not exceed 20%
 2. Net Interest/Annual Rates Revenue must not exceed 25%
 3. Net Debt/Total Revenue must not exceed 175%
 4. External Debt plus Committed Facilities plus Liquid Investments divided by External Debt must be greater than 110%
- 2.3 The following analysis includes full year forecasts for these figures, based largely on the year's amended Annual Plan figures. These figures will be updated once it becomes apparent significant variances will occur as the financial year progresses.

3. Analysis

Debt and Interest Expense

- 3.1 Council's current debt position is:

Amount	Settled Date	Maturity Date	Fixed Rate of Interest	Annual Interest Cost
\$3 million	10/05/2019	15/04/2029	3.12%	\$94k
\$5 million	08/02/2022	14/04/2033	3.68%	\$184k
\$11 million	14/04/2022	15/04/2027	4.17%	\$459k
\$5 million	27/04/2023	15/05/2028	5.10%	\$255k
\$7 million	12/06/2023	15/05/2028	5.30%	\$371k
\$31 million				\$1.362m

This \$31m of debt has a weighted average cost of funds of 4.4% (which is below current borrowing rates).

- 3.2 This report assumes a further \$15 million will be borrowed before the end of the financial year, at 5.5%, resulting in the 2023/24 interest cost being around \$100k higher than the \$1.36 million highlighted above (ie notional annual interest cost of \$1.5m).
- 3.3 Council's 2023/24 Annual Plan has budgeted debt at 30 June 2024 of \$53m. The assumed increase to Council's debt noted in S3.2 will result in a 30 June 2024 debt figure of \$46m.

Interest Income

- 3.4 Council's 2023/24 budget for Interest Income was conservatively set at \$265k (2022/23 Actual amount was \$390k). At the end of February 2024 the year-to-date figure was \$397k. For the purposes of the analysis contained in this report, a conservative full year Interest Income figure of \$500k has been used.

- 3.5 Net Interest/Total Revenue must **not exceed 20%**

• Interest Expense (see above)	\$1.5m
• Interest Income (see above)	\$0.5m
• Net Interest	\$1.0m
• Total Revenue	\$50m
Net Interest/Total Revenue	2%

- 3.6 Net Interest/Annual Rates Revenue must **not exceed 25%**

• Net Interest (from S3.3)	\$1.0m
• Rates Revenue full year budget	\$29.5m
Net Interest/Annual Rates Revenue	3%

- 3.7 Net Debt/Total Revenue must **not exceed 175%**

• Debt	\$46.0m
• Bank/Deposits (30 June budget)	\$10.7m
• Net Debt	\$35.3m
• Total Revenue	\$50m
Net Debt/Total Revenue	70%

- 3.8 External Debt plus Committed Facilities plus Liquid Investments (Available Finance) divided by External Debt must be **greater than 110%**

• External Debt	\$46.0m
• Bank/Deposits	\$10.7m
• Available Finance	\$56.7m
Available Finance divided by External Debt	123%

4. Commentary – Current Position

- 4.1 The above analysis shows that Council is expected to be comfortably within its borrowing covenants at 30 June 2024.
- 4.2 Officers are proposing a Debt Ceiling in its next LTP that is based on the 4 borrowing covenants, stipulating the ‘internally imposed’ debt ceiling’ is at least \$5m lower than the figure provided by the covenants. This is intended to provide Council with a ‘buffer’ for unforeseen events.

Recommendation

That the report ‘Treasury Reporting’ be received.

9.5 Risk and Assurance Committee Work Programme**Author:** Dave Tombs, Group Manager - Corporate Services**Authoriser:** Dave Tombs, Group Manager - Corporate Services**1. Reason for Report**

- 1.1 To provide, for reference, the Committee with the current Risk and Assurance Committee Work Programme.
- 1.2 The current Work Programme was reviewed at a previous Committee meeting and is intended to be presented at each subsequent Committee meeting to provide members with an opportunity to review/amend the proposed Work Programme in light of potential recent/current factors.

2. Discussion

- 2.1 This Programme has been drafted on the assumption that the Risk and Assurance Committee will hold quarterly meetings in March, June, September and December each year (with additional meetings scheduled as required).
- 2.2 Current Risk and Assurance Committee Work Programme (June 2023 note: Council's Revenue and Finance Policy has been added to the *Policies* subsection as per below):

Item	Audit and Risk Committee Meeting
Governance	
Risk and Assurance Committee Terms of Reference	March 2021; at least once every 3 years
Latest Management Accounts - Overview	Each meeting
Latest Health and Safety reporting	Each meeting
Compliance with Treasury Management Policy	Each meeting
Fraud Reporting	Each meeting
Protected Disclosure Reporting	Each meeting
Outstanding AuditNZ management letter points	Each meeting
Insurance Update	Each meeting
Current Areas of Concern	Each meeting – see below.
Internal Audit	

Outstanding internal audit recommendations	Each meeting (none currently exist)
Annual Internal Audit workplan	Discuss March, confirm June each year (this was discussed at November 2022 meeting)
Internal Audit Workplan Updates	Each meeting
Statutory Policies etc	
Revenue and Finance Policy	Every 3 years (March preceding new LTP) Next Review : By March 2024
Rates Postponement Policy	Required by S102 LGA; S110 LGA requires Policy to be reviewed every 6 years. Next Review : By June 2026.
Rate Remission Policy	Required by S102 LGA; S109 LGA requires Policy to be reviewed every 6 years. Next Review : by May 2027 (is currently being reviewed as is effectively reviewed every LTP)
Rates Remission for Maori Freehold Land Policy	Required by S102 & S108 LGA: Next Review : By 2028.
Significance and Engagement Policy	Required by S76 LGA; Next Review : 2024 (LTP)
Treasury Management Policy	Adopted by Council September 2023 Next Review : September 2026
Accounting Policies	Annually as part of annual financial statements preparation
Finance and Infrastructure Policy	Every three years (part of LTP)
Protected Disclosure “Whistle Blower” Policy	Required by Protected Disclosures Act Review every two years Next review by September 2024
Privacy Policy	Required by Privacy Act Review every 2 years Next review February 2025
Delegations Register	Last updated January 2018: review currently being finalised.
Policy on Development Contributions	Required by S102 LGA; S106 LGA requires Policy to be reviewed every 3 years. Current version adopted 9 June 2021. Next Review: June 2024
Other Policies etc	Not specifically required by statute but considered ‘critical’
Gifts and Hospitality Policy	Review every 2 years: last reviewed September 2022 Next Review : By September 2024
Sensitive Expenditure Policy	Review every 2 years: reviewed October 2023 Next Review : By October 2025
Fraud, Bribery and Corruption Policy	Review every 2 years: reviewed June 2023 Next Review : By June 2025

ITEM 9.5

Procurement Policy	Draft update currently being finalised. Then review every 3 years.
Staff Standards of Integrity and Conduct	Review every 2 years: Next review September 2025
Health, Safety and Wellbeing Policy	Review every 2 years Next September 2025
Risk	
Risk Management Policy	Review every 3 years – next review 2025
Strategic Risk Register	Reviewed in full during 2022; currently subject to a 'rolling review'

Current Policy Reviews

- 2.3 In accordance with the Table in S2.2, the Committee's current Terms of Reference are due for review and have been attached.
- 2.4 As part of Council's Long Term Plan preparations, the following Policies have been reviewed, updated as necessary and are currently subject to public consultation:
- 2.4.1 Revenue and Finance Policy
- 2.4.2 Rates Remission Policy
- 2.4.3 Significance and Engagement Policy
- 2.4.4 Policy on Development Contributions.

Current Areas of Concern

- 2.5 The proposed Three Waters reforms have created a significant level of uncertainty around many aspects of Council's operations. The impact of these reforms continues to be carefully monitored and assessed at all senior levels of Councils. The potential financial impacts of these reforms continue to be reported to Finance/Performance Committee and Risk/Assurance Committee as they become clearer.
- 2.6 Officers have included current known Areas of Concern within reports submitted to this meeting but welcome discussion regarding any other topics that the Committee would like included.

Attachments

- 1. Committee Terms of Reference - 2021** [↓](#)

Recommendation

That the report 'Risk and Assurance Committee Work Programme' be received.

Rangitikei District Council

Audit/Risk Committee	
Chair	Craig O'Connell (Independent Member)
Purpose	To ensure probity in the management of Council's operations and its assets and a close regard for minimising risk
Outcomes <i>The Council and the community are confident that.....</i>	<ul style="list-style-type: none"> • the Council's financial operations and the delivery of Council services – <ul style="list-style-type: none"> (i) comply with all relevant legislation, regulations and standards; and (ii) comply with Council's own policy. • the relationship with Council's auditors and other external agencies undertaking monitoring of Council's performance is meaningful and open • the risks to Council's effective management and its reputation are well understood and addressed.
Terms of reference	<ol style="list-style-type: none"> 1. Review of financial and non-financial reporting, including <ul style="list-style-type: none"> • appropriateness of accounting policies ; • financial and infrastructure strategies ; • oversight of periodic valuation of Council's assets; and • oversight of treasury function. 2. Risk management and system of internal controls, including <ul style="list-style-type: none"> • setting the Council's appetite for risk; • understanding the key risk areas including likelihood and consequences; • evaluating the effectiveness of internal controls; and • assessing fraud risk and procurement risk; • reviewing how risk has been considered in <ul style="list-style-type: none"> ○ the processes used to determine whether or not to enter into, continue or withdraw from shared services with one or more councils¹ and ○ the Council's business case methodology and the instances where it is applied • reviewing assurance reports from management on regulatory compliance, business resilience and other contentious matters including (for example); <ul style="list-style-type: none"> • periodic audits conducted by the New Zealand Transport Agency; • assessment reports on Council's role as a Building Consent Authority; • reporting to external agencies required by statutory instruments²; • undertakings made in response to the exercise of any Ministerial assistance or intervention³;

¹ This process *may* include reviews under section 17A of the Local Government Act 2002.

² For example, reporting to the Ministry for the Environment under the National Monitoring System or to Archives New Zealand under the Public Records Act.

³ Part 10, Local Government Act 2002.

Rangitikei District Council

	<ul style="list-style-type: none"> • project management; • joint venture proposals; • hazard management; and • corporate policies addressing unethical, questionable or illegal activities. <ol style="list-style-type: none"> 3. External audit, including <ul style="list-style-type: none"> • understanding the scope of agreements made with Council; • reviewing of management reports provided by Council’s auditors; • reviewing progress with Audit recommendations; and • being a sounding board for issue arising between Council management and external auditors. 4. Internal audit, including <ul style="list-style-type: none"> • contributing to appointment of internal auditor(s); • determining and monitoring the internal audit programme; • undertaking more intensive reviews of significant risks where the Committee considers further scrutiny is required 5. Review of the terms of reference at least once every three years.
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Revised March 2021

9.6 Insurance Update

Author: Dave Tombs, Group Manager - Corporate Services

Authoriser: Dave Tombs, Group Manager - Corporate Services

1. Reason for Report

- 1.1 To provide the Risk and Assurance Committee with an update on current Insurance related matters.

2. Insurance Claims

- 2.1 Council has had the following Insurance Claims approved this financial year (vehicle excess is \$500):
 - 2.1.1 Theft of motorbike used for off road purposes by a rural water scheme (\$3.5k received)
 - 2.1.2 Minor damage to motor vehicle in single vehicle accident whilst parking - no personal injury involved.
 - 2.1.3 Minor damage to motor vehicle in a single vehicle accident – no personal injury involved

3. Insurance Coverage

- 3.1 As previously noted, Officers considered extending its Infrastructure Coverage to be part of a higher pooled layer (current pooled limit is \$300m; LASS councils considering whether to opt into an increased layer of \$200m – ie providing a combined coverage of \$500m).
- 3.2 Officers decided against participating in the higher pooled layer, and noted that this position can be reconsidered in future.

Recommendation

That the report 'Insurance Update' be received.

ITEM 9.7

9.7 Summary of Management Accounts

Author: Dave Tombs, Group Manager - Corporate Services

Authoriser: Dave Tombs, Group Manager - Corporate Services

1. Reason for Report

1.1 To provide the Risk and Assurance Committee (‘the Committee’) with a Summary of the key aspects of Council’s detailed monthly Financial Snapshot.

2. Context and Discussion

2.1 A detailed Financial Snapshot is presented, and reviewed, at each Finance/Performance Committee meeting.

2.2 Detailed Capital Expenditure reports (for Key Projects, Roading and Water) are presented, and reviewed, at each Assets/Infrastructure Committee meeting.

2.3 A detailed Key Projects report (that includes Budgets and Expenditure levels) is presented, and reviewed, at each Council meeting.

2.4 In 2023 the Risk and Assurance Committee requested a six monthly summary of main budget variances and risks be provided at their March and September meetings.

2.5 The following summary is provided in response to the Committee’s request and, being the first time this format has been used, Officers welcome feedback regarding the content/format provided below (the following figures are draft figures as at the end of February and may differ slightly to the figures once finalised).

2.6 The apparent key risks identified from the following summary are:

2.6.1 Impact of non-completion of Capital Program (regularly discussed at Council and Committee meetings)

2.6.2 Potential delay in completing Better Off Funding projects (related projects are now beginning to commence: Officers are comfortable with timeframes)

2.6.3 Apparent ‘delay’ (as indicated by year-to-date Budget Variation) in completion of Emergency Works Program – contractor has advised that they expect all budgets to be spent by 30 June 2024.

2.7 Longer term, the key financial risks for Council are, like most councils, its ability to deliver its capital program as scheduled (market constraints, time delays with certain external consenting approvals, future cost increases etc), uncertainty associated with the Three/Affordable Waters (and other change instigated by central government), the realisation that future rate increases may have to be larger than previous increases, the potential impact of future weather/climatic events and potential consequences that may arise should Council accept a greater level of self-insurance.

	YTD Actual \$m	YTD Budget \$m
INCOME		

Rates	21.8	21.8	
Subsidies & Grants	9.7	11.5	\$2.8m Better Off Funding budgeted – funds not received until related expenditure is incurred (\$2.4m is capital) \$0.75m Rail Hub Grant received but, due to the uncertainty of the timing of this, was not included in the year’s budget
Other Revenue	3.1	3.6	Mainly below-budget Consent Fees (offset largely be lower related costs) and Waste Transfer fees
TOTAL INCOME	34.7	36.9	
EXPENDITURE			
Operating Expenses	16.0	18.9	\$1.9m due to reporting differences associated with the Emergency Works programs/budgets (expected to be \$nil at year end) >\$200k budget savings from reduced Consent activity >\$200k due to delay in spending Better Off grant initiatives \$180k due to timing differences associated with audit fees/budgets \$90k of IT contractor budget not used: offset by Personnel Cost costs
Personnel Costs	5.4	5.4	>\$100k budget savings from reduced Consent activity \$90k overrun in IT offset by reduced contractor spend
Depreciation	12.0	11.5	Depreciation will exceed budget due to recent revaluations. Corrected in LTP 2024.
Other	0.9	1.1	
TOTAL EXPENSES	34.4	36.9	
CAP EXPENDITURE	10.7	19.8	Reported and reviewed as per S2 above

Recommendation

That the report ‘Summary of Management Accounts’ be received.

9.8 Internal Audit Programme**Author:** Dave Tombs, Group Manager - Corporate Services**Authoriser:** Dave Tombs, Group Manager - Corporate Services**1. Reason for Report**

1.1 To provide the Committee with an update on Council's Internal Audit Programme.

2. Context

2.1 In March 2021 Officers drafted a formal five-year Internal Audit Programme and now provides a 'progress update' to each Risk and Assurance Committee meeting.

2.2 Since its introduction, it has become apparent that competing work demands, covid disruptions and resource constraints can cause delays in the intended timeframes for completing elements of this Programme.

3. Discussion

3.1 As discussed at a prior Committee meeting, Officers will continue to monitor the Internal Audit Programme, noting any reviews that are required/recommended by legislation and external agencies such as the Ombudsman Office.

3.2 As requested at the June 2023 Risk and Assurance committee meeting, Officers have 'linked' Council's Strategic Risks to this Work Program as per the attached.

4. Year to Date progress

4.1 Safeplus review has been completed, as reported in the Health, Safety & Wellbeing Update to this Committee.

4.2 Cyber Security/IT Recovery Plans: scheduled for May 2024

4.3 Business Continuity Plan: review in progress.

4.4 Indirect tax evaluation : Senior Finance staff attended a formal local government Indirect Tax Workshop hosted by a 'top six' firm in November 2023. This workshop covered the key local government-specific tax matters relating to tax compliance, PAYE, GST, Income Tax and FBT that officers are now reviewing.

4.5 Statement of Service Performance: staff have made significant improvements in the process and controls involved with the SSP reporting and management.

4.6 Consenting Applications review has been completed – no significant findings.

4.7 Insurance Management: senior officers and selected Councillors reviewed Council's insurance arrangements in a series of workshops.

4.8 Digital Transformation: Digital Transformation Strategy commenced, scheduled to be finalised in 2024.

4.9 Community Wellbeing: scheduled for April to June 2024.

5. Future Considerations

5.1 Officers invite discussion around the following item that is scheduled for review in 2023/24:

5.1.1 Elected Member Effectiveness

5.2 As noted in the Risk and Assurance Committee Work Programme, the Internal Audit Workplan is scheduled for Discussion in March each year, with a view to being confirmed at each June Committee meeting.

6. Association With Strategic Risks

6.1 As the previous Risk/Assurance Committee meeting Officers were asked to provide a summary of the link between the various Internal Audit reviews and Council's Strategic Risk Register.

6.2 The initial draft version of this summary is attached to this report (the various Internal Audits are listed down the left hand side, with the 12 Strategic Risks listed across the top of the grid. Any 'link' between the two is highlighted. A description of the 12 Strategic Risks is provided on page 2 of the attachment.)

Attachments

1. **Internal Audit Program** [↓](#)
2. **Internal Audit and Strategic Risks** [↓](#)

Recommendation 1

That the report 'Internal Audit Programme' be received.

Rangitikei District Council
Internal Audit Program (subject to ongoing review)

	21/22	22/23	23/24	24/25	25/26
Known/arising material risks	A/B ✓	A/B ✓	A/B	A/B	A/B
Health and Safety (Safeplus)	A ✓		A✓		A
Fleet management Services	A ✓			B	
Community Engagement (note 1)	A ✓			A	
Ethics (2)	<i>A partially done</i>			A	
Legislative Compliance (3)	<i>A not done</i>				A
Cyber Security/IT Recovery Plans	B/C ✓	A ✓	B	B	A
Business Continuity Plan (4)	B/C ✓		B		
Indirect tax evaluation	C ✓		C ✓		B
Antifraud Assessment (5)		A *		C	C
Cash handling controls/processes		A/B *		B	
Statement of Service Performance (6)		A/B ✓	C✓	C	C
Consenting Applications (6)	B ✓	A/B✓	B✓	A	B
Peer review/Councilmark	A ✓			A °	
Procurement and Contract Management				A	
Elected Member effectiveness (8)			A		
Insurance Management			A/B✓		
Risk Management Framework					A/B
Digital Transformation (9)			A/B		
Community Wellbeing (10)			A/B		
Accounts Payable				A	
Treasury Management				A	
Complaints Handling				A/B	
Capital Program (11)				A/B	
Onboarding/off boarding of staff (12)					A

* subject to resources/market availability

Key:

- A formal, externally review
- B structured internal review
- C overview

Notes

1. Includes working with Iwi/other partnerships; improvements to our ongoing communication with the community
2. Evaluation of our ethics related objectives/procedures/activities etc
3. Include compliance with payroll legislation (holiday pay etc)
4. In the event of major flood/quake
5. Fuel card, credit card, sensitive expenditure, false invoices, false time sheets/overtime
6. Improvements identified?? Barriers to success??
7. Other governance arrangements
8. Year 2 of election cycle
9. Existing and future 'ways of working'
10. Homelessness, health/leisure facilities, community support
11. Including Project Management, works order management, department set up
12. including new/old staff 'getting' on/off of payroll

ITEM 9.8 ATTACHMENT 2

Association with Strategic Risks

	Strategic Risk (see following Key)											
	1	2	3	4	5	6	7	8	9	10	11	12
Internal Review Topic:	KR	KR	SG	CG	AF	DT	JC	CG	KR	SG	CG	AB
Known/arising material risks												
Health and Safety (Safeplus)												
Fleet Management Services												
Community Engagement												
Ethics												
Legislative Compliance												
Cyber Security/IT Recovery Plans												
Business Continuity Plan												
Indirect tax evaluation												
Antifraud Assessment												
Cash handling controls/processes												
Statement of Service Performance												
Consenting Applications												
Peer review/Councilmark												
Procurement and Contract Management												
Elected Member effectiveness												
Insurance Management												
Risk Management Framework												
Digital Transformation												
Community Wellbeing												
Accounts Payable												
Treasury Management												
Complaints Handling												
Capital Program												
Onboarding/off boarding of staff												

Association with Strategic Risks

Ref	Strategic Risk
1	Failure to honour the commitments of Te Tiriti o Waitangi
2	Trust and confidence is tarnished
3	Insufficient capability and capacity to fulfil agreed commitments
4	Legal and political environment requires excessive resources
5	Capital programme falters
6	Financial stability is lost
7	Regulatory effectiveness is questioned
8	Climate change responsiveness is ineffective
9	Business continuity is compromised
10	Obligations with health, safety and wellbeing are not met
11	Changes to governmental legislation are transformational
12	Obligations with environmental protection are not met

9.9 2022/23 Audit NZ Management Letter**Author:** Dave Tombs, Group Manager - Corporate Services**Authoriser:** Dave Tombs, Group Manager - Corporate Services**1. Reason for Report**

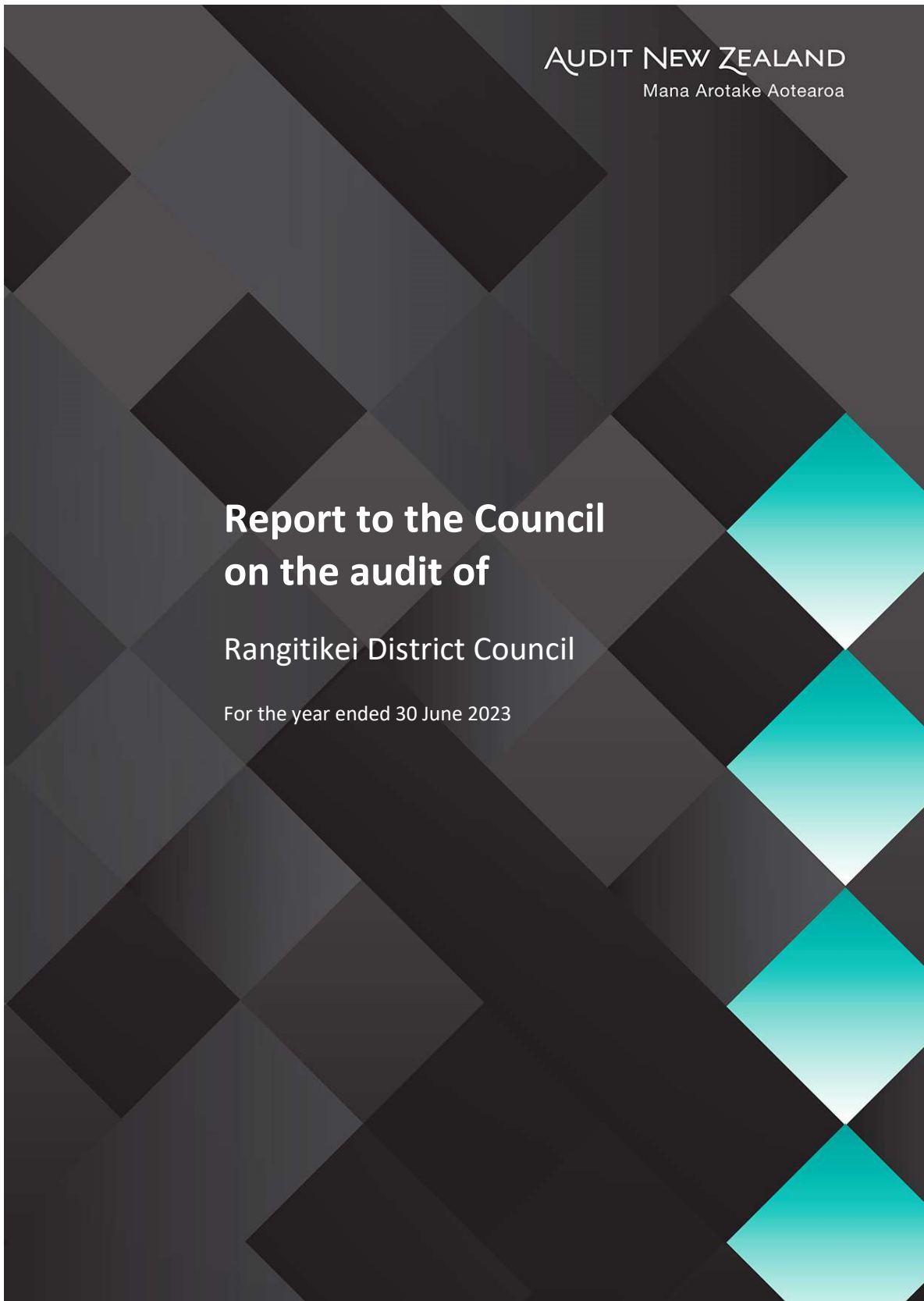
- 1.1 To provide the Risk and Assurance Committee with the Audit NZ Management Letter arising from their audit of the 2022/23 Annual Report and to enable the Management Letter to be discussed with the Auditors.
- 1.2 Officers are in the process of finalising their Comments to some of the matters raised in the Management Letter (unexpected leave has delayed this process).

Attachments

1. **Audit NZ Management Letter - June 2023** [↓](#)

Recommendation

That the report '2022/23 Audit NZ Management Letter' be received.



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Key messages

We have completed the audit for the year ended 30 June 2023. This report sets out our findings from the audit and draws attention to areas where the Rangitikei District Council (the District Council) is doing well and where we have made recommendations for improvement.

Audit opinion

We issued an unmodified audit opinion dated 30 October 2023. This means we were satisfied that the financial statements and statement of service performance present fairly the District Council's activity for the year and its financial position at the end of the year.

In common with all other Councils, the audit opinion included an "emphasis of matter" paragraph to draw the users' attention to the relevant note in the annual report that describe the impact of the Government's three water services reform programme.

Matters identified during the audit

The following key matters were considered as part of the audit.

- **New accounting standard – First-time adoption of PBE FRS 48 Service Performance Reporting** – From our review of the disclosures against the requirements of the reporting standard we were satisfied that service performance reporting met the requirements of the standard.
- **Drinking water performance measures** - We were satisfied that the District Council has accurately reported on its compliance with the DWS and the DWQAR in the annual report.
- **Valuation of operational/restricted land and buildings** – We identified the valuation did not take into account earthquake prone buildings. The amount was deemed as not material and has resulted in an uncorrected misstatement. We are satisfied that the valuation of these assets and related disclosures in the financial statements are appropriate.
- **Fair value assessment of infrastructural assets: Three waters and roading** – We reviewed the independent valuer's report and assessment which management have accepted, and were satisfied that the carrying value of these assets materially reflects the fair value of assets at 30 June 2023.
- **New accounting standard – First-time adoption of PBE IPSAS 41 Financial Instruments** – We worked with the District Council to ensure the requirements of the standard were met.
- **The risk of management override of internal controls** – We did not identify any issues indicating management override of internal controls.

Thank you

We would like to thank the Council, management, and staff for the assistance received during the audit.

Chris Webby
Appointed Auditor
Draft - 15 December 2023

1 Recommendations



Our recommendations for improvement and their priority are based on our assessment of how far short current practice is from a standard that is appropriate for the size, nature, and complexity of your business. We use the following priority ratings for our recommended improvements.

Priority	Explanation
Urgent	Needs to be addressed <i>urgently</i> These recommendations relate to a significant deficiency that exposes the District Council to significant risk or for any other reason need to be addressed without delay.
Necessary	Address at the earliest reasonable opportunity, <i>generally within six months</i> These recommendations relate to deficiencies that need to be addressed to meet expected standards of best practice. These include any control weakness that could undermine the system of internal control.
Beneficial	Address, <i>generally within six to 12 months</i> These recommendations relate to areas where the District Council is falling short of best practice. In our view it is beneficial for management to address these, provided the benefits outweigh the costs.

1.1 New recommendations

The following table summarises our recommendations and their priority.

Recommendation	Reference	Priority
Earthquake prone buildings (valuation) Costs to repair earthquake prone buildings are considered as part of the valuation or impairment assessment.	3	Necessary
Marton Rail hub Implement a system where costs relating to the Marton Rail Hub are appropriately assessed whether they are operational or capital expenditure.	3	Necessary

Recommendation	Reference	Priority
Fixed Asset Register (FAR) issues Implement a process to clean up the FAR to ensure that it reconciles to the general ledger. Reviews and checks in place to ensure that all asset additions, deletions, and any other adjustments relating to fixed assets are timely processed in FAR.	4.1.1	Necessary
Roothing Asset additions in Fixed Asset Register (FAR) The asset additions to be updated in FAR in a timely manner to ensure that the depreciation in the FAR is accurate, and the FAR reconciles to the general ledger.	4.1.2	Necessary
Lack of supporting documentation for asset additions Supporting documentation to be maintained for all journals.	4.1.3	Necessary
Service Performance Reporting: Classification of Request For Service (RFS) Customer service centre staff be further trained to help identify and categorise RFS into appropriate classes and implement a review process for all RFS to ensure that classification is appropriate.	4.2	Necessary
Overpayment of mileage Use the correct Local Government Members Determination for all mileage claims.	4.3	Necessary
Capital commitments schedule Prepare the capital commitments schedule prior to the start of the audit which captures all capital commitments along with the appropriate supporting documentation.	4.4	Necessary

1.2 Status of previous recommendations

Set out below is a summary of the action taken against previous recommendations. Appendix 1 sets out the status of previous recommendations in detail.

Priority	Priority			
	Urgent	Necessary	Beneficial	Total
Open	-	12	4	16
Implemented or closed	-	6	1	7
Total	-	18	5	23

2 Our audit report

2.1 We issued a modified audit report



We issued an unmodified audit opinion dated 30 October 2023. This means we were satisfied that the financial statements and statement of service performance present fairly the District Council’s activity for the year and its financial position at the end of the year.

In common with all other Councils, the audit opinion included an “emphasis of matter” paragraph to draw the users’ attention to the relevant note in the annual report that describe the impact of the Government’s three water services reform programme.

In forming our audit opinion, we considered the following matters. Refer to sections 3 and 4 for further detail on these matters.

2.2 Uncorrected misstatements

The financial statements are free from material misstatements, including omissions. During the audit, we have discussed with management any misstatements that we found, other than those which were clearly trivial. The misstatement that has not been corrected is set out below along with management’s reasons for not adjusting the misstatement. We are satisfied that the misstatement is immaterial.

Current year uncorrected misstatements	Reference	Assets	Liabilities	Equity	Financial performance
		Dr (Cr)	Dr (Cr)	Dr (Cr)	Dr (Cr)
Earthquake prone buildings	1	(5,034,068)	-	5,034,068	-
Digitisation project	2	(218,185)	-	-	218,185
Total		5,252,253	-	5,034,068	218,185

Explanation of uncorrected misstatements

- 1 Relates to book value of earthquake prone buildings identified by management but not considered during the valuation of Operational and Restricted Buildings.
- 2 Relates to digitisation project expenses that need to be reclassified as operational expenditure as the project does not meet the requirements to be capitalised.

2.3 Corrected misstatements

We also identified misstatements that were corrected by management. These corrected misstatements had the net effect of decreasing assets and increasing expenditure compared to the draft financial statements. The significant corrected misstatement is listed below.

Current year corrected misstatements	Reference	Assets	Liabilities	Equity	Financial performance
		Dr (Cr)	Dr (Cr)	Dr (Cr)	Dr (Cr)
Marton Rail Hub impairment	1	(1,100,000)			1,100,000
Total		(1,100,000)			1,100,000

Explanation of corrected misstatements

- 1 To impair costs associated with the Marton Rail Hub that does not meet costs that should be capitalised.

2.4 Corrected disclosure deficiencies

Detail of disclosure deficiency
<p>Statement of cash flows</p> <p>Amendments required to accurately disclose cash flows for the year.</p>
<p>Funding Impact Statements (FIS)</p> <p>Amendments required to disclose the correct figures in various parts of the different FIS's.</p>
<p>Note 6: Other expenses</p> <p>Amendments made to disclose the correct audit fees for the Financial Statement audit and fees for the Debenture Trust Deed audit.</p>
<p>Note 9: Receivables</p> <p>Amendment required to ensure the disclosure and note is in line with PBE IPSAS 41.</p>
<p>Note 11: Property, Plant and Equipment</p> <p>Amendment required to disclose the estimated replacement cost of major infrastructure assets.</p>
<p>Note 13A: Income in advance</p> <p>Amendment required to disclose the correct rates in advance amount.</p>
<p>Note 18: Reconciliation of net surplus (deficit) to net cash flow from operating activities</p> <p>Amendments required to accurately disclose the surplus and an item in movements in working capital.</p>
<p>Note 19: Capital commitments and operating leases</p> <p>Amendments required to accurately disclose capital commitments and operating leases at year end.</p>
<p>Note 20: Contingencies</p> <p>Added in contingent liability disclosure in relation to the Council being a guarantor of the New Zealand Local Government Funding Agency Limited.</p>
<p>Note 21: Related party transactions</p> <p>Amendment required to disclose the correct Key Management Personnel remuneration amount.</p>
<p>Note 22: Remuneration</p> <p>Amendments required to correctly disclose the number of full-time employees, the remuneration by bands and Community Board Members remuneration.</p>
<p>Note 25A, B and C: Financial instrument risks</p> <p>Amendments required to the Financial instruments disclosure to ensure compliance with PBE IPSAS 41.</p>

Detail of disclosure deficiency
<p>Note 27: Explanation of major variances against budget</p> <p>Amendments required to accurately disclose variances following amendments to amounts in the financial statements. We have discussed with management about improving these explanations going forward.</p>
<p>Benchmarks disclosure statement</p> <p>Amendments required to correctly disclose benchmark results and graphs for benchmarks.</p>

2.5 Corrected performance reporting misstatements

Detail of misstatement
<p>Performance reporting and financial statements</p> <p>Amendments required to correctly disclose headings, prior year results, current year results and amounts, and disclosures to ensure compliance with PBE FRS 48.</p>
<p>Roading and footpaths</p> <ul style="list-style-type: none"> Added in the targets for road safety of the total number of fatalities and serious injury crashes on the local road network expressed as a number in line with the Department of Internal Affairs (DIA) mandatory performance measure requirements. Amendment required to accurately disclose the road condition measure result.
<p>Water supply</p> <ul style="list-style-type: none"> Amendment required to accurately disclose the number of water supplies that are compliant with both the standards DWSNZ (2018) and DWQAR. Amendment required to accurately disclose the number of complaints for the customer satisfaction measure.
<p>Sewerage and the Treatment and Disposal of Sewage</p> <ul style="list-style-type: none"> Amendment required to accurately disclose the number of complaints for the customer satisfaction measure.
<p>Stormwater drainage</p> <ul style="list-style-type: none"> Amendment required to accurately disclose the number of complaints for the customer satisfaction measure.

2.6 Quality and timeliness of information provided for audit



Management needs to provide information for audit relating to the annual report of the District Council. This includes the draft annual report with supporting working papers. We provided a listing of information we required to management. This included the dates we required the information to be provided to us.

The first draft annual report we received was not up to the standard expected with certain items being incomplete. The poor quality and incomplete nature of the draft annual report significantly impacted on our ability to carry out an efficient audit. Furthermore, there had been multiple drafts which were received during the audit and issues were found in relation to the figures disclosed including wrong prior year comparatives and adding mistakes. We experienced delays in the receipt of information, including information for roading additions.

It is encouraging that there were some improvements from last year but we do note that further improvements are needed to limit the audit time required and potential cost recoveries sort.

Management comment

Officers acknowledge that some parts of the Annual Report were not complete at the time of the audit. The vast majority of the figures that were update during the audit related to the supporting Notes to the financial statements – the key financial statements were largely complete at the start of the audit. The reference above to multiple drafts was in part due to us receiving conflicting (and sometimes incorrect) advice from different auditors. This required us to reconcile these differences and re-submit amended figures – which resulted in an unnecessary increase in the number of drafts.

3 Matters raised in the Audit Plan



In our Audit Plan we identified the following matters as the main audit risks and issues:

Audit risk/issue	Our audit response
Fair value assessment of property, plant and equipment (non-revaluation year)	
<p>For those assets that the District Council is not planning to revalue, the District Council should perform a fair value movement assessment (assessment) to determine whether there is a significant difference between the fair value and the carrying value. Where the estimated difference is significant a revaluation may be necessary.</p> <p>An assessment should:</p> <ul style="list-style-type: none"> factor in local cost information; utilise relevant and reliable price movement indicators; and involve consulting with valuers, if necessary. <p>Alternatively the District Council could engage valuers to assist in preparing a fair value assessment.</p>	<p>Infrastructure assets were revalued at 30 June 2022 by an independent valuer. The District Council engaged WSP to complete a fair value assessment to assist management with its assessment.</p> <p>The fair value assessment showed an indicative movement, which we agreed was immaterial hence an off cycle revaluation was not required to be performed for the year ended 30 June 2023 for three waters and roading asset classes.</p> <p>We have reviewed the valuer’s report, met with the valuers, and assessed the results of their assessment and we are satisfied that the fair value assessment complies with the requirements of PBE IPSAS 17 – <i>Property, plant, and equipment</i>.</p> <p>Conclusion</p> <p>We are satisfied that the carrying value of these assets materially reflects the fair value of infrastructural assets at 30 June 2023.</p>
Valuation of operational and restricted property, plant and equipment held at fair value	
<p>The District Council revalues its operational and restricted assets held at fair value whenever there is expected to be a material movement in the fair value of these assets.</p> <p>The last revaluation was performed on 01 July 2019. Because of the recent inflationary environment most councils have been revaluing more frequently.</p> <p>The accuracy of the valuation depends on the valuation method applied, the completeness and accuracy of the source data and the appropriateness of underlying assumptions. The valuation should</p>	<p>We have:</p> <ul style="list-style-type: none"> reviewed the valuation report to assess the competence and experience of the person completing the valuation and whether the requirements of PBE IPAS 17 Property, Plant and Equipment (including the appropriateness of the valuation basis) have been met; audited the method of valuing the assets and assess if the valuation method used is in line with the financial reporting framework;

Audit risk/issue	Our audit response
<p>take into account earthquake strengthening on Council’s buildings that are under code.</p>	<ul style="list-style-type: none"> • reviewed the reasonableness of the data and key assumptions used; • reviewed and identified the valuation did not consider the earthquake strengthening on the District Council’s buildings. This has resulted in the valuation being overstated which has been assessed as not material (uncorrected misstatement as per 2.2); and • assessed the presentation and disclosure of information related to the valuation in the financial statements. <p>We recommend costs to repair earthquake prone buildings are considered as part of the valuation or impairment assessment.</p> <p>Management comment</p> <p>Conclusion</p> <p>We are satisfied the operational and restricted assets are fairly stated.</p>
<p>Impairment of Property plant and equipment</p>	
<p>In accordance with PBE IPSAS 21, <i>Impairment of Non-Cash-Generating Assets</i> and PBE IPSAS 26 <i>Impairment of Cash-Generating Assets</i>, at each reporting date management must assess whether there is any indication that an asset may be impaired. If management identifies any indication of an impairment, then they must estimate the recoverable service amount of the asset.</p> <p>Due to the judgemental nature of the valuations used in assessing impairment there is a risk of bias or error in the assumptions and inputs used. Any bias or errors in the inputs used or calculations performed could result in a material misstatement in the carrying value of property plant and equipment and the related impairment expense.</p>	<p>We have</p> <ul style="list-style-type: none"> • reviewed the impairment assessment; • evaluated the reasonableness of the significant assumptions; • evaluated how management has addressed estimation uncertainty; and • reperformed calculations made by management. <p>As noted in the valuation of buildings, it was noted no impairment was made to earthquake prone buildings. This has resulted in an uncorrected misstatement which has been assessed as not material.</p> <p>Conclusion</p> <p>Assessed property, plant and equipment is materially stated.</p>

Audit risk/issue	Our audit response
Three waters reform	
<p>The Three waters reform programme (the Reform) is expected to result in significant structural changes to the management, funding and ownership of water supply, wastewater, and stormwater assets in the local government sector.</p> <p>The Government has recently announced a number of changes to the reform. On 13 April 2023, the Government outlined changes to the number of water services entities and a staggering of their establishment dates starting from early 2025, with all the water services entities to be established by 1 July 2026. The timing of the transfer of assets and liabilities is therefore uncertain until amendments to existing legislation are passed.</p> <p>The Bill to enable the transfer of three waters related assets and liabilities to the water services entities is currently with the select committee and will need to be passed to enable water assets to transfer to the related water entity.</p> <p>The timing of the legislation through Parliament will impact the 30 June 2023 annual report. If the legislation has not passed before 30 June an updated disclosure may still be appropriate. If the legislation is passed before 30 June, there will likely be some additional accounting and disclosure requirements.</p> <p>The District Council should ensure that sufficient disclosure about impact of the reform (to the extent that the impact is known) is included in the annual report.</p>	<p>We reviewed the District Council’s disclosures to ensure they accurately reflect the significance and uncertainty of the reforms on the District Council.</p> <p>Conclusion</p> <p>We are satisfied that the District Council made accurate disclosures.</p> <p>Because the impact could be significant, but is uncertain, we included information in our audit report to draw a reader’s attention to the District Council’s disclosure about the reform</p>

Audit risk/issue	Our audit response
Drinking water quality performance measures	
<p>Providing safe drinking water is a core function of the District Council and reporting how the District Council has performed in respect of this function in the annual report is important performance information.</p> <p>The regulatory regime in place over the safety of drinking water has transitioned in the current year from the Drinking Water Quality Standards (DWS) to the new Drinking Water Quality Assurance Rules (DWQARs) which came into effect on 14 November 2022.</p> <p>Performance measures about compliance with the DWS are currently mandated by the Department of Internal Affairs who have issued mandatory performance measures that are required to be reported against in the District Council's annual report.</p> <p>There are currently no similar performance measures with respect to the new DWQARs. Despite this it is important that the Council includes appropriate performance information about their compliance with the new DWQARs. This performance information will be subject to audit and therefore it is important that Council is able to support the performance results that they report.</p>	<p>The District Council maintained their testing regimes in accordance with the appropriate standards. They engaged an expert (Wai Comply) to confirm processes and results against the drinking water standards. The expert examined the District Councils processes and confirmed to us what standards had been met. We assessed the expert's work and were satisfied that the work of the expert, Wai Comply, is suitable to use as audit evidence.</p> <p>Conclusion</p> <p>We were satisfied that the District Council has accurately reported on its compliance with the DWS and the DWQAR in the annual report.</p>
The risk of management override of internal controls	
<p>There is an inherent risk in every organisation of fraud resulting from management override of internal controls.</p> <p>Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>Auditing standards require us to treat this as a risk on every audit.</p>	<p>Our audit response to this risk included:</p> <ul style="list-style-type: none"> • testing the appropriateness of selected journal entries; • reviewing accounting estimates for indications of bias; and • evaluating any unusual or one-off transactions, including those with related parties. <p>Conclusion</p> <p>From our testing we did not identify any issues that indicated management override.</p>

Audit risk/issue	Our audit response
New accounting standard - First-time adoption of PBE IPSAS 41 <i>Financial Instruments</i>	
<p>PBE IPSAS 41: <i>Financial Instruments</i> is effective for periods beginning on, or after 1 January 2022. Earlier application was permitted however the District Council did not early adopt the standard.</p> <p>The standard introduces new and amended classification, measurement, impairment and hedging requirements and disclosure for financial assets and financial liabilities. This standard replaces both PBE IPSAS 29 and PBE IFRS 9.</p> <p>PBE IPSAS 41 is based on PBE IFRS 9 and has been amended to include additional PBE guidance relevant to the New Zealand context.</p>	<p>We assessed the Council’s compliance with the Standard.</p> <p>Our main feedback was in relation to the need to comply with the new financial assets and liability disclosures.</p> <p>We worked with the District Council to ensure the disclosures required by the Standard were made in the financial statements.</p> <p>Conclusion</p> <p>We are satisfied that the disclosures in the annual report comply with PBE IPSAS 41 <i>Financial Instruments</i>.</p>
New accounting standard - Adoption of PBE FRS 48 <i>Service Performance Reporting</i>	
<p>PBE FRS 48 <i>Service Performance Reporting</i> replaced that part of PBE IPSAS 1 <i>Presentation of Financial Statements</i> that deals with service performance reporting requirements and is effective for annual reporting periods beginning on or after 1 January 2022, that is, for the Council, it is for the year ending 30 June 2023.</p> <p>The objective of the standard is “to establish principles and requirements for an entity to present service performance information that is useful for accountability and decision-making purposes in a general-purpose financial report”. PBE FRS-48 requires an appropriate and meaningful mix of performance measures and/or descriptions, including, where appropriate, measures of both the goods and services provided and of what has been achieved in the Council’s areas of responsibility.</p> <p>In addition, PBE FRS 48 imposes additional disclosure obligations on entities. For example, paragraph 44 requires an entity to “disclose those judgements that have the most significant effect on the selection, measurement, aggregation and presentation of service performance information reported in accordance with this Standard that are relevant to an understanding of the entity’s service performance information”. Further if the district Council changes what it reports as service performance information compared to the previous</p>	<p>The reporting standard establishes generally accepted accounting practice and requirements for reporting on service performance.</p> <p>In addition to the requirement to provide contextual information on why the District Council exists, what it intends to achieve, and what was done during the reporting period towards its broader aims and objectives, it also requires disclosure of significant assumptions and judgements for the selection, measurement, aggregation, and presentation of the service performance information.</p> <p>We reviewed the District Council’s initial disclosures against the requirements of the reporting standard. The initial disclosures did not comply with the requirements of the reporting standard. We worked with the District Council to ensure disclosures required by the Standard were met at a minimal.</p> <p>We recommend going forward that the District Council continue to improve in this area.</p> <p>Conclusion</p> <p>We are satisfied that the disclosures in the annual report comply with PBE FRS 48 <i>Service Performance Reporting</i>.</p>

Audit risk/issue	Our audit response
<p>year, then PBE FRS 48 requires the district Council to explain the nature of the changes and their effect.</p>	
<p>Rail Hub</p>	
<p>On 27 April, the Environment Court dismissed an appeal against the District Council around a proposed change to the District Plan. This change would see around 65 hectares of land on the southern boundary of Marton rezoned from Rural to Industrial, allowing the Marton Rail Hub project to progress. We are aware the District Council legal team is currently reviewing the decision to understand what this means.</p> <p>This is a significant project for the District Council which is currently supported by a \$9.1 million Government investment administered by the Provincial Development Unit (PDU). The District Council needs to ensure the grants are properly accounting for and fairly reflected in the financial statements.</p> <p>The District Council have already incurred costs which are currently being accounted for as work-in-progress. The District Council needs to ensure all costs within the work-in-progress is appropriate and any costs that are not should be expensed.</p>	<p>We:</p> <ul style="list-style-type: none"> • reviewed the Council’s response to the court decision and the impact on the fair presentation of financial statements and impact on the audit. • confirmed with the District Council’s legal team to confirm the status of the matter and see whether there are any further appeals to the court decision; • reviewed no grants were recognised which was in line with the obligations of the contract and accounting standards. • reviewed the costs capitalised and managements impairment assessment completed over the Rail Hub work-in-progress. Management reviewed the costs and expensed relevant costs. • assessed the presentation and disclosure of information related to the Rail Hub (assets, any contingencies, etc) in the financial statements. <p>No formal assessment of the costs was initially completed. Management then reviewed the costs and expensed costs that did not meet the requirements to be capitalised. We reviewed this assessment from management and gained comfort that the costs capitalised are materially correct.</p> <p>We recommend management have a system in place where costs relating to the Marton Rail Hub are appropriately assessed whether they are operational or capital expenditure.</p> <p>Management comment</p> <p>Conclusion</p> <p>Gained assurance capitalised costs are materially correct.</p>

4 Other audit findings



Other matters identified during our audit are detailed below.

4.1 Property, plant and equipment

4.1.1 Fixed Asset Register (FAR) issues

The FAR does not currently reconcile to the general ledger (GL).

We have noted the following issues leading to the discrepancies between FAR and the GL:

1. Roading additions for the year and the related depreciation not captured in the FAR (refer to 4.1.2).
2. Building additions for \$182,000 not processed in the FAR.
3. The reversal of accumulated depreciation on Restricted Buildings revaluation not processed in the FAR.
4. The FAR does not split the revaluation surplus and reversal of accumulated depreciation on revaluation. It is shown as a combined figure for assets revalued.

Maintaining an up to date FAR is essential for the District Council as it helps keep track of their assets, ensure compliance with accounting regulations, make informed decisions about asset management, plan for the future, and properly account for asset disposal.

We recommend implementing a process to clean up the FAR to ensure that it reconciles to the GL.

We recommend having reviews and checks in place to ensure that all asset additions, deletions, and any other adjustments relating to fixed assets are timely processed in the FAR.

Management comment

Being considered/reviewed by Finance Officers

4.1.2 Roading Asset Additions in Fixed Asset Register (FAR)

The Fixed Asset Register (FAR) has not been updated for the roading asset additions and depreciation for the current financial year. This has resulted in the FAR not reconciling to the general ledger.

The District Council has a service level agreement in place where the provider is meant to manage the roading assets database for the District Council. The roading asset additions data for the financial year have not been provided by the provider which has resulted in this issue.

We recommend the asset additions to be updated in the FAR in a timely manner to ensure that the depreciation in the FAR is accurate, and the FAR reconciles to the general ledger.

Management comment

Being considered/reviewed by Finance Officers

4.1.3 Lack of supporting documentation for asset additions

Our testing of asset additions identified a capitalising wages journal which did not have adequate supporting information to support the calculation.

The wages capitalised was for the Wellington Memorial Hall. Since we were not able to obtain supporting documentation for the journal, we identified all journals for capitalising wages for operational assets which totalled to \$66,000 for the financial year. The amount is below our materiality, but it is an expectation that all journals would have adequate support.

We recommend supporting documentation to be maintained for all journals.

Management comment

Being considered/reviewed by Finance Officers

4.2 Service Performance Reporting: Classification of Request For Service (RFS)

Our testing of RFS for three Waters identified complaints being incorrectly misclassified as general enquiry. A subsequent review was then performed by the District Council which identified additional complaints being misclassified as general enquiry. The report was re-run based on corrected RFS to calculate the number of customer complaints.

We recommend the customer service centre staff be further trained to help identify and categorise RFS into appropriate classes and implement a review process for all RFS to ensure that classification is appropriate.

Management comment

Council has recently implemented a knowledgebase system to better guide customer service staff in correctly and consistently classifying RFS/job types, we are also providing more support to the assigned officers regarding the reclassifying of RFS/job types where

necessary, as well as implementing a monthly report to audit and identify any RFSs/jobs that have been incorrectly classified.

4.3 Overpayment of mileage rates

When testing a sample of the mileage claims to the Local Government Members determination (determination), it was identified that incorrect reimbursement rates were being used when a travel claim was submitted for a period that was different to when the actual payment was to be made. The amount involved is not significant but it is a breach with the determination.

We recommend the correct mileage rates are used as per the determination.

Management comment

Payroll has amended its process to ensure that the reimbursement of mileage reflects the correct rate for the period that the mileage was claimed for, as per the determination, regardless of when the claim is submitted.

4.4 Capital commitments schedule

At the start of the audit there was no capital commitment schedule prepared. Also there is no formal process in place to capture all capital commitments for the District Council. Disclosing capital commitments is a requirement of the accounting standards.

Management prepared a capital commitment listing, but were unable to provide appropriate support for the capital commitments that we identified to test.

It is an expectation that the District Council would have a centralised contract register which would list all the current contracts the District Council has in place with its suppliers.

We recommend a capital commitments schedule is prepared prior to the start of the audit which captures all capital commitments along with the appropriate supporting documentation.

Management comment

Being considered/reviewed by Finance Officers

5 Public sector audit



The District Council is accountable to the local community and to the public for its use of public resources. Everyone who pays taxes or rates has a right to know that the money is being spent wisely and in the way the District Council said it would be spent.

As such, public sector audits have a broader scope than private sector audits. As part of our audit, we have considered if the District Council has fairly reflected the results of its activities in its financial statements and non-financial information.

We also consider if there is any indication of issues relevant to the audit with:

- compliance with its statutory obligations that are relevant to the annual report;
- the District Council carrying out its activities effectively and efficiently;
- waste being incurred as a result of any act or failure to act by the District Council;
- any sign or appearance of a lack of probity as a result of any act or omission, either by the District Council or by one or more of its members, office holders, or employees; and
- any sign or appearance of a lack of financial prudence as a result of any act or omission by the District Council or by one or more of its members, office holders, or employees.

We have no significant matters to bring to your attention.

6 Useful publications



Based on our knowledge of the District Council, we have included some publications that the Council and management may find useful.

Description	Where to find it
Performance reporting	
Public organisations are responsible for reporting their performance to Parliament and the public in a way that meaningfully reflects their organisation's aspirations and achievements. The Auditor-General published a discussion paper that explores five areas for improvement in performance reporting.	On the Office of the Auditor-General's website under publications. Link: The problems, progress, and potential of performance reporting
The Office of the Auditor-General, the Treasury and Audit New Zealand have jointly prepared good practice guidance on reporting about performance. The guidance provides good practice examples from public organisations in central government. Those working in other sectors may also find this useful.	On Audit New Zealand's website under good practice. Link: Good practice in reporting about performance — Office of the Auditor-General New Zealand (oag.parliament.nz)
Local government risk management practices	
The Covid-19 pandemic is a stark reminder for all organisations about the need for appropriate risk management practices. In our audit work, we often see instances where councils do not have effective risk management. This report discusses the current state of local government risk management practices and what councils should be doing to improve their risk management.	On the Office of the Auditor-General's website under publications. Link: Observations on local government risk management practices
Public accountability	
Public accountability is about public organisations demonstrating to Parliament and the public their competence, reliability, and honesty in their use of public money and other public resources. This discussion paper explores how well New Zealand's public accountability system is working in practice.	On the Office of the Auditor-General's website under publications. Link: Building a stronger public accountability system for New Zealanders

Description	Where to find it
Setting and administering fees and levies for cost recovery	
<p>This good practice guide provides guidance on settings fees and levies to recover costs. It covers the principles that public organisations should consider when making any decisions on setting and administering fees and levies. It also sets out the matters public organisations should consider when calculating the costs of producing goods or providing services and setting charges to recover those costs.</p>	<p>On the Office of the Auditor-General’s website under publications. Link: Setting and administering fees and levies for cost recovery: Good practice guide</p>
<p>The Office of the Auditor-General, the Treasury and Audit New Zealand have jointly prepared good practice guidance on reporting about performance. The guidance provides good practice examples from public organisations in central government. Those working in other sectors may also find this useful.</p>	<p>On Audit New Zealand’s website under good practice. Link: Good practice in reporting about performance — Audit New Zealand (auditnz.parliament.nz)</p>
Managing conflicts of interest involving council employees	
<p>This article discusses findings across four councils on how conflicts of interest of council employees, including the chief executive and staff, are managed.</p>	<p>On the Office of the Auditor-General’s website under publications. Link: Getting it right: Managing conflicts of interest involving council employees</p>
Model financial statements	
<p>Our model financial statements reflect best practice we have seen. They are a resource to assist in improving financial reporting. This includes:</p> <ul style="list-style-type: none"> • significant accounting policies are alongside the notes to which they relate; • simplifying accounting policy language; • enhancing estimates and judgement disclosures; and • including colour, contents pages and subheadings to assist the reader in navigating the financial statements. 	<p>Link: Model Financial Statements</p>

Description	Where to find it
Sensitive expenditure	
<p>The Auditor-General’s good practice guide on sensitive expenditure provides practical guidance on specific types of sensitive expenditure, outlines the principles for making decisions about sensitive expenditure, and emphasises the importance of senior leaders “setting the tone from the top”. It also describes how organisations can take a good-practice approach to policies and procedures for managing sensitive expenditure.</p>	<p>On the Office of the Auditor-General’s website under good practice. Link: Sensitive expenditure</p>
Conflicts of interest	
<p>The Auditor-General has published guidance on conflicts of interest. A conflict of interest is when your duties or responsibilities to a public organisation could be affected by some other interest or duty that you have.</p> <p>The material includes a printable A3 poster, an animated video on predetermination and bias, gifts and hospitality, and personal dealings with a tenderer. There is also an interactive quiz.</p> <p>These can all be used as training resources for your own employees.</p>	<p>On the Office of the Auditor-General’s website under 2019 publications. Link: Conflicts of interest</p>
Severance payments	
<p>Because severance payments are discretionary and sometimes large, they are likely to come under scrutiny. The Auditor-General has released updated good practice guidance on severance payments. The guide is intended to help public sector employers when considering making a severance payment to a departing employee. It encourages public organisations to take a principled and practical approach to these situations. The update to the 2012 good practice guidance reflects recent case law and changes in accounting standards.</p>	<p>On the OAG’s website under 2019 publications. Link: Severance payments</p>
The Auditor-General’s report on the results of recent audits	
<p>The OAG publishes a report on the results of each cycle of annual audits for the sector.</p>	<p>The latest report is on the OAG’s website under publications: Local Government: 2020/21 audits</p>

Description	Where to find it
Good practice	
<p>The OAG’s website contains a range of good practice guidance. This includes resources on:</p> <ul style="list-style-type: none"> • audit committees; • conflicts of interest; • discouraging fraud; • good governance; • service performance reporting; • procurement; • sensitive expenditure; and • severance payments. 	<p>On the OAG’s website under good practice.</p> <p>Link: Good practice</p>
Procurement	
<p>The OAG are continuing their multi-year work programme on procurement.</p> <p>They have published an article encouraging reflection on a series of questions about procurement practices and how processes and procedures can be strengthened.</p> <p>Whilst this is focused on local government, many of the questions are relevant to all types of public sector entities.</p>	<p>On the OAG’s website under publications.</p> <p>Links: Strategic suppliers: Understanding and managing the risks of service disruption</p> <p>Getting the best from panels of suppliers</p> <p>Local government procurement</p>

Appendix 1: Status of previous recommendations

Open recommendations

Recommendation	First raised	Status
Necessary		
Identification of earthquake prone buildings		
Update the earthquake prone listing spreadsheet and take into account allowances for any works required to the earthquake prone buildings as part of the next valuation.	2019/20	In progress <i>The Council has identified the earthquake prone buildings after the audit commenced but hasn't accounted for this when operational and restricted assets were revalued. Refer to section 3.</i>
Condition and performance data for Infrastructure Assets		
Continue to implement a program to collect condition and performance data.	2018/19	Outstanding
Changes to financial delegations		
The District Council review all financial delegations set up within the system to ensure these are correct. Going forward each quarter there is an independent review of any changes made to the financial delegations with the District Council's FMIS.	2018/19	Outstanding <i>The review has been rescheduled due to Annual Report commitments. Subsequently, the GM Corporate Services will be provided with a system-generated report showing all changes made each quarter.</i>
Improving creditor masterfile review process		
The District Council phone to confirm new creditors or changes to a creditor's bank account number to ensure they are valid.	2017/18	Outstanding
Capital work-in-progress		
Review the capital WIP balance to: <ul style="list-style-type: none"> clearly identify projects included in the balance; perform an impairment assessment over the outstanding WIP balance at year-end; and ensure projects are 	Prior to 2017/18	In progress <i>No formal impairment assessment has been performed. As part of the audit we requested management to perform an assessment over the Marton Rail Hub which resulted in impairment.</i>

Recommendation	First raised	Status
<p>capitalised on a timely basis once they are ready for use; and</p> <ul style="list-style-type: none"> perform a monthly reconciliation. 		<i>No monthly reconciliations performed.</i>
Reviews of Magiq users access levels		
<p>We continue to recommend that regular reviews of users of the District Council's Magiq system be completed to ensure access remains appropriate.</p>	Prior to 2017/18	<p>In progress</p> <p><i>Regular review of dormant accounts are now in place.</i></p> <p><i>The following issue remains open:</i></p> <ul style="list-style-type: none"> <i>the built-in domain admin account is still in use without a formal approval process when it is to be used.</i>
No regular testing of Business Continuity and IT Disaster Recovery plans		
<p>We continue to recommend that Business Continuity and IT Disaster Recovery plans be finalised.</p> <p>As part of the project to implement new IT infrastructure we recommend that testing of failover to the new secondary datacentre be performed and the IT DR plan be finalised.</p>	Prior to 2017/18	<p>In progress</p> <p><i>Partially resolved with the final check of the failover firewall remains to be completed and full DR test is scheduled for October 2023.</i></p>

Recommendation	First raised	Status
Carry forward of capital expenditure		
Continue to reduce the amount of capital expenditure carried forward to the next financial year.	Prior to 2017/18	In progress <i>The annual capital program is now subject to significant consideration before being finalised. One of the matters considered is 'ability to deliver'. This has become BAU for Council.</i>
Performance measure rules		
Continue to review the effectiveness of the collection and reporting of data.	Prior to 2016/17	In progress <i>Improvements have been made to the way complaints are recorded.</i> <i>We have raised a new recommendation on classification of RFS.</i>
Service performance information		
Implement a regular review of information entered to ensure that the correct data is being captured for attendance times. Continue to reinforce training on requirements to ensure staff are aware of the correct processes to follow and understand the information being captured.	2017/18	In progress <i>A cross-team project will be commenced to ensure the data is able to be retrieved when its required and is correct. GM Democracy & Planning will lead this.</i>
Review of procurement practice		
As part of our 2016 audit, we completed a review of the joint procurement process undertaken by the District Council, Manawatu District Council, and Horowhenua District Council. Our summarised recommendations are detailed below: <ul style="list-style-type: none"> • Conflict of Interest declarations to be signed off by the appropriate authority at the time that they are signed off by the person completing the declaration. • Declarations to be regularly updated, both actively and at key stages of the procurement process. 	Prior to 2017/18	In progress <i>The Procurement Policy/Guidelines have been developed and pending final review. Financial year end is causing delays to this final stage.</i> <i>Proposed new Policy being reviewed by PMO.</i>

Recommendation	First raised	Status
<ul style="list-style-type: none"> • Declarations to be completed by those with the ability to influence the decision of the evaluation team, regardless of whether or not these individuals have decision-making power. • A business case be prepared for all procurements of significant value and risk. • A procurement strategy or plan should specify the roles and responsibilities of those involved in the process. This includes those sitting on the evaluation team and any advisors to the process. • Consider risks during the procurement planning stage. These risks relate to the procurement process rather than the contract. • While the procurement strategy identified the broad scope of the procurement, we would expect to see more specificity around timing and quality of what was being procured. 		
Contract management		
<p>Endorse an integrated policy for organisation-wide use and review the current contract management system for appropriateness.</p> <p>Monitor service contracts between contractors and the District Council against the Key Performance Indicators to confirm the work performed is completed to a satisfactory standard.</p>	Prior to 2016/17	<p>In progress</p> <p><i>Work is continuing, the consultant has shared a first draft with the Council and the Council is expecting conclusion by the end of Dec 2023.</i></p>
Beneficial		
Fraud risk assessment		
<p>We recommend that the District Council undertakes a formal fraud assessment to assess:</p>	2020/21	<p>In progress</p> <p><i>Ongoing formal fraud awareness program (February, June and October) established. Fraud assessment to be conducted once</i></p>

Recommendation	First raised	Status
<ul style="list-style-type: none"> transactions, activities, or locations that may be susceptible to fraud; and controls/processes the District Council has in place to mitigate those risks. 		<i>other current priorities have been addressed.</i>
Assets with no construction date		
Implement a process to improve the asset data on road assets with no construction date.	2018/19	Outstanding
Recommendations made by valuers and peer reviewer		
The infrastructure asset valuers and peer reviewer made recommendations to the District Council for improvement.	2021/22	Outstanding
Sensitive expenditure policies do not align with good practice		
<p>We reviewed the District Council’s sensitive expenditure policies for alignment with the Office of the Auditor-General’s good practice guide Controlling sensitive expenditure: Guide for public organisations.</p> <p>The good practice guide on sensitive expenditure provides practical guidance on specific types of sensitive expenditure, outlines the principles for making decisions about sensitive expenditure, and emphasises the importance of senior leaders “setting the tone from the top”. It also describes how organisations can take a good-practice approach to policies and procedures for managing sensitive expenditure.</p> <p>We identified the following clauses in the good practice guide that are not currently included in the District Council’s policies:</p> <ul style="list-style-type: none"> approval of sensitive expenditure should be given by a person senior to the person who will benefit or who might be perceived to benefit from the sensitive expenditure; approval of sensitive expenditure of the Chief Executive should be given 	2021/22	Outstanding

Recommendation	First raised	Status
<p>by the Mayor. Where this is not possible, this fact should be recorded, and the Chief Executive's expenditure should be subject to some form of monitoring by those charged with governance;</p> <ul style="list-style-type: none"> • claims relating to sensitive expenditure need to clearly state the business purpose of the expenditure; • claims relating to sensitive expenditure need to: <ul style="list-style-type: none"> ○ be accompanied by adequate original supporting documentation; ○ document the date, amount, description, and purpose of minor expenditure when receipts are unavailable; ○ be separate claims for each person whenever possible; and ○ be in English or Te Reo Māori. • policies should require initial consideration of technology-enabled solutions as opposed to travel in person; • policies should cover the use of telecommunication equipment including what costs are reimbursable for telephone calls and Wi-Fi usage while travelling; • policies and procedures should outline the costs that may be paid when staff members stay with a friend or relative rather than in commercial accommodation; • policies should discuss the use of assets and supplies, particularly regarding: <ul style="list-style-type: none"> ○ staff purchasing directly from a supplier for personal use, and how purchasing privileges 		

Recommendation	First raised	Status
<p>cannot be used to benefit others;</p> <ul style="list-style-type: none"> ○ an explicit policy that staff cannot use purchasing privileges on behalf of any third party, such as family members or friends, and that staff should pay in full and must not use the organisation as a source of credit; and ○ staff purchasing District Council assets identified for sale. <ul style="list-style-type: none"> • policies should specifically state that receiving cash gifts is unacceptable in any circumstances. 		

Implemented or closed recommendations

Recommendation	First raised	Status
Bribery and corruption policy		
<p>The District Council consider the following:</p> <ul style="list-style-type: none"> • Develop an overarching bribery and corruption policy that links to related policies and procedures. • Update the related policies/procedure to ensure their scope clearly includes bribery and corruption. 	2018/19	<p>Issue closed</p> <p>Council's Fraud, Bribery and Corruption Policy was approved in April 2023.</p>
Monitoring of contractor performance		
<p>Implement a quality assurance (QA) programme over services contracted out to third parties. This is especially important when the performance of these contractors feed into Council's KPIs, for example responding to roading call outs.</p>	Prior to 2016/17	<p>Management accept risk – issue closed</p> <p><i>The monitoring of Contractor Performance has become BAU for Council. The performance under the Roading Contract is subject to regular reporting to either Council or its Committees.</i></p>

Recommendation	First raised	Status
Breach of Local Government Act 2002 section 98(7)(b)		
The Local Government Act 2002 section 98(7)(b) required the audited annual report to be adopted by Council no later 31 December 2022. Due to the matters outlined in Section 2.6 the Council did not adopt its annual report until 30 March 2023.	2021/22	Issue closed The Council met the statutory deadline for 2022/23.
Breach of Local Government Members (2021/22) Determination 2021		
Due to a transposition error one elected representative was paid \$360 more than the applicable remuneration set out in the Local Government Members (2021/22) Determination 2021. An elected representative is only entitled to the applicable remuneration set out in the Determination	2021/22	Issue closed No issues found during current year’s testing of the Councillors’ remuneration. However, an issue was identified over mileage claims where a new recommendation has been made.
Payroll system calculating termination pay incorrectly		
The system is incorrectly calculating employee’s termination pay for salaried employees. When the payroll system calculates termination pay it uses the employee’s salary for a fortnight regardless of how many days were actually worked in their final pay period. This means that where an employee ceases employment partway through a pay period their termination pay will be incorrect.	2021/22	Issue closed Confirmed and verified that the issue has been resolved this year.
General rate on Defence land		
As per the Local Government (Rating) Act 2002 section 13(3) the rateable value of land for the general rate must be based on either: <ul style="list-style-type: none"> the annual value of the land; or the capital value of the land; or the land value of the land. The District Council’s general rate is based on capital value for all land apart from defence land. The general rate for defence land is based on land value. This inconsistency opens the District Council up	2021/22	Issue closed Confirmed that the rates resolution has been amended to reflect this.

ITEM 9.9 ATTACHMENT 1

Recommendation	First raised	Status
to the risk of a legal challenge and that the general rate could be invalidated.		
Dry weather overflows		
<p>During our testing on dry weather sewerage overflows we identified four instances where a sewerage overflow that occurred in dry weather had been incorrectly classified as occurring in wet weather.</p> <p>These errors had a material impact on the District Council’s reported result for dry weather sewerage overflows. The District Council initially reported that it had achieved its target of fewer overflows than 3 per 1,000 connections. Following a correction to account for the errors we identified the target was not achieved.</p>	<p>2021/22</p>	<p>Management accept the risk - Issue closed</p> <p>Council has not progressed this any further at this stage. The solution identified will require substantial additional staff resources and is unaffordable at this stage. Council accepts the risk of getting a small number of the reported dry weather overflows incorrect.</p>

Appendix 2: Disclosures

Area	Key messages
Our responsibilities in conducting the audit	<p>We carried out this audit on behalf of the Controller and Auditor-General. We are responsible for expressing an independent opinion on the financial statements and performance information and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001.</p> <p>The audit of the financial statements does not relieve management or the Council of their responsibilities.</p> <p>Our Audit Engagement Letter contains a detailed explanation of the respective responsibilities of the auditor and the Council.</p>
Auditing standards	<p>We carried out our audit in accordance with the Auditor-General’s Auditing Standards. The audit cannot and should not be relied upon to detect all instances of misstatement, fraud, irregularity or inefficiency that are immaterial to your financial statements. The Council and management are responsible for implementing and maintaining your systems of controls for detecting these matters.</p>
Auditor independence	<p>We are independent of the District Council in accordance with the independence requirements of the Auditor-General’s Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: <i>International Code of Ethics for Assurance Practitioners</i>, issued by New Zealand Auditing and Assurance Standards Board.</p> <p>In addition to the audit, we have carried out a limited assurance engagement related to the District Council’s Debenture Trust Deed. This engagement is compatible with those independence requirements. Other than this engagement, we have no relationship with, or interests in, the District Council.</p>
Fees	<p>The audit fee for the year is \$196,246, as detailed in our Audit Proposal Letter.</p> <p>Other fees charged in the period are \$5,400 for the limited assurance engagement related to the District Council’s Debenture Trust Deed.</p>

ITEM 9.9 ATTACHMENT 1

Area	Key messages
Other relationships	<p>We are not aware of any situations where a spouse or close relative of a staff member involved in the audit occupies a position with the District Council that is significant to the audit.</p> <p>A staff member of Audit New Zealand accepted a position of employment with the District Council. Whilst employed by Audit New Zealand they were not involved in this year’s audit.</p> <p>We are not aware of any other situations where a staff member of Audit New Zealand has accepted a position of employment with the District Council during or since the end of the financial year.</p> <p>We are aware of a staff member who worked on the audit identifying a relevant personal relationship¹ during the audit. This staff member was immediately removed from the audit and had access to our audit files removed.</p>

¹ Relevant personal relationship is defined as:

- a relationship that involves a close personal association and regular interaction between the employee and another person who is not a family member. Such a relationship may, for example, include:
 - a close friend;
 - a parent-in-law;
 - a landlord or flatmate;
 - a person with whom the employee has an income-earning business or investment arrangement;
 - a cousin the employee actively keeps in touch with; or
 - a former spouse or partner the employee keeps in regular contact with.



AUDIT NEW ZEALAND
Mana Arotake Aotearoa

PO Box 149
Palmerston North
Phone: 04 496 3099

www.auditnz.parliament.nz



9.10 Audit NZ Management Letter Points**Author:** Dave Tombs, Group Manager - Corporate Services**Authoriser:** Dave Tombs, Group Manager - Corporate Services

ITEM 9.10

1 Reason for Report

- 1.1 To provide Risk and Assurance Committee with a summary of Council's current Audit New Zealand outstanding Management Letter points.

2 Context

- 2.1 Audit New Zealand typically provide Council with a Management Letter after each audit (interim and final) that contains various suggested improvements to Council's controls/systems/processes.
- 2.2 The intent of including the Management Letter Register on this agenda is to demonstrate that Officers are 'keeping these matters alive' as opposed to inviting a detailed review of these items.
- 2.3 Once reported to Risk and Assurance Committee and confirmed by Audit NZ as being 'resolved', the item will be removed from this register.
- 2.4 The matters raised in the Management Letter relating to the June 2023 audit have been included in the attached register.

3 Recommendation

- 3.1 That the report 'Audit New Zealand Management Letter Points' be received.

Attachments:

1. **Management Letter Register - March 2024** [↓](#)

That the report Audit NZ Management Letter Points be received.

Issue raised in:	Recommendation	Managed	Audit NZ Priority	September Update 2023	February 2024 Update	Expected due date	Officer's assessment
19/20 Also reported on 21/22 Interim And June 2023 final	Identification of earthquake prone buildings Update the earthquake prone listing spreadsheet and take into account allowances for any works required to the earthquake prone buildings as part of the next valuation. May impact impairment of assets due to correction or preventative maintenance costs. June 2023: The Council has identified the earthquake prone buildings after the audit commenced but hasn't accounted for this when operational and restricted assets were revalued. Refer to section 3.	GM Corp Services	Necessary	Feb 2023 comment: The spreadsheet has been updated. (The seismic assessments have been completed but the upgrades to the buildings to get them up to code has not yet been completed: the seismic assessments and the wider RDC owned buildings condition assessment that will be completed early in the new financial year will identify a prioritised list of upgrades to our buildings that will be included in the new LTP.) For these purposes this item can be closed.	Initial point has been addressed. Finance staff are considering the accounting treatment of such buildings	Feb-23	
18/19	Condition and performance data for Infrastructure Assets Continue to implement a program to collect condition and performance data.	GM Assets & IS	Necessary	On going	Ongoing		
18/19	Changes to financial delegations The District Council review all financial delegations set up within the system to ensure these are correct. Going forward each quarter there is an independent review of any changes made to the financial delegations with the District Council's FMIS.	Manager Financial Services	Necessary	In progress	Current delegations being reviewed by new Financial Services Manager. Quarterly report back (commencing March 2024) to be provided to GM – Corporate Services, confirming correctness of set-up in Magiq System and any recommendation for delegation process improvements and to include any changes made to delegations in the quarter.	23/24	
21/22 Interim	Improving creditor Masterfile review process The District Council phone to confirm new creditors or changes to a creditor's bank account number to ensure they are valid	Manager Financial Services	Necessary			NA	Ready to close
Jun-23	Capital Work in progress Review the capital WIP balance to: · clearly identify projects included in the balance; and · perform an impairment assessment over the outstanding WIP balance at year-end; and ensure projects are capitalised on a timely basis once they are ready for use; and · perform a monthly reconciliation. Raised at June 2023 - need to conduct Impairment Review when reviewing WIP	Manager Financial Services	Necessary		Impairment Reviews scheduled for April and July each year	NA	Ready to close
Jun-23	Reviews of Magiq users access levels We continue to recommend that regular reviews of users of the District Council's Magiq system be completed to ensure access remains appropriate. June 2023 update: In progress Regular review of dormant accounts are now in place. The following issue remains open: ☒* the built-in domain admin account is still in use without a formal approval process when it is to be used.	Mgr Info Services	Necessary	Report in design to enable 6-monthly audit currently underway.	June 2023 matter is ongoing	2024	

<http://intranet/RDCDoc/Corporate-Management/EX/finaud/2024-02 Audit NZ Management Letter Items>

Issue raised in:	Recommendation	Managed	Audit NZ Priority	September Update 2023	February 2024 Update	Expected due date	Officer's assessment
Jun-23	<p>No Regular Testing of Business Continuity and IT Disaster Recovery Plans We continue to recommend that Business Continuity and IT Disaster Recovery plans be finalised. As part of the project to implement new IT infrastructure we recommend that testing of failover to the new secondary datacentre be performed and the IT DR plan be finalised.</p> <p>June 2023 Update : Partially resolved with the final check of the failover firewall remains to be completed and full DR test is scheduled for October 2023.</p>	Mgr Info Services	Necessary	<p>As part of our DR and BCP planning we have been implementing a reconfiguration of the Disaster Recovery Platform, which is hosted in Palmerston North, to streamline and simplify that process when initiating a fail-over & fail-back during a DR event. This process is almost complete with the final server duplication being completed on the 12/09/2023.</p> <p>The DR SAN storage is permanently addressable storage, but is connected via secured separate storage VLAN's & not accessible by users.</p> <p>Both the onsite and DR storage SAN's are protected by storage based Snapshot's that run every hour and daily (2 days for on premise & 7 days for DR). The DR SAN snapshot's cannot be altered/deleted by RDC users.</p> <p>There is a six monthly test of these systems to confirm the viability of these back up systems</p> <p>A final check of the failover firewall remains to be completed and full DR test is scheduled for October 23.</p>	<p>We continue to test DR plans of single servers monthly. We completed a full fail-over test end November 2023 and successfully failed over to the DR site in Palmerston North. Full fail-over testing is planned annually.</p>	Dec-23	Ready to close
Prior to 18J	<p>Carry forward of capital expenditure Continue to reduce the amount of capital expenditure carried forward to the next financial year.</p>	GM Assets & IS	Necessary			NA	Ready to close
Prior to 17J	<p>Performance measure rules Continue to review the effectiveness of the collection and reporting of data.</p>	GM Democracy & Planning	Necessary			NA	Ready to close
17/18	<p>Service Performance Information Implement a regular review of information entered to ensure that the correct data is being captured for attendance times. Continue to reinforce training on requirements to ensure staff are aware of the correct processes to follow and understand the information being captured.</p>	GM Democracy & Planning	Necessary			Jun-23	Ready to Close
Prior to 18J	<p>Review of Procurement Practice As part of our 2016 audit we completed a review of the joint procurement process undertaken by Manawatu District Council, Horowhenua District Council, and the Council. Our summarised recommendations are detailed below: Conflict of interest declarations to be signed off by the appropriate authority at the time that they are signed off by the person completing the declaration · Declarations to be regularly updated, both actively and at key stages of the procurement process. · Declarations to be completed by those with the ability to influence the decision of the evaluation team, regardless of whether or not these individuals have decision making power. · A business case be prepared for all procurements of significant value and risk · A procurement strategy or plan should specify the roles and responsibilities of those involved in the process. This includes those sitting on the evaluation team and any advisors to the process. · Consider risks during the procurement planning stage. These risks relate to the procurement process rather than the contract.</p> <p>While the procurement strategy identified the broad scope of the procurement, we would expect to see more specificity around timing and quality of what was being procured.</p>	GM Corporate Services	Necessary	Proposed new Policy being reviewed by PMO	Proposed new Policy being reviewed/finalised	2024/25	Necessary
Prior to 17J	<p>Contract management Endorse an integrated policy for organisation-wide use and review the Councils current contract management system for appropriateness. Monitor service contracts between contractors and the Council against the Key Performance Indicator's (KPI's); to confirm the work performed is completed to a satisfactory standard.</p>	GM Corporate Services	Necessary	Work is continuing, the consultant has shared a first draft and we are expecting conclusion by the end of Dec 2023	New ontract management system being scoped	2024/25	Necessary

<http://intranet/RDCDoc/Corporate-Management/EX/inaud/2024-02 Audit NZ Management Letter Items>

Issue raised in:	Recommendation	Managed	Audit NZ Priority	September Update 2023	February 2024 Update	Expected due date	Officer's assessment
Jun-23	Fixed Asset Register (FAR) issues Implement a process to clean up the FAR to ensure that it reconciles to the general ledger. Reviews and checks in place to ensure that all asset additions, deletions, and any other adjustments relating to fixed assets are timely processed in FAR.	Management Accountant	Necessary		Scheduled for April to June 2024	Jul-24	Necessary
Jun-23	Roading Asset additions in Fixed Asset Register (FAR) The asset additions to be updated in FAR in a timely manner to ensure that the depreciation in the FAR is accurate, and the FAR reconciles to the general ledger.	Management Accountant	Necessary		Scheduled for review between April to June 2024	Jul-24	Necessary
Jun-23	Lack of supporting documentation for asset additions Supporting documentation to be maintained for all journals.	Management Accountant	Necessary		Scheduled for review between April to June 2024	Jul-24	Necessary
Jun-23	Service Performance Reporting: Classification of Request For Service (RFS) Customer service centre staff be further trained to help identify and categorise RFS into appropriate classes and implement a review process for all RFS to ensure that classification is appropriate.	Customer Service	Necessary		Council has recently implemented a knowledgebase system to better guide customer service staff in correctly and consistently classifying RFS/job types, we are also providing more support to the assigned officers regarding the reclassifying of RFS/job types where necessary, as well as implementing a monthly report to audit and identify any RFSs/jobs that have been incorrectly classified.	Jul-24	Ready to close
Jun-23	Overpayment of mileage Use the correct Local Government Members Determination for all mileage claims	HR	Necessary		Payroll has amended its process to ensure that the reimbursement of mileage reflects the correct rate for the period that the mileage was claimed for, as per the determination, regardless of when the claim is submitted.	Feb-24	Ready to close
Jun-23	Capital commitments schedule Prepare the capital commitments schedule prior to the start of the audit which captures all capital commitments along with the appropriate supporting documentation.	GM Corporate Services	Necessary		The year-end Capital Commitments listing clearly itemises each Purchase Order that is included in Council's year end figure so Officers are puzzled by some of the Auditor comments. Officers will prepare the same report in July 2024 for the June 2024 financial year end	Jul-24	Necessary
20/21	Fraud Risk Assessment Council undertakes a formal fraud assessment to assess: a) transactions, activities, or locations that may be susceptible to fraud; and controls/processes the Council has in place to mitigate those risks	Manager Financial Services	Beneficial	Ongoing formal fraud awareness program (February, June and October) established. Fraud assessment to be conducted once other current priorities have been addressed.	Fraud awareness now scheduled for twice a year. Fraud assessment to be conducted once other current priorities have been addressed.	2024	Beneficial

<http://intranet/RDCDoc/Corporate-Management/EX/inaud/2024-02 Audit NZ Management Letter Items>

Issue raised in:	Recommendation	Managed	Audit NZ Priority	September Update 2023	February 2024 Update	Expected due date	Officer's assessment
18/19	<p>Assets with no construction date Implement a process to improve the asset data on road assets with no construction date.</p> <p>Audit 2021 Update: In progress. The District Council continues to look at processes that will improve the integrity of asset data. Analysis and implementation of possible measures will require a multiple-year timeframe</p>	GM Assets & IS	Beneficial	On going	Ongoing	TBA	Beneficial
22/23	<p>Recommendations made by valuers and peer reviewer Implement the recommendations made by the infrastructure asset valuers and peer reviewer.</p>	GM Assets & IS	Beneficial	On going	Ongoing	TBA	
22/23	<p>Sensitive expenditure policies do not align with good practice Sensitive expenditure policies are updated to align with the Office of the Auditor-General's good practice guide on controlling sensitive expenditure.</p>	Manager Corp Serv	Beneficial	Policy has been amended to include suggested changes – expected to be subject to ELT approval Sept/Oct	Policy has been updated and provided to Auditors - appears to be an Audit oversight.	Oct-23	Considered Complete

<http://intranet/RDCDoc/Corporate-Management/EX/finaud/2024-02 Audit NZ Management Letter Items>

9.11 Fraud Reporting**Author:** Dave Tombs, Group Manager - Corporate Services**Authoriser:** Dave Tombs, Group Manager - Corporate Services**1. Reason for Report**

1.1 To provide the Risk and Assurance Committee (“the Committee”) with an update on Fraud incidents. Such incidents are listed on Council’s Fraud Register as appropriate.

2. Commentary – Fraud Allegations

2.1 Since the last Risk and Assurance Committee Meeting, no fraud related incidents have been reported or investigated.

3. Commentary – Fraud Awareness

3.1 Fraud Awareness communication was circulated to all staff in February 2022, June 2022, October 2022, February 2023, October 2023 and February 2024. Regular updates regarding this will continue to be sent out.

Recommendation

That the report ‘Fraud Reporting’ be received.

9.12 Strategic Risk - Capital Programme Falters - Deep Dive**Author: Adina Foley, Group Manager-Capital Projects****Authoriser: Kevin Ross, Chief Executive****1. Reason for Report**

- 1.1 This report provides the Risk and Assurance Committee with a deep dive into the strategic risk 'capital programme falters'.

2. Context

- 2.1 In today's rapidly evolving business landscape, organisations face numerous strategic risks that can impact their long-term success.
- 2.2 Rangitīkei District Council (RDC) has a Risk Management Framework which includes:
- 2.2.1 Strategic Risk Register
 - 2.2.2 Risk Appetite and Tolerance Policy
 - 2.2.3 Risk Management Policy
 - 2.2.4 Risk Management Strategy
- 2.3 The Strategic Risk Register identifies and summarises Council's 12 strategic risks along with the risk assessment and controls for each strategic risk. Strategic risks encompass a wide range of uncertainties that have the potential to significantly impact an organisation's ability to achieve its strategic goals. These risks often arise from external factors such as market dynamics, regulatory changes, and technological disruptions, as well as internal challenges like operational inefficiencies and resource constraints.
- 2.4 At its March 2023 meeting, the Risk and Assurance Committee requested a systematic 'deep dive' review of a strategic risk each quarter with this review being of the strategic risk 'capital programme falters'.
- 2.5 This report delves into the strategic risk 'capital programme falters and provides insights into how organisations can effectively manage these risks to safeguard their strategic objectives.

3. Project specific vs capital programme risks

- 3.1 The capital programme plays a crucial role in driving organisational growth, innovation, and maintaining a good level of services. It involves the allocation of resources towards strategic initiatives such as infrastructure development, technology upgrades, and expansion projects.
- 3.2 A well-executed capital programme not only supports current operations but also lays the foundation for future success by enhancing operational efficiency and enabling strategic differentiation.
- 3.3 Due to their nature of bringing significant change, capital projects will come with significant risks. These risks must be accepted to be able to bring growth, innovation and service improvements to the organisation. Large Projects may be sufficiently significant to be classified as a Departmental Risk, Key Operational Risk or even Strategic Risk.

3.4 Unlike other risk categories mentioned in the strategy, the nature of Key Project Risks will be relatively common between different projects and therefore also on the programme level.

Risk Level:	Project
Nature	Project Risks are associated with individual projects and/or initiatives. These risks generally have an impact on Council's ability to meet its operational objectives, although some may be sufficiently significant to have an influence on Council's strategic objectives.
Responsibility	Project Managers (typically nominated by ELT or SLT)
Reviews	Reviews are reported to the relevant ELT/SLT member: <ul style="list-style-type: none"> Whenever there is a change to one of the considerations/assessments of any of its risks Whenever new risks are identified At the completion of the Project (residual risks to be determined and managed) At least every three months

3.5 Identifying project risks that have the potential to be strategic risks requires a comprehensive assessment of various factors including budgetary constraints, project delays, supply chain disruptions, and regulatory compliance issues. Utilising tools such as risk registers, scenario analysis, and stakeholder consultations can help organisations identify and prioritise key risks that may impact the success of their capital programme.

3.6 Overall the likelihood and the consequence to Council has been assessed as per this image:

Likelihood / Frequency	Consequence to Council				
	Insignificant	Minor	Moderate	Major	Significant
Almost Certain	Low	Moderate	High	Extreme	Extreme
Likely / Probable	Low	Moderate	Moderate	High	Extreme
Possible	Low	Low	Moderate	Moderate	High
Unlikely	Minimal	Low	Low	Moderate	Moderate
Highly Unlikely	Minimal	Minimal	Low	Low	Low

Inherent Risk : High
Likelihood – Likely/Probable;
Consequence – High
Proposed Risk Treatment: (bold those that apply)
<ul style="list-style-type: none"> Avoid Reduce Transfer Accept

Current Mitigated Risk : Moderate
Likelihood – Possible
Consequence – Moderate
Planned Future Additional Risk Treatments: (bold those that apply)
<ul style="list-style-type: none"> Avoid Reduce Transfer Accept

3.1 A number of capital programme falters have been identified. Following is a list of these risks, their consequences and possible mitigation:

ITEM 9.12

Risk	Likelihood	Consequence	Possible Consequences	Mitigation
1. Lack of overall capacity in the market to deliver nationally and regionally	Likely / Probable	Significant	Failure of major infrastructure Failure to deliver our capital programme Reduction in investment Restraint for growth Frustration in the community	<ul style="list-style-type: none"> • Capital works to be prioritised, realistic and achievable • Ongoing forecasting of delays or potential issue • Strategies for staff attraction, retention • Efficient Project Management framework based on best practise with standard templates to achieve consistent quality of project management • Establish good relationships with local iwi and hapu • Establish relationship with the regional council and seek early feedback on project approach • Establish early engagement and a future programme of works with contractors and consultants • Establish mutually beneficial and long lasting relationships with contractors and consultants • Consider alternative procurement strategies • Regular review of capital expenditure by ELT and reported to Council meetings • Project Management Office delivers project fiscal oversight • Major capital projects utilise external advisory boards • Transparent reporting to Council with early notice of potential time or cost overruns
2. Lack of capacity and capability of staff to deliver capital programme	Likely / Probable	Major		
3. Lack of timely decision making on community facilities	Likely / Probable	Major		
4. Uncertainty around processing timeframes from other agencies regarding resource consents	Likely / Probable	Major		
5. The increasing dominance of larger contractors	Likely / Probable	Moderate		
6. The cost of delivery is higher than allocated budget (materials and land value prices greatly exceed inflation)	Likely / Probable	Significant		
7. The impact of an unexpected event e.g. pandemic, natural disaster or other adverse occurrence	Possible	Moderate		

- 3.2 Effective risk mitigation strategies are essential for minimising the potential impact of capital programme falters. By proactively addressing key risk factors, organisations can enhance their resilience and adaptability in the face of uncertainty, thereby safeguarding the success of their capital programme.

4. Monitoring and Review

- 4.1 Continuous monitoring and review of strategic risks are essential for ensuring the ongoing effectiveness of risk management strategies.
- 4.2 Regular risk assessments, progress tracking, and performance evaluations enable organisations to identify emerging threats and opportunities, make timely adjustments to their risk mitigation plans, and learn from past experiences to enhance future decision-making.

5. Conclusion

- 5.1 In conclusion, the strategic risks of the capital programme falters pose significant challenges to organisational success.
- 5.2 However, by adopting a proactive and systematic approach to risk management, organisations can mitigate these risks effectively and safeguard their strategic objectives.
- 5.3 By identifying key risk factors, assessing their potential impact, implementing robust mitigation strategies, and continuously monitoring and reviewing risk exposures, organisations can enhance their resilience and adaptability in today's dynamic local government environment.
- 5.4 Feedback on the deep dive into the strategic risk description 'capital programme falters', is invited from the Risk and Assurance Committee.

Recommendation

That the report 'Strategic Risk - Capital Programme Falters - Deep Dive' is received.

9.13 Marton Rail Hub - Project Risks Review**Author: Mark Barnes, Project Director - Rail Hub****Authoriser: Kevin Ross, Chief Executive****1. Reason for Report**

- 1.1 The scope of this report is limited to the consideration of significant risks associated with the Marton Rail Hub (MRH) project and the suggested mitigations.
- 1.2 The scope of this report does not include the District Plan change for the wider Marton Industrial Development Area (MIDA) nor the associated Environment Court and appeal processes.
- 1.3 The report does include some reference to the MIDA and the Environment Court and appeal processes so as to provide general context to the report reader. This information is high level and does not include all the details regarding the MIDA or the Environment Court and appeal processes.

2. Background

- 2.1 The Marton Rail Hub (MRH) is an RDC sponsored initiative to establish a rail hub in partnership with private investor(s) on land bordered by the North Island main rail trunk line, State Highway 1 and Makirikiri Road.
- 2.2 The original case for the MRH was the potential economic growth opportunity of the "Wall of Wood" of soon to be harvested pine in the Rangitikei, Manawatu, Ruapehu, Whanganui and Horowhenua district. Benefits identified:
 - Creating local employment.
 - Local economic benefit of ~\$38M over 10 years.
 - Increased returns from iwi forest rentals.
 - Efficient and lower cost transport options for forestry owners.
 - Environmental and safety benefits of transporting logs directly to ports for export, so removing trucks off the national road network.
 - To act as a catalyst for future development and economic benefit.
- 2.3 The MRH scope includes a rail siding with north and south bound connections to rail trunk line; a log yard and container area; and access off Makirikiri Road.
- 2.4 The MRH was originally conceived to occupy ~5Ha at an estimated cost of \$14.66M.
- 2.5 In November 2020, and based on the benefits described in section 2.2 above, the Central Government Provincial Growth Fund committed \$9.1M to the design and construction of the MRH. A funding agreement was established with deliverables, milestone dates and payments to reflect this. The agreement is being managed on behalf of Central Government by Kanoa, the MBIE Regional Economic Development & Investment Unit.
- 2.6 The basis of the agreement is Council would fund the project and then recover the monies expended once specific milestones, such as completion of the rail siding, has been achieved. This is a payment in arrears arrangement.
- 2.7 The balance of the project costs comprised \$0.75M from Council and \$4.81M from private investor(s).

- 2.8 The \$0.75M from Council included \$0.225M to fund the District Plan change.

3. District Plan Change and the Environment Court

- 3.1 To enable the development of the MRH, a change to the District Plan is required to rezone land from rural to industrial use.
- 3.2 The land area required for the MRH increased due primarily by the need to orientate the rail siding from being parallel to trunk line, to being perpendicular.
- 3.3 Consequently, 40Ha of land underwent the District Plan change in late 2020. However, this was appealed to the Environment Court by a local appellant.
- 3.4 To support the Environment Court process and to address the concerns of the appellant a significant amount of work undertaken to:
- Describe how the site could develop with aligned industries using timber waste to drive further economic benefit.
 - Assess the environmental and ecological impact of the development and associated mitigations.

The outcome was a Comprehensive Development Plan (CDP) and associated reports as published on the Council website.

<http://www.rangitikei.govt.nz/district/projects/marton-rail-hub>

- 3.5 Over the course of the Court process and as a result of the CDP and technical assessments, the potential demand increased the land area (subject to the District Plan change) to 65Ha (greater than that originally needed for the MRH alone). During this process, the wider development became known as the Marton Industrial Development Area (MIDA).
- 3.6 In April 2023, the Environment Court dismissed the appeal against the District Plan change but did include several provisions (conditions) for the MIDA plan change.
- 3.7 In February 2024, following an appeal, the Environment Court revised the provisions (conditions) as to how the site is to be developed and monitored for compliance with the provisions.

4. MRH Funding Shortfall

- 4.1 The original estimate for the MRH was \$14.66M.
- 4.2 Due to the significant increase in land area (from the initial ~5Ha to 65Ha) and the consequential works to manage stormwater, the diversion of natural water ways the implementation of the environmental and ecological mitigations in addition to the higher rail and engineering costs than originally envisaged, significant additional investment is required to realise the MRH.
- 4.3 Excluding land purchase, investment far in excess of \$60M will be required.

5. Developer Interest

- 5.1 A developer has expressed interest in the MIDA development which includes realising the MRH.

- 5.2 The developer has made a conditional commitment to the MRH subject to completing their own due diligence to prove feasibility and viability of the wider MIDA. This includes the developer being able to secure tenants to occupy the site.
- 5.3 The developer's due diligence exercise is ongoing and is now expected to be completed Q3 2024.

6. Central Government Funding – District Plan Change Costs and Developer Interest

- 6.1 The \$9.1M Central Government funding agreement for the MRH did not include costs associated with the District Plan change. \$0.225M was allocated by Council for this.
- 6.2 The appeal to the Environment Court has resulted in significant unplanned spend for legal and professional services (subject matter experts etc) associated with the case. This is in addition to the costs incurred by Council in the initial District Plan change process.
- 6.3 These unplanned costs have been declared and discussed with Kanoa and it has been acknowledged by Kanoa (Martyn Dunne, Kanoa Regional Development Senior Official) and supported by Accelerate25, the Manawatu-Whanganui regional development advocate group, that this expenditure will be recovered from the \$9.1M Government contribution.
- 6.4 In October 2023, the funding agreement was formally varied to recognise that realising the MRH is dependent on a developer agreeing to invest in the project, with milestone dates and deliverables aligned with the potential developer's high-level programme.
- 6.5 The developer is keen to secure/maintain access to the Government funding as this will improve the ability of the developer to access capital from other sources to fund the development.

7. Council's Financial Exposure – Central Government Funding

- 7.1 Current Position (to end of February 2024)
- Total expenditure is \$3.177M
 - Total payments received from Central Government under the agreement is \$1.887M.
 - Council cost exposure is \$1.29M.

8. Risks

- 8.1 The significant Council risks, consequences and mitigations are listed in the table below.

There is a RISK that...	Consequences	Mitigation
The recent change in Government results in Government funding being withdrawn.	<ul style="list-style-type: none"> • Loss of tangible Government support for the MRH undermines the ability of the developer to raise additional capital to funding. • The likelihood of the MRH being progressed reduces. 	Opportunity to be sought to lobby incoming Government ministers to continue to support the MRH.
The Councils cost exposure driven by	Council will have to fund the cost exposure from their own	Although it has been acknowledged by Kanoa that the

the unplanned Environment Court (legal fees etc) costs is not recovered from central Government.	funds, so will incur an increase in debt levels.	Council’s cost exposure will be recovered, an agreed recovery mechanism is to be put in place.
The developer’s due diligence exercise concludes the wider MIDA development (of which the MRH is part) is not viable.	The MRH does not progress with the developer.	Council to seek alternative developer(s) with a different vision that could be viable.
With the Council’s financial commitment to the MRH project there is a perceived conflict of interest due to the Council’s role in the consenting process; and the Environment Court provisions compliance monitoring role.	Council is not seen to be impartial, and its reputation is impaired.	<ul style="list-style-type: none"> • Establish a Special Purpose Vehicle (SPV) with other investors to isolate Council from the project. • Council officers are not involved in the SPV. • Council is represented on the development Community Liaison Group (CLG) to report on the development’s compliance with the Environment Courts provisions.
Council could be liable for any MRH project cost overrun.	Potential increase in debt.	Establish an SPV with other investors to isolate Council financially from the project.
If the MRH project does not proceed (due to lack of funding) the reputation of the Council, being the project sponsor, could be impaired.	Reputation impairment	Establish/review a community communication plan.

Recommendation 1

That the ‘Marton Rail Hub - Project Risks Review’ be received.

10 Public Excluded

Resolution to Exclude the Public

The meeting went into public excluded session [enter time](#)

Recommendation

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

- 1 Risk and Assurance Committee Meeting - 6 December 2023
2. Cybersecurity

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

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48 for the passing of this resolution
10.1 - Risk and Assurance Committee Meeting - 6 December 2023	To consider the minutes relating to matters that were the subject of discussion at the 06 December meeting	S48(1)(a)
10.2 - Cybersecurity	s7(2)(j) - Improper Gain or Improper Advantage	s48(1)(a)(i)

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

11 Open Meeting