



Agenda for a meeting of the Audit & Risk Committee of the Waikato District Council to be held in Committee Rooms 1 and 2, District Office, 15 Galileo Street, Ngaruawahia on **FRIDAY 8 JULY 2016** commencing at **9.00am**.

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

**1. APOLOGIES AND LEAVE OF ABSENCE**

**2. CONFIRMATION OF STATUS OF AGENDA ITEMS**

*Audit Assurance Partner at KPMG, David Sutton will be in attendance  
[Refer item 6.1]*

**3. DISCLOSURES OF INTEREST**

**4. CONFIRMATION OF MINUTES**

Meeting held on Wednesday 23 March 2016 3

**5. MATTERS ARISING FROM MINUTES**

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## 8. **EXCLUSION OF THE PUBLIC**

GJ Ion

**CHIEF EXECUTIVE**

Agenda2016/A&F/160708 Audit&Risk OP docx

### **Open Meeting**

<b>To</b>	Audit & Risk Committee
<b>From</b>	GJ Ion Chief Executive
<b>Date</b>	23 June 2016
<b>Prepared by</b>	W Wright Committee Secretary
<b>Chief Executive Approved</b>	Y
<b>DWS Document Set #</b>	I543940
<b>Report Title</b>	Confirmation of Minutes OPEN

## **I. EXECUTIVE SUMMARY**

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To confirm the minutes of the Audit & Risk Committee held on Wednesday 23 March 2016.

## **2. RECOMMENDATION**

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**THAT** the minutes of the Audit & Risk Committee held on Wednesday 23 March 2016 be confirmed as a true and correct record of that meeting.

## **3. ATTACHMENTS**

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Audit & Risk Committee Minutes 23 March 2016



**MINUTES** of a meeting of the Audit & Risk Committee of the Waikato District Council held in Committee Rooms 1 and 2, District Office, 15 Galileo Street, Ngaruawahia on **WEDNESDAY 23 MARCH 2016** commencing at 1.00pm.

Present Ms M Devlin (Chairperson)  
His Worship the Mayor Mr AM Sanson *[from 1.32pm]*  
Cr JC Baddeley  
Cr J Gibb  
Cr WD Hayes  
Cr J Sedgwick

Attending Mr GJ Ion (Chief Executive)  
Mr TG Whittaker (General Manager Strategy & Support)  
Ms S Duignan (General Manager Customer Delivery)  
Mrs RJ Gray (Council Support Manager)  
Ms A Diaz (Finance Manager)  
Mr K Abbott (Organisational Planning & Project Support Team Leader)  
Mr V Ramduny (Strategy & Planning Manager)  
Mrs K Jenkins (Project Management Advisor)  
Mr J Hudson (Database Administrator)  
Mr A Kuyper (Project Management Advisor)  
Mr N Kotze (Audit Manager Audit New Zealand)  
Mr L Pieterse (Director Audit New Zealand)  
Mr K Lockley (Zero Harm Manager)  
Mr M Wilson (Aon representative)  
Mr S Ketley (Aon representative)

**A&R1603/01      APOLOGIES AND LEAVE OF ABSENCE**

**Resolved: (Crs Hayes/Sedgwick)**

**THAT an apology for lateness be received from His Worship the Mayor.**

**CARRIED on the voices**

**A&RI603/02****CONFIRMATION OF STATUS OF AGENDA ITEMS**

A&amp;RI603/02/1

**Resolved: (Crs Gibb/Baddeley)**

**THAT** the agenda for a meeting of the **Audit & Risk Committee** held on **Wednesday 23 March 2016** be confirmed and all items therein be considered in open meeting with the exception of those items detailed at agenda item 8 which shall be discussed with the public excluded;

**AND THAT** the Public Excluded section be considered following Agenda Item 5 [*Matters Arising from the Minutes*];

**AND FURTHER THAT** in Accordance with Standing Order 3.7.2 the order of business in public excluded be changed with agenda item 3.5 [*Waikato District Earthquake Loss Estimate*] being considered as the first item.

**CARRIED on the voices**

**A&RI603/03****DISCLOSURES OF INTEREST**

The Chair did not consider that Cr Sedgwick had a conflict of interest in items within agenda item 7.4 [*Strategic Risk Register Update*].

The Chair advised members of the Committee that she would declare a conflict of interest in agenda item 3.3 public excluded [*Risk Assessment of Council Controlled Organisations' Statement of Intent: Waikato Regional Airport limited Draft Statement of Intent*].

**A&RI603/04****CONFIRMATION OF MINUTES****Resolved: (Crs Sedgwick/Hayes)**

**THAT** the minutes of a meeting of the **Audit & Risk Committee** held on **Thursday 10 December 2015** be confirmed as a true and correct record of that meeting.

**CARRIED on the voices**

**A&RI603/05****MATTERS ARISING FROM THE MINUTES**

There were no matters arising from the minutes.

A&amp;RI 603/06

**EXCLUSION OF THE PUBLIC****Resolved: (Crs Gibb/Baddeley)****THAT** the public be excluded from the meeting during discussion on the following items of business:**I Risk Assessment of Council Controlled Organisations' Statement of Intent**

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

That the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information where the withholding of the information is necessary to:

- a. Protect members, or officers, or employees of any local authority, or any persons to whom section 2(5) of the Local Government Official Information and Meetings Act 1987 applies, from improper pressure or harassment;
- b. Protect the privacy of natural persons, including that of deceased natural persons;
- c. Prevent the disclosure or use of official information for improper gain or improper advantage;

**AND THAT** the exclusion of the public from the whole or relevant part of the proceedings of the meeting is necessary to enable the local authority to deliberate in private on its decision or recommendation in any proceedings before the local authority where a right of appeal lies to any Court or Tribunal against the final decision of the local authority in those proceedings;

**AND FURTHER THAT** the Chair Ms Margaret Devlin, Mr Kotze and Mr Pieterse representing Audit New Zealand, and Mr Ketley and Mr Wilson representatives from Aon remain in the meeting after the public has been excluded to facilitate discussion on items in this section.

**CARRIED on the voices**

*Resolutions A&RI 603/07 – A&RI 603/08 are contained in the public excluded section of these minutes.*

**A&R1603/09****REPORTS**

A&amp;R1603/09/1

**Update on Risk Management Actions, Progress on Mitigations and Direction of Travel of Risk**

Agenda Item: 6.1

The General Manager Strategy & Support provided a verbal update on the process to procure a LASS internal audit provider. He advised that a workshop would be facilitated to revise the internal audit programme with the committee, Executive Team and external provider once the discussion has been confirmed.

Audit New Zealand representatives supported the process and were encouraged by the project management work.

A&amp;R1603/09/2

**Annual Report 2015/2016 Project Update**

Agenda Item: 6.2

The Corporate Planner advised the timetable for adoption of the Annual Report and Summary had been brought forward one week.

Mr Pieterse considered milestones were aligned and agreed with the signing of the report in early October. He advised that staff would need to work towards clearance with the tight timelines this year owing to the timing of the local authority elections. Areas that require extra audit emphasis were development contributions, investment in subsidiaries, revaluation of property, plan and equipment, and to capture areas in the Alliance and how it is operating.

**Resolved: (Crs Hayes/Sedgwick)**

**THAT the report of the General Manager Strategy & Support Annual Report 2015/2016 Project Update – be received.**

**CARRIED on the voices**

His Worship the Mayor entered the meeting [1.32pm] during discussion on the above item and was present when voting took place.

A&amp;R1603/09/3

**ICT Security Risk Assessment**

Agenda Item: 6.3

The General Manager Strategy & Support advised that the full report included in the agenda responds to the concerns raised at the December 2015 meeting.

From a practical resource capacity perspective the highest level risks only are being addressed now with the balance being addressed once the new IM Manager is in place.

It was noted that the recruitment process of securing a new IM Manager will

be in place by the end of March 2016.

**Resolved: (Crs Baddeley/Gibb)**

**THAT the report of the General Manager Strategy & Support – ICT Security Risk Assessment - be received.**

**CARRIED on the voices**

A&R1603/09/4

Zero Harm Update  
Agenda Item: 7.1

Tabled: Health & Safety Guide Checklist

The Zero Harm Manager read his report to the members.

The Chief Executive advised that staff had been working hard with the current health and safety programme to ensure readiness for the impending legislation change on 4 April 2016.

The Chief Executive advised that staff continue to scrutinise and carry out due diligence on an ongoing basis.

A joint community board workshop was held recently in which the opportunity was provided to give the members a general briefing of the new legislation.

The Chief Executive advised that zero harm is becoming part of Council's everyday life. Staff are encouraged to question wherever possible to ensure vigilance.

For Executive Team members and 3<sup>rd</sup> tier managers a KPI will be included in the next financial year on having safety conversations with staff.

The Chair advised that the new legislation will be evolving and we need to keep moving forward because it is about the safety culture of the organisation.

The Chair tabled a checklist and asked that this be completed to ensure Council is ready for the new legislation.

**Resolved: (Crs Sedgwick/Gibb)**

**THAT the report of the General Manager Strategy & Support – Zero Harm Update – be received.**

**CARRIED on the voices**



A&R1603/09/5 Update on Internal Audit & Quality Improvement  
Agenda Item: 7.2

The Organisational & Project Support Team Leader took the report as read and highlighted the training that 8 staff had completed to become certified internal auditors.

The Chair requested a further update be provided to the next meeting on progress.

**Resolved: (Crs Hayes/Sedgwick)**

**THAT the report of the General Manager Strategy & Support – *Update on Internal Audit and Quality Improvement* - be received.**

**CARRIED on the voices**

A&R1603/09/6 Update on Progress Against Final Management Report for Year Ended 30 June 2015  
Agenda Item: 7.3

The Corporate Planner spoke of the outstanding matters in the final audit [item 3.1] as having been resolved. Audit New Zealand advised that they will review these matters as part of the interim audit in May/June 2016 to provide closure.

The General Manager Strategy & Support raised the matter of electronic purchase orders (EPO) and as part of the software there is a contract management module which can be considered following the roll out of the EPO.

The General Manager Strategy & Support will provide an update on the timing of undertaking condition assessments of general property, given current budget constraints.

**Resolved: (Crs Hayes/Sedgwick)**

**THAT the report of the General Manager Strategy & Support *Update on Progress Against Final Management Report for Year Ended 30 June 2015* be received.**

**CARRIED on the voices**

A&R1603/09/7 Strategic Risk Register Update  
Agenda Item: 7.4

The Project Manager Advisor took the report as read and highlighted key issues. Currently work is being carried out on the strategic risk register including zero harm and natural disasters. A number of processes have now

been linked to Promapp.

Following a discussion on the frequency of reviews for zero harm it was agreed this frequency may need to be modified.

The Project Manager Advisor confirmed that the current risk register accurately reflects the risk profile of the business.

Mr Pieterse advised that Audit New Zealand does look at systems as part of an audit but were not involved in the treatment of cyber security.

**Resolved: (Crs Sedgwick/Gibb)**

**THAT the report of the General Manager Strategy & Support – Strategic Risk Register Update - be received.**

**CARRIED on the voices**

A&R1603/09/8

Update – Proposed Local Government Risk Agency  
Agenda Item: 7.5

Discussion was held on the current 60/40 cost sharing arrangement and the Chief Executive advised that the likelihood of the Government continuing with this arrangement was very low which will have implications for councils and CCOs. However, as discussed earlier in the meeting Council was well prepared having already put in place a primary layer of \$10M.

The Chair advised that this may give Council an opportunity of looking at insurance and risk profiles. This also underpins the importance of good asset management systems.

**Resolved: (Crs Sedgwick/Hayes)**

**THAT the report of the General Manager Strategy & Support – Update – Proposed Local Government Risk Agency – be received.**

**CARRIED on the voices**

A&R1603/09/9

Project Management Update  
Agenda Item: 7.6

The General Manager Strategy & Support advised that a provider had been selected to perform the project management internal audit and this work would commence on 4 April 2016.

The outcome of this audit will be used as part of a change management process.

It was noted that an updated report would be provided to the next meeting.

**Resolved: (Crs Hayes/Sedgwick)**

**THAT the report of the General Manager Strategy & Support – *Project Management Update* - be received.**

**CARRIED on the voices**

A&R1603/09/10

Future Work Plan  
Agenda Item: 7.7

**Resolved: (Crs Gibb/Hayes)**

**THAT the report of the General Manager Strategy & Support – *Future Work Plan* – be received.**

**CARRIED on the voices**

**A&R1603/10**

**EXCLUSION OF THE PUBLIC**

**Resolved: (Crs Gibb/Sedgwick)**

**THAT the public be excluded from the meeting during discussion on the following items of business:**

- 1. Confirmation of Public Excluded Minutes dated 10 December 2015**
- 2. Register of Members and Staff Interests**
- 3. Fraud Declaration**
- 4. Risk Assessment of Council Controlled Organisations' Statement of Intent**
- 5. Cash Handling Internal Audit**
- 6. Payroll Project Closure**
- 7. Committee Time with Audit NZ.**

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

**That the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information where the withholding of the information is necessary to:**

**Protect members, or officers, or employees of any local authority, or any persons to whom section 2(5) of the Local Government Official Information and Meetings Act 1987 applies, from improper pressure or harassment;**

**Protect the privacy of natural persons, including that of deceased**

**natural persons;**

**Prevent the disclosure or use of official information for improper gain or improper advantage;**

**AND THAT** the exclusion of the public from the whole or relevant part of the proceedings of the meeting is necessary to enable the local authority to deliberate in private on its decision or recommendation in any proceedings before the local authority where a right of appeal lies to any Court or Tribunal against the final decision of the local authority in those proceedings;

**AND FURTHER THAT the Chair (Ms Margaret Devlin) and representatives from Audit New Zealand (Mr Kotze and Mr Pieterse) remain in the meeting after the public has been excluded to facilitate discussion on items in this section.**

## CARRIED on the voices

*Resolutions A&R1603/11 – A&R1603/14 are contained in the public excluded section of these minutes.*

Having resumed open meeting and there being no further business, the meeting was declared closed at 2.55pm.

Minutes approved and confirmed this                      day of                      2016.

M Devlin

**CHAIRPERSON**

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### Open Meeting

<b>To</b>	Audit & Risk Committee
<b>From</b>	TG Whittaker General Manager Strategy & Support
<b>Date</b>	14 June 2016
<b>Prepared by</b>	Katja Jenkins Project Management Advisor
<b>Chief Executive Approved</b>	Y
<b>DWS Document Set #</b>	1536660
<b>Report Title</b>	Strategic Risk Register Update

## I. EXECUTIVE SUMMARY

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There has been minimal change to the Strategic Risk Register since the last update. The changes that have been made are provided in the narrative below.

## 2. DISCUSSION

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**R00053 Business Resilience** – *Business function is significantly interrupted due to a lack of business continuity planning and organisational resilience.*

- In line with the end of the financial year, the Business Continuity Project, which acts as a treatment for this risk, is due to be completed. The existing treatment will be updated with project outcomes post evaluation.

**R00128 Cyber Security** - *Unauthorised access and or theft of privileged information, malicious code and viruses introduced due to external cyber-attack and or employee behaviour.*

- The treatment MC00394, related to the development of an Information and Communications Technology Strategy, was recently added to the risk. The treatment stipulates that the management of cyber security is governed by the Strategy. This treatment is under action as the Strategy is currently in draft format. The draft was due to be finalised by April 2016 however, in lieu of the recruitment of a new Chief Information Officer, an interim (draft) strategy has been put in place. Roll out of the interim includes the implementation of on-line services, disaster recovery and electronic purchase orders (EPO). The treatment will be updated in line with the implementation of the finalised strategy, which is now part of the “Our Plan” review.

**R00155 Community Engagement** - *Community and key stakeholders are disengaged due to a lack of opportunity to engage in decision making.*

- With advice from the Corporate Planners, the timeframes related to the risk treatments were reviewed and adjusted to reflect legislative commitments.

**R00056 Zero Harm** - *Significant harm is caused due to poor or inactive Health and Safety procedures or culture of non-compliance.*

- The Zero harm team have reviewed a number of the associated processes and updated the treatments to accurately reflect current practice. The process associated with MC00116 is currently under review. The timeframe for reviewing the treatment has been adjusted to ensure timely reminder.

The Zero Harm Team has also commenced work to populate an operational risk register specific to zero harm critical risk.

### **WDC Organisational Risk Management Awareness**

The Waikato District Council Organisational Risk Management Awareness project will commence on 1<sup>st</sup> July 2016 and run for a period of 6 months. The project will review, assess and update the existing Risk Management Framework, associated processes and tools and deliver a functional training plan that includes structured support process to improve Risk Management awareness across the organisation.

Associated activities will include:

- Review portfolio allocation;
- Review role delegation;
- Review existing registers;
- Cleanse operational register;
- Review and update secondary classifications
- Develop role training;
- Develop process training; and
- Roll out training schedule.

To assist with project outcomes, Council has engaged Promapp to connect and network with other risk module users seeking input on best practice use and functionality of the tool.

### **Reputational Risk Profile**

Council has recently experienced increased occurrences of reputational threat. Discussion at the Executive Team level regarding these developments has resulted in the profile for reputational risk being raised. As a response, the Council has established that work is required to define the future direction for reputational risk management and resolved to review current practices in accordance with the Waikato District Council Risk Policy and Framework. This work relates directly to the requirement for increased organisational risk awareness and will be included as a fundamental part of the upcoming project.

### **New Strategic Risk (Executive) – Fraud**

Mid 2015 members of the Finance Team attended the Fraud Prevention and Detection in Local Government Workshop. As a result of attendance and as part of the ongoing improvement process it was identified that it would be beneficial for the organisation to implement an Anti-Fraud and Corruption Strategy.

A review of the existing strategic risk registers, along with a number of existing processes and policies, demonstrates that the organisation has in operation mitigations that address particular elements of fraudulent activity, such as: R00128 Cyber Security; R00099 Contract Management; Report and Investigate Fraudulent or Suspected Fraudulent Activity process; and Fraud Prevention Policy 2015, but that we do not have an exclusive risk capturing the impact or treatments specific to fraud.

With consideration to providing a holistic approach to recognising, mitigating and addressing fraudulent and/or corrupt behaviours, it was suggested that a specific strategic risk was developed and included in the Strategic (Executive) risk register.

A risk was drafted and accepted by the Executive Team during May 2016. An initial risk workshop was conducted with the Finance Team on 10<sup>th</sup> June 2016 with follow up workshops scheduled during July and late August. It is predicted that work towards assessing and documenting this risk and its treatments will be finalised October 2016.

### **3. RECOMMENDATION**

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**THAT the report from the General Manager Strategy & Support be received.**

### **4. ATTACHMENTS**

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Strategic Risk Register  
Heat Map

# Risk Register



Filter: Classification(s): STRATEGIC (A&R Committee)

<b>RESIDUAL</b> <b>12.0</b> HIGH	<b>BUSINESS CONTINUITY, ALLIANCE, STRATEGIC (A&amp;R COMMITTEE)</b> <b>Roadng Alliance (internal)</b> Significant disruption to business because of poor communication, loss of staff, knowledge transfer or incompatible systems. <b>OWNER</b> Tim Harty <b>RISK LIKELIHOOD DESCRIPTORS</b> Likely (3) <b>RISK CONSEQUENCE DESCRIPTORS</b> Major (4) <b>RESIDUAL RISK LIKELIHOOD DESCRIPTORS</b> Likely (3) <b>RESIDUAL RISK CONSEQUENCE DESCRIPTORS</b> Major (4)	<b>TREATMENT MC00380</b> The Roadng Alliance Team is actively managing risks and reporting to Alliance leadership and Principals group on a regular basis.	<b>SIGNOFF(S):</b> Mike James <b>DUE DATE:</b> <b>FREQUENCY:</b> Once
<b>INHERENT</b> <b>12.0</b> R00158			
<b>RESIDUAL</b> <b>10.0</b> MODERATE	<b>BUSINESS CONTINUITY, STRATEGIC (A&amp;R COMMITTEE)</b> <b>Business Resilience</b> Business function is significantly interrupted due to a lack of business continuity planning and organisational resilience. <b>OWNER</b> Kurt Abbot <b>RISK LIKELIHOOD DESCRIPTORS</b> Possible (2) <b>RISK CONSEQUENCE DESCRIPTORS</b> Catastrophic (5) <b>RESIDUAL RISK LIKELIHOOD DESCRIPTORS</b> Possible (2) <b>RESIDUAL RISK CONSEQUENCE DESCRIPTORS</b> Catastrophic (5)	<b>TREATMENT MC00138</b> The Business Continuity project is in progress as part of the Our Plan 2015/16 programme of work.	<b>SIGNOFF(S):</b> Kurt Abbot <b>DUE DATE:</b> 01 Dec 2016 <b>FREQUENCY:</b> 1st day of every 12 months
<b>INHERENT</b> <b>10.0</b> R00053			



RESIDUAL  
**8.0**  
MODERATE

INHERENT  
**12.0**

R00056

PEOPLE, REPUTATION/ IMAGE, STRATEGIC (A&R COMMITTEE)

## Zero Harm

Significant harm is caused due to poor or inactive Health and Safety procedures or culture of non-compliance.

OWNER Kevin Lockley

RISK LIKELIHOOD  
DESCRIPTORS Likely (3)

RISK CONSEQUENCE  
DESCRIPTORS Major (4)

RESIDUAL RISK LIKELIHOOD  
DESCRIPTORS Possible (2)

RESIDUAL RISK  
CONSEQUENCE  
DESCRIPTORS Major (4)

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### TREATMENT MC00116

Manage Volunteer Workers - Provide information to volunteer group  
Provide relevant information to volunteers to ensure compliance with zero harm initiatives.

SIGNOFF(S): Kylie Anderson  
Kevin Lockley  
DUE DATE: 01 Aug 2016  
FREQUENCY: 1st day of every 3 months

### TREATMENT MC00117

Report and Manage Hazards - Risk/Hazard Identified  
Report and Manage Hazards - Risk/Hazard Identified. Report and Manage Hazards - Risk/Hazard Identified.

SIGNOFF(S): Kylie Anderson  
Kevin Lockley  
DUE DATE: 01 Jul 2017  
FREQUENCY: 1st day of every 12 months

### TREATMENT MC00118

Report and Investigate a Near Miss Work Event (Non Injury) - Report a near miss event (non injury)  
Report and Investigate a Near Miss Work Event (Non Injury) - Report a near miss event (non injury).

**CHANGE(S) PENDING**  
SIGNOFF(S): Kylie Anderson  
Kevin Lockley  
DUE DATE: 01 Jul 2016  
FREQUENCY: 1st day of every 12 months

### TREATMENT MC00120

Report & Manage Notifiable Injury, Illness, Incident and/or Event - Review & Share Injury or Event Findings

**CHANGE(S) PENDING**  
SIGNOFF(S): Kevin Lockley  
Kylie Anderson  
DUE DATE: 01 Jul 2017  
FREQUENCY: 1st day of every 12 months

### TREATMENT MC00159

Carry out Contractor H&S Induction - Follow up agreed actions  
An H&S induction is provided to all contract staff.

SIGNOFF(S): Kevin Lockley  
Kylie Anderson  
DUE DATE: 01 Jul 2017  
FREQUENCY: The first Day of every 12 months

### TREATMENT MC00379

Inspect/Audit Contract Health & Safety - Carry out Health & Safety Audit as required  
A periodic or adhoc H&S audit is performed.

SIGNOFF(S): Kevin Lockley  
Kylie Anderson  
DUE DATE: 10 Jun 2017  
FREQUENCY: 10th day of every 12 months

RESIDUAL  
**8.0**  
MODERATE

INHERENT  
**12.0**

R00057

BUSINESS CONTINUITY, FINANCIAL, STRATEGIC (A&R COMMITTEE)

## Asset Management

Failure to provide sustained delivery of core services due to poor knowledge of asset condition, poor management of assets and inadequate asset management planning.

OWNER Tim Harty

RISK LIKELIHOOD  
DESCRIPTORS Likely (3)

RISK CONSEQUENCE  
DESCRIPTORS Major (4)

RESIDUAL RISK LIKELIHOOD  
DESCRIPTORS Possible (2)

RESIDUAL RISK  
CONSEQUENCE  
DESCRIPTORS Major (4)

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TREATMENT MC00129

Check (retic) Asset Maintenance Forms - Check asset maintenance form

SIGNOFF(S):

Martin Mould  
Cynthia Gillespie

DUE DATE:

01 Sep 2016

FREQUENCY:

1st day of every 12 months

TREATMENT MC00130

WDA - Provide asset data for RAMM database - Complete asset data collection forms

SIGNOFF(S):

Adam Van Niekerk

DUE DATE:

01 Sep 2016

FREQUENCY:

1st day of every 12 months

TREATMENT MC00161

Service Delivery Activity Management Plans (AMPS)

The purpose of the AMPS is to document the management philosophy of council assets and the provision of associated services. This long-term planning approach is considered necessary given the large capital and operating expenditure expected, the long lives of the assets and the lead times in planning for upgrades, replacements and the purchase or building of new assets.

SIGNOFF(S):

Elton Parata  
Wayne Furlong

DUE DATE:

01 Apr 2017

FREQUENCY:

The first Day of every 12 months

TREATMENT MC00162

WDC Activity Management Policy - provides statements on how WDC will manage assets and deliver associated services in a cost effective, sustainable, well planned and co-ordinated manner to provide agreed levels of service.

SIGNOFF(S):

Elton Parata  
Wayne Furlong

DUE DATE:

01 Sep 2016

FREQUENCY:

The first Day of every 12 months

TREATMENT MC00163

The WDC 2015-2045 Infrastructure Strategy documents the management philosophy that is applied to Waikato Districts' infrastructure assets.

SIGNOFF(S):

Martin Mould

DUE DATE:

01 Nov 2016

FREQUENCY:

The first Day of every 12 months

The strategy covers the following asset types: Water Treatment and supply, Wastewater Treatment and Disposal, Stormwater Drainage, Roads and footpaths.

TREATMENT MC00376

WDA - Collect RAMM Data Fields - Load field asset data into RAMM database

SIGNOFF(S):

Dave Taylor

DUE DATE:

10 Dec 2016

FREQUENCY:

10th day of every 12 months

RESIDUAL  
8.0  
MODERATE

INHERENT  
12.0

R00157

COMPLIANCE/ REGULATORY, REPUTATION/ IMAGE, STRATEGIC (A&R COMMITTEE)

Three Waters Study

Significant temporary disruption to business and service levels resulting from water study decision.

OWNER Tim Harty

RISK LIKELIHOOD  
DESCRIPTORS Likely (3)

RISK CONSEQUENCE  
DESCRIPTORS Major (4)

RESIDUAL RISK LIKELIHOOD  
DESCRIPTORS Possible (2)

RESIDUAL RISK  
CONSEQUENCE  
DESCRIPTORS Major (4)

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TREATMENT MC00391

A project group, that meets fortnightly, has been implemented in consultation with the Mayoral Forum to address ongoing project directives and report against Water Study decisions.

SIGNOFF(S):

Martin Mould

DUE DATE:

01 Jan 2017

FREQUENCY:

1st day of every 12 months

RESIDUAL 6.0 MODERATE	PEOPLE, POLITICAL, REPUTATION/ IMAGE, STRATEGIC (A&R COMMITTEE)		TREATMENT MC00121	SIGNOFF(S):	Melissa Russo Shelley Monrad
	<b>Community Engagement</b> Community and key stakeholders are disengaged due to a lack of opportunity to engage in decision making.		Long Term Plan Special Consultative Procedure - Hold Public Meetings	DUE DATE:	30 Jun 2018
INHERENT 9.0	OWNER	Shelley Monrad	TREATMENT MC00122	FREQUENCY:	1st day of every 12 months
	RISK LIKELIHOOD DESCRIPTORS	Likely (3)	Confirm Communitiy LTP Priority Projects - Confirm LTP Priority Project List with Communities Communicate decisions around Long Term Plan priority projects.	SIGNOFF(S):	Melissa Russo Shelley Monrad
R00155	RISK CONSEQUENCE DESCRIPTORS	Moderate (3)	TREATMENT MC00124	DUE DATE:	30 Jun 2018
	RESIDUAL RISK LIKELIHOOD DESCRIPTORS	Possible (2)	Update Communities on confirmed LTP Projects - Report back to Community Boards and Community Committees Ensure adequate engagement with community confirming Long Term Plan projects and provide feedback to Community Boards and Community Committees.	FREQUENCY:	1st day of every 12 months
	RESIDUAL RISK CONSEQUENCE DESCRIPTORS	Moderate (3)	TREATMENT MC00164	SIGNOFF(S):	Melissa Russo Shelley Monrad
			Community engagement strategy: This Strategy provides WDC with guidance on its community engagement activities	DUE DATE:	01 Dec 2016
			TREATMENT MC00165	FREQUENCY:	The first Day of every 6 months
			Creation of a significance & engagement policy	SIGNOFF(S):	Melissa Russo Shelley Monrad
			The policy oulines how WDC will assess “significance”, as required by the LGA amendment bill. A particular issue is the determination of whether an issue is of “high” significance or not in regard to the impact on communities, rather than just on economic impact which is generally the current basis for council decisions.	DUE DATE:	
			Environmental, social and cultural well-beings must also form part of a significance determination which should not be overshadowed by financial considerations.	FREQUENCY:	Once
			TREATMENT MC00388	SIGNOFF(S):	Melissa Russo Shelley Monrad
			Review of Significance and Engagement Policy in line with LTP.	DUE DATE:	30 Jun 2018
				FREQUENCY:	1st day of every 12 months

RESIDUAL  
**6.0**  
MODERATE

INHERENT  
**9.0**

R00051

PEOPLE, POLITICAL, REPUTATION/ IMAGE, STRATEGIC (A&R COMMITTEE)  
**Customer Service**  
Customers are disengaged because of poor customer service.  
OWNER    Angela Parquist  
RISK LIKELIHOOD                      Likely (3)  
DESCRIPTORS  
RISK CONSEQUENCE                  Moderate (3)  
DESCRIPTORS  
RESIDUAL RISK LIKELIHOOD Possible (2)  
DESCRIPTORS  
RESIDUAL RISK                      Moderate (3)  
CONSEQUENCE  
DESCRIPTORS

21  
TREATMENT MC00166  
WDC staff undertake Our Customer training modules as part of the "Building our customer driven culture" training  
  
TREATMENT MC00377  
Receive and Enter a Service Request - Receive Request from Customer

SIGNOFF(S):                      Hayleigh Evett  
DUE DATE:                      01 Jan 2017  
FREQUENCY:                      The first Day of every 12 months  
  
SIGNOFF(S):                      Elizabeth Saunders  
DUE DATE:                      10 Dec 2016  
FREQUENCY:                      10th day of every 12 months

RESIDUAL  
**5.0**  
LOW

INHERENT  
**15.0**

R00019

FINANCIAL, POLITICAL, REPUTATION/ IMAGE, STRATEGIC (A&R COMMITTEE)

### Economic Development

WDC inhibits economic development due to a lack of business agility, poor planning, untimely investment in infrastructure, and or poor engagement with key stakeholders.

OWNER Clive Morgan

RISK LIKELIHOOD  
DESCRIPTORS Likely (3)

RISK CONSEQUENCE  
DESCRIPTORS Catastrophic (5)

RESIDUAL RISK LIKELIHOOD  
DESCRIPTORS Rare (1)

RESIDUAL RISK  
CONSEQUENCE  
DESCRIPTORS Catastrophic (5)

## 22

### TREATMENT MC00012

Set development contribution levies - Provide Growth Information

SIGNOFF(S):

Alison Diaz

DUE DATE:

01 Oct 2016

FREQUENCY:

The first Day of every 6 months

### TREATMENT MC00056

Tuakau structure plan project underway, linked to prepare a structure plan process

SIGNOFF(S):

Vishal Ramduny

DUE DATE:

01 Sep 2016

FREQUENCY:

The first Day of every 6 months

### TREATMENT MC00057

Future proof growth strategy review and engagement

SIGNOFF(S):

Vishal Ramduny

DUE DATE:

01 Sep 2016

FREQUENCY:

The first Day of every 6 months

### TREATMENT MC00058

Undertake engagement as per Auckland City MOU

SIGNOFF(S):

Vishal Ramduny

DUE DATE:

01 Sep 2016

FREQUENCY:

The first Day of every 6 months

### TREATMENT MC00059

Waikato Plan reflects the growth aspirations of the Waikato district and provides robust data for better planning and connectivity.

SIGNOFF(S):

Vishal Ramduny

DUE DATE:

01 Aug 2016

FREQUENCY:

The first Day of every 4 months

### TREATMENT MC00060

Economic development roadmap projects provide support for planning and infrastructure investment.

SIGNOFF(S):

Clive Morgan

DUE DATE:

01 Jun 2017

FREQUENCY:

The first Day of every 6 months

### TREATMENT MC00163

The WDC 2015-2045 Infrastructure Strategy documents the management philosophy that is applied to Waikato Districts' infrastructure assets.

SIGNOFF(S):

Martin Mould

DUE DATE:

01 Nov 2016

FREQUENCY:

The first Day of every 12 months

The strategy covers the following asset types:  
Water Treatment and supply, Wastewater Treatment and Disposal, Stormwater Drainage, Roads and footpaths.

RESIDUAL  
4.0  
LOW

INHERENT  
8.0

R00058

FINANCIAL, POLITICAL, STRATEGIC (A&R COMMITTEE)

Regional/ National Strategic Planning

Our District is significantly impacted and or suffers missed funding opportunities due to poor engagement in Regional and or National strategic planning.

OWNER Vishal Ramduny

RISK LIKELIHOOD  
DESCRIPTORS Possible (2)

RISK CONSEQUENCE  
DESCRIPTORS Major (4)

RESIDUAL RISK LIKELIHOOD  
DESCRIPTORS Rare (1)

RESIDUAL RISK  
CONSEQUENCE  
DESCRIPTORS Major (4)

23

TREATMENT MC00135

WDC is a key player in the Waikato Mayoral forum thereby proactively contributing to a single voice for the Waikato region to central government.

TREATMENT MC00378

Prepare a District Development Strategy - Prepare project brief  
Project brief was issued 2015. District Development Strategy was adopted October 2015.

SIGNOFF(S):

Vishal Ramduny

DUE DATE:

01 Oct 2016

FREQUENCY:

1st day of every 6 months

SIGNOFF(S):

David Totman

DUE DATE:

10 Oct 2017

FREQUENCY:

10th day of every 12 months

RESIDUAL

4.0

LOW

INHERENT

12.0

R00128

BUSINESS CONTINUITY, FINANCIAL, REPUTATION/ IMAGE, TECHNICAL, STRATEGIC (A&R COMMITTEE)

Cyber Security

Unauthorised access and or theft of privileged information, malicious code and viruses introduced due to external cyber attack and or employee behaviour.

OWNER     Julian Hudson

RISK LIKELIHOOD                     Likely (3)

DESCRIPTORS

RISK CONSEQUENCE                Major (4)

DESCRIPTORS

RESIDUAL RISK LIKELIHOOD   Rare (1)

DESCRIPTORS

RESIDUAL RISK                        Major (4)

CONSEQUENCE

DESCRIPTORS

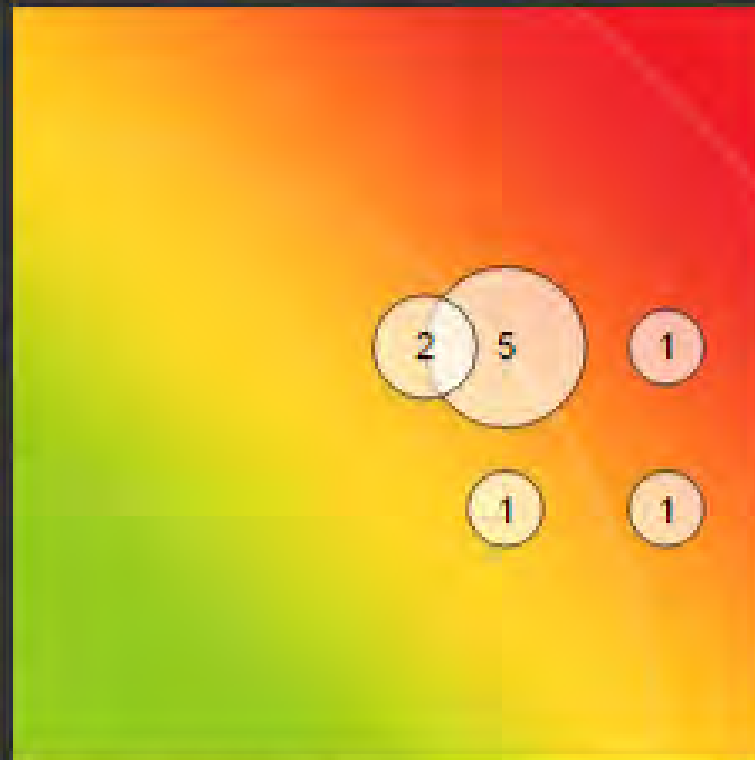
24	
TREATMENT MC00348	SIGNOFF(S):                     Julian Hudson
WDC has an operative network security system ( series of firewalls) to safe guard the connection between Council's internal network and the internet.	DUE DATE:                        01 Feb 2017
	FREQUENCY:                      1st day of every 12 months
TREATMENT MC00349	SIGNOFF(S):                     Julian Hudson
Cyber security is audited annually by Audit NZ. Council's firewall configuration is audited periodically and recommendations implemented as deemed appropriate by the IM manager.	DUE DATE:                        01 Feb 2017
	FREQUENCY:                      1st day of every 12 months
TREATMENT MC00350	SIGNOFF(S):                     Julian Hudson
Cyber security is managed using best practise methodologies by using security measures at various layers of connection.	DUE DATE:                        01 Feb 2017
a) Firewalls	FREQUENCY:                      1st day of every 12 months
b) Server	
c) PC	
d) User	
e) Physical	
f) Wireless access	
g) WDC website	
TREATMENT MC00394	SIGNOFF(S):                     Julian Hudson
Implement ICT Strategy	DUE DATE:                        01 Mar 2017
Organisational management of cyber security is governed by strategic processes as documented in the ICT Strategy. The strategy includes directives associated with;	FREQUENCY:                      1st day of every 12 months
- procurement (contractual security requirements)	
- monitoring & response (Critical ICT applications)	
- organisational direction/technical advancement (considering alignment to business requirement)	
- asset management	



## Classification(s): STRATEGIC (A&R Committee)

### INHERENT RISKS

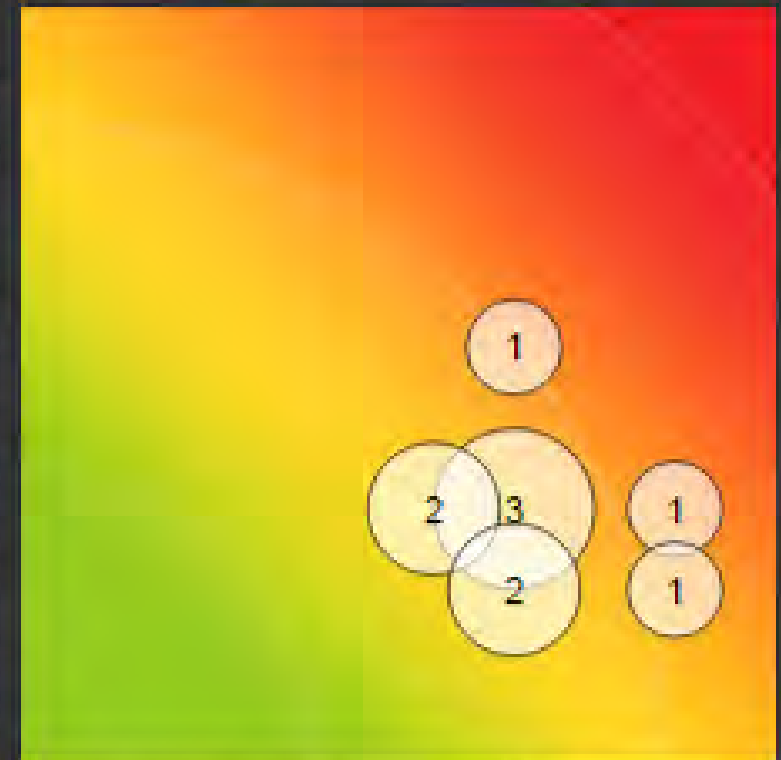
Risk Likelihood Descriptors



Risk Consequence Descriptors

### RESIDUAL RISKS

Residual Risk Likelihood Descriptors



Residual Risk Consequence Descriptor.

### **Open Meeting**

<b>To</b>	Audit & Risk Committee
<b>From</b>	TG Whittaker General Manager Strategy & Support
<b>Date</b>	09 June 2016
<b>Prepared by</b>	Katja Jenkins Project Management Advisor
<b>Chief Executive Approved</b>	Y
<b>DWS Document Set #</b>	I536640
<b>Report Title</b>	Project Management Audit Report

## **I. EXECUTIVE SUMMARY**

---

In April 2016, professional services firm Deloitte, was engaged as an external auditor to perform a review of Council's project management methodology. The review included the existing project management framework, associated methodology, and the application of the framework to a cross section of the organisation's projects.

The purpose of this report is to inform the Committee of the outcome of the review and its associated recommendations.

## **2. DISCUSSION**

---

Although Council's existing project management methodology was found to be comprehensive Deloitte documented the following areas as requiring attention to strengthen our project performance:

- Project reporting;
- Resource management;
- Links between project management and contract management expectations;
- Organisational understanding of project portfolios;
- Implementation of mandatory project management policies;
- Formalisation of project stage gate approval; and
- Training (project management methodology).

Deloitte also detected that there was a need to enhance the organisational adoption of the project management framework by de-coupling the methodology from the existing project management tool, Integrated Project Manager ("IPM"). Deloitte found that project

managers at Council exclusively associated project management with IPM, and that there was negative user perception of the tool<sup>1</sup>.

To address these issues the following recommendations were provided:

- Awareness training against project management framework components;
- Establishment of mandatory project management standards;
- Review of the existing tool; and
- Formal rollout of project management programme.

Deloitte observed considerable variation of project management disciplines, experience and skill across the business groups and detailed an urgent requirement for the organisation to assume improved and consistent project management practices. Associated activities included:

- Establishment of an enterprise project management office (“ePMO”) with the Executive Team carrying accountability;
- Application of a project manager accreditation process;
- Creation of a project management network within the organisation;
- Implementation of a project management peer review process;
- Requirement for project issues to be reported to the ePMO;
- Introduction of a prescribed audit schedule for critical project documentation;
- Execution of an organisation wide project management competency assessment; and
- Employment of fixed term project management specialists for high risk/resource intensive projects.

The recommendations from the review greatly support, and add to, the chosen direction of the current Project Management Unit. In January 2016 the team commenced a review of the existing project management framework and projects to identify project management deficiency. The following requirements were identified during the review and are due for delivery 30<sup>th</sup> June 2016:

- Separate the existing project management methodology from the existing project management tool;
- Simplify the existing project management guide to assist in providing a user friendly experience for employees (in particular to those with limited project management experience and/or no formal project management training);
- Engage an external training provider to facilitate Organisational training in Project Management Basics;
- Create custom training packages against the WDC Project Management Framework:
  - Stakeholder Management and Engagement Planning;

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<sup>1</sup> The tool itself was not evaluated as part of the review.

- Starting Up a Project and Project Governance (including business case, administration and reporting);
  - Project Planning;
  - Project Risk, Issues and Change Management; and
  - Project Budget Management.
- Create packages of standardised project management documentation templates (from existing) for the purpose of delivering consistent project management records;
  - Simplify the user experience of the existing project management tool; and
  - Update project management processes to reflect the simplified requirements of the project management tool.

As a result of the recommendations from the review the following items will also be implemented:

- Review of the existing tool. Deloitte have been engaged to perform this task (June 2016);
- Investigation of policy requirement detailing project management (including resource management and mandatory project management standards);
- Implementation of integrated/associated training relating to finance, contract and tender management; and
- Creation of a Waikato District Council project management network.

The remaining recommendations will be assessed in consultation with the Executive Team.

### **3. RECOMMENDATION**

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**THAT the report from the General Manager Strategy & Support be received.**

### **4. ATTACHMENTS**

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Waikato District Council Project Management Review – Deloitte



# Waikato District Council

## Project Management Review

May 2016

**Confidential**

# Contents

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# Executive Summary

Waikato District Council (Council) has a significant portfolio of projects (approximately 1200, of which about half are currently in flight). Aside from capital works, Council's strategic objectives are delivered through various initiatives which are ultimately managed through project management techniques. It is therefore vitally important that projects are delivered well through the use of proficient people who are supported with effective methods and tools. In a local government context, project management must therefore be a core discipline that is nurtured and reinforced.

Aside from monitoring/managing a high volume of projects, there are a number of other factors at Council such as staff turnover and use of contractors which together can create complications for executing projects well. The reputational impact of wastage or lateness in projects can be serious. Conversely the upside of executing projects well can bring significant payoff.

Council mandate, through an Audit and Risk Committee, stipulates periodic external audit/review of high risk areas within Council function to gain compliance and identify opportunities for improvement to facilitate proactive risk minimisation. The Council project management function was identified as one of the high risk areas.

The project management framework as it stands has had a low rate of adoption across the various business units. Deloitte, as an external provider, was engaged to review the project management methodology, including how it has been applied across a selection of projects. The purpose of the review is to better understand issues and barriers which prevent the consistent use of the current framework.

The key insights from the review can be summarised as follows:

## Strengthen the Project Management Methodology

The project management methodology adopted generally appears to be comprehensive. We have noted a number of areas where it can be enhanced. These include project reporting, resource management and linking of project management with contract management expectations. Beyond these, Council should:

- Make the methodology more effective through explaining the concept of project portfolios at Council, developing mandatory policies and linking current guidance to such policies as part of the overall strategy to improve project management culture.
- Clarify how project stage gates are approved within the organisation's delegation of authority.
- Bring the methodology to life through engaging training sessions which go beyond the methodology and cover the soft side of effective project management, for example, how to handle a disengaged project sponsor.

## Enhance the Adoption of the Project Management Framework

Interviewees who participated in this review associated Council's project management framework exclusively with the Integrated Project Manager (IPM) project management tool. Our key observation from the projects reviewed is that IPM is rarely used due to wide ranging concerns on the effectiveness of the tool. These concerns included for example the slowness of the system, poor functional fit, not being user friendly, lack of training and no perceived benefit to the user.

Some users have dismissed IPM without actually validating to see if their concerns have been addressed in the current version.

On a positive note, users understood the benefit (to senior management) of having an enterprise-wide project management tool because it would provide a powerful view of "rolled up" project progress against Council commitments and highlight linkages/dependencies across projects.

To address this, we recommend an effective training and awareness programme to educate project teams on the role of the different components of the framework and the practical benefits. It is essential to de-couple the negative sentiments associated with IPM from the rest of the framework and its significant benefits to Council.

Council also needs to review the valuable feedback received from project team members on IPM and consider whether the reasons for poor adoption are in fact valid and how this can be addressed with the tool, a replacement tool or application of it.

Once addressed, a roll out programme is required which fits with the project management training and awareness programme. In this report we recommend a range of ideas including establishing mandatory project management standards; differentiating the tool versus "the framework"; enrolling project personnel to help pilot the tool to establish buy-in and ensuring that the use of the tool actually simplifies compliance with mandatory project management standards. Critical to the success will be to ensure the tool has actual benefits for the user to encourage voluntary adoption and that the tool is not overly prescriptive.

### **Improve Actual Project Management Practices**

We interviewed stakeholders to understand what project management activities were in place given the absence of practices prescribed by Council's framework.

Overall, we observed considerable variation across the sample of projects we reviewed. Heavy reliance is placed on individuals to apply varying levels of project management disciplines. While we did not assess individual performance, it is clear from our interviews and review of project artefacts that project management skills and experience varies considerably.

We would expect that it is difficult to reliably consolidate project reporting given this variation. Given the project linkages to delivering Council commitments, this requires urgent attention.

In this report we recommend the following:

- Establish an enterprise project management office (ePMO) with ultimate accountability at the organisational executive team level, which has a clear mandate to deliver increased levels of project success. Involve the ePMO in reviewing projects and providing support. For example, the ePMO could be involved in reviewing progress at phase gates. For high risk projects, deploy independent quality assurance. All insights need to be looped back to the training and awareness programme.
- Use a project manager accreditation process to allocate projects of varying difficulty/risk levels.
- Use the training and awareness programme above to support accreditation. The range of activities can vary and need not all be formalised. Based on our review the key initial gaps to close include risk management, stakeholder management, reporting, forecasting, contract negotiation and governance.
- Encourage Project Managers to attend project management networking events where they can share their good and bad personal experiences for others to learn from.
- Have project managers peer review projects to reinforce the project management steps and personally experience the effects of poor quality documentation. Training can be made engaging through combining peer review reports, post audit insights and networking events.
- Require projects to regularly report issues to the ePMO. Aside from seeking help, this will facilitate root cause analysis and help address any project management deficiencies.
- Specific training may be required where projects are contracted out. This is to ensure sufficient Council visibility of project management areas and application of required tender and contracts policies.
- Undertake regular prescribed audits to ensure critical project planning documentation (e.g. project plans and business cases) are retained (in a tool such as ECM) so that the success of the project can be measured against the planned benefits and success criteria.
- Perform an organisation wide project management competency assessment that includes nominated project role definitions, to determine knowledge and skills gaps for the purpose of implementing targeted training.



- Where necessary consider the use of fixed term Project Management specialists to run complex/high risk/resource intensive projects for the organisation.

### **Acknowledgement**

We would like to acknowledge the assistance received from staff at Waikato District Council during the course of the review.

The Deloitte logo, featuring the word 'Deloitte' in a stylized, cursive script.

**Deloitte**

18 May 2016

# Background

## Project Management at Waikato District Council

Waikato District Council has a significant portfolio of projects (approximately 1200, of which about half are currently in flight). Council projects fall into three broad categories:

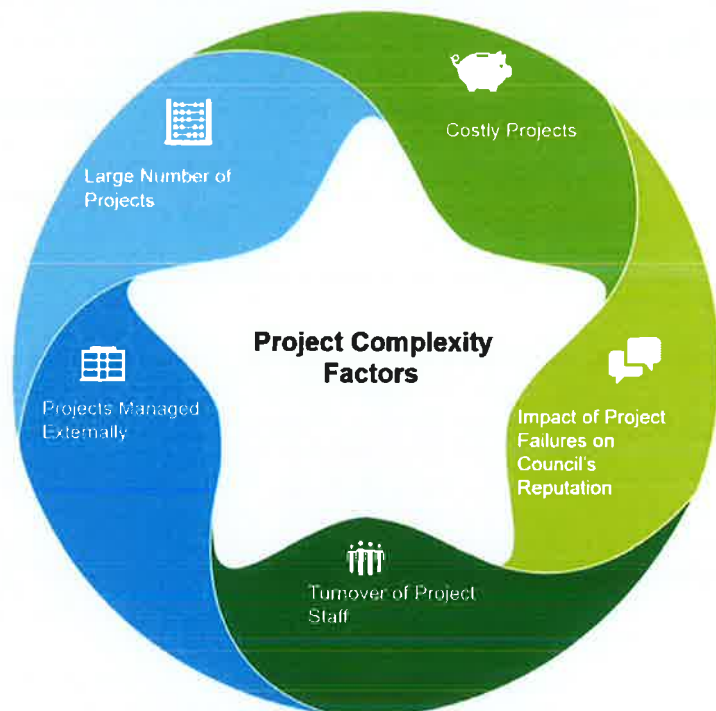
- Infrastructure projects
- Internal improvement projects
- IT projects

Projects are key vehicles used to deliver promises made to a wide range of Council stakeholders. In addition, Council's own strategic objectives are delivered through various initiatives which are ultimately managed through project management techniques.

It is therefore vitally important that projects are delivered well through the use of proficient people who are supported with effective methods and tools. In a local government context, project management must therefore be a core discipline that is nurtured and reinforced.

Aside from monitoring/managing a high volume of projects, there are a number of other factors which together can create challenges and complications for executing projects well at Council:

- Projects consume valuable Council and ratepayer resources. Unless this is done well, there is a real risk of wastage. It is important for all projects to sense potential issues through an effective risk management process so that wastage is eliminated or minimised.
- Lateness in any of Council's projects can ultimately impact Council's reputation because commitments have been made to external stakeholders
- Because the organisation has adopted an integrated project management model there is considerable turnover of key project resources. To sustain project management disciplines Council must apply a structured method to ensure leading project management proficiency is obtained and that project delivery capability can be adequately resourced and maintained.
- Council projects are often delivered through external parties and in many cases managed externally. Even projects which start internally are frequently contracted out. The quality of project deliverables can therefore vary. This means that Council project management methods must be flexible to cater for the extended/outsourced enterprise and include robust quality control mechanisms to ensure quality of the products/outputs delivered.



### Progress so far

To address the challenges described above Waikato District Council launched a revised project management framework in 2014. This consisted of the following three components:

1. The Project Management Methodology Guide.
2. Software tools and templates to facilitate project management and overall programme governance. This comprised Integrated Project Manager ("IPM") and Promapp. IPM is the main project management tool while Promapp is Council's chosen process mapping tool. Promapp includes guidance for a wide range of Council methods, including how to use IPM.
3. Project Management Advisors who are the owners of the project management methods. Their role is to provide project management guidance across Council.

### Our report

It has been identified that the project management framework as it stands has had a low rate of adoption across the various business units. Given the criticality of implementing effective project management disciplines the Council, through recommendations from governing bodies, has been requested to review the current method of project delivery and look into additional measures to raise project management maturity levels and the level of adoption across the Council business functions.

Deloitte was engaged to undertake an independent review of Council's project management methodology as it stands and how it has been applied in a selection of projects. The purpose of the review is to better understand issues and barriers which prevent the consistent use of the current framework.

Council also requested Deloitte to reflect on leading methods and effective practices observed in other similar organisations to identify additional measures it should consider as part of its journey to improve project management maturity.

# Scope and Approach

## Scope

Waikato District Council has in place a project management framework and associated software tools for use across all projects. The purpose of our review was to identify improvement opportunities for the application of project management disciplines as well as to better understand issues and barriers which prevent the adoption and consistent use of the current framework.

Our review has included the following aspects of project management disciplines as indicated in the diagram below:



We have selected a sample of 6 projects (from infrastructure, internal improvement projects and IT projects) which have been agreed with you. Our review has considered how the existing project management framework has been applied in these projects, and in instances where it has not been applied, we have sought to understand the root causes and potential opportunities to improve its application or the framework itself.

Other than interviewing users on their experiences from using software tools and templates, our work did not involve undertaking any kind of software evaluation or performance evaluation of individuals.

We have provided management with initial feedback on areas of improvement within the existing framework based on themes identified during our fieldwork. We have considered these themes against expectations of leading project management practices and our practical experiences from performing similar engagements elsewhere in the public sector.

## Approach

Our fieldwork has been completed predominantly through one-on-one interviews with key stakeholders who are responsible for overseeing and applying the project management framework in their respective areas across Council. We have also reviewed key project management artefacts for each project reviewed (such as project documentation, risk registers, projects updates), as required to supplement our understanding obtained through these interviews.

We have summarised our observations and recommendations in this report.

# Observations and Recommendations

## Introduction

Our insights have been summarised into 3 distinct areas.

1. Analysis of the **project management methodology**. This has included a high level review of the adopted methodology against leading practice project management.
2. Observations around the **adoption of the overall framework** in the sample of projects we reviewed.
3. Observations around **project management practices** in place at Council based on the projects we have reviewed.

### 1. Observations around the project management methodology

Council has issued a Project Management Methodology Guide which is designed to address a wide range of projects.

The methodology includes the following phases:



Each phase specifies a “phase gate” where approvals are required to proceed to the next phase.

The Guide recognises the diverse range of projects and while it recognises the different scale of projects, it is designed only to address the common themes (rather than prescribe the detail for each project type). It comes across genuinely as a guide which offers “how to” suggestions, tips and checklists, rather than a policy for which compliance is mandatory. It also contains useful definitions and terminology which would be essential for establishing and operating a strong project management culture.

In summary, the following observations were made when we reviewed the methodology aspects of the Guide:



### Important Areas Observed



### Areas for Improvement



### Recommendations relating to the project management methodology

Overall our review found the Guide to be comprehensive. We have noted a number of areas where content can be enhanced. These include:

- **Project Reporting** – Specify information which must be included in project reports, frequency of reporting, and how reporting should differ based on the nature of the project, audience reported to etc. Link this aspect to approved templates to facilitate consistency across the organisation.
- **Resource Management** – While resource allocation will differ considerably across the enterprise, explain the key methods and how capacity is managed in total. Also, provide useful checklists for resource requirements and costing methods.
- **Link to Contract Management expectations** – Clarify Council's project governance and project management roles where some or all parts of a project are contracted out. For example, even though a project may be contracted out from a delivery perspective Council still requires visibility of risks which it continues to own.

Other recommendations around the use and purpose of the Guide include:

- The Guide appears to be a useful tool for inducting new project personnel. Consider explaining the concept of project portfolios at Council and how these fit within the organisation structure.
- Consider developing mandatory policies and linking the Guide to such policies as part of the overall strategy to improve project management culture.
- As part of the above recommendation, clarify how project stage gates are approved within the organisation's delegation of authority. For certain high risk projects, stipulate the use of independent quality assurance for various parts (e.g. revalidating a business case proposal or reviewing project deliverables).

- The establishment of an Enterprise Project Management Office (ePMO) is covered separately in this report. While the current project advisors are seen as aides, consider an ePMO's formal involvement in stage gate reviews to induce greater levels of quality and compliance with the Guide.
- Finally the Guide does not appear to be well known to project personnel at present. Bring it to life by linking engaging training sessions (e.g. on post project review findings) to how the Guide can help prevent common failures. This training must go beyond the methodology and cover the soft side of effective project management, for example, how to handle a disengaged project sponsor.

## 2. Observations around the adoption of the framework

Interviewees who participated in this review associated Council's project management framework exclusively with the Integrated Project Manager (IPM) project management tool. As mentioned in the previous section, the Guide was not seen as "our framework". As a consequence, if IPM was not used we would expect variation across projects in terms of applying a consistent framework (for example, inconsistent terminology of project management concepts at Council).

Promapp is a separate tool which provides a step by step guide to help team members navigate through IPM. It includes separate guidance for different types of projects. Our interviews with users of these tools indicated that Promapp is generally considered to provide authoritative guidance on Council policies and processes.

Our key observation from the projects reviewed is that despite the Promapp guidance, IPM is rarely used for project management. In fact, of the six projects we reviewed, only one attempted to use IPM.

When interviewed, users' raw explanations for not using IPM included:



We also noted that some users have dismissed IPM without actually validating to see if their concerns have been addressed in the current version. The majority of project staff we interviewed had not accessed IPM recently.

On a positive note, users understood the benefit (to senior management) of having an enterprise-wide project management tool because it would provide a powerful view of "rolled up" project progress against Council commitments and highlight linkages/dependencies across projects. Given that it has not been used, this visibility does not currently exist.



### Recommendations relating to the adoption of the framework

- As part of the overall strategy to improve project management culture, develop an awareness programme to educate project teams on the role of the different components of the framework and the practical benefits. It is essential to de-couple the negative sentiments associated with IPM from the rest of the framework and its significant benefits to Council.
- Review the valuable feedback received from project team members on IPM. Consider whether the reasons for poor adoption are in fact valid and how this can be addressed with the tool or application of it. Where there is clearly a user perception gap, address this through the training programme (refer to next section).
- Having addressed/identified and implemented the most suitable tool (IPM or other) to support project management, establish a roll out programme which fits with the project management training and awareness programme. We recommend:
  - a. Establishing mandatory project management standards (regardless of the tool). This may create the perception of more administration for those who are not exercising good project management disciplines today (refer to next section).
  - b. Differentiating the tool versus "the framework".
  - c. Enrolling project personnel to help pilot the tool to establish buy-in.
  - d. Ensuring that the use of the tool actually simplifies compliance with mandatory project management standards. A fit for purpose exercise is required to ensure the tool(s) selected match the project type (e.g. capital works outsourced project).
  - e. Ensuring the tool has demonstrable benefits for the user to encourage voluntary adoption. This means targeting the pain points of project teams today. For example, the tool may integrate with the finance system to track costs incurred, to avoid dual entry against budget. Another example is where the user can intelligently import an existing project plan that was externally developed.
  - f. Winning positive feedback from small user communities before rolling out too widely (given the diverse nature of projects at Council).
  - g. Ensuring that the tool is not overly prescriptive and utilises consistent terminology to the messages contained within the Guide.

### 3. Observations around project management practices

As described above, we noted that the project management framework and associated tools are not well adopted by project team members. We interviewed stakeholders to understand what project management activities were in place in the absence of those practices prescribed by the framework.

Overall, we observed considerable variation across the sample of projects we reviewed. We would expect that it is difficult to reliably consolidate project reporting given this variation. Given the project linkages to Council commitments and challenges articulated in the Background section of this report, this requires urgent attention.

Heavy reliance is placed on individuals to apply varying levels of project management disciplines. While we did not assess individual performance, it is clear from our interviews and review of project artefacts that project management skills and experience varies considerably.

On a positive note, we were told that completed projects that we reviewed delivered satisfactory outcomes for stakeholders. We did not verify this.

Here is a selection of our observations grouped by project management topic:

#### Project Governance

- Projects Managers that we interviewed reported that there is a need for an ePMO function for many reasons, including real-time help with problem solving.
- The Programme Manager for one project left and no replacement was sought.

### **Project Planning**

- Project planning was performed inconsistently across the projects. Some Project Managers and Business Owners were not aware of the planning that had taken place as they were not involved in the project at that time (but did not obtain supporting documentation).
- One internal project was reported to have prepared a business case in 2009, however the whereabouts of this document was unknown.
- One internal project had no risks identified in the Project Execution Plan. This plan was last updated in October 2014. We noted that the plan included milestones up to February 2015 and no further milestones had been added.

### **Stakeholder Analysis**

- Communication with stakeholders tended to be ad hoc (e.g. via email).
- Some projects reported that stakeholder analysis and engagement could have been performed better. One project reported that there were last minute scope change requests from stakeholders and that better stakeholder management may have prevented this.

### **Communication and Reporting**

- There is no consistent approach to reporting, every project sampled used a different approach.
- Only one project sampled used the reporting functionality in IPM.
- There was a reporting structure in place for roading projects, however, some of the fields in the weekly report we reviewed were left blank.

### **Scope and Quality Management**

- Internal projects managed changes to scope informally.

### **Time Management**

- The internal projects that we reviewed did not have baselined milestones.

### **Financial Management**

- One internal IT Project had no budget; and as a result there was no tracking of costs.
- The cash budget spreadsheet used for roading and water projects does not allow logging of changes. This has made financial monitoring difficult.
- One internal project reported that the level of detail included in the project budget was insufficient.
- There is some frustration with having to manually track and code expenditure and the lack of effective tools to forecast.

### **Risk and Issues Management**

- Risk Management was applied inconsistently across the projects. Some projects did not have any risk registers at all. Projects that had risk registers had not prepared them in accordance with the Council Risk Framework.
- Where project management had been contracted out, risks were required to be reported in status reports. However, we noted that the status reports we reviewed did not have any risks reported.

### **Resource Management**

- Resource Management was informal.
- There is no enterprise wide resource planning and this made capacity planning difficult for projects.

- Information Services staff reported that they are not consulted regarding use of their staff on projects. As a result they are provided no notice when projects reach critical stages and require their urgent input.
- Projects have experienced loss of staff and some positions have not been backfilled.

#### Contract Management

- Some project managers commented on the need for contract negotiation and contract management training.
- One project which was managed by a sub-contractor reported that there was uncertainty around who should be accountable if something were to go wrong (in reality we understand that the accountability is specified in the contract and there is a method applied to ensure contractor performance is monitored).

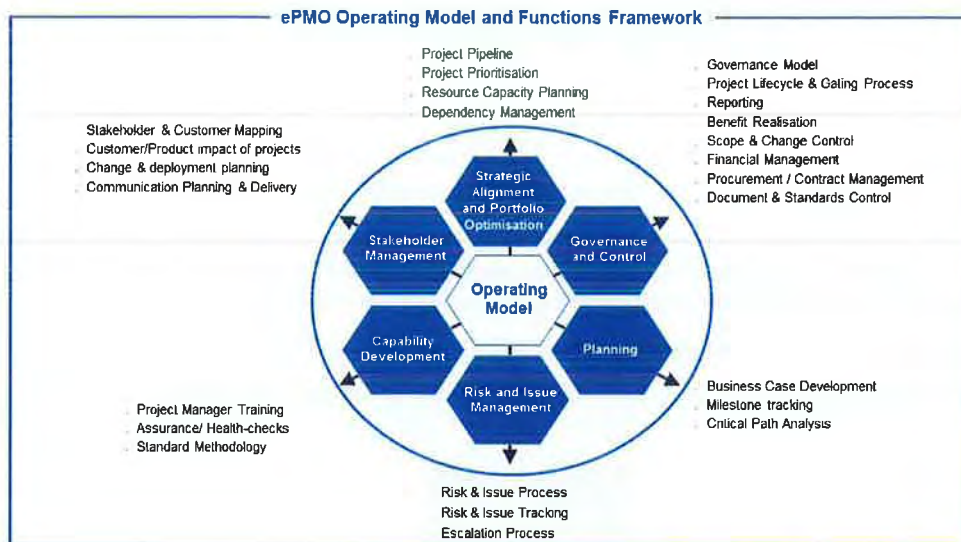
#### Recommendations around project management practices

Consider the following methods to establish consistency and raise project management maturity:



Establish an enterprise Project Management Office (ePMO), with ultimate accountability at the organisational executive team level, which has a clear mandate to deliver increased levels of project success. As part of this, decide upon the style and model of the ePMO. For example, a "weather station" ePMO acts as a central information collector, analyser and reporter of enterprise project activity. A "control tower" ePMO adds high level direction to projects (i.e. recommends critical decisions to a governing body).

A "wing commander" ePMO also controls/owns resources. The various desired functions of the ePMO may be selected from the diagram below.



- Involve the ePMO in reviewing projects and providing support. For example, the ePMO could be involved in reviewing deliverables at phase gates and assessing performance against project management standards. For high risk projects, deploy independent quality assurance (IQA). All insights need to be looped back to the training and awareness programme.
- Use a project manager accreditation process to allocate projects of varying difficulty/risk levels. This may simply involve the adoption of well-established industry qualification programmes.
- Establish a training and awareness programme through which accreditation may be attained. The range of activities can vary and need not all be formalised. For example regular case studies of completed Council projects could provide valuable insights in terms of the importance of good project management. Based on our review the key initial gaps to close include risk management, stakeholder management, reporting, forecasting, contract negotiation and governance.
- Encourage Project Managers to attend project management networking events where they can share their good and bad personal experiences for others to learn from.
- Have Project Managers peer review projects to reinforce the project management steps and personally experience the effects of poor quality documentation. Training can be made engaging through combining peer review reports, post audit insights and networking events.
- Regardless of the project management system used, projects should regularly report on issues and these should be visible to the ePMO. Aside from seeking help, this will facilitate root cause analysis and help address any project management deficiencies. All projects should complete a lessons learned document at the end of the project to further uncover project management issues. New projects should be challenged at the start to see how they have prepared to utilise prior lessons learned.
- Specific training may be required where projects are contracted out. This is to ensure sufficient Council visibility of project management areas. The reporting should meet the informational needs of Council. For example, reporting on risks should align to Council's risk matrix so that projects can be measured consistently.
- Undertake regular prescribed audits to ensure critical project planning documentation (e.g. project plans and business cases) are retained so that the success of the project can be measured against the planned benefits and success criteria.
- Perform an organisation wide project management competency assessment that includes nominated project role definitions, to determine knowledge and skills gaps for the purpose of implementing targeted training.
- Where necessary consider the use of fixed term Project Management specialists to run complex/high risk/resource intensive projects for the organisation.

# Statement of Responsibility

This engagement was performed in accordance with the terms contained in our service order dated 18 March 2016. Where Deloitte has provided advice or recommendations to Waikato District Council, we are not responsible for, or the manner in which, suggested improvements, recommendations, or opportunities are implemented. Waikato District Council, or its nominees, will need to consider carefully the full implications of each of these suggested improvements, recommendations, or opportunities, including any adverse effects and any financing requirements, and make such decisions, as they consider appropriate.

The scope of our work was designed to provide a report specifically in accordance with our service order. The procedures that we performed did not constitute an assurance engagement in accordance with New Zealand Standards of Assurance Engagements, nor do they represent any form of audit under New Zealand Standards on Auditing, and consequently, no assurance or audit opinion is provided.

The matters detailed in our report are only those which came to our attention during the course of performing our procedures and do not necessarily constitute a comprehensive statement of all the weaknesses or issues that exist or actions that might be taken. Accordingly, management should not rely on our report to identify all weaknesses and issues that may exist in the systems and procedures discussed. The report should be read in the context of the scope of our work.

In particular, this report should not be relied upon as a substitute for actions that Waikato District Council should take to assure itself that the controls are operating effectively, and that additional material factors may exist.

This report is provided solely for the use of Waikato District Council and solely for the purpose of providing our observations on the issues which prevent the use of the project management framework adopted. Our report is not to be used for any other purpose, recited or referred to in any document, copied or made available (in whole or in part) to any other person without our prior written express consent. We accept or assume no duty, responsibility or liability to any other party in connection with the report or this engagement, including without limitation, liability for negligence in relation to the factual findings expressed or implied in this report.



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### **Open Meeting**

<b>To</b>	Audit & Risk Committee
<b>From</b>	TG Whittaker General Manager Strategy & Support
<b>Date</b>	09 June 2016
<b>Prepared by</b>	R Java Procurement Manager
<b>Chief Executive Approved</b>	Y
<b>DWS Document Set #</b>	I537046
<b>Report Title</b>	<b>Contract Management - Review</b>

## **I. EXECUTIVE SUMMARY**

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Audit NZ has recommended that we develop and implement a fully functional contract management system.

This report provides an update of activities addressed and planned to meet the above requirements.

## **2. DISCUSSION**

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Progress has been made in developing a procurement policy, supported by a manual that contains standardised contract templates and outlines procedures and guidelines.

Several training sessions for staff have been held this year, attended by over 84 staff for basic training and 30 staff for advanced training.

Major contracts are currently being reviewed by the Procurement Manager and Council's Legal Counsel before finalisation.

Use of All of Government / Syndicated Contracts is encouraged where available.

Internal audits are used to identify and discuss with stakeholders any departures observed from the procurement policy and procedures. This will help improve compliance and allow system improvements where required.

A detailed review of contracts over \$100,000 that expire within two years is being undertaken as part of reviews in relation to S17A of the Local Government Act to ensure that greater cost efficiencies can be derived.

These actions need to be further complimented by creating awareness, simplifying complex contract templates and ensuring compliance with systems and guidelines.

It is proposed that the following steps be undertaken to improve compliance:

1. Conduct detailed reviews with key stakeholders on the effectiveness of training and established procedures to help identify areas of improvement.
2. Increase staff participation in training programmes. This may require some modification to the content of each module.
3. Review existing templates to either modify them or streamline them. This should take into account the new set of government templates to be released by MBIE and any risks that get exposed due to inadequate contractual terms. (See Attachment I for list of templates currently used by WDC).
4. Evaluate contract management systems used by other local authorities and shortlist a few that might meet our requirements. This solution will need to be compatible with our electronic purchase order system that has undergone a successful pilot run and awaits full roll out by end of this calendar year.
5. Once a suitable system is identified, a business case for review and approval will be initiated.

### **3. RECOMMENDATION**

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**THAT the report from the General Manager Strategy & Support be received.**

### **4. ATTACHMENTS**

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List of Tender and Contract Templates used by Waikato District Council



## **Waikato District Council Tender and Contract Templates**

### **1. List of Tender Templates used by WDC**

- a. Request for Proposal RFP
- b. Request for Tender RFT
- c. Request for Expression of Interest REOI
- d. Request for Information RFI Template
- e. Request For Quotation (RFQ) Template (up to \$125K)
- f. Multiple service based templates provided by consultants used.

### **2. List of Contract templates used by WDC**

- a. CCCS Consultancy Services Contract Template (< \$60K)
- b. Contract Template for IT Software
- c. Provision of Goods Contract template
- d. Provision of Service Contract Template
- e. Provision of Trades Maintenance Contract Template
- f. Framework Agreement Template (Physical Works)
- g. IT Software Service contract template
- h. Physical Works contract (NZS3910) template (>\$125K)
- i. Physical Works Minor contract (NZS3910) template (\$60-125K)
- j. Schedule One Amendment to the Professional Services Panel Agreement
- k. Short form Contract Template (non physical works)

### Open Meeting

<b>To</b>	Audit & Risk Committee
<b>From</b>	TG Whittaker General Manager Strategy & Support
<b>Date</b>	15 June 2016
<b>Prepared by</b>	Alison Diaz Finance Manager
<b>Chief Executive Approved</b>	Y
<b>DWS Document Set #</b>	1537051
<b>Report Title</b>	Draft Anti-fraud and Corruption Strategy

## I. EXECUTIVE SUMMARY

In August 2015 members of the Finance Team attended the Fraud Prevention and Detection in Local Government Workshop. As a result of attendance and as part of the ongoing improvement process it has been identified that it would be beneficial for the organisation to implement an Anti-Fraud and Corruption Strategy.

This strategy would be similar in nature to Council's Taxation Strategy in that it pulls together all of the underlying policies and processes, assigns overall responsibilities and sets out reporting requirements. Furthermore, a review of the existing strategic risk registers, along with a number of existing processes and policies, demonstrates that while the organisation has in operation mitigations that address particular elements of fraudulent activity, we do not have an exclusive risk capturing the impact or treatments specific to fraud.

With consideration to providing a holistic approach to recognising, mitigating and addressing fraudulent and/or corrupt behaviours, it is suggested that a specific strategic risk is developed and included in the Strategic (Executive) risk register.

The following risk has been drafted:

### *Fraud*

*Financial, Reputation/ Image, STRATEGIC (ET)*

*Exposure to significant financial loss and/or reputational damage as a result of theft, unlawful conversion, embezzlement or violation of Waikato District Council policies relating to employment, finance, procurement, equipment or other assets.*

*Owner: TBC*

*Risk Likelihood Descriptors: Likely (3)*

*Risk Consequence Descriptors: Catastrophic (5)*

*Determined Risk Consequence Descriptors: Catastrophic (5)*

*Financial: Major financial loss (>\$1M in any 12 month period)  
 Reputation/ Image: Significant and prolonged effect on levels of service and business function/ Life threatening injuries or fatalities/ Significant and prolonged lack of resource capacity/ Major financial loss (>\$1M in any 12 mnth period)/ Serious or sustained national media attention/ Significant environmental disaster or natural hazard causing wide spread environmental degradation/ damage.*

An initial workshop has been facilitated with internal subject matter experts to explore and detail the impact, inherent and residual risk score (to be finalised) along with existing or potential treatments to mitigate the risk. The completion of this work is required before a finalised version of the anti-fraud and corruption strategy is presented to the committee for approval.

## **2. RECOMMENDATION**

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**THAT the report from the General Manager Strategy & Support be received.**

## **3. ATTACHMENTS**

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Draft Anti-fraud and Corruption Strategy

# Anti-fraud and corruption strategy

Policy Sponsor: Chief Executive  
 Policy Owner: General Manager Strategy & Support  
 Policy Number:  
 Approved By: Policy & Regulatory  
 Date Approved:  
 Next Review Date:

---

## Objectives

This strategy outlines the Council's commitment to creating an anti-fraud culture and maintaining high ethical standards in its administration of public funds.

Waikato District Council will not tolerate fraud or abuse of power by employees, elected members, contractors, or consultants engaged in business with the Council.

Any reported concerns will be dealt with in a consistent and fair matter.

## Application

This strategy applies to all employees, elected members, contractors, or consultants engaged in business with Waikato District Council (WDC or Council).

The council expects that all individuals and organisations with which it comes into contact, will act with integrity and without thought or actions involving fraud or corruption.

## Related Policies and Processes

The council has a range of interrelated policies and procedures that provide a deterrent to fraudulent activity and provide the means for reporting or detecting fraud or corruption. These have been formulated in line with appropriate legislative requirements, and include:

- Code of conduct
- Fraud prevention policy
  - Report and investigate fraudulent or suspected fraudulent activity
- Disciplinary Policy
  - Investigate misconduct and take appropriate disciplinary action
- Protected disclosures (whistle-blowers) policy
- Conflict of interest policy
- Procurement Policy
  - Procurement Manual
- Sensitive expenditure policy
- Gifts & Hospitality policy
- Internal audit processes
  - Carry out an internal audit
  - Arrange a probity audit
  - Consider and respond to internal audit report
  - Manage non-conformances – corrective and preventative actions
- Internet use policy
- Email use policy
- Use of Council Vehicles Policy
- Accounting procedures and records
- Effective recruitment and selection processes

## Introduction

This Anti-fraud and Corruption Strategy recognises that Waikato District Council, as an organisation, is at risk of loss due to fraud and corruption both from within the council and outside it. Council is committed to effectively managing these risks via a strategy designed to prevent, detect, investigate and prosecute where appropriate.

There is an expectation and requirement that all employees, elected members, consultants, contractors and service users be fair and honest, and if able to do so, provide assistance, information and support of the investigation of fraud and corruption. Advice on how members of the public may raise suspicion about fraud and corruption is contained within Council's Protected Disclosures (whistle-blowers) Policy.

## Definitions

For the purpose of this document, the following definitions apply:

### Fraud

"Fraud" is defined by the Serious Fraud Office as dishonest activity causing actual or potential financial loss to any person or entity, including theft of money or other property, by employees or persons external to the entity, and where deception is used at the time, immediately before or immediately following the activity.

### Corruption

The definition relied upon by the Serious Fraud Office is behaviour on the part of officials in the public or private sector in which they improperly and unlawfully enrich themselves or those close to them, or induce others to do so, by misusing the position in which they are placed.

## Risk Management

The council will develop an anti-fraud and corruption risk management programme that will be reviewed at least annually. The programme will:

- Identify key areas of fraud and corruption risk faced by Council;
- Establish steps to effectively manage or mitigate each risk area;
- Provide clear and realistic time frames to carry out the steps.

## Responsibilities for implementation

General Manager Strategy & Support, in delivering the internal audit function to the Council, has the function of monitoring the effectiveness of internal controls in operation. This also includes carrying out investigations into suspected cases of fraud or corruption.

Fraud and corruption can be dealt with in a number of different ways which are outlined in the fraud prevention policy and related processes.

It is management's responsibility to implement measures aimed at preventing and detecting fraud. This is achieved by the establishment of sound internal controls designed to reduce the risk posed by fraud within their service areas. All managers and team leaders share responsibility for the prevention and detection of fraud by having mechanisms in place within their area of control to:

- Assess the risk of fraud
- Promote employee awareness
- Educate employees about fraud prevention and detection

## Environment and Culture

The Council's endorsement of this strategy makes it clear that fraud against the Council will not be tolerated, and where reported or identified will be dealt with in a professional and timely manner using the available sanctions.

The prevention and detection of fraud and corruption and protection of public funds is the responsibility of everyone. Concerns must be raised when elected members or employees reasonably believe that one or more of the following has occurred or is in the process of occurring or is likely to occur:

- A criminal offence
- A failure to comply with a statutory or legal obligation
- Improper unauthorised use of public or other funds
- Improper unauthorised use of council assets and resources
- Falsification of any document for monetary or pecuniary advantage
- A miscarriage of justice
- Maladministration, misconduct or malpractice
- Undisclosed conflict of interest
- A deliberate concealment of any of the above

Any allegations received in any way, including those made anonymously, will be taken seriously and investigated in an appropriate manner.

The Council will deal swiftly and firmly with those who defraud the authority or who are corrupt.

When fraud or corruption has occurred due to a breakdown in systems or procedures, Management will ensure that appropriate improvements in controls are implemented to prevent a reoccurrence.

To assist staff in their awareness of this approach to fraud and corruption, management will ensure:

- Staff participation in training programmes covering fraud detection and prevention
- Ensure staff understand internal controls are designed and intended to prevent and detect fraud
- Encourage staff to report suspected fraud directly to those responsible for investigations without fear of disclosure or retribution

## Prevention and Detection

Fraud and corruption are costly, both in terms of reputational risk and financial losses. The prevention of fraud is therefore a key objective of the Council and respective roles and responsibilities are outlined below:

### Recruitment

Council recognises that effective recruitment and staff vetting arrangements are essential to ensure the integrity of all new staff and lower the risk of fraud. This includes:

- Screening of identity documents
- Reference and qualification checking for prospective employees
- Criminal record checks for prospective employees
- Detailed performance and ability appraisals throughout their employment
- Maintaining a register of employee property or business interests within the district

### **Staff development and training**

Courses and awareness sessions on the topics of raising awareness of fraud, fraud detection, and fraud prevention will be developed in conjunction with finance operations, internal auditors and management as necessary. Completion of a fraud awareness module forms a core part of staff development and induction.

## **Reporting fraud and corruption risks to the Audit & Risk Committee**

As the Audit & Risk Committee meet on a quarterly basis, any significant fraud and corruption risks will be reported in the first instance to the General Manager Strategy & Support as soon as they are identified and where appropriate, to the Chair of Audit & Risk Committee within two weeks of being identified.

Council will report on all fraud and corruption risk management matters to the Audit & Risk Committee at least once a year. As part of that report, a summary should be prepared and presented to the Audit & Risk Committee setting out key issues including:

- Key information (financial and other) relating to any completed fraud or corruption investigations
- Details of any outstanding investigations
- Particulars on any proposed legislative changes that may affect Councils anti-fraud and corruption practices
- The annual budget for resolving fraud and corruption risk issues, amount spent to date and estimate of costs for the remainder of the financial year
- A schedule of:
  - Key areas of potential fraud and corruption risk
  - An estimate of 'worst case' impact arising for each risk
  - An assessment of likelihood of risk occurring based on a scale of 1-10
  - Steps recommended to manage or mitigate each risk, and
  - Realistic time-frames to resolve each risk

## **Strategy Review**

The council will maintain a continuous overview of all anti-fraud and corruption measures and regularly review related policies and internal/external audit arrangements. This strategy will be reviewed as deemed appropriate by the Chief Executive and/or Audit & Risk Committee, at least once every three years.

### **Open Meeting**

<b>To</b>	Audit & Risk Committee
<b>From</b>	TG Whittaker General Manager Strategy & Support
<b>Date</b>	06 June 2016
<b>Prepared by</b>	M Russo Corporate Planner
<b>Chief Executive Approved</b>	Y
<b>DWS Document Set #</b>	I533928
<b>Report Title</b>	Update on progress against Final Management Report for Year Ended 30 June 2015

## **I. EXECUTIVE SUMMARY**

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The purpose of this report is to provide an update on progress from issues that arose during the audit of the 2014/15 Annual Report and the first interim audit for the 2015/16 Annual Report, undertaken by Audit New Zealand.

At the end of each final audit, Audit New Zealand provides an Audit Management Report which outlines their findings from various stages in the audit and draws attention to areas where improvement is recommended. As part of the process, management had the opportunity to respond to Audit New Zealand based on management's understanding of the issues whether they require further action or have already been addressed.

The Final Audit Management Report for Year Ended 30 June 2015 is attached to Appendix I of this report.

## **2. RECOMMENDATION**

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**THAT the report from the General Manager Strategy & Support be received.**

## **3. BACKGROUND**

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A report to the March 2016 Audit & Risk Committee outlined and provided an update on the outstanding issues from the Audit Management Report year ended 30 June 2015.

The table below was included in the report to the Audit & Risk Committee in March and provided an updated on progress made on issues raised during the last audit. Of the 22 issues that were raised during the audit process, two were cleared at the final audit. Of those 20 remaining issues, 14 have been resolved.



	<b>Urgent</b>	<b>Necessary</b>	<b>Beneficial</b>	<b>Total</b>
Completed	2	12	-	14
Not completed	2	4	-	6
<b>Total</b>	<b>4</b>	<b>16</b>	<b>-</b>	<b>20</b>

The 14 resolved issues are listed below. These issues are considered complete however audit investigation is required to allow closure.

- Service performance reporting – CRM system (page 15)
- Service performance reporting: restoration of service after burst mains or urgent faults (page 16)
- Revaluation of roading assets (page 19)
- Service performance reporting: control environment (page 19)
- Related party transactions (page 18)
- User access (page 20)
- High number of generic/shared network logins (page 21)
- All devices have virus definition updates and patches applied (page 22)
- Monitoring and reporting on IT service performance (page 23)
- Change management (page 23)
- Review of users who have remote access (page 24)
- Financial forecasting processes (page 25)
- Capital expenditure for groups of activities (page 25)
- Levels of service (page 26)

#### **4. INTERIM AUDIT**

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Our first interim audit for the 2015/16 Annual Report was held in May. The focus of this was on the financial part of the systems audit. The next interim audit, which will commence 20 June, will focus on the non-financials (Statement of Service Provisions etc).

In terms of the close off of outstanding prior year actions, we can confirm the following:

- Contract management – we are now down to one issue which is the ‘implementation of contract management software’. As you know we are currently focusing on the rollout of electronic purchase orders – the module we are rolling out does have a contract management option which can be considered later.
- Conflicts of interest – now complete.
- Treasury Policy breaches – now complete.
- EPO – in terms of segregation of duties, audit are comfortable that the diagnostics available in the software will assist with mitigating risk here in future.

For more information on these issues, please see following paragraphs.

## **5. SUMMARY OF OUTSTANDING MATTERS**

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The following matters are not considered complete and include progress comments.

### **4.1 Procurement and Contract Management (page 13)**

March Update - The Procurement Policy and manual has been reviewed and changes have been approved. The policy and manual have been published on the intranet for staff viewing.

A quarterly training programme has been established to increase awareness of the correct process to follow when purchasing good and services required by Council. To date 81 staff have completed part 1 of the training and 22 staff have completed part 2.

An internal audit has been undertaken on two procurement processes. Amendments to the processes are being made due to the findings of the internal audit.

Consideration of contract management process, including the possible securing of software, will be considered following implementation of the Electronic Purchase Order ("EPO") system. The EPO being implemented does have a contract management module.

July Update - Further training programmes have been held since November and so far 84 staff have attended part 1 basic procurement training and 30 staff have attended the advance course which includes tenders and contracts. Nine participants have left the organisation.

Based on the feedback received on the training programmes discussions will be held in July with key stakeholders on the structure of the 2 programmes and the need to improve the participation.

The training strategy for the next year will be shared with the Council at the next meeting.

Improvement suggestions from the last two internal audits have been initiated.

The pilot run with Parks and Reserves has been successfully completed and they continue to use them in the organisation. The pilot project is now deemed to be completed.

The roll out across the organisation will be implemented in Phase 2 to be rolled out by 31 December 2016.

### **4.2 Expenditure – Segregation of Duties (page 18)**

March Update - The pilot group training and testing of EPO has been completed. The final series of testing undertaken by the Finance Team commenced on 8 March 2016. It is expected the software will go live to the pilot group on 21 March 2016.

July Update - The product went live on 2 May for the pilot group. There was an issue with the approval of purchase requisition's that were above the requisitioners delegation. This issue has now been sorted.

#### **4.3 Regular Restores from Backup Tape (page 21)**

March Update - Testing of the new backup infrastructure has been completed.

July Update - A restore from tape through to standing up a server has been tested successfully. The backup solution is in production use. Documentation for the backup solution, including the process to test restores from tape and proposed schedule is to be written as part of the back-up project close off.

#### **4.4 Regular Review of User Accounts (page 22)**

March Update - The process for managing a staff resignation has been reviewed and recorded in Promapp. Disabling the users account and therefore access to our IT systems is managed through this process.

The review of network login accounts is ongoing.

July Update - The review of network login accounts has been completed by IM and HR. Active Directory (the software that provides the IT identity management (network accounts) and authentication services) has been cleaned up of unused and disabled accounts.

#### **4.5 Business Continuity and IT Disaster Recovery Planning (page 23)**

March Update - Disaster recovery infrastructure has been tested. The hardware is to be stored at Tuakau but is yet to be relocated.

July Update - The disaster recovery portion of the backup and disaster recovery project has been deemed to have met the objectives of the project in that replicas of our production servers are being created on our disaster recovery hardware, such that this project has entered it's close-off state. Documentation of the disaster recovery solution is to be written as part of the project close. However, due to on-going and unresolved issues with the network connectivity between the Ngaruawahia and Tuakau sites we have as yet been unable to deliver geographic separation of the production and disaster recovery hardware. This will be implemented as business as usual once the network issues are resolved.

The current Business Continuity Project has successfully completed workshops with all areas of business and identified all critical outcomes and processes that need to be maintained during an incident. Currently the team is working with business to develop and document processes for each of these critical business processes. An exercise/test (including training) is planned for the end of June. This will give us an opportunity to test our overall incident response process as well as test processes that deal with the specific incident.

## **6. CONCLUSION**

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Of the 20 issues that were outstanding at the time of the last audit, 14 have been resolved. An update in each of the remaining issues has been included in the report and staff are continuing to work towards resolving these issues.

## **7. ATTACHMENTS**

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Final Audit Management Report for the year end 30 June 2015

Report to the Council on the audit of

**Waikato District Council**

for the year ended 30 June 2015

# Management report

## Key messages

### Summary

We have completed the audit for the year ended 30 June 2015. This report sets out our findings from the audit and draws attention to areas where Waikato District Council (the District Council) is doing well or where we have made recommendations for improvement.

The matters outlined in this report should be read in conjunction with our interim management report dated 17 June 2015.

We issued an unmodified audit opinion on 12 October 2015. This means that we are satisfied that the key financial statements and statement of service provision fairly reflected the District Council's activity for the year and its financial position at the end of the year.

### Issues identified during the audit

The following table summarises our recommendations and their priority:

Recommendation	Section	Urgent	Necessary	Beneficial
<b>Revaluation of utility assets</b> Continue to improve revaluation processes and procedures.	2.1.1		✓	
<b>Procurement and contract management</b> Develop and implement a procurement and contract management system that is supported by policies, procedures and guidelines.	4.1	✓		
<b>Elected members remuneration</b> Review of the payroll system to ensure elected members are paid the correct amount for each financial year.	5.1	✓		
<b>Sensitive expenditure</b> Remind staff of the importance of retaining itemised tax invoices to support all expense claims.	5.2		✓	

Recommendation	Section	Urgent	Necessary	Beneficial
<b>Compliance with Treasury Management policy</b> Effective control in place to ensure compliance with the policy. The rationale or justification for any intentional departures from policies should be documented and authorised by an appropriate person.	6.1		✓	

There is an explanation of the priority rating system in Appendix 1.

#### Status of previous recommendations

We followed up the matters raised in our previous management reports. The status of these matters was based on our findings at the time of our interim and final audit visits. For the matters outstanding, we understand that a number of these matters have now been addressed since our follow up of the matter during the interim and final audit visits. To clear these matter, we require evidence to verify that the changes made by management are effective and this will be reviewed as part of the 2015/16 audit.

#### Thank you

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



Leon Pieterse  
Audit Director  
1 December 2015

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## **1 Our audit opinion**

### **1.1 We issued an unmodified audit opinion**

We issued an unmodified audit opinion on 12 October 2015. This means that we were satisfied the financial statements and statement of service performance fairly reflected the District Council's activity for the year and its financial position at the end of the year.

### **1.2 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. We are satisfied that these misstatements are individually and collectively immaterial.

## **2 Key issues arising from the audit**

### **2.1 Revaluation of property, plant and equipment**

The District Council engaged independent valuers to value land and buildings, infrastructure assets and parks and reserves assets as at 30 June 2015.

The revaluation of water, wastewater, stormwater, solid waste and parks and reserves assets initially resulted in an increase of \$4.6 million. We held discussions with the valuer (Beca) to understand the factors that had contributed to the movement in the value of these assets since the previous revaluation performed in June 2014.

We understand the change in value was attributed to a formula error in Beca's calculation of depreciated replacement cost. Once this error was corrected, the financial statements were updated to reflect a \$10.9 million revaluation movement for these assets.

As we recommended in our previous management reports, this error highlights the need for the District Council to continue to improve their processes and procedures surrounding revaluations, in particular investigating further when there have been significant movements in value of assets between revaluations.

#### **Management comment**

*Process improvements continue to be made. Meetings are now held with the Valuer to specifically review major variances, and going forward more work will be done on the scope of valuations to ensure the professional advice received covers all audit considerations and Waikato District Council (WDC) expectations. More accountability is being placed on the Valuer to justify the changes.*

### **2.2 First financial statements prepared using the new public benefit entity (PBE) accounting standards**

The District Council was required to prepare the 30 June 2015 financial statements using the new public benefit accounting standards.

We discussed the transition with management, and reviewed relevant workpapers relating to the transition. The District Council determined tier 1 to be the correct reporting tier for the District Council, which we agreed was appropriate.

We reviewed the District Council's annual report, including accounting policies and disclosures, against the new standards.

Overall we found the District Council was adequately prepared for the adoption of the new standards, including acquiring advice from PwC. We identified some additional disclosure changes, required to accounting policies and disclosures. The District Council made all requested changes.

We are satisfied that the annual report materially complies with the new public benefit accounting standards.

## **2.3 Strada Corporation Limited (Strada)**

### **2.3.1 Consolidation of Strada**

The District Council is classified as a public benefit entity. However, Strada is classified as a for profit entity. Therefore, the accounting framework that applies to Strada differs from the framework the District Council uses.

We obtained an understanding of the processes undertaken by the District Council to ensure the information by Strada is appropriate for the

consolidation of Strada into the District Council's financial statements. We understand the District Council engaged PwC to perform an impact assessment and identified minimal changes were required for the consolidation of Strada into the District Council's group financial statements. We reviewed the assessment provided by PwC and agreed with their findings.

We reviewed the District Council's group financial statements and are satisfied the group financial statements comply with the new public benefit entity accounting standards.

### **2.3.2 Carrying value of investment in Strada**

We noted that Strada incurred a loss before tax and the share of their joint venture operations of \$656,784. This is a substantial movement against their prior year profit of \$1,153,257. This raised concerns the carrying value of the investment in Strada was potentially impaired.

We reviewed the District Council's impairment assessment and held discussions with management to understand the factors used to determine if the investment in Strada was impaired.

Based on the information provided, we are satisfied there is no impairment in the District Council's investment in Strada and the carrying value in Strada in the financial statements is appropriate.

### 3 Risks and issues

Our planning work and discussions with management and Council at the beginning of the audit identified areas of audit emphasis. These were outlined in our audit arrangements letter and our findings in this section of the report.

#### 3.1 Statement of service performance reporting

We reviewed the systems, processes and controls the District Council has used to report against its performance measures. We identified the following:

- the District Council had appropriate systems in place to collect, record, analyse and report data to support the performance information reported;
- the District Council had a good quality, overall “story” giving the reader a good indication of the activities and performance of the District Council; and
- the reporting was reliable and accurate and complete against the performance framework as outlined in the 2012/22 Long Term Plan (LTP).

We are satisfied the service performance statements fairly reflected the District Council’s service performance achievements measure against the performance targets.

#### 3.2 Audit of Debenture Trust Deed

As the District Council’s appointed auditor we are also required to issue a report to the trustees of the District Council’s Debenture Trust Deed (the Deed). This requirement is included in the District Council’s deed dated 12 February 2013.

We have completed our audit of the deed and prepared our report to Trustees Executors Limited. We did not identify any matters that need to be brought to your attention.

#### 3.3 Asset management

We assessed and reviewed the District Council’s progress in relation to asset management planning and also followed up on the issues raised during our 2015/25 Long Term Plan audit.

We understand the District Council is planning to address these issues in the 2015/16 financial year and we will therefore follow up on progress as part of the 2015/16 audit.

#### 3.4 Shared services

We discussed with the District Council any proposals for shared services and any alternative forms of service delivery.

We noted that the District Council, Hamilton City Council and Waipa District Council are considering the formation of a council controlled organisation to manage water

across the Waikato district. We will follow up progress as part of the 2015/16 audit.

## 4 Control environment

We performed a high level review of the control environment for audit purposes. We considered the overall attitude, awareness and actions to Council and management in establishing and maintaining effective management procedures and internal controls. Our assessment of these areas was based on regular discussions with key members of senior management, members of the Council and our accumulated knowledge of the District Council's business.

Our assessment of the control environment (as reported in the interim management report) is that the internal controls and processes could be relied upon for the purposes of our audit.

### 4.1 Procurement and contract management

We followed up on the recommendations we raised in last year's management report and found that minimal progress has been made.

We continue to recommend that the District Council:

- Develop and implement a fully functional contract management system.
- A single wide contract management policy, supported by procedures and guidelines, to be developed and implemented.

- Implement a regular review programme.
- Provide formal training to staff.

Detailed information is provided in Appendix 2 under "Outstanding matters".

#### Management comment

*The priority this year has been the implementation of electronic purchase orders. Roll out to users will commence from February 2016. Contract management will be considered following this.*

*Other progress has been made. A permanent procurement manager has been appointed which will assist with continued and more rapid progress.*

*Other points to note:*

- *A review has been undertaken and changes have been made in the Procurement Policy, the Procurement Manual and the delegated Authority Limits during 2014/15.*
- *Training programmes were held this year to increase the awareness on the policy and procedures to be adopted when purchasing goods and services required by the council. More than 80 staff (as at end of November 2015) have been trained and further programmes are scheduled.*

- *An internal audit programme has been developed which will provide assurance on procurement matters.*

## 5 Our areas of interest for all Local Authorities

Some of our findings have been incorporated in the relevant sections of this report. Our comments on the issues not already addressed elsewhere are as follows:

### 5.1 Elected members remuneration

We reviewed the District Council's compliance with the requirement to disclose the remuneration of each local authority in the annual report, against the relevant Local Government Elected Members Determination.

We found that all payments were within limits set in the Determination. However, we noted that the District Council had made an additional payment to elected members for remuneration relating to the 2013/14 financial year during the 2014/15 financial year. We understand this was due to elected members being underpaid in 2013/14 that was a result of the system used to process elected members remuneration not calculating the correct amount to be paid.

We are satisfied that elected members remuneration, and all additional payments, were within limits set in the Determination applicable to the 2013/14 year.

We recommend the District Council's reviews their payroll system to ensure elected members are paid the correct amount for the appropriate financial year.

### Management comment

*Noted. This has been reviewed as part of the replacement of the payroll system. We too are satisfied elected members have been paid the appropriate amount.*

### 5.2 Sensitive expenditure

Each year as part of our audit we test various items of sensitive expenditure. This year we have tested credit card expenditure and reimbursement of expense claims.

We reviewed the sensitive expenditure policy, gifts and hospitality policy and the reimbursement of expenses policy to good practice guidelines and are satisfied the policies are consistent with those guidelines.

We also tested a sample of transactions from areas of sensitive expenditure incurred during the period and reviewed them for compliance with accepted good practice in the public sector.

We identified one transaction that was not supported by an adequate tax invoice. The District Council's reimbursement of expense claims policy states that expense claims will only be reimbursed when the original tax receipts accompany the expense claim form.

We recommend the District Council remind staff of the importance of retaining itemised tax invoices to support all expense claims claimed to ensure compliance with the policy.

**Management comment**

*Noted. The policy has also been reviewed in the 2015/16 financial year. This review includes an update of the processes.*

**6 Other matters**

**6.1 Compliance with Treasury Management policy**

We identified some instances where the District Council's Treasury Management Policy had not been complied with during the year. We noted the fixed rate maturity thresholds had been exceeded in March 2015.

We understand that management are aware of the breaches and are prepared to accept the risk of non-compliance with the policy.

The District Council should ensure there is an effective control in place to ensure compliance with the policy. The rationale or justification for any intentional departures from policies should be documented and authorised by an appropriate person.

**Management comment**

*All non-compliances are notified to the Strategy and Finance Committee. The policy allows for non-compliance as long as it is resolved within 90 days.*

*A fixed rate maturity profile that is outside the limits, but self corrects within 90-days is not in breach of the Policy. Maintaining a maturity profile beyond 90-days requires specific approval by Council. The March 2015 policy breach has self-corrected by the end of June 2015.*

## 7 Status of previous recommendations

The status of each matter that was outstanding in last year's report to the District Council is summarised in Appendix 2.

Summary of action taken against previous years' recommendations:

		Priority			
		Urgent	Necessary	Beneficial	Total
Status	Cleared - Matters that have been resolved	1	1	-	2
	Partially resolved - progress is being made, but not yet fully resolved	-	10	-	10
	Open - No progress made at time of the interim audit	4	6	-	8
	<b>Total</b>	<b>5</b>	<b>17</b>	<b>-</b>	<b>22</b>

This summary needs to be read in conjunction with the status of recommendations raised in previous years' management reports as detailed at Appendix 2.

## Appendix 1: Explanation of priority rating system

Our recommendations for improvement and their priority are based on our assessment of how far short the District Council is from a standard that is appropriate for the size, nature, and complexity of its business.

We have developed the following priority ratings for our recommended improvements:

### **Urgent**

Major improvements required

#### **Needs to be addressed *urgently***

These recommendations relate to a significant deficiency that exposes the District Council to significant risk. Risks could include a material error in the financial statements and the non-financial information; a breach of significant legislation; or the risk of reputational harm.

### **Necessary**

Improvements are necessary

#### **Address at the earliest reasonable opportunity, *generally within 6 months***

These recommendations relate to deficiencies that need to be addressed to meet expected standards of good practice. These include any control weakness that could undermine the system of internal control or create operational inefficiency.

### **Beneficial**

Some improvement required

#### **Address, *generally within 6 to 12 months***

These recommendations relate to deficiencies that result in the District Council falling short of best practice. These include weaknesses that do not result in internal controls being undermined or create a risk to operational effectiveness. However, in our view it is beneficial for management to address these.



## Appendix 2: Status of previous recommendations

### Outstanding matters - matters followed up as part of the final audit

Recommendation	Status as at 30 June 2015	Priority	Management's proposed action
<b>Procurement and contract management</b>			
<p>We completed a high level risk assessment over the District Council's procurement and contract management functions. Our review identified some areas where the District Council could improve its control environment around procurement and contract management. We recommended the District Council:</p> <ul style="list-style-type: none"> <li>Develop and implement a fully functional contract management system that will manage the contracts life cycle, from identification of need through negotiation, agreement, monitoring and completion - including all associated documentation, reporting and monitoring. A contract management system should for example provide functions to control recurring service delivery and periodic billing cycles. It should also enable analysis of overall and categories of spend.</li> </ul>	<p><b>Open</b></p> <p>Refer section 4.1 above for further information.</p> <p>We understand management has subsequently made a number of changes since our final audit visit. We will review these changes as part of the 2015/16 audit.</p>	<p><b>Urgent</b></p>	<p>The priority this year has been the implementation of electronic purchase orders. Roll out to users will commence from February 2016. Contract management will be considered following this.</p> <p>Other progress has been made. A permanent procurement manager has been appointed which will assist with continued and more rapid progress.</p> <p>Other points to note:</p> <ul style="list-style-type: none"> <li>A review has been undertaken and changes have been made in the Procurement Policy, the Procurement Manual and the delegated Authority Limits during 2014/15.</li> <li>Training programmes were held this year to increase the awareness on the policy and procedures to be adopted when purchasing goods and services required by the council. More than 80 staff (as at end of November 2015) have been trained and further programmes are scheduled.</li> </ul>

Recommendation	Status as at 30 June 2015	Priority	Management's proposed action
<ul style="list-style-type: none"> <li>Develop and implement a single wide contract management policy that is supported by comprehensive procedures, guidelines and standardised templates. The policy should provide guidance on the use of contract management plans, comprehensive guidance on what to do when contract performance obligations and expectations are not being met, dealing with customer complaints, completion or contract risk assessments, process for negotiating and approving contract variations, reference to delegations and processes for close out of a contract.</li> <li>Review, on a regular basis, the procurement activity and contract management. A comprehensive review programme should be in place that covers the entire procurement spent and good evidence of action in response to review findings or recommendations.</li> <li>Provide regular formal training to staff so that they are kept up to date with current contract management processes and practices.</li> </ul>			<ul style="list-style-type: none"> <li>An internal audit programme has been developed which will provide assurance on procurement matters.</li> </ul>

Recommendation	Status as at 30 June 2015	Priority	Management's proposed action
<b>Service performance reporting: CRM system</b>			
<p>Our review of the CRM system identified the following:</p> <ul style="list-style-type: none"> <li>there are no controls in place to ensure the correct dates and times have been recorded in the CRM system, that is there is a lack of independent review or other supporting documentation; and</li> <li>the CRM report used by staff to report against only displays the number of complaints. It does not show whether the target has been met. The report is manually checked to each CRM record by the Operations Engineer to determine if the response has been responded to within the appropriate timeframe.</li> </ul> <p>We recommended the District Council perform the following:</p> <ul style="list-style-type: none"> <li>ensure reports generated from the CRM system are extracting the right information so staff are able to accurately report results against performance measures; and</li> </ul>	<p><b>Partially resolved</b></p> <p>The District Council has made improvements to the CRM system that will help reporting service performance reporting information in 2015/16. We will review these reports as part of the 2015/16 audit.</p> <p>There still continues to be no controls in place to ensure the correct dates and times for wastewater overflows has been recorded correctly in the system, i.e. no appropriate supporting documentation. Based on discussions with service delivery staff, the District Council is considering using iPads to record this data so information can be updated in CRM in real time.</p>	Necessary	Resolved. Completed in early 2015/16.

Recommendation	Status as at 30 June 2015	Priority	Management's proposed action
<ul style="list-style-type: none"> <li>additional supporting documentation is used by staff, that is job summary sheets that record the dates and times the job started and finished. This will allow an independent review to be performed to confirm information has been entered correctly into the CRM system.</li> </ul>			
<b>Service performance reporting: restoration of service after burst mains or urgent faults</b>			
<p>Our testing of the CRM system identified the following:</p> <ul style="list-style-type: none"> <li>there were a number of instances where the completion data of the job had been entered into the system incorrectly;</li> <li>the CRM report used by the water team to report against only displays the created and targeted dates; it does not provide the completion date to confirm if the measure was responded to within the required timeframe; and</li> <li>all faults (minor and major) were being reported against when the measure only focuses on major faults.</li> </ul>	<p><b>Partially resolved</b></p> <p>The District Council has made improvements to the CRM system that will help reporting service performance reporting information in 2015/16. We will review these reports as part of the 2015/16 audit.</p>	Necessary	<p>The development of iPads for use in the field is nearing implementation. A test version is due to be delivered by December 2015, following internal testing and rollout. This technology means that real time data/time stamping of arrival on site and completion of job will be captured. Where this date/time is manually overridden a system audit is available and these adjustments are able to be reported. For any major disputes with date/time the GPS contained within field vehicles will serve as a means of verification.</p>

Recommendation	Status as at 30 June 2015	Priority	Management's proposed action
<b>Revaluation of roading assets</b>			
<p>The revaluation of roading initially resulted in a substantial decrease of \$59 million with the majority of the decrease in pavement subgrade and pavement subbase. We held discussions with the valuer (Opus International Consultants) to understand the factors that have contributed to the decrease in value since the previous revaluation performed in June 2013. We understand the change in value was attributed to a significant amount of unsealed roads being disabled from the RAMM database therefore these roading assets were excluded from the revaluation.</p> <p>Following discussions with management and Opus, these roads were then subsequently revalued and the value of roading assets increased in value of \$29.8 million. The financial statements were subsequently updated to reflect the correct roading assets revaluation movements.</p> <p>This highlights the need for the District Council to continue to improve their processes and procedures surrounding revaluations, in particular investigating further when there have been significant movements in value of assets between revaluations.</p>	<p><b>Partially resolved</b></p> <p>Council has made improvements to their processes to understand revaluation movements. However as discussed in section 2.1.1 further improvements can still be made.</p>	Necessary	<p><i>Resolved. Process improvements continue to be made. Meetings are now held with the Valuer to specifically review major variances, and going forward more work will be done on the scope of valuations to ensure the professional advice received covers all audit considerations and WDC expectations. More accountability is being placed on the Valuer to justify the changes.</i></p>

## Outstanding matters - matters followed up as part of the interim audit

Recommendation	Status as at May 2015	Priority	Management's proposed action
<b>Expenditure - segregation of duties</b>			
<p>The District Council's purchasing system allows staff who have financial delegations to raise and authorise a purchase order and approve the invoice for payment, provided the expenditure is within their delegated authority threshold.</p> <p>In our view, the individual who raises and authorises a purchase order should not also be able to approve the invoice for payment. (Ideally there should also be segregation in the receipting of goods and services however, as a minimum, there should be "one up" approval of all expenditure transactions by invoices being approved by a more senior officer than the officer who authorised the order).</p>	<p><b>Partially resolved</b></p> <p>The District Council is planning to activate the electronic purchase order module included in TechOne. This will be implemented following PwC's review of the District Council's delegations of authority. We will follow up as part of our 2015/16 audit.</p>	Necessary	<p><i>Electronic purchase order product training to commence end of November 2016. There has been a scope change to adopt more user friendly interface which has delayed this part of the project. Testing to commence in February 2016.</i></p>
<b>Related party transactions</b>			
<p>We noted the Interest Declaration Form asks Councillors to declare their and their spouses interests. The form does not ask about interests of elected members' children or dependents.</p>	<p><b>Open</b></p> <p>This was not followed up as part of our final audit. We will follow up as part of our 2015/16 audit.</p>	Necessary	<p><i>Resolved. Will await outcome of the 2015/16 audit.</i></p>

Recommendation	Status as at May 2015	Priority	Management's proposed action
<p>PBE IPSAS 20 Related party disclosures states close family members of key management personnel are considered a related party. Close family members define in the accounting standard include spouses, children (both members and spouses) and dependents.</p> <p>The District Council should update the Interest Declaration Form to include interests of children and dependents to ensure all related parties are captured under the requirement of PBE IPSAS 20. In order to give effect to the new standard, we also recommended that processes should be in place to determine if transactions with related parties are on an arms-length basis or not.</p>			
<b>Service performance reporting: control environment</b>			
<p>The District Council implements robust processes to ensure the following issues are addressed:</p> <ul style="list-style-type: none"> <li>there is no formal quality review process in place (documented and evidenced) to ensure that accurate results are reported in the service performance information;</li> <li>there are limited processes and controls in place to ensure information reported to Council is accurate throughout the year; and</li> </ul>	<p><b>Partially resolved</b></p> <p>All performance measures included in the LTP or Annual Plan are included in Interplan. These measures are reported quarterly to the appropriate Council Committee and the Executive Team.</p> <p>There is still no formal quality review in place to ensure that accurate results are reported. There are also limited processes and controls in place to ensure information reported to Council is accurate throughout the year.</p>	Necessary	<p><i>Currently reviewing our capacity to undertake these particular audits to ensure information reported to Council is accurate throughout the year. No auditing has been carried out to date.</i></p>

Recommendation	Status as at May 2015	Priority	Management's proposed action
<ul style="list-style-type: none"> <li>the reporting mechanism to Council during the financial year is not directly linked to the District Council's performance framework.</li> </ul>	We understand management has implemented a number of processes since our interim audit visit. We will follow up as part of our 2015/16 audit.		
<b>User access</b>			
<p>Our testing of the user termination process found two staff still had access after they had left the District Council.</p> <p>Procedures for terminating users should be improved to ensure all access is terminated as soon as the user has left. This should include third parties and temporary users.</p>	<p><b>Partially resolved</b></p> <p>The process for removing users who have left has improved. Further improvements are planned as a result of a "lean" review of the process.</p> <p>However, our testing this year identified 13 users who had left this year but had not been disabled.</p> <p>We also identified a high number of users who have not logged into the network over the past five years.</p> <p>We understand management has implemented a number of processes since our interim audit visit. We will follow up as part of our 2015/16 audit.</p>	Necessary	No change – resolved.



Recommendation	Status as at May 2015	Priority	Management's proposed action
<b>High number of generic/shared network logins</b>			
<p>Our review of the list of network logins identified a high number of generic logins. This raises the risk of unauthorised access or inability to track access back to a particular individual.</p> <p>We recommended a review of all network logins should be done and any generic logins that the District Council requires should be reapproved and documented. There should also be a formal approval process established for creating any generic logins.</p>	<p><b>Open</b></p> <p>Our review identified there are more generic accounts than last year. We continue to recommend a review of all network logins should be done and any generic logins that the District Council requires should be re-approved and documented.</p> <p>A formal approval process should also be established for creating any generic logins. We understand management has implemented a number of processes since our interim audit visit. We will follow up as part of our 2015/16 audit.</p>	Necessary	<p><i>The "new user" process has been updated to address generic account requirements.</i></p>
<b>Regular restores from backup tape</b>			
<p>The District Council performs data restores from disc copy. However, there are no formal regular test restores being performed from backup tapes. This raises the risk that data may not be able to be recovered in a major disaster.</p> <p>We recommended formalised regular data restores tests should be performed from backup tapes.</p>	<p><b>Partially resolved</b></p> <p>A project to replace backup software has commenced. No formal scheduled restores are being performed.</p> <p>We understand management has implemented a number of processes since our interim audit visit. We will follow up as part of our 2015/16 audit.</p>	Necessary	<p><i>Backups have been migrated across to the new back up infrastructure. Project completion has been pushed out to December 2015 and a restore test will commence prior.</i></p>

Recommendation	Status as at May 2015	Priority	Management's proposed action
<b>All devices have virus definition updates and patches applied</b>			
<p>The systems which are used for updating virus definitions and Microsoft patches are recording widely varying numbers of PCs and servers, raising the risk that not all of the District Council's infrastructure is being protected from virus and malware attack. We also noted there is no detailed IT asset register to confirm the number of devices owned by the District Council.</p> <p>A register of all IT assets should be maintained and regular formal reporting on the status of virus and patch management should be done to confirm the District Council's entire IT infrastructure is protected.</p>	<p><b>Partially resolved</b></p> <p>Improvements to virus management and patch management have been done. However, no regular reporting is in place, and there are discrepancies between the number of devices reported in the various management systems.</p> <p>We understand management has implemented a number of processes since our interim audit visit. We will follow up as part of our 2015/16 audit.</p>	Necessary	<p>Patch and virus management servers have been rebuilt and monthly checks are undertaken by the Helpdesk to ensure the patches and virus updates are being successfully applied across the organisation.</p>
<b>Regular review of user accounts</b>			
<p>There is no formal process to review user accounts at the network level and in the applications systems.</p> <p>We recommended a review of users and their access levels be carried out on a regular basis (perhaps annual) to ensure no inappropriate access to systems.</p>	<p><b>Partially resolved</b></p> <p>A review of network login accounts has started, including entering contractor expiry dates, and entering comments beside generic network accounts. However our testing noted that there are still a high number of generic accounts and users who have left or not logged in for years.</p> <p>We understand management has implemented a number of processes since our interim audit visit. We will follow up as part of our 2015/16 audit.</p>	Necessary	<p>Review of network accounts ongoing.</p> <p>Generic accounts addressed as part of "High number of generic/shared network logins" response.</p> <p>User accounts that have not been logged into addressed as part of "User access".</p>

Recommendation	Status as at May 2015	Priority	Management's proposed action
<b>Business continuity and IT Disaster recovery planning</b>			
<p>The District Council does not have a Business Plan and IT Disaster Recovery Plan.</p> <p>We recommended the District Council develop and test organisational business continuity plans. This planning should drive the development of an IT Disaster Recovery Plan. Plans should be tested on a regular basis to ensure they are still meeting the organisations objectives for acceptable risk and levels of services to its customers.</p>	<p><b>Partially resolved</b></p> <p>Work has commenced on identifying critical systems and manual procedures. Finalisation and testing of plans should be completed.</p> <p>We understand management has implemented a number of processes since our interim audit visit. We will follow up as part of our 2015/16 audit.</p>	Necessary	<p>Backups have been migrated across to the new backup infrastructure. Project completion has been pushed out to December 2015. A restore test will be completed prior to 24 December 2015.</p>
<b>Monitoring and reporting on IT service performance</b>			
<p>The District Council has systems in place for recording problems and incidents, and for monitoring systems. However there is no formal monitoring and reporting on IT service performance and KPIs.</p> <p>We recommended reporting on IT KPIs should be developed, including problem and incident resolutions and system performance.</p>	<p><b>Open</b></p> <p>This was not followed up as part of our final audit. We will follow up as part of our 2015/16 audit.</p>	Necessary	<p>KPIs for IM team members have been developed and are included in their performance evaluations. Internal KPIs continue to be developed and published internally. Will await outcome of the 2015/16 audit.</p>
<b>Change management</b>			
<p>We noted that formal change management policies and processes are not in place for IT Infrastructure and software changes.</p> <p>We recommended change management procedures are implemented and all changes are logged and approved before they are made to live systems.</p>	<p><b>Open</b></p> <p>This was not followed up as part of our final audit. We will follow up as part of our 2015/16 audit.</p>	Necessary	<p>The existing change management process has been applied to those changes that pose a significant risk. Will await outcome of the 2015/16 audit.</p>

Recommendation	Status as at May 2015	Priority	Management's proposed action
<b>Review of users who have remote access</b>			
<p>District Council staff are able to access the District Council's systems from their own devices. Formal application is required for this to be set up.</p> <p>However, we noted there have been no reviews of individuals who still have this level of access. This raises the risk that access may have been left open after it should have been removed.</p> <p>We recommended that a review is performed of whom has remote access to the District Council's systems, to ensure it is limited to only approved staff and contractors.</p>	<p><b>Open</b></p> <p>This was not followed up as part of our final audit. We will follow up as part of our 2015/16 audit.</p>	<p><b>Necessary</b></p>	<p><i>All previous users who had remote access were removed from the system and were required to reapply for access, if applicable, by 30 July 2015. This process will be undertaken on an annual basis to ensure all remote access users are current and are limited to approved staff and contractors. Will await outcome of the 2015/16 audit.</i></p>

**Outstanding matters - matters raised as part of the LTP audit and not audited as part of the 2014/15 Annual Report**

Recommendation	Current status	Priority	Management's proposed action
<b>Financial forecasting processes</b>			
<p>WDC adheres to good asset management planning practices. However, the AMPs do not provide clear and comprehensive details of the financial forecasting and planning process.</p> <p>Going forward, the AMPs are improved to include the aspects mentioned.</p>	<p><b>Open</b></p> <p>We understand minimal progress has been made as the District Council will be addressing issues in 2015/16. We will follow up as part of the 2015/16 audit.</p>	Urgent	<p><i>Work is complete. Financial information has always been available, in order to avoid rework. Will await outcome of the 2015/16 audit.</i></p>
<b>Capital expenditure for groups of activities</b>			
<p>According to requirement in Schedule 10(3) of the LGA, 2002, asset models should allow capital expenditure to distinguish between: (a) meeting additional demand for an activity; (b) improving the level of service; and (c) replacing existing assets. The expectation is that the AMPs allocate each project to one of these categories.</p> <p>This detail is not contained in the AMPs and we understand that this will not be completed until the LTP is completed. This is not good practice.</p> <p>The AMP should include asset management planning information that informs the LTP and not the other way around.</p> <p>AMPs can be enhanced to distinguish between the different categories in Schedule 10(3) of the LGA, 2002.</p>	<p><b>Open</b></p> <p>We understand minimal progress has been made as the District Council will be addressing issues in 2015/16. We will follow up as part of the 2015/16 audit.</p>	Urgent	<p><i>Work is complete. This breakdown has always been available, however to avoid rework on physical documents the data was not updated until final adoption. Audit has not reviewed as part of that process. Will await outcome of the 2015/16 audit.</i></p>

Recommendation	Current status	Priority	Management's proposed action
<b>Assumptions - reliability of data</b>			
<p>Assumptions in the AMPs do not include the reliability of data.</p> <p>Going forward, we recommend that information on the reliability of data used for assumptions is included in AMPs.</p>	<p><b>Open</b></p> <p>We understand minimal progress has been made as the District Council will be addressing issues in 2015/16. We will follow up as part of the 2015/16 audit.</p>	<p><b>Urgent</b></p>	<p><i>Parks and facilities: Over the past year we have collected data on all our parks assets - condition and photo, deleted assets from the data base which are not in the field and added to the data base new and found assets that are in the field and processed all asbuilts that have come across our desks.</i></p> <p><i>With our facilities we have had condition surveys done of our pool facilities, housing for the elderly facilities, head office, libraries, majority of halls, and a start has been made on general property. This will not be completed this year as we do not have enough budget.</i></p> <p><i>Roading: The 2014 AMP included an assessment of the reliability of data used for the June 2014 valuation. This will be updated when the AMP is reviewed. Will await outcome of the 2015/16 audit.</i></p>
<b>Levels of service</b>			
<p>We noted for Roothing that there is currently a transition to the One Network Road Classification (ONRC) framework. This will present a number of challenges for WDC. We found that categorisation of roads using the new criteria is largely complete but there are still some anomalies to be resolved and roads that cross into neighbouring districts need to be consistent along their length. We noted that the Waikato and Franklin District Plans contain</p>	<p><b>Open</b></p> <p>We understand minimal progress has been made as the District Council will be addressing issues in 2015/16. We will follow up as part of the 2015/16 audit.</p>	<p><b>Necessary</b></p>	<p><i>Meetings with neighbouring Councils have resolved cross boundary road categorisation issues. Will await outcome of the 2015/16 audit.</i></p>

Recommendation	Current status	Priority	Management's proposed action
definitions of the road hierarchy and maps. Many stipulations in both plans define standards for access that are based on the hierarchy. We recommended that stipulation that defined standards for access need to be amended to reflect the new ONRC hierarchy. Changes to District Plans require extensive public consultation and can be a lengthy process.			

### Matters that have been resolved

Recommendation	Outcome
<b>Source data from roading valuations</b>	
<p>For future revaluations, we recommended the District Council work more closely with Opus Consultants so that source data reports include the appropriate information that will allow the District Council to re perform the valuer's calculation to confirm the accuracy of the valuation. It will also enable a better understanding of the various components of the valuation.</p>	<p><b>Matter resolved</b></p> <p>The District Council worked closely with Opus Consultants to ensure the accuracy of the valuation. This was confirmed through our work on the valuation of roading assets.</p>
<b>Follow up on outstanding sundry debtors</b>	
<p>During our review of the District Council's sundry debtor system we noted that the District Council had not been following up on outstanding sundry debtors. While we are satisfied there is an appropriate system in place to follow up on outstanding debtors, it is important that the District Council implements this system to ensure outstanding funds are collected.</p> <p>We recommended the District Council implements the system for follow up of outstanding debtors to ensure all funds owed to the District Council are collected in a timely manner.</p>	<p><b>Matter resolved.</b></p> <p>An additional resource was put in place to address the backlog. We noted that as at 30 June 2015 receivables &gt;30 days was \$551,000 compared to \$1.38 million as at 1 May 2015.</p>



## Appendix 3: Mandatory 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 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. Our audit engagement letter contains a detailed explanation of the respective responsibilities of the auditor and the Council.</p>
Auditing standards	<p>We carry out our audit in accordance with generally accepted audit standards. The audit cannot and should not be relied upon to detect every instance 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 confirm that, for the audit of the Waikato District Council's financial statements for the year ended 30 June 2015, we have maintained our independence in accordance with the requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.</p> <p>In addition to this audit, which includes our report on the Other Requirements, we have carried out assignments in the areas of audit of the debenture trust, summary annual report, long term plan amendment, consultation document, long term plan and other assurance services, which are compatible with those independence requirements. Other than these assignments we have no relationship with or interests in the District Council or any of its subsidiaries.</p>
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 Waikato District Council that is significant to the audit.</p> <p>We are not aware of any situations where a staff member of Audit New Zealand has accepted a position of employment with the Waikato District Council during or since the end of the financial year.</p>
Unresolved disagreements	<p>We have no unresolved disagreements with management about matters that individually or in aggregate could be significant to the financial statements. Management has not sought to influence our views on matters relevant to our audit opinion.</p>

### **Open Meeting**

<b>To</b>	Audit & Risk Committee
<b>From</b>	TG Whittaker General Manager Strategy & Support
<b>Date</b>	25 May 2016
<b>Prepared by</b>	Alison Diaz Finance Manager
<b>Chief Executive Approved</b>	Y
<b>DWS Document Set #</b>	1529768
<b>Report Title</b>	2015/16 Annual Report Risk Assessment

## **I. EXECUTIVE SUMMARY**

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The purpose of this report is to provide the Committee with an assessment of key issues that may impact on the preparation of the 2015/16 Annual Report, related audit requirements and mitigation measures to be employed.

## **2. RECOMMENDATION**

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**THAT the report of the General Manager Strategy & Support be received.**

## **3. BACKGROUND**

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Financial preparations are well underway and staff have compiled a detailed Annual Report/Audit timetable based on the previous year's audit process. A project team has been established to ensure that the Annual Report documents present an accurate account of Council's performance during 2015/16 and that audit requirements are met in full.

## 4. DISCUSSION

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### 4.1 AUDIT NEW ZEALAND

The Audit Arrangements letter identifies the following areas of focus:

#### 1. *Property, plant & equipment*

Assets will be valued in accordance with PBE IPSAS 17, and any asset classes that will not be revalued in 2015/16 will have a fair value assessment. The assessment will need to be made early to avoid the risk of this becoming an issue at a late stage of the audit.

**Risk assessment re ability to deliver: Low**

**All infrastructural assets will be revalued. Land and buildings, which are operational or restricted assets, will have a fair value assessment carried out using Business and Economic Research Limited (BERL) indices. The likely movement as a percentage of total property, plant and equipment will be assessed for significance.**

#### 2. *Carrying value of investment in Strada Corporation Limited (Strada)*

Investments in subsidiaries need to be assessed annually for impairment. In 2015 Strada incurred a tax loss at a substantial movement against their prior year profits. There is the potential that the carrying value of the investment should be impaired. The impairment assessment will be reviewed to ensure the carrying value in the financial statements of council is appropriate.

**Risk assessment re ability to deliver: Low**

**An impairment assessment has been made based on information provided by Strada in April. At this stage the carrying value as per council financial statements is deemed to be appropriate. If there were any material changes to the information provided by Strada in April and the end of June, there is a risk that the investment would have to be impaired.**

#### 3. *Development contributions*

Development and financial contributions form a significant part of revenue and funding for capital projects amounting to \$14.4 million in 2014/15. The long-term plan development contributions budget for 2015/16 is \$8 million. The council's controls will be reviewed to check that contributions are being charged in accordance with the new policy. The use and application of development contribution funds will also be reviewed.

**Risk assessment re ability to deliver: Low**

**Processes have been reviewed over the past year to ensure successful implementation of Councils new policy. This activity is supported by a new dedicated Development Contributions Coordinator role.**

#### 4. *Change in payroll system*

The payroll system has changed from being performed in-house and is now performed by Datacom. This system went live in November 2015. The processes around validating the data migration from the old system to the new system will be reviewed. The processes and procedures the council has in place to ensure that payroll is processed accurately will also be reviewed.

**Risk assessment re ability to deliver: Low**

**While the system is now outsourced, the data checking and actual payment files are still processed internally. PwC as part of the project closure was employed to review the new processes and related controls. All of their recommendations have subsequently been implemented.**

#### 5. *Statement of service provision*

The council has a number of new measures in the 2015/25 Long Term Plan (LTP) that are required to be reported on for the first time in this Annual Report. Systems, processes and controls that the council has put in place to accurately report against these performance measures will be reviewed. There will also be focus on the quality of the overall story being told by the performance reporting, the reliability and accuracy of the reporting and the completeness of reporting against the framework outlined in the LTP.

**Risk assessment re ability to deliver: Low**

**LTP performance measures are reported on monthly. There are a number of annual measures which are yet to be completed; however, these results will come from one survey so the risk of not reporting on any measures, new or otherwise, is low.**

#### 6. *Performance rules*

Reporting against the new mandatory Department of Internal Affairs standard non-financial performance measures for the three waters and roading activities will be reviewed as part of the overall performance framework.

**Risk assessment re ability to deliver: Low**

**LTP performance measures are reported on monthly. There are a number of annual measures which are yet to be completed; Council have a current project to report on some of the Water measures electronically by integration between Service Request system, Asset system and Work order management. This project is expected to be complete to enable improved reporting next year.**

#### 7. *Procurement and contract management*

Contract management is an important component of procurement, being the effective management and monitoring of the delivery of goods or services to the agreed levels. It is essential that Council obtains value for money from the contracts its procurement processes have put in place. The previous audit made recommendations for continuous improvement in procurement and contract management. Progress on these

recommendations will be reviewed. Any changes to procurement processes will be discussed and the controls in place to monitor supplier performance will be reviewed.

**Risk assessment re ability to deliver: Medium**

**Training to staff has been provided where necessary to ensure compliance to the new processes established. The medium level of risk assessment is associated with the improvement recommendation of implementing contract management software**

**8. *Conflicts of interest***

Conflicts of interest are an area of concern from two perspectives; probity and the potential for a conflict of interest that is not well managed to create significant legal and reputational risk. While it is primarily the responsibility of the council to identify and manage conflicts of interest, in the course of the audit any particular risks related to the management of conflicts of interest may require further work to review the councils systems and processes.

**Risk assessment re ability to deliver: Low**

**Probity audits are carried out for contract values over \$1,000,000 where one or all of the below exist:**

- i) It is a high profile project,**
- ii) It is complex or contentious,**
- iii) It is politically sensitive,**
- iv) It has a high probability of conflict of interest,**
- v) the private sector is tendering against a party with its origins in or with linkages to the Council (e.g. Strada Corporation); or**
- vi) the integrity or fairness of the project may be subject to question.**

**Both elected officials and senior management are required to declare conflicts of interest. Data-matching reports are run over declared interests and any financial transactions of Council and investigated where required. Nothing can be addressed unless interests are declared.**

**A recent workshop was undertaken with Councillors regarding conflicts of interest to raise both awareness and the importance of transparency.**

**9. *Vesting assets from the New Zealand Transport Agency (NZTA)***

The construction of the Rangiriri and Huntly sections of the Waikato Expressway has commenced. Once completed the sections of previous state highway will be transferred to Council. The expectation is that this will increase the roading maintenance expenditure. When the vesting occurs the accounting treatment will be checked for compliance with accounting standards.

**Risk assessment re ability to deliver: Low**

**Council does not expect any vestment of these assets in the 2015/16 financial year or immediately after balance date.**

## *10. Information Technology*

The reliability of councils IT systems, technology platforms and associated controls is critical to maintaining the integrity of data and continuity of services for customers. A review of the IT general controls will be undertaken and will look at security of network and applications, business continuity and disaster recovery, change management, operations, problems and incident management. Any planned or implemented initiatives and the impact they may have on processes and control environments will be assessed for the appropriate audit approach. Progress against previous recommendations will also be followed up.

### **Risk assessment re ability to deliver: Low/Medium**

**Information Management have met with our auditor to review the reliability of council IT systems and associated controls. New technology has been deployed to enhance council's IT system backups and to provide a disaster recovery capability. Progress has been made against previous recommendations in that processes have been implemented to address previous points; however evidence of compliance in all areas is not conclusive and a number of points remain a work in progress. The implementation of an Information Management strategic plan and the appointment to the CIO position will further support on-going activities to address risks in IT.**

## *11. Local authority matters of particular interest for 2015/16*

Alongside the audit work, there is an Office of the Auditor-General (OAG) work programme that focuses on future needs and public sector readiness. Observations from the 2014/15 OAG theme of Governance and Accountability will be considered and any relevant issues reported. Examples of significant improvements over time in the use, analysis and/or management of information will be provided from the 2015/16 audits to the OAG to assist in the 2016/17 work programme theme of Information – the good use of information to provide better services now and in the future.

### **Where are we at?**

**The fitness of our IT infrastructure, applications, and data will be reviewed as part of initiatives in the 2016/17 corporate plan to assess the current state of council information assets. Council have established an open data policy to support the provision of information assets to interested third parties – an early example of council's commitment in this space is the LASS Waikato Region GIS portal initiative. In addition, it is recognised that online interactions with our customers is now expected, and council is starting to make available online capability for customers to apply for various services, starting with Direct Debit and LIM applications.**

## 4.2 TIMING RISK

In addition to the Audit New Zealand areas of focus, the following items have been identified as possible timing risks for meeting the audit timeframes:

### *12. Timing of Strada Corporation Limited audit*

It is our understanding that an external agency will be preparing the annual report.

#### **Mitigation measures:**

**Staff will request a meeting with the external agency when appointed to discuss timeframes and interdependencies.**

### *13. New valuer for the waters and solid waste asset classes*

The decision has been made by Waipa District, Hamilton City and Waikato District councils to use the same valuation provider for the three waters assets to aid consistency for any proposal to form a subregional Council Controlled Organisation. Working with new providers can require additional support from internal officers.

#### **Mitigation measures:**

**Staff have met with the new valuation provider to agree timeframes and scope of the valuation process. Preliminary work is underway.**

### *14. New in-house reports*

The use of Valuefinancials to prepare financial statements impacted internal timings during last years Annual Report preparation mainly due to requirements for queries to be managed by the external provider. The decision has been made this year to develop an in-house model for the preparation of financial statements and associated notes.

#### **Mitigation measures:**

**Staff have completed the model and are running it over the month end results to identify any errors ahead of the year-end. Unlike Valuefinancials (where only two staff had access) the reports are able to be run by any member of the Finance Planning & Reporting Team which will help to mitigate any delays from unforeseen absences of key personnel.**

### **Open Meeting**

<b>To</b>	Audit & Risk Committee
<b>From</b>	TG Whittaker General Manager Strategy & Support
<b>Date</b>	08 June 2016
<b>Prepared by</b>	Madelina Baena-Escamilla Continuous Improvement Analyst
<b>Chief Executive Approved</b>	Y
<b>DWS Document Set #</b>	1536591
<b>Report Title</b>	Update on Internal Audit and Quality Improvement

## **I. EXECUTIVE SUMMARY**

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This report outlines work planned and undertaken to support quality improvement throughout the business over the past quarter. It covers the audit programme, policy review and process improvement.

## **2. DISCUSSION**

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### **2.1. Audit programme**

For the period March to May 2016 a total of five audits have been closed and process owners and experts have addressed three non-conformances and 22 recommendations by making relevant changes to associated processes. Six audits remain in action with changes currently being made to processes that will be finalised by end of June 2016 (see attached Internal Audit Status (2015-2016) Activity Report).

A new audit schedule is being compiled for the period June - December 2016. This audit schedule will target processes related to Council's long term plan and annual plan.

### **2.2. Policy**

The work programme for reviewing internal and external Council policies is progressing as planned. 10 policies have been completed this quarter:

- Roadside Fencing Policy
- Cashing up Annual Leave Policy
- Social Media Policy
- Staff Media Policy



- Visitor Management Policy
- Personnel File access policy
- Sensitive Expenditure Policy
- Road Naming Policy
- Safe Use of Council Vehicles Policy
- Zero Harm Policy

Other policies that are being reviewed are:

- Arts policy
- Records Management Policy
- Internet Use Policy
- Email Use Policy

### **2.3. Process Improvement Forum**

The Improvement Forum meets on a monthly basis to drive our quality management system and encourage process mapping and continuous improvement. Process champions have been delivering training to new staff and helping process experts to finalise and publish their process.

Progress against process capture and improvement has been achieved in the past quarter. The main focus has been to finalise and publish draft processes. There are currently 775 published processes mapped (an additional 11 since March 2016) and 118 processes in draft status (24 less than in March 2016).

## **3. RECOMMENDATION**

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**THAT the report from the General Manager Strategy & Support be received.**

## **4. ATTACHMENTS**

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Internal Audit Status (2015-2016) Activity Report

**Audit Status @ 08-06-2016****Status of agreed actions following internal audit recommendations**

Macro process	Processes	Owner and Expert	Auditors	Date of Audit	Outcome			Progress Update
					Major NC (High)	Minor NC (medium)	Rec (low)	
<b>Customer Complaints</b>	<ul style="list-style-type: none"> <li><a href="#">Resolve Customer Complaints</a></li> <li><a href="#">Manage Vexatious Complainant</a></li> </ul>	Angela Parquist Reece Turner	Teresa Howe Elijah Tamati	13/01/2016	0	0	9	Changes have been made in the process. <b>Audit is closed</b>
<b>Service Request</b>	<ul style="list-style-type: none"> <li><a href="#">Receive and Enter a Service Request</a></li> <li><a href="#">Action and Complete a Service Request</a></li> </ul>	Sally Clark Sandra Cooper	Pam Osborne Abby Gordon	26/01/2016	0	0	3	Changes have been made in the process. <b>Audit is closed</b>
<b>Treatment Plants</b>	<ul style="list-style-type: none"> <li><a href="#">Manage SCADA On-Call System - Treatment Plants</a></li> <li><a href="#">Carry out Daily SCADA System Checks at TP (On-call Operators)</a></li> <li><a href="#">Carry out Daily SCADA System Checks (Treatment Plant Supervisor)</a></li> </ul>	Mark Curtis David Kennington	Helen Geddes Madelina Baena-Escamilla	05/02/2016	0	2	4	The two process for carry out daily SCADA System Checks have been archived and relevant sections from them included in the following updated processes: "Respond to SCADA Alarms for Treatment Plants" "Manage SCADA On-Call and Alarm System - Treatment Plants" <b>Audit is closed</b>
<b>Community Funding</b>	<ul style="list-style-type: none"> <li><a href="#">Co-ordinate External Funding for WDC Projects</a></li> <li><a href="#">Manage Creative Communities Scheme (CCS) Funding</a></li> <li><a href="#">Manage Community Board Discretionary Fund</a></li> </ul>	Vishal Ramduny Lianne Van Den Bemd	Beryl McAuley Christine Cunningham	22/02/2016	0	0	39	Owner has responded to the audit, waiting for changes to be done in the process.
<b>Procurement Management</b>	<ul style="list-style-type: none"> <li><a href="#">Evaluate Quotations (up to \$125,000)</a></li> <li><a href="#">Prepare Contract Documents for Signing and Complete Tender Process</a></li> </ul>	Tony Whittaker Rajendra Java	Debbie Dalbeth	27/11/2015.	4	0	9	Owner has responded to the audit, waiting for changes to be done in the process.

<b>Contract Management</b>	<ul style="list-style-type: none"> <li>• <a href="#">Prepare for Contract to Commence (Physical Works)</a></li> <li>• <a href="#">Manage Contract Administration (physical works)</a></li> <li>• <a href="#">Carry out Site Inspection</a></li> </ul>	Rajendra Java Josy Cooper	Annetta Purdy Deidre MacDonald	08/12/2015	0	3	5	Owner has responded to the audit, waiting for changes to be done in the process.
<b>Contractor Zero Harm</b>	<ul style="list-style-type: none"> <li>• <a href="#">Carry out Contractor H&amp;S Induction</a></li> <li>• <a href="#">Inspect/Audit Contract Health &amp; Safety</a></li> <li>• <a href="#">Record Contractor's H&amp;S performance</a></li> </ul>	Kevin Lockley Josy Cooper	Sandra Kelly Susan Toogood	First Audit with the zero harm team was carried out in December.				Due different reasons (Staff holiday, and work load) this audit hasn't been finished yet.
<b>Front Counter Cash Receipting</b>	<ul style="list-style-type: none"> <li>• <a href="#">Issuing a manual receipt</a></li> </ul>	Michael Edmonds Kay Warren	Phyllis Hefang	Raglan: 23/10/2015 Tuakau: 6/11/2015 Huntly: 25/11/2015 Ngaruawahia: 16 & 17 December 2015	0	0	16	Owner has responded to the audit, waiting for changes to be done in the process.
<b>Call Centre</b>	<ul style="list-style-type: none"> <li>• <a href="#">Manage Public Enquiries in Outlook</a></li> <li>• <a href="#">Archiving Public Enquiries</a></li> </ul>	Cory Cullen Elijah Tamati	Trish Mckinnon	24/02/16.	0	0	4	Recommendations has been taking into account. <b>Audit is closed</b>
<b>Dog Registrations</b>	<ul style="list-style-type: none"> <li>• <a href="#">Dog Registrations – new</a></li> <li>• <a href="#">Dog Registrations - process renewal</a></li> </ul>	Christine Cunningham Pam Osborne	Reece Turner Adam Van Niekerk Givena De Thierry	24/02/16.	0	2	2	Owner has responded to the audit, waiting for changes to be done in the process.
<b>Manage Policies</b>	<ul style="list-style-type: none"> <li>• <a href="#">Create New or Review an Existing External Policy</a></li> </ul>	Kurt Abbot Melissa Russo	Sharlene Jenkins Kay Warren	24/02/16.	0	6	7	Owner has responded to the audit, waiting for changes to be done in the process.
<b>Cementeries</b>	<ul style="list-style-type: none"> <li>• <a href="#">Permit and Install Cemetery Memorials</a></li> </ul>	Gordon Bailey Deidre MacDonald	Sarfraz Hapuku Claude Shaw	24/02/16.	0	1	2	Changes have been made in the process. <b>Audit is closed</b>
<b>Total</b>					4	14	100	

### **Open Meeting**

<b>To</b>	Audit & Risk Committee
<b>From</b>	TG Whittaker General Manager Strategy & Support
<b>Date</b>	09 June 2016
<b>Prepared by</b>	Katja Jenkins Project Management Advisor
<b>Chief Executive Approved</b>	Y
<b>DWS Document Set #</b>	1536613
<b>Report Title</b>	Cyber (Information & Communication Technologies) Security Risk Assessment Update

## **I. EXECUTIVE SUMMARY**

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Waikato District Council engaged SSS IT Security Specialist to conduct a high level Security Risk Assessment of Cyber Security for the Information Management business unit. The purpose of the assessment was to:

- identify information security risks;
- assess the potential impacts to the council if these risks were realised; and
- provide recommendations for managing the risks.

A report detailing outcomes of the assessment was tabled during the March 2016 Audit & Risk Committee meeting. The following action items have been addressed:

- Implementation of an Information and Communication Technologies (ICT) Strategy
- Disaster Recovery<sup>1</sup> Plans
- Business Continuity Plans
- Recruitment of IM Manager

## **2. DISCUSSION**

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### **Implementation of an Information & Communication Technologies Strategy**

An interim strategy is in place. Roll out of the strategy includes the implementation of on-line services, disaster recovery and electronic purchase orders (EPO). The Strategic

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<sup>1</sup> It should be noted that the original report '**ICT Security Risk Assessment**' contained a reference error. Where the report reads 'Disaster Relief Plans', this should read 'Disaster Recovery Plans'. This error has been amended in this update.

Review Team has also been solicited to revisit the strategy in view of the recent review of Our Plan (the corporate plan).

### **Disaster Recovery Plans**

The project has been deemed to have met its objectives and has entered the close-off stage. Documentation of the solution is to be written as part of the project close. It should be noted that on-going and unresolved issues with the network connectivity between the Ngaruawahia and Tuakau sites has resulted in a delay in delivery of geographic separation of the production and Disaster Recovery hardware. This will be implemented once the network issues are resolved.

### **Business Continuity Plans**

Business continuity is on track for project completion by 30<sup>th</sup> June 2016. The initial training session took place on 28<sup>th</sup> June. Lessons learned from this session will be utilised for further rollouts. Exercising will be planned frequently throughout the new financial year and be embedded as an ongoing activity. Further improvements to the processes will also be programmed post project closure and potential governance also given consideration as part of the project closure report.

### **Recruitment of Information Management (“IM”) Manager**

The existing job description was reviewed and amended to rename the role of Information Management Manager to Chief Information Officer. The recruitment process was launched in April 2016 but the position remains vacant at this stage.

Further to the main action items above, a number of associated actions will be impacted by the delay in recruitment. These include:

- Consideration be given to the concept of implementing business owners for all major information assets. This would include assigning primary business owners and identifying internal stakeholders for related Information Management systems.
- Creation and implementation of a process for the periodic point-wise testing of backups.
- Review of existing server maintenance processes and implementation of processes to improve availability of services during server maintenance
- Implementation of improved change control and release management processes.
- Introduction of appropriate testing and review schedule for penetration testing of critical internal systems, internal application interfaces and internet-facing systems.
- Improved process for managing role changes for critical Information Management applications.

Notwithstanding the above, good progress with a number of Information Management related projects is being made by the interim management structure that is in place.

### **3. RECOMMENDATION**

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**THAT** the report from the **General Manager Strategy & Support** be received.

### **4. ATTACHMENTS**

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NIL

### **Open Meeting**

<b>To</b>	Audit & Risk Committee
<b>From</b>	Gavin Ion Chief Executive
<b>Date</b>	27 June 2016
<b>Prepared by</b>	Kevin Lockley Zero Harm Manager
<b>Chief Executive Approved</b>	Y
<b>DWS Document Set #</b>	1546306
<b>Report Title</b>	Zero Harm Programme Update

## **1. EXECUTIVE SUMMARY**

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The purpose of this report and its attachments is to provide an update on current health and safety performance. Council recognise that compliance is essential but they aspire to achieve best practice in health and safety performance and to create a sustainable zero harm culture where everyone goes home safe and healthy each day.

## **2. RECOMMENDATION**

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**THAT the report from the Chief Executive be received.**

## **3. BACKGROUND**

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Council has achieved Tertiary status of the ACC WSMP programme with all elements achieving highest possible level. Visible and active Zero Harm leadership continues to be demonstrated and behaviours across the Council organisation reflect an ongoing awareness of duties and responsibilities.

The Chief Executive, General Managers and Zero Harm team continue to engage with Councillors, Community Boards, Committees and others to foster a better understanding of Health and Safety regarding Officer roles and PCBUs working collaboratively together to achieve safe outcomes.

The Chief Executive carries out site visits and safety conversations on a regular basis as part of his due diligence. He is continuing his understanding of risks in line with the duties of an officer.

## 4. DISCUSSION AND ANALYSIS OF OPTIONS

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### 4.1 DISCUSSION

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

Council is working on implementing a Drug and Alcohol policy and through the current union negotiations and discussions a draft policy has been tabled.

A safe use of Council vehicle policy is currently being introduced which identifies categories of higher risk driving activities which will be subject to specific training to reduce the potential for harm. On road driving is on the Council critical risk register, weekly over-speeding is monitored through Smarttrack and managers continue to hold safety conversations with drivers who are identified as repeat offenders. Formal conversations form a part of any ongoing actions that may be considered.

Work is being planned around fully implementing the requirements of the internal Zero Harm Strategic Plan.

### 4.2 OPTIONS

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

## 5. CONSIDERATION

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### 5.1 FINANCIAL

There are no direct financial requirements identified in this report.

### 5.2 LEGAL

This report is prepared as part of the assisting Council with compliance with Health & Safety at Work Act 2015.

### 5.3 STRATEGY, PLANS, POLICY AND PARTNERSHIP ALIGNMENT

Council has a Zero Harm Strategy which forms the basis of our health & safety systems and philosophy. An internal Zero Harm Strategic Plan is also in place.

### 5.4 ASSESSMENT OF SIGNIFICANCE AND ENGAGEMENT POLICY AND OF EXTERNAL STAKEHOLDERS

Highest levels of engagement	Inform	Consult	Involve	Collaborate	Empower
	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Councillors, as Officers under the Health & Safety at Work Act 2015				



	are required to undertaken due diligence to ensure appropriate health & safety systems are in place and operating.
--	--

State below which external stakeholders have been or will be engaged with:

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

Council engages with our Community Boards and Community Committees to ensure they are clear on their requirements. There has also been several discussions with the Kopua Camp Board of Management. Council also undertakes audits and safety conversations in relation to our contractors.

## 6. CONCLUSION

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There have been no serious harm injuries since the last report. All injuries to date are first aid. There has been no lost time injuries but there have been discussions with Worksafe over several matters.

## 7. ATTACHMENTS

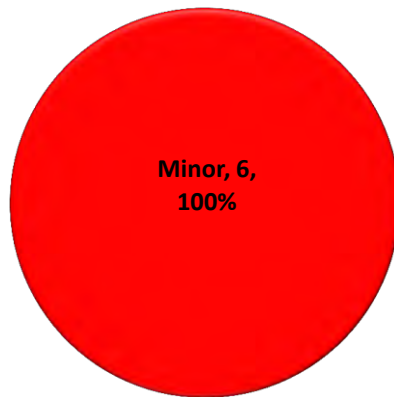
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Zero Harm Dashboard – June 2016

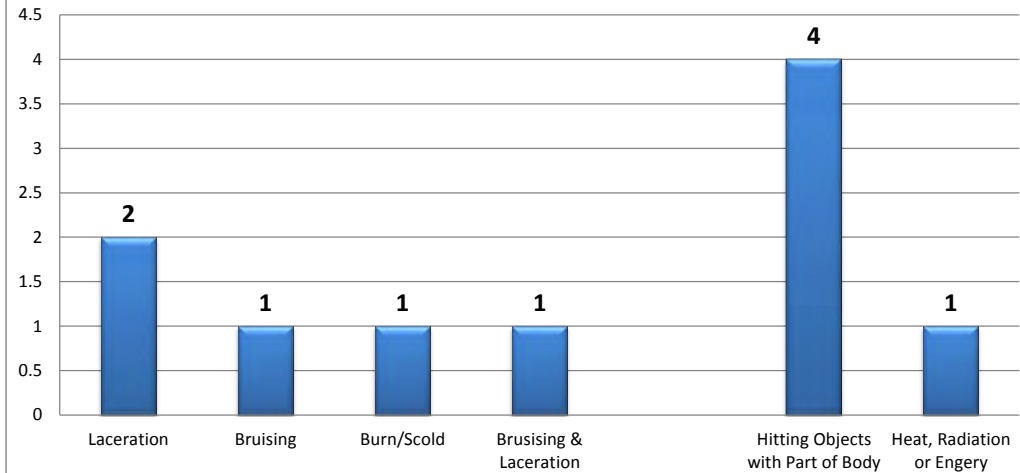
# Zero Harm Dashboard - June 2016

**Total Recordable Injury Rate = 24.46**

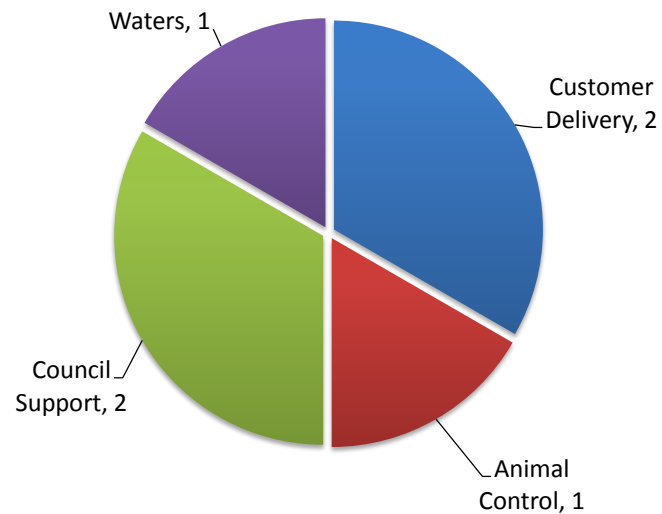
**6 Injuries Reported**



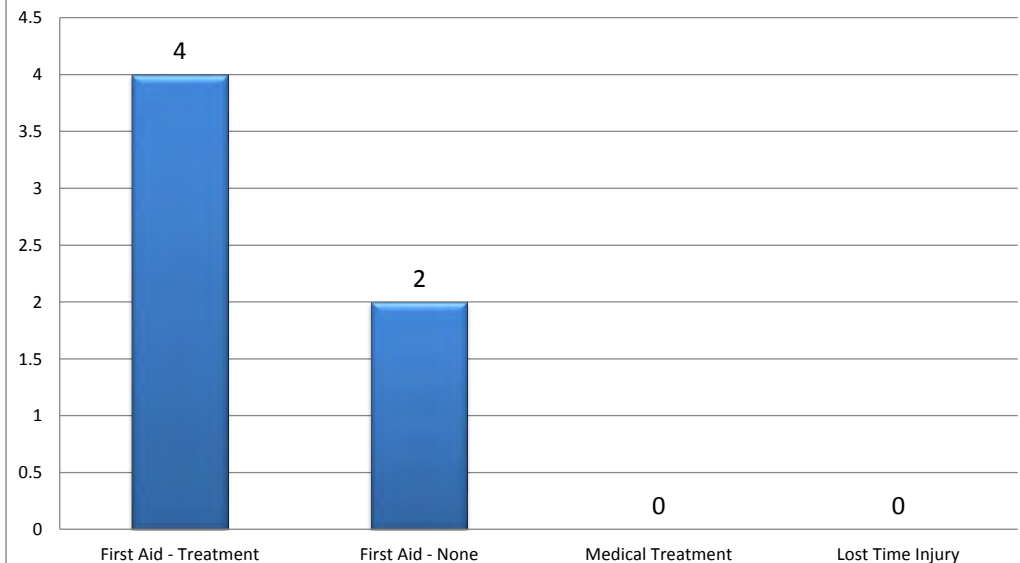
**Injury Type & Mechanisim**



**Injuries per Workgroup**



**First Aid, Medical Treatment or Lost Time**



### **Open Meeting**

<b>To</b>	Audit & Risk Committee
<b>From</b>	G J Ion Chief Executive
<b>Date</b>	31 May 2016
<b>Chief Executive Approved</b>	Y
<b>DWS Document Set #</b>	1527594
<b>Report Title</b>	Zero Harm Guide Checklist Responses

## **1. EXECUTIVE SUMMARY**

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Please find attached the Zero Harm Guide Checklist Responses for your consideration.

As discussed at the last meeting the Chair has provided a checklist which is part of the resource materials provided by the Institute of Directors. Responses have been prepared to respond to all the questions outlined in the checklist. The information was discussed at a Council Workshop on 30 May 2016 and the responses updated following that discussion.

## **2. RECOMMENDATION**

---

**THAT the report from the Chief Executive be received.**

## **3. ATTACHMENTS**

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Zero Harm Guide Checklist Responses

## Zero Harm Guide - Checklist Responses

<b>Q1</b>	<b><i>How do the Councillors demonstrate their commitment to health and safety?</i></b>
	<p>Councillors receive regular reports and ask questions of management about the approach being taken.</p> <p>Councillors also need to be role models setting high standards of health &amp; safety leadership for the organisation.</p> <p>Councillors are planning to attend a Safety Action Team meeting to understand what is happening in practice.</p> <p>Councillors are encouraged to ask questions and to initiate conversations about any aspect of health &amp; safety.</p>
<b>Q2</b>	<b><i>How do you ensure that the organisation's risks are assessed and appropriate mitigation measures put in place?</i></b>
	<p>Through regular reports to Council and the Audit &amp; Risk Committee, Councillors are provided with updates about initiatives and actions being undertaken by management.</p> <p>The Chief Executive and staff are asked to answer questions about the systems in place and the culture within the organisation.</p> <p>A Council workshop has been held to highlight the key zero harm and health &amp; safety risks identified.</p> <p>The Chief Executive and Zero Harm Manager have outlined the organisational philosophy of work safe, home safe that underpins health &amp; safety systems at Waikato District Council.</p>
<b>Q3</b>	<b><i>How does the organisation involve its workers in health and safety?</i></b>
	<p>Workers are involved through Safety Action Teams, through focus groups and through involvement in health and safety activities. Health &amp; Safety is an agenda item at team meetings, Zero Harm update is included in Chamber Chat.</p> <p>A Key Performance Indicator has been set this year around near miss reporting. This is a lag indicator but its intent is to turn the identification of near misses into a habit and a part of the day to day culture of the organisation. Staff are involved randomly in safety conversations with management.</p> <p>The Staff Survey also seeks feedback about commitment to health and safety, and whether staff understand their role and contribution. The questions scored over 80% in the February 2016 Staff Survey. Employee and management focus groups are a requisite for ACC audit as well as internal assessment to NZS 4801 Standard.</p>

<b>Q4</b>	<b><i>How do you ensure that your organisation's health and safety targets are challenging, realistic and aren't creating unintended consequences?</i></b>
	<p>This is work in progress. Initially we have focused on near miss reporting to raise the level of awareness of identifying issues and health and safety matters at the earliest possible time.</p> <p>Utilising feedback from other organisations and the recent Business Leaders Health &amp; Safety Forum survey, we are looking to introduce new measures that will be more appropriate and timely in terms of our zero harm goal – work safe, home safe.</p> <p>In essence, the answer is by reviewing the quality of responses, reviewing feedback from the staff survey and by testing through audits and safety conversations.</p> <p>Using benchmarking and best practice from other organisations is a key goal particularly through the Business Leaders Health &amp; Safety Forum.</p>
<b>Q5</b>	<b><i>What data is the Council receiving on health and safety? Is this sufficient?</i></b>
	<p>Regular reports are received about overall Zero Harm and Health &amp; Safety performance as well as specific information about contractor performance.</p> <p>The forthcoming audit by ACC provided external guidance.</p> <p>Councillors have requested more detail about the audits undertaken of contractors and any concerns raised.</p> <p>Council is moving to TRIFR (Total Recordable Injury Frequency Rate) reporting, this reporting measure will incorporate contractor performance, benchmarking will be against external organisations which aspire to or are at best practice level of maturity.</p> <p>Councillors are seeking more detail about specific matters e.g. weed spraying.</p>
<b>Q6</b>	<b><i>How does the organisation ensure all workers are competent and adequately trained in their health and safety responsibilities and accountabilities?</i></b>
	<p>This is work in progress. Health &amp; Safety induction is being undertaken for new staff. All staff meetings (e.g. Chamber Chat) has a zero harm component aimed at awareness, information and training.</p> <p>Structured training around key elements such as the new legislation, hazard identification, safety conversations and the like have been undertaken on a selective basis. This needs to be fully implemented.</p>
<b>Q7</b>	<b><i>Does the organisation have sufficient resources (people, equipment, systems and budget) for its health and safety programme?</i></b>
	Two full time staff and one part-time staff member are leading the Zero Harm

	<p>implementation supported by the Chief Executive and Senior Management. Workers are involved through the Safety Action Team.</p> <p>At this stage the resources are stretched and being supplemented where necessary by contractors and the use of our Alliance partner.</p> <p>Council needs to be vigilant to keep our people safe all of the time. This is an ongoing challenge. At this stage we are making progress with the resources we have.</p> <p>Council is approached if additional resources or equipment is required to keep people safe.</p>
<b>Q8</b>	<p><b><i>How connected are you to what happens at the organisation's work sites? What measures are in place to inform you?</i></b></p>
	<p>The Council is loosely connected to work sites but relies on management for an assessment of progress. Regular updates are provided including details of audits undertaken and safety conversations that have been initiated.</p> <p>Councillors are now receiving copies of the weekly Near Miss, Incident and Accident report.</p> <p>Councillors are seeking more information about the action taken on major incidents e.g. roller slipping down a slope.</p>
<b>Q9</b>	<p><b><i>Does the organisation have a schedule of audits and reviews to ensure the health and safety management system is fit for purpose?</i></b></p>
	<p>Yes. At two levels. Detail is provided about audits – predominantly at a contractor level. A schedule of safety conversations which also look at our performance and the opportunity to make changes to keep our people safer is also in place.</p> <p>Any areas of concern are escalated to ensure additional audits or work is undertaken.</p> <p>Council Zero Harm Strategic Plan sets out on site Health &amp; Safety audits undertaken on physical works contracts. The WDC Roading Alliance carries out weekly COPTTM audits and work place inspections.</p> <p>In addition, hazard reviews and checks on emergency procedures are scheduled. General Managers are to conduct and document 'safety walks' organisation wide.</p> <p>The Executive Team discuss progress on a weekly basis.</p> <p>Annual internal review will be carried out using an external auditor, there will be a two yearly accreditation audit undertaken by an external auditor to ACC AS/NZS 4801 Standard.</p> <p>In addition, the Strategic Plan requires 5 Promapp processes for external and internal</p>

	<p>review to be undertaken annually.</p> <p>The council strategic plan stipulates regular auditing will take place on capital project works on a monthly basis.</p>
<b>Q10</b>	<p><b><i>How do you ensure that actions identified in incident reports, audits and reviews are communicated to the appropriate level within the organisation and effectively addressed by the organisation?</i></b></p>
	<p>The Chief Executive has overall visibility of these matters. The Near Miss, Incident and Accidents report now contains details on actions. Matters are discussed weekly by the Executive Team and are provided to all staff and Councillors.</p> <p>The Zero Harm team is responsible for updates on progress.</p> <p>Incidents and accidents are discussed weekly by the Chief Executive and Zero Harm Manager.</p>
<b>Q11</b>	<p><b><i>Does the organisation have policies and processes in place to ensure contractors used by the organisation have satisfactory health &amp; safety standards?</i></b></p>
	<p>Yes. Contractors have to be pre-approved. This includes a review of health &amp; safety systems.</p> <p>When contractors apply to Council for acceptance on the Pre-qualified Register, their sub-contractor control procedures are integral to their management systems, examples of completed documentation is a requirement to demonstrate process.</p> <p>Auditing is undertaken of the performance of contractors from a health &amp; safety perspective and reported to Council monthly.</p> <p>Currently all contractors are Health and Safety pre-qualified annually, sub-contractors work to the main contractors site specific safety plan. Waikato District Council will be working with the Waikato LASS and BoP LASS on a generic pre-qualification process, which entails when a contractor is registered with one council, the contractor is then prequalified with all councils. This avoids duplication.</p>
<b>Q12</b>	<p><b><i>How does your organisation's performance compare with other comparable organisations and how do you know?</i></b></p>
	<p>On an annual basis we benchmark ourselves against the survey undertaken by the Business Leaders Health &amp; Safety Forum which is looking to lead best practice. The Council is a member of the Forum and is looking to use the Forum's contacts and members to assist us to progress.</p> <p>In the most recent survey we were about middle of the road and have identified some areas to focus on for the future.</p>

	<p>The Council Zero Harm Team also attend Health &amp; Safety Shared Services Forums which includes Health &amp; Safety representatives from different Councils across the Waikato/Bay of Plenty regions.</p>
<b>Q13</b>	<b><i>How do you recognise and celebrate success?</i></b>
	<p>We celebrate success through setting a goal and reward for achieving a series of organisational key performance indicators of which near misses is one.</p> <p>Annually, we have introduced a Zero Harm Award for a leader in our organisation who contributes significantly to achieving our zero harm goals. This award is presented as part of the Waifactor Awards.</p> <p>The Executive recognise good performance through blogs and Friday Feedback. We are building a culture where it is fine to ask questions, particularly where zero harm and health &amp; safety are a concern.</p>



### ***Open Meeting***

<b>To</b>	Audit & Risk Committee
<b>From</b>	TG Whittaker General Manager Strategy & Support
<b>Date</b>	10 June 2016
<b>Chief Executive Approved</b>	Y
<b>DWS Document Set #</b>	I534280
<b>Report Title</b>	Updated Future Work Plan

## **I. EXECUTIVE SUMMARY**

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

## **2. RECOMMENDATION**

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**THAT** the report from the General Manager Strategy & Support be received.

## **3. ATTACHMENTS**

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Updated Future Work Plan

**AUDIT & RISK COMMITTEE**  
**Updated Future Work Plan**

Date	Key meeting topic	Standing items for all meetings
08 July 2016	<ul style="list-style-type: none"> <li>▪ Risk Management framework</li> <li>▪ Internal Audit Programme</li> <li>▪ Annual Report Programme Compliance</li> <li>▪ External contracts</li> </ul>	<ul style="list-style-type: none"> <li>▪ H&amp;S update on H&amp;S performance against agreed targets, systemic issues identified which can be fed into the risk control framework</li> <li>▪ Rolling review of bylaw &amp; policies – schedule to be agreed</li> <li>▪ Post project appraisals on key investments.</li> <li>▪ Update on progress against Audit management report</li> <li>▪ Update on risk management actions, progress on mitigations and direction of travel of risk</li> </ul>
27 September 2016	<ul style="list-style-type: none"> <li>▪ Review of Audit &amp; Risk Committee performance against Terms of Reference</li> <li>▪ Annual Report</li> <li>▪ Insurance review</li> </ul>	
14 December 2016	<ul style="list-style-type: none"> <li>▪ H&amp;S Management framework</li> <li>▪ Audit Management Report</li> </ul>	
March 2017 (Date to be set)	<ul style="list-style-type: none"> <li>▪ Review of CCO Statements of Intent</li> <li>▪ Annual Report Programme</li> </ul>	

### ***Open Meeting***

<b>To</b>	Audit & Risk Committee
<b>From</b>	TG Whittaker General Manager Strategy & Support
<b>Date</b>	14 June 2016
<b>Prepared by</b>	Sharlene Jenkins PA to General Manager Strategy & Support
<b>Chief Executive Approved</b>	Y
<b>DWS Document Set #</b>	I536298
<b>Report Title</b>	Audit Arrangements Letter

## **I. EXECUTIVE SUMMARY**

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The audit arrangements letter was approved by the Committee via email. It is simply here for the record of the Committee.

## **2. RECOMMENDATION**

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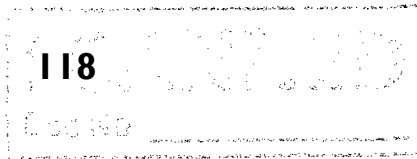
**THAT** the report from the General Manager Strategy & Support be received.

## **3. ATTACHMENTS**

---

Audit Arrangements letter

27 April 2016



**RECEIVED**

29 APR 2016

**Waikato District Council**

Allan Sanson  
Mayor  
Waikato District Council  
Private Bag 544  
Ngaruawahia 3742

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(0508 283 4869)  
Fax: 09 366 0215

Dear Allan

## **Audit for the year ending 30 June 2016**

I am writing to outline our arrangements for the audit of Waikato District Council (the District Council) for the year ending 30 June 2016. This letter has two main sections – an agreement to be signed, and details of the audit.

### **Agreement to be signed**

On the next page is an agreement that you need to sign. Your signature confirms that the details of the audit match your understanding of the arrangements for this year's audit.

Please sign and return one copy of the agreement by 16 May 2016.

### **Details of the audit**

Here we set out the proposed arrangements for this year's audit. These include:

- areas of emphasis for the audit of the District Council and our audit response;
- areas of interest for all local authorities; and
- logistics (such as our audit team, timing, and fees).

### **Additional information attached**

We have attached three appendices for your information:

- Appendix 1: Areas of interest for all local authorities;
- Appendix 2: Additional information about the audit; and
- Appendix 3: Information we will need, with space for you to record who will take responsibility for providing this information and when it will be available.

Please take the time to read this document thoroughly before returning the signed agreement. If there are additional matters that should be included, or any matters requiring clarification, please contact me.

Yours sincerely



Leon Pieterse  
Director

---

**Agreement to be signed**

*I acknowledge that the details of the audit set out here are in keeping with my understanding of the arrangements for the audit.*

Signed \_\_\_\_\_ Date \_\_\_\_\_  
Allan Sanson  
Mayor

## Details of the audit

### 1 Introduction

This document sets out the arrangements for the audit of Waikato District Council (the District Council) for the year ending 30 June 2016. These include:

- areas of emphasis for the audit of the District Council and our audit response;
- areas of interest for all local authorities; and
- logistics (such as our audit team, timing, and fees).

### 2 Areas of emphasis for the audit of the District Council and our audit response

Based on the planning work and discussions that we have completed to date, we have identified the areas which we consider require audit emphasis. This includes business risks and issues facing the District Council that may result in risks of material misstatement in the District Council's financial statements and/or service performance reporting. As part of the wider public sector audit, we are also required to be alert to issues of effectiveness and efficiency, waste and a lack of probity or financial prudence (as set out in the Audit Engagement Letter dated 15 April 2014).

The table below sets out the risks and issues that we have identified in line with these requirements. The left-hand column describes these risks and issues. In the right-hand column, we describe how we plan to respond to these during the audit.

#### 2.1 Areas of emphasis for the audit

Area of audit focus	Our audit response
<b>Property, plant and equipment</b>	
<p>In line with the District Council accounting policies, infrastructure assets, land and buildings are periodically revalued.</p> <p>PBE IPSAS 17, <i>Property, Plant and Equipment</i>, requires that valuations are carried out with sufficient regularity to ensure that the carrying amount does not differ materially from fair value. For those asset classes that it are not earmarked to be revalued this year, the District Council needs to do a fair value assessment to determine whether a revaluation is required or not. It is important that this assessment is made at an early stage to avoid the risk of this becoming an issue at a late stage of the audit.</p>	<p>We understand that the District Council is intending to revalue the infrastructure assets this year. We will review the scope of the valuation and assess the competence of the valuer and completeness of data and reasonableness of assumptions underlying the valuation.</p> <p>We will seek assurances from the valuer that the valuation has been completed in accordance with the valuation and accounting standards.</p> <p>We will also review the compliance of the accounting adjustments and disclosures made against PBE IPSAS 17.</p>

Area of audit focus	Our audit response
	For asset classes that are not proposed to be revalued, we will review the District Council's fair value assessment of whether there is any significant difference between the carrying amount and fair value of its land, buildings, parks and reserves.
<b>Carrying value of investment in Strada Corporation Limited (Strada)</b>	
Investments in subsidiaries need to be assessed annually for impairment.  In the 2015 financial year, Strada incurred a loss before tax of \$656,784. This was a substantial movement against their prior year profit of \$1,153,257. There is the potential that the carrying value of the investment in Strada should be impaired.	We will review management's impairment assessment of the District Council's investment in Strada to ensure the carrying value of the investment in Strada in the financial statements of the District Council is appropriate.
<b>Development contributions</b>	
In view of certain growth nodes within the district, development and financial contributions form a significant part of the revenue and funding for capital projects. This amounted to \$14.4 million in the 2014-15 financial year. (The long term plan budget for 2015-16 is \$8 million.)  Based on recent amendments to the Local Government Act 2002 (LGA), the District Council was required to update its Development Contribution policy in order to comply with the new requirements in the LGA.	We will review the District Council's controls to check that development contributions are charged in accordance with the new development contribution policy.  We will also confirm that the use and application of development contribution funds are appropriate and correctly accounted for.

## 2.2 Other areas of audit interest

Area of audit interest	Our audit response
<b>Change in payroll system</b>	
The District Council has changed its payroll system from being performed in-house. The payroll system is now performed by Datacom. We understand that the new system went live in November 2015.  To ensure accurate processing of data continues, it is important that there are appropriate processes around validating the data when migrating from the one system to another.	We will review the processes around validating the data migrated from the old system to the new system.  We will also obtain an understanding of the processes and procedures the District Council has in place to ensure that payroll is processed accurately.

Area of audit interest	Our audit response
<b>Statement of service performance</b>	
<p>The District Council has a number of new measures included in the 2015/25 Long Term Plan that are required to be reported for the first time in the 2015/16 annual report.</p> <p>We understand that the District Council implemented appropriate systems to collect, record, analyse data and support all the performance information to be reported on. These systems need to include appropriate internal controls to provide assurance over the integrity of this information.</p>	<p>We will review the systems, processes and controls that the District Council has put in place to enable them to accurately report against their performance measures.</p> <p>Our audit work will also focus on:</p> <ul style="list-style-type: none"> <li>• the quality of the overall “story” the performance reporting tells;</li> <li>• the reliability/accuracy of the reporting; and</li> <li>• the completeness of the reporting against the performance framework as outlined in the LTP.</li> </ul>
<b>Performance rules</b>	
<p>In 2010, the LGA was amended to require the Secretary for Local Government (the Chief Executive of the Department of Internal Affairs (DIA)) to make rules specifying standard non-financial performance measures for local authorities to use when reporting to their communities for five groups of activities, namely:</p> <ul style="list-style-type: none"> <li>• stormwater, drainage;</li> <li>• sewerage and the disposal of sewage;</li> <li>• flood protection and control works;</li> <li>• water supply; and</li> <li>• the provision of footpaths and roads.</li> </ul> <p>The Non-Financial Performance Measures Rules 2013 came into force on 30 July 2014. Local authorities were required to include the performance measures in their 2015-2025 LTPs. The performance measures will be reported against for the first time in the 2015/16 annual reports.</p>	<p>We will audit the District Council's reporting against these measures as part of our audit of the overall performance framework. In this context our audit approach will focus on the more material performance measures in the performance framework as a whole.</p>



Area of audit interest	Our audit response
<b>Procurement and contract management</b>	
<p>Contract management is an important component of procurement. Contract management includes the effective management and monitoring of the delivery of goods or services to the agreed levels. It is essential to ensuring that the District Council obtains value for money from the contracts its procurement processes have put in place. During the previous audit we made some recommendations for continuous improvements in procurement and contract management at the District Council.</p> <p>Also, contract renewals provide opportunities for the District Council to refresh contract expectations and deliverables to align to the LTP. This can also provide opportunities for efficiencies or other savings.</p>	<p>We will follow up on progress made on our previous recommendations, particularly improvements made for processes and practices relating to contract management. Where we identify particular risks related to contract management we may carry out additional work to review the District Council's policies, procedures or approach to contract management in practice.</p> <p>We will also discuss any changes to the procurement processes the District Council has implemented and review the controls in place to monitor supplier performance.</p> <p>We will also follow up on progress made by the District Council in its response to our recommendation raised in the prior year's management report.</p>
<b>Conflicts of interest</b>	
<p>Conflicts of interest are an area of concern from two perspectives; probity, and the potential for a conflict of interest that is not well managed to create significant legal and reputation risks. During 2007, the Office of the Auditor-General (OAG) published two sets of guidance for entities in this area:</p> <p><i>Managing conflicts of interest: guidance for public entities</i>, explains how to understand conflicts of interest in the public sector, and how to identify, disclose, and manage them. It also considers both the legal and ethical dimensions of conflicts of interest.</p> <p>The 2010 publication <i>Guidance for members of local authorities about the Local Authorities (Members' Interests) Act 1968</i> provides more specific guidance for Councillors. This is an updated version of previously published guidance about the legal requirements that apply to Council members in formal decision-making at meetings of their authority.</p>	<p>While it is primarily the responsibility of the District Council to identify and manage conflicts of interest, in the course of our usual audit work we will remain alert for conflicts of interest.</p> <p>If we identify particular risks related to the management of conflicts of interest, we may carry out further work to review the District Council's systems and processes.</p>

Area of audit interest	Our audit response
<p>The Local Authorities (Members' Interests) Act 1968 controls the making of contracts between Councillors and the Council and prevents Councillors from participating in Council matters in which they have a pecuniary interest.</p>	
<p><b>Vesting assets from New Zealand Transport Agency (NZTA)</b></p>	
<p>The construction of the Rangiriri and Huntly sections of the Waikato Expressway has commenced. Once these sections have been completed the District Council will receive part of previously state highway one (SH1) roads from NZTA. These sections are not expected to be completed until 2017 for Rangiriri and 2020 for Huntly.</p> <p>The expectation is that this will increase the District Council's roading maintenance expenditure.</p>	<p>We will continue to maintain a watching brief of this issue and, when the vesting occurs, we will ensure the accounting treatment is in compliance with the accounting standards.</p>
<p><b>Information Technology (IT)</b></p>	
<p>The District Council's reliability of the IT systems, technology platforms, and associated controls is critical to maintaining the integrity of the District Council's data and ensuring continuity of services to its customers. The integrity of the IT systems supports the timely reporting of a quality Annual Report.</p>	<p>We will be completing a review of the District Council's IT General Controls (ITGC), which will include:</p> <ul style="list-style-type: none"> <li>• IT security (network and applications);</li> <li>• business continuity and IT disaster recovery;</li> <li>• change management; and</li> <li>• operations, problems and incident management.</li> </ul> <p>We will also maintain an awareness of any planned or implemented initiatives and the impact these may have on the District Council's processes and control environment.</p> <p>We will assess any impact such initiatives will have on our audit approach and requirements.</p> <p>We will also follow up on progress made by the District Council in its response to our previous recommendations relating to the IT environment.</p>

We will also follow up on progress made by the District Council in its response to our previous recommendations.

Please tell us about any additional matters that we should be aware of as your auditor, and any specific significant business risks that we have not covered.

### 3 Our areas of interest for all local authorities

As part of our audit planning we have identified our areas of focus across the 2015/16 audits of all local authority clients. These are detailed below.

There are also other areas of audit interest that are part of our audit of the District Council which we monitor as part of our responsibility to consider the broader risks affecting local authorities.

#### 3.1 Matters of particular interest for 2015/16

Alongside our auditing work, the Office of the Auditor-General complete a work programme with an annual theme. This utilises the Office's unique view of the entire public sector to add relevant comment and objectivity to assist in improving the performance of, and the public's trust in, the public sector. This can be in the form of a sector report, performance audit or inquiry.

In May 2014, the Auditor-General published a report *Reflections from our audits: Our future needs – is the public sector ready?* The report recognises that public services must change and adapt to meet new challenges and help build the future New Zealanders want. The report identified five aspects that the public sector should be preparing for:

- protecting the solid foundations of public sector finances;
- looking after natural resources and physical assets;
- putting ideas and plans into action;
- acknowledging the importance of people; and
- embracing digital technology.

They will shortly be completing work on the 2014/15 theme, *Governance and Accountability*. This focuses on the things that provide strategic direction to public sector entities and their activities, such as people, structures, information and decision-making processes. Further, all public entities are accountable for their use of public funds and the effectiveness of, and compliance with, the accountability mechanisms within public entities that allow their governing bodies to be held to account for their performance and encourage entities to continuously improve and deliver better services to citizens.

As part of our 2015/16 audit, we will consider the observations in the report and report any relevant issues.

#### Information

The OAG's 2016/17 work programme theme is *Information*. This is an area of interest because there is an expectation that public entities are making good use of the information they have to provide better public services, both now and in the future.

Investment to improve the information and technology systems supporting the collection, maintenance, and analysis of business critical information is enabling public entities to transform their service delivery in ways not previously possible. The

*Information* theme allows the OAG to provide an independent view on the extent to which this is happening, and the opportunities and risks arising.

The Auditor-General has asked us to provide from our 2015/16 audits, examples of significant improvements over time in the use, analysis and/or management of information. This may include examples of the entity excelling in their sector, by way of smart use of information, innovative solutions or technological advances.

### **3.2 Other areas of interest**

As well as the risks and issues noted above, there are a number of other areas of audit focus common to the local authorities sector. Refer to Appendix 1 for details.

## **4 Logistics**

### **4.1 Our audit team**

The Audit New Zealand staff involved in the audit are:

Leon Pieterse	Director
Naude Kotze	Audit Manager
Kataraina Macown	Audit Supervisor
Robyn Dearlove	Information Systems Auditor
Jason Biggins	Tax Director

### **4.2 Important dates in the audit process**

Our proposed timetable is:

	<b>Date</b>
First interim audit visit begins	2 May 2016
Second interim audit visit begins	20 June 2016
Draft interim detailed management report issued	4 July 2016
Final interim detailed management report issued (including management comments)	18 July 2016
Draft annual report and summary annual report available for audit	24 August 2016
Final audit begins	29 August 2016
Final annual report <sup>1</sup> and summary annual report available <sup>2</sup> for audit	16 September 2016
Verbal audit clearance given	27 September 2016
Draft final detailed management report issued	30 September 2016
Audit opinion issued	4 October 2016

<sup>1</sup> Annual report, including any Chair's and Chief Executive's overview or reports

<sup>2</sup> Financial statements incorporating all the amendments agreed to between District Council and Audit New Zealand.

	<b>Date</b>
Final detailed management report issued (including management comments)	14 October 2016

#### **4.3 Our interim audit visit**

We will carry out the interim audits during May and June 2016. During this visit, we will focus on updating our understanding of the District Council's internal control. This includes reviewing the control environment, risk assessment processes and relevant aspects of information systems controls. We will use the results of this assessment to determine how much we can rely on the information produced from your systems during our final audit.

#### **4.4 Our final audit visit**

Our final audit is scheduled to start on 29 August 2016 and is expected to last three weeks. During this visit we will be auditing the balances, disclosures, and other information included in your financial statements.

#### **4.5 Professional fees**

Our audit fee estimate for the year ending 30 June 2016 is \$150,000 plus disbursements (GST exclusive). This is as agreed in the Audit Proposal Letter dated 15 April 2014.

The fee is an estimate and assumes that the expectations discussed in Appendix 1 will be met. If this does not occur, or the scope of the audit changes, we will discuss this further with you.

We propose to bill as follows:	<b>Amount</b>
February 2016	\$15,000
May 2016	\$25,000
June 2016	\$25,000
August 2016	\$25,000
September 2016	\$40,000
October 2016	\$20,000
	<u>\$150,000</u>

To ensure we can complete the audit within the proposed time frame (see section 4.2) and agreed fee, it is critical that you make appropriate supporting documentation available to us on a timely basis. If this is not the case, it is likely to result in cost overruns, which we will seek to recover from you. To help you prepare for the audit, a schedule of the information that we will need for the audit is included in Appendix 2.

## Appendix 1: Areas of interest for all Local Authorities

As well as the risks and issues noted above, there are also a number of other concerns common to the local government sector. The table below outlines our areas of interest for this year's audit. The left column describes each matter and the reasons for our interest. The right column describes how we plan to address each matter during the audit.

Areas of interest	Our audit response
<b>Debenture trust deed audit engagement information</b>	
The District Council has set up a debenture trust to allow it to borrow against future rates income or other assets. The debenture trust deed requires us to issue a certificate to the Trustees of the debenture trust, at the end of the year.	We will report on borrowing balances as well as whether we have identified any breaches of the debenture trust deed. The specific reporting requirements are set out in the debenture trust deed.
<b>Audit Committees</b>	
<p>An effective Audit Committee can have a positive impact on the identification and management of risk and provide valuable support to an entity and the Governing Body. In March 2008, the Auditor-General published a good practice guide: <i>Audit committees in the public sector</i>.</p> <p>"Audit committees have a valuable contribution to make in improving the governance, and so the performance and accountability, of public entities. They can play an important role in examining an organisation's policies, processes, systems, and controls. An effective audit committee shows that an organisation is committed to a culture of openness and continuous improvement."</p> <p>The Office of the Auditor-General is in the process of updating its 2008 guidance. As part of that process, a discussion document has been published seeking comment from Audit Committees in the public sector on what works and does not work for them. We encourage the District Council to consider the guidance and discussion document and provide comment.</p>	As part of understanding the District Council's overall control environment we will consider the impact the Audit and Risk Committee has on the control environment, including identification and mitigation of organisational risks and improving governance and accountability.

Areas of interest	Our audit response
<b>Elected members – remuneration and allowances</b>	
<p>The Local Government Act gives the Remuneration Authority responsibility for setting the remuneration of local government elected members. The Authority also has the role of approving a Local Authority's policy on allowances and expenses.</p> <p>The District Council's annual report must disclose the total remuneration received by or payable to each member of the local authority in the reporting period.<sup>3</sup> A local authority must disclose remuneration paid or payable to each member from both the local authority and any Council organisation of the local authority.</p>	<p>We will assess the District Council's compliance with the requirement to disclose the remuneration of each member of the local authority in the annual report against the relevant Local Government Elected Members Determination and any amendment to that Determination.</p>
<b>Possible LTP amendments</b>	
<p>Every proposed LTP amendment must be audited. An amendment is required where the District Council proposes:</p> <ul style="list-style-type: none"> <li>• a significant change to services levels [section 97 (1)(a)]; or</li> <li>• to transfer ownership of a strategic asset [section 97(1)(b)]; or</li> <li>• a significant change to the revenue and financing policy [section 103(4)].</li> </ul> <p>The District Council may also determine that a proposed change, which does not trigger one of these criteria, is sufficiently significant that it constitutes an amendment.</p>	<p>We will remain alert for possible amendments throughout the year. We will maintain contact with management and discuss potential amendments as they arise.</p> <p>Where an LTP amendment is proposed, we will audit the consultation document. If an amendment is adopted by the District Council, we will audit the update to the LTP.</p>
<b>Project management</b>	
<p>Taking a project-managed approach is an important part of effectively controlling capital works, changes to key IT systems and the process of change more generally – whether that is change to service delivery, or change to the way the entity works.</p>	<p>We will review the District Council's approach to project management and consider whether an adequate control framework is in place and operating effectively.</p>

<sup>3</sup> Schedule 10, clause 18, Local Government Act 2002.

Areas of interest	Our audit response
<b>Summary Annual Report</b>	
<p>A local authority is required to prepare and make publicly available a summary of its annual report which represents, fairly and consistently, the information regarding the major matters dealt with in the annual report<sup>4</sup> within one month of adopting its annual report.</p> <p>In an election year, local authorities must be careful about the content of summary annual reports and not include any "electioneering" content.</p>	<p>We will review the content of the Summary Annual Report and report on whether it "fairly and consistently" represents the major matters in the annual report as well as whether the District Council has complied with PBE FRS-43: <i>Summary Financial Statements</i>.</p>
<b>Risk management</b>	
<p>Sound risk management processes help to minimise the impact of risks on the organisation.</p> <p>Where the Council has not identified risks, or has not put in place specific processes for managing these risks, the organisation remains exposed to the full impact of the particular risk.</p>	<p>We will perform a high level review of the broad approach taken and the processes in place.</p>
<b>Rates</b>	
<p>Rates are Council's primary funding source. Compliance with the Local Government (Rating) Act 2002 (LGRA) in rates setting and collection is critical to ensure that rates are validly set and not at risk of challenge. The District Council should ensure it has appropriate processes in place, including seeking legal advice where appropriate, to ensure compliance of its rates and rating processes with legislation.</p>	<p>For 2016, we will again consider the District Council's compliance with key aspects of the LGRA that could materially impact on the financial statements. Principally this means a focus on the rates setting process – the consistency and completeness of the resolution and the Funding Impact Statement (FIS), and reviewing a sample of differentially set and/or targeted rates to assess whether the matters and factors used are consistent with the LGRA. We will also follow up any issues identified from our earlier review of rates.</p> <p>We stress that our review of compliance with legislation is completed for the purposes of expressing our audit opinion. It is not a comprehensive legal review. This is beyond the scope of the audit, and our expertise as auditors. It is the District Council's responsibility to ensure that it complies with all aspects of applicable laws and regulations.</p>

<sup>4</sup> LGA sections 98(4) & (5).



Areas of interest	Our audit response
<b>Property, plant and equipment – impairment assessment</b>	
<p>PBE IPSAS 21, <i>Impairment of Non-Cash-Generating Assets</i>, and PBE IPSAS 26 <i>Impairment of Cash-Generating Assets</i> respectively require that an entity assess, at the end of each reporting period, whether there is any indication that an asset (including intangible assets) may be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset. The standard also provides guidance on some indicators that an asset may be impaired.</p> <p>We expect the District Council to have completed an impairment assessment to determine whether any assets will need to be impaired. This assessment needs to be made at an early stage, to avoid the risk of this becoming a significant issue at a late stage in the audit.</p>	<p>We will review the District Council's assessment of whether there are any indicators of impairment, and the resulting accounting treatment if applicable.</p>
<b>Disclosure of severance payments</b>	
<p>In March 2012 the Office of the Auditor General published "Severance Payments: A Guide for the Public Sector". It includes a chapter on the statutory and financial reporting disclosure requirements.</p> <p>The local authority is required to disclose the amount of any consideration (monetary or otherwise) agreed with an employee to achieve an agreement to leave. The intention is to capture payments made for an employee's agreement to end their employment rather than employee benefits that they would be entitled to had they simply resigned or retired.</p> <p>Payments that require disclosure include voluntary redundancy payments, or redundancy payments exceeding any entitlements in the employment contract, and where an employee has agreed to accept a severance payment and to end their employment in the context of an employment dispute. Such payments are often made as part of a settlement agreement, and the components of the severance payments will be separately identified in such agreements. The payments may include a compensatory payment for hurt or humiliation that may be tax free, or the employee's legal expenses.</p>	<p>We will confirm that any severance payments made to staff have been appropriately disclosed within the annual report.</p>

Areas of interest	Our audit response
<b>Financial reporting disclosures</b>	
<p>Schedule 10 of the Local Government Act and the Local Government (Financial Reporting and Prudence) Regulations 2014 detail disclosures to be included in the Annual Report. The District Council should review these requirements to ensure all disclosures have been included in the annual report.</p>	<p>We will confirm whether all the disclosures required by schedule 10 of the Local Government Act and the Local Government (Financial Reporting and Prudence) Regulations 2014 have been appropriately included in the District Council's annual report.</p>

## **Appendix 2: Additional information about the audit**

### **Our reporting protocols**

#### **Management reports**

We will provide a draft of all management reports to management for discussion/clearance purposes. In the interests of timely reporting, we ask management to provide their comments on the draft within 10 working days. Once management comments are received the report will be finalised and provided to the Council.

#### **Reporting of misstatements**

We will include details of all uncorrected misstatements in our management report. Misstatements are differences in, or omissions of, amounts and disclosures that may affect a reader's overall understanding of the District Council's financial statements.

During the audit, we will provide details of any such misstatements we identify to an appropriate level of management. We will ask for each misstatement to be corrected in the District Council's financial statements. Where management does not wish to correct a misstatement we will seek written representations from representatives of the District Council's governing body that specify the reasons why the corrections will not be made.

### **Our expectations of you to enable an efficient audit**

To enable us to carry out our audit efficiently within the proposed audit fee, we expect that:

- the District Council will provide us with access to all relevant records and provide information in a timely manner;
- your staff will provide an appropriate level of assistance;
- the financial statements will be available at the start of the final audit, include all relevant disclosures, and be fully supported by a detailed workpaper file; and
- the annual report and financial statements (including the statement of service performance) will be subjected to appropriate levels of quality review before submission for audit.

Our audit fee is based on the assumption that we will review no more than two sets of the draft annual report, one printer's proof copy of the annual report, and one copy of the electronic version of the annual report for publication on the District Council's website.

### **How we consider your compliance with statutory authority**

As part of the Auditor-General's mandate, we carry out an audit of compliance with statutory authority. Our audit is limited to obtaining assurance that you have complied with certain laws and regulations that may directly affect the District Council's financial statements or general accountability. Our audit does not cover all of the District Council's requirements to comply with statutory authority.

Our approach to this aspect of the audit will mainly involve assessing the systems and procedures that are in place to ensure compliance with certain laws and regulations that we consider to be significant. We will also complete our own checklists covering the key requirements of significant legislation. In addition, we will remain alert for any instances of non-compliance that come to our attention. We will evaluate the relevance of any such non-compliance to our audit.

## Appendix 3: Information we will need

In the table below we have listed the information that we will need during the audit. It would be helpful if you could record in the table who will take responsibility for preparing this information and when you expect it to be available. This will help us to plan the audit.

Information we will need	First interim visit	Second interim visit	Final audit visit
<b>Policies</b> Delegations of authority policy. Procurement policy, procedures and guidelines. Contract management policy, procedure and guidelines. Project management policies, procedures and guidelines. Sensitive expenditure policy. Risk management policy, procedures and guidelines. Conflict of interest policy, procedures and guidelines. Fraud policy.	✓ ✓ ✓ ✓ ✓ ✓ ✓		
<b>Draft financial statements</b> A complete set of financial statements with all balances that agree to supporting "leadsheets". These should include the accounting policies, a Statement of Comprehensive Revenue and Expense, a Statement of Financial Position, a Statement of Cash Flows, and the notes to the accounts. A draft Statement of Service Performance. A draft summary annual report.			✓ ✓ ✓
<b>Final draft financial statements</b> Financial statements incorporating all the amendments agreed to between the District Council and Audit New Zealand.			✓
<b>Annual report</b> Annual report, including the Chair's and Chief Executive's overview or reports.			✓
<b>General information</b> A listing of individual contracts the District Council currently has. A listing of the top 10 suppliers by value. Listing of the top five significant, high risk, high value procurements. Listing of the top 10 projects the District Council currently has. A copy of the District Council's risk register.	✓ ✓ ✓ ✓		

Information we will need	First interim visit	Second interim visit	Final audit visit
<p>A copy of the conflict of interests register.</p> <p>Supporting schedules for all balances with figures for the current year, budget and last year, along with the dollar and percentage movement. Explanations for variances <math>\pm 10\%</math> or \$200,000.</p> <p>Supporting schedules that agree to the general ledger and to the financial statements, with supporting documentation for any adjustments between the general ledger and the financial statements.</p> <p>Additional, more detailed, supporting schedules where balances are made up of a number of GL accounts providing the applicable GL code. This should clearly show which ledger account codes combine to form each individual figure in the financial statements.</p> <p>Workpapers clearly documenting how the figures in the Statement of Cash Flows were calculated.</p> <p>Reconciliation of all figures in the Statement of Cash Flows back to the Statement of Comprehensive Revenue and Expense and Statement of Financial Position and supporting schedules.</p> <p>Copy of the trial balance.</p>	✓		<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>
<p><b>Minutes</b></p> <p>Council and sub-committee minutes for the year ending 30 June 2016 and all subsequent minutes up to the date the audit opinion is signed.</p>	✓	✓	✓
<p><b>Journals</b></p> <p>Listing of all journal entries for the year.</p>			✓
<p><b>Cost allocation</b></p> <p>Supporting schedule showing total expenditure by activity.</p> <p>Report showing allocation of costs to each activity.</p> <p>Description of methodology used for allocating costs to the activities.</p> <p>Details of any changes to cost drivers or "pre-determined rates":</p> <ul style="list-style-type: none"> <li>• between this year and last year; and</li> <li>• during this year.</li> </ul>	<p>✓</p> <p>✓</p>		<p>✓</p> <p>✓</p>
<p><b>Cash and bank</b></p> <p>List of all bank accounts and bank account numbers.</p> <p>List of authorised cheque signatories as issued to the banks identified above.</p>	<p>✓</p> <p>✓</p>	✓	

Information we will need	First interim visit	Second interim visit	Final audit visit
Monthly bank account reconciliations to 30 June 2016.	✓	✓	✓
Confirmation of any other bank arrangements.	✓		
Details of last cheque issued and last deposit made for the year.			✓
Details of the first cheque issued and first deposit made for the new financial year.			✓
Approved banking policies.	✓		
All bank statements from the start of the financial year until the date of the audit.	✓	✓	✓
<b>Debtors</b>			
Debtors listing, reflecting gross receivable and ageing.			✓
Sundry debtors accrual schedule.			✓
Reconciliation of debtors listing to general ledger.			✓
Details of provision for doubtful debts calculation.			✓
Schedule of all debtors written off during the period.			✓
Debtor account reconciliations for the year to 30 June 2016.	✓	✓	✓
<b>Prepayments</b>			
Listing of all year-end prepayments.			✓
<b>Property, plant and equipment (including infrastructure)</b>			
Fixed asset register.			✓
Details of asset maintenance and management plans.	✓	✓	
Movement reconciliation for the year outlining additions, disposals, and depreciation.			✓
Supporting documentation for additions/disposals and write-off of any assets.	✓	✓	✓
Reconciliation of fixed asset register to the general ledger.	✓	✓	✓
Schedule of capital work in progress at 30 June 2016 and an indication of when each asset is likely to start accruing benefits and when it is likely to be operational.			✓
<b>Creditors and accruals</b>			
Complete listing of accruals as at 30 June 2016.			✓
Supporting documentation for all accruals over \$500,000.			✓
Reconciliation of creditors control to the general ledger.			✓
<b>Suspense accounts</b>			
Reconciliation of all suspense accounts.			✓

Information we will need	First interim visit	Second interim visit	Final audit visit
<b>Equity</b> Supporting documentation for any movement in equity not attributable to the net surplus or deficit.			✓
<b>Commitments</b> Schedule of commitments at 30 June 2016. Supporting documentation for all commitments.			✓ ✓
<b>Contingencies</b> Schedule of all contingencies and guarantees at 30 June 2016. Supporting documentation for all individual items. Names and addresses of all solicitors/barristers used by the Waikato District Council and descriptions of matters and estimates of the financial settlement. (A legal letter template to be provided by us.)		✓	✓ ✓
<b>Tax</b> GST returns to 30 June 2016. A reconciliation of the balance of GST payable in the general ledger to the last GST return. A listing of any non-taxable payments for hurt and humiliation under section 123 of the Employment Relations Act. A listing of all land sales and land purchases to 30 June 2016. FBT returns to 30 June 2016. All tax advice, binding ruling applications, tax compliance reports, and IRD correspondence.	✓	✓  ✓ ✓ ✓ ✓	
<b>Revenue</b> A reconciliation of general ledger to financial statements. Explanations for variances greater than 10% and \$200,000 when the figure is compared to the previous year and budget.			✓ ✓
<b>Expenditure</b> A reconciliation of general ledger to the financial statements. A reconciliation of lease/rental charges to lease agreements. A listing of the fees paid and/or payable to each member of the Council for the year. A listing of expenses incurred by, or on behalf of, Council members during the year (by Councillor).	✓	✓	✓ ✓ ✓ ✓



Information we will need	First interim visit	Second interim visit	Final audit visit
<p>For all general ledger balances, a comparison (with explanations of variances greater than \$200,000 or 10%) of the actual expenditure for this year against:</p> <ul style="list-style-type: none"> <li>the budget for this year; and</li> <li>actual for the previous year.</li> </ul>			✓
<p><b>Payroll</b></p> <p>A reconciliation of the payroll system and the general ledger for the year.</p> <p>Breakdown of the financial statements figure into the various ledger balances.</p> <p>Schedule of any major changes and effective date, for example, wage increases since the last audit.</p> <p>Listing, generated from the payroll system, of new employees and employees who have left, and all performance, redundancy and severance payments.</p> <p>Schedules/workpapers supporting annual, retirement, and long service leave accruals (reconciled to the general ledger and the financial statements).</p>	✓	✓	✓
<p><b>Service performance reporting</b></p> <p>Evidence to support the reported results for each performance target in the Statement of Service Performance.</p> <p>Explanations for significant variances by output class.</p>			✓

### **Open Meeting**

<b>To</b>	Audit and Risk Committee
<b>From</b>	VA Rumduny Acting General Manager Strategy and Support
<b>Date</b>	29 June 2016
<b>Prepared by</b>	Stephen Thompson Financial Operations Team Leader
<b>Chief Executive Approved</b>	Y/N
<b>DWS Document Set #</b>	I548736
<b>Report Title</b>	Payroll System Review

## **I. EXECUTIVE SUMMARY**

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Reviews of our payroll system were undertaken by PriceWaterhouse Cooper (“PWC”) in 2013 and 2016. Management are satisfied that both the 2013 and 2016 PWC payroll findings have been dealt with and that from a control perspective the risk of fraud within the payroll area has been minimised.

## **2. BACKGROUND**

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In October 2013, Council employed the services of PriceWaterhouseCooper (“PWC”) to review the then Frontier -Chris 21 payroll system. The objective and scope of the work at that time was:

- To assess the design of the key controls and processes within the payroll process at the Waikato District Council (“WDC”).
- To provide recommendations for improvement where process inefficiencies or control weaknesses were identified.

As a result of the 2013 review (Appendix A), a number of recommendations were made by PWC that ultimately led to council outsourcing the payroll processing function to Datacom Payroll Systems in November 2015. The switch to Datacom delivered new timesheet functionality for staff as well as a self service kiosk for the updating of basic personal information and electronic payslips. The final step in the payroll system outsourcing project, was to obtain an independent review of the new Datacom system and the WDC payroll process. The purpose of this review was to ensure that the issues and risks identified by PWC in their 2013 report had been satisfied and/or alleviated. It was also considered that this independent review would assist AuditNZ in review of the payroll function as part of the annual 2015/16 audit.

PWC were contracted to do the independent review early in 2016 and their full findings are attached (Appendix B). The following table summarises the 2013 issues and their recent

findings. The table thereafter addresses current issues raised and managements response to those issues.

### 2013 PWC payroll findings:

No	Finding	Priority	Status	Re-Raised
1	The payroll department requires more formalised training on Chris21's core functionality.	Medium	Closed	N/A
2	Frontier should be engaged to ensure that the setup of Chris21 is appropriate and optimised.	High	Closed	N/A
3	Access rights to Chris21 master data should be appropriately restricted and periodically reviewed.	High	Partially Closed	Finding 1
4	Changes to Chris21 master data should be independently reviewed on the basis of a master data change report.	High	Partially Closed	Finding 2
5	Management should remind employees to complete their timesheets and annual leave forms properly.	Medium	Partially Closed	Finding 4
6	Management should investigate the possibility of developing direct interfacing between the human resources, time recording and payroll systems, payroll data entry should be independently reviewed.	Medium	Partially Closed	Finding 4
7	Access to the temporary file used to process banking information should be restricted.	Medium	Partially Closed	Finding 5
8	Payments initiated by the payroll department in Chris21 should be independently reviewed and authorised.	High	Closed	N/A

### 2016 PWC payroll findings:

No	Finding	Priority
1	Segregation of duties is not optimised across the payroll process.	Medium
<b>WDC Response</b>	<i>A clear segregation of duties has been implemented. A dual approval process is now in place before any changes to the payroll data can be made once the payroll process has begun.</i>	
2	The review of payroll master data changes is not effectively designed.	Medium
<b>WDC Response</b>	<i>Staff from Human Resources now review all master data changes prior to the payroll being processed. The Finance approver also reviews the final report for financial related master data changes like bank accounts, salary amounts and IRD related codes and numbers.</i>	
3	Payroll approval process is not effectively designed.	Medium
<b>WDC Response</b>	<i>The payroll process is currently being mapped from start to finish. The approval process has been significantly improved with all changes having to be verified and approved before Datacom can process any of those changes. New reports have been created that assists with the checking of the data being processed.</i>	
4	Excessive timesheet errors are detected during payroll processing	Medium
<b>WDC Response</b>	<i>There has been a significant improvement in this area mainly due to pro-active all staff reminders, a general increase in staff understanding of the new system, additional reporting and an improved checking process. The last pay-run paid on the 28 June 2016 had no errors.</i>	
5	Access to the payroll payment file is not appropriately restricted	Low
<b>WDC Response</b>	<i>This is noted by management but considered low risk. Access to certain server directories is also raised annually by AuditNZ as part of their audit of council's systems.</i>	

### **3. CONCLUSION**

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Management are satisfied that both the 2013 and 2016 PWC payroll findings have been dealt with and that from a control perspective the risk of fraud within the payroll area has been minimised.

### **4. RECOMMENDATION**

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**THAT** the report from the **Acting General Manager Strategy and Support** be received.

### **5. ATTACHMENTS**

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Appendix A: PWC Report – Payroll and Control Assessments

Appendix B: PWC Report – Payroll Process Assessments

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# ***Payroll process and controls assessment***

Waikato District Council

***Payroll Process and  
Controls Assessment***

*20 January 2014*

**CONFIDENTIAL**

This report is provided solely for the Waikato District Council for the purpose for which the services are provided. Unless required by law you shall not provide this report to any third party, publish it on a website or refer to us or the services without our prior written consent. In no event, regardless of whether consent has been provided, shall we assume any responsibility to any third party to whom our report is disclosed or otherwise made available. No copy, extract or quote from our report may be made available to any other person without our prior written consent to the form and content of the disclosure contained within the final report.

<b>Sponsor:</b>	Tony Whittaker	General Manager Strategy and Support
<b>Copied to:</b>	Alison Diaz	Finance Manager
	Stephen Thompson	Finance Operations Team Leader



Tony Whittaker  
General Manager Strategy and Support  
Waikato District Council  
Private Bag 544  
Ngaruawahia

20 January 2014

***Report – Payroll process and controls assessment***

Dear Tony,

In accordance with our letter of engagement dated 20 September 2013 we are delighted to report on the findings arising from our Payroll process and controls assessment.

We would like to extend our appreciation for the assistance provided by staff and management during the completion of this assessment.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Lara Hillier', written over a faint, stylized line.

Lara Hillier  
Partner  
PricewaterhouseCoopers  
Auckland, New Zealand

# ***Executive summary***

## **Introduction**

This report sets out the findings arising from our Payroll process and controls assessment, in accordance with our Letter of Engagement dated 20 September 2013.

Our engagement was performed during October 2013.

## **Objective and scope**

The objective of our engagement was to:

- Assess the design of the key controls and processes within the payroll process at the Waikato District Council
- Provide recommendations for improvement where process inefficiencies or control weaknesses are identified.

We assessed the design of key controls within the following key sub-processes:

- Standing data maintenance
- Time recording, and other payroll inputs, including approval
- Payroll calculation and deductions
- Payroll approval
- Payroll payment
- Exception reporting and reconciliations
- Segregation of duties

In addition to the above, we also:

- followed up the extent to which Frontier's recommendations, following their review of Chris21 functionality, have been implemented.
- considered whether those employees using Chris21 payroll system are aware of the functionality available and are using the system effectively.

## **Background**

Waikato District Council ("the District Council") runs fortnightly payrolls of approximately \$570,000 per pay run. At the time of our assessment the District Council had about 360 employees of which approximately 60% are paid salaries with the balance paid wages.

The system used for payroll is Chris21. Chris21 is a standalone system and does not interface with the human resources, finance or time capture systems. Chris21 also has a HR module (HR21) but this is currently not used. Chris21 is also used to process expense claims and make bonus payments.

## **Approach**

Our approach to this assessment involved the following procedures:

- Interviewing key staff within the payroll department to identify key activities that satisfy control objectives and determine if processes have been appropriately designed, based on our knowledge of good practice that we have observed at other organisations



- Performing a detailed walkthrough of the payroll process and, as part of the walkthrough, inspecting appropriate documentation relating to the payroll processes
- Reviewing Frontier's report and following up on their recommendations in relation to the functionality of Chris21 with key staff in the payroll department
- Reporting on identified weaknesses or areas of inefficiency and suggesting practical recommendations for remediation.

### Summary of findings

Our assessment found several good monitoring controls in place over the payroll process. These are summarised below:

- Standardised forms are in place to communicate information between HR and Payroll Departments. These forms are approved and filed
- The changes to master data are peer reviewed by payroll staff in order to ensure accuracy and authenticity. This review is evidenced
- Hours and expenses entered into Chris21 manually are checked against the timesheet reports to ensure that they have been processed accurately. This review is evidenced
- A variance report is run and reviewed comparing payroll by employee to the previous period to monitor for anomalies. This review is evidenced
- A check is performed comparing actual payments to the budget for each department in Excel prior to the approval of the payroll payment
- A number of checklists are used to ensure key steps in the payroll process are completed.

Our assessment did however identify a number of opportunities for improvement. We have raised four High priority findings, and four Medium priority findings.

The **High priority findings** relate to:

- A number of functionality issues exist within Chris21:
  - incorrect settings within Chris21 mean that leave is incorrectly calculated
  - a number of the system generated reports require a significant amount of manual rework in excel to be useful, or are not used because the effort involved in reworking them is considerable.
- Access to Chris21 master data is wide and the level of access are not regularly and independently reviewed
- Changes to Chris21 master data are not completely and independently reviewed
- Payroll payments from Chris21 are not independently reviewed and approved by someone independent of the payroll process prior to payment.

The **Medium priority findings** relate to:

- The payroll department appear to have had only limited and ad-hoc training on Chris21. A more formalised training programme would further ensure that the full functionality of Chris21 is being used

- The payroll time sheets and annual leave forms submitted contain numerous errors. Many of these errors can not be resolved prior to processing the payroll
- Time sheets and annual leave forms are manually re-keyed by the payroll employees and peer reviewed. The peer review is not truly independent. There is no interface between the payroll system, human resources, finance and time keeping systems
- Access to the temporary file used for payroll and expense related banking is wide, approximately 26 employees have read and write access to this file.

### Detailed findings

Our detailed findings and recommendations are set out in the next section of this report, together with management comments.

### Inherent Limitations

Due to the inherent limitations of any internal control structure it is possible that fraud, error, or non-compliance with laws and regulations may occur and not be detected. Further, the Waikato District Council overall internal control structure, within which the control procedures that we have reviewed operate, has not been audited and no opinion is expressed as to its effectiveness.

An internal audit review is not designed to detect all weaknesses in control procedures as it is not performed continuously throughout the period and the tests performed are on a sample basis. Also, an internal audit review does not provide all the evidence that would be required to form an audit opinion of the design or operating effectiveness of the controls subject to review.

Any projection of the evaluation of control procedures to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

### List of Interviewees

Alison Diaz	-	Finance Manager
Teresa Howe	-	Payroll Officer
Diane Zak	-	Payroll Officer
Julienne Calambuhay	-	Management Accountant

# ***Summary of detailed findings***

This section outlines our key findings in relation to Waikato District Council's payroll process and controls assessment:

<b>No.</b>	<b>Finding</b>	<b>Rating</b>	<b>Page No.</b>
1	The payroll department requires more formalised training on Chris21's core functionality	Medium	2
2	Frontier should be engaged to ensure that the set up of Chris21 is appropriate and optimised	High	3
3	Access rights to Chris21 master data should be appropriately restricted and periodically reviewed	High	4
4	Changes to Chris21 master data should be independently reviewed on the basis of a master data change report	High	5
5	Management should remind employees to complete their timesheets and annual leave forms properly	Medium	6
6	Management should investigate the possibility of developing direct interfacing between the human resources, time recording and payroll systems, payroll data entry should be independently reviewed	Medium	7
7	Access to the temporary file used to process banking information should be restricted	Medium	8
8	Payments initiated by the payroll department in Chris21 should be independently reviewed and authorised	High	9

Observations	Assessed Risk Rating = Medium	Recommendation	Management Comment
1.The payroll department requires more formalised training on Chris21’s core functionality			
<p><b>Findings</b></p> <p>Our discussions with the Payroll Department revealed that they have only received limited training on Chris21. Most of the training to date has been conducted through using the live system and engaging Frontier on an ad-hoc basis for selected functions.</p> <p>As a result, there may be functionality within Chris21 that isn’t being utilised. For example, during our engagement we discovered that Chris21 has a function that enables an end date to be entered for staff that are contracted for a specific period. However, this functionality has not historically been used.</p> <p><b>Risk / Implication</b></p> <p>When considered alongside finding 2, where we note that Chris21 functionality is not being utilised to its full potential, where payroll employees are not formally trained on Chris21’s core functions, there is an increased risk that the payroll process will be inefficient and or prone to error.</p>	<p>The Payroll Department should receive formal training on Chris21’s core functionality to further ensure the payroll process is efficient and effective.</p>	<p>Agreed. Full training of staff will be made a priority.</p> <p><b>Action:</b> Training requirements to be identified in conjunction with Frontier and a training plan put in place</p> <p><b>Responsibility:</b> FOPS Team Leader, payroll staff and Frontier representative.</p> <p><b>Due Date:</b> 31 January 2014.</p>	

Observations	Assessed Risk Rating = High	Recommendation	Management Comment
2. Frontier should be engaged to ensure that the set up of Chris21 is appropriate and optimised			
<b>Findings</b>  Frontier conducted a review of the set up of the system in 2008 and identified a number set-up related issues, one of which remains open as of the date of our assessment: <ul style="list-style-type: none"><li>The system does not use the standard hourly rate as the basis for the calculation of leave paid out and the leave liability, but instead applies the average hourly rate of the year to date payments. So, if an employee has worked a significant amount of overtime for example, the average hourly rate will be higher. In one example provided to us, leave was paid out at 68.17 NZD/hour rather than the standard rate of 17.64 NZD/hour. Approximately 3.5 hrs of leave was paid out which led to an overpayment of 176.86 NZD.</li></ul> The payroll and human resources staff are aware of the issues, and hence the overpayments as they arise. No efforts are made to prevent or recover these overpayments.  In addition to the our follow up on Frontier's findings in relation to the set up of Chris21, we identified the following: <ul style="list-style-type: none"><li>A number of the reports that are generated from Chris21 have not been tailored for the business. As an example:<ul style="list-style-type: none"><li>The EMS report sent to the IRD, and key HR reports, require manipulation in excel, as the system generated reports have not been set up with the correct parameters.</li><li>Only limited reconciliations are performed with the General Ledger as the reporting that supports these reconciliations is poor</li><li>The Chris21 report of changes to master data is not used as it is +120 pages long (for one month)</li></ul></li><li>There is no formalised change management processes or change control functionality to prevent reports that have been created being modified by another user.</li></ul> <b>Risk / Implication</b>  If the Chris21 system is not set up appropriately, there is an increased risk that the payroll process will be inefficient and or prone to error.		Frontier should be engaged to ensure system configurations are set up correctly to ensure that: <ul style="list-style-type: none"><li>leave is calculated correctly</li><li>reports meet business requirements and are secure</li><li>reconciliations can be performed.</li></ul>	Management feel that Chris21 should be set up from scratch to ensure that the system meets our full business requirements.  <b>Action:</b> Meeting to be set up with Frontier to discuss this option.  <b>Responsibility:</b> PWC as part of terms of engagement  <b>Due Date:</b> 31 January 2014

Observations	Assessed Risk Rating = High	Recommendation	Management Comment
<b>3. Access rights to Chris21 master data should be appropriately restricted and periodically reviewed</b>			
<p><b>Findings</b></p> <p>Our assessment of access to master data revealed the following:</p> <ul style="list-style-type: none"> <li>There are no periodic and independent reviews of who has access to Chris21</li> <li>A number of users have access to make changes to master data (e.g. bank information and pay rates), not all of these users require this level of access for their role. For example, 3 employees in HR have access to make changes to master data (however changes to master data are performed by the payroll team).</li> <li>There are a number of dormant user accounts: <ul style="list-style-type: none"> <li>ERECRUIT (eRecruitment Profile)</li> <li>FRONTIER (Frontier user account)</li> <li>HR (HR Model)</li> <li>ICHRIS (iChris Security Profile)</li> <li>MASTER (Master Security Profile)</li> <li>MSERVICE (Mobile Self Service)</li> <li>OHS (OSH Model)</li> <li>PAY (Payroll model user)</li> <li>ROOT (System Admin)</li> <li>SSERVICE (Self Service Profile)</li> <li>TRAIN (Training Model User)</li> <li>Cons3 (Frontier Consultant User)</li> </ul> </li> <li>One user was identified as having access to Chris21 but at the time of our engagement was no longer employed by the Waikato District Council.</li> </ul> <p><b>Risk / Implication</b></p> <p>If access to make changes to payroll master data is not restricted and independently reviewed, there is an increased risk that the employees on the payroll may be invalid or the payroll inaccurate.</p>		<p>Management should:</p> <ol style="list-style-type: none"> <li>Periodically perform an independent review of user access within Chris21 to ensure that there are no unauthorised users.</li> <li>Tailor user access to the respective roles. In particular, access to make changes to master data within Chris21 should be further restricted to only those users who require master data access</li> </ol>	<ol style="list-style-type: none"> <li>Agreed. <b>Action:</b> Reports to identify access into Chris21 are already available. These are to be reviewed on a monthly basis. Responsibility : FOPS Team Leader Due Date : Monthly starting month end December 2013</li> <li>Agreed. As per 2 above, a refreshed set-up of Chris 21 is required. Included in that would be the rules and regulations around user set-ups and profiles of the individuals allowed to access the system. A system administrator outside of payroll will be identified. This will bring the security in line with other key system set-ups like Finance 1 and PC/Internet banking. That role will be responsible for managing user set-ups,</li> </ol>

		<p>design and scheduling of reports that identify changes made to key data. Any unauthorised attempts to try and change data will also be reported on, as and when it occurs.</p> <p><b>Action:</b> Recommendation depends on outcome of issue 2 discussion. Responsibility: FOPS Team Leader</p> <p><b>Due Date:</b> 31 January 2014</p>
	<p>3. Revoke employ access immediately upon departure</p>	<p>3. Ensure Promapp process includes step to remove access to Chris 21 if applicable.</p> <p><b>Action:</b> Update relevant Promapp process(es)</p> <p><b>Responsibility:</b> HR Manager</p> <p><b>Due Date:</b> 31 January 2014</p>

Observations	Assessed Risk Rating = High	Recommendation	Management Comment
4. Changes to Chris21 master data should be independently reviewed on the basis of a master data change report			
<p><b>Findings</b></p> <p>The current process of reviewing changes made to master data is completed as a peer review. Any changes made are reviewed by an independent payroll officer at the same level within the Payroll Department and is performed in conjunction with the officer making the changes. This review is based purely on the paper trail of authorised documents, and is not based on a system report of changes to master data (which would give a complete picture of all changes processed in Chris21). As highlighted above in finding (2) the Chris21 report of changes to master data is not used as it is +120 pages long.</p> <p><b>Risk / Implication</b></p> <p>If the changes made to employee details are not reviewed based on a complete list of all changes made and by a suitably independent employee there is a risk that unauthorised changes made to payroll data are not identified.</p>	<p>1. The changes to master data report in Chris21 should be redesigned to meet requirements. This could be achieved by ensuring that only those key changes are captured in the report and therefore the time spent on the review is optimised.</p> <p>2. Changes to payroll master data should be reviewed by an individual that doesn't have access to make changes to master data.</p>	<p>1. Agreed. <b>Action:</b> Report to be re-designed.</p> <p><b>Responsibility:</b> FOPS team leader in conjunction with Frontier support</p> <p><b>Due Date:</b> 28 February 2014</p> <p>2. Suggested approach will be for HR to review the changes as they are in the best position to identify new starters and /or leavers. Again we refer to the system being set-up again with a suite of reports designed to ensure that risks are managed including any changes to key master data. <b>Action:</b> Master data changes report to be sent to HR after every pay-run.</p> <p><b>Responsibility:</b> Payroll to set up the report, HR to review on a fortnightly</p>	



		<p>basis and authorise changes. Signed copy to be filed in secure area within ECM</p> <p><b>Due Date:</b> 28 February 2014.</p>
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Observations	Assessed Risk Rating = Medium	Recommendation	Management Comment
5. Management should remind employees to complete their timesheets and annual leave forms properly			
<p><b>Findings</b></p> <p>Our discussions with the Payroll Department revealed that a high number of errors are made on the manual timesheets submitted to the Payroll Department (e.g. Wrong Standby Type or Time Entered on a Non-Rostered Day).</p> <p>The error report for the pay run in September had a total of 216 errors including 46 timesheets that had not been approved by management and 45 leave forms, to support the leave on the timesheets, were not been received by the cut off deadline.</p> <p>The Payroll Department are under significant pressure each month to process the time sheets and annual leave forms and do not have time to investigate and resolve all errors prior to payment resulting in errors in the payroll payment.</p> <p><b>Risk / Implication</b></p> <p>If all identified errors are not clarified before a pay run there is an increased risk that invalid or inaccurate payroll payments will be processed.</p>	<p>1. Employees should be reminded of the importance of completing time sheets and annual leave forms correctly</p> <p>2. A memo regarding failure to comply with data accuracy requirements should be communicated to employees setting out the details of the action that will be taken for</p>	<p>1. The payroll errors report has raised the profile of the issues the payroll team have to deal with on a fortnightly basis. This report goes to the highest level of management within council and needs to be driven from the top down. Executive management acknowledge that a change in behaviour is required in order to make this work.</p> <p><b>Action:</b> Executive team to communicate with staff around importance of time-sheeting.</p> <p><b>Responsibility:</b> Executive Team.</p> <p><b>Due Date:</b> 31 January 2014</p> <p>2. Council are in the process of looking at a new time-sheeting system. It is intended the functionality of that system will include key rules around time sheeting</p>	

	<p>repeat offenders. This includes the need to managers to perform a thorough review during their approval process</p> <p>3. Edit and validation checks in the time recording system should also be investigated.</p>	<p>approval.</p> <p><b>Action:</b> New time-sheeting system to incorporate rules and regulations around approvals</p> <p><b>Responsibility:</b> Project team looking at new time-sheeting system</p> <p><b>Due Date:</b> 31 March 2014</p> <p>3. Council are in the process of looking at a new time-sheeting system. It is intended the functionality of that system will include key rules around time sheeting approval.</p> <p><b>Action:</b> New time-sheeting system to incorporate some validation checks to ensure a sound approval process.</p> <p><b>Responsibility:</b> Project team looking at new time-sheeting system</p> <p><b>Due Date:</b> 31 March 2014</p>
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Observations	Assessed Risk Rating = Medium	Recommendation	Management Comment
6. Management should investigate the possibility of developing direct interfaces between the human resources, time recording and payroll systems and all remaining payroll data entry should be independently reviewed			
<p><b>Findings</b></p> <p>Timesheets are submitted to the Payroll Department and the hours recorded in the timesheets are manually entered into the payroll system. The hours recorded on timesheets are then checked against the hours processed in Chris21 via a peer review. Exception reporting is also completed to further identify anomalies through a LPP report (for annual leave) and a TCL report (for hours from timesheets). The reports are signed to evidence their review.</p> <p>The peer review of data entry and the exception reporting are both well designed controls, but would not necessarily detect fraud as neither review is conducted by an employee that is independent of the payroll process.</p> <p>In addition, the process of rekeying employee and timesheet details is labour intensive and prone to error.</p> <p>While outside of our immediate scope, we also noted that there is no interface between HR systems and Chris21 and so there is a level of re-keying of masterdata updates and changes.</p> <p><b>Risk / Implication</b></p> <p>There is a risk that the payroll staff may be reviewing their own manual keying. Without an independent review of the hours manually keyed into the payroll, there is an increased risk of erroneous or fraudulent hours being paid.</p>	<p>1. Management should investigate whether interfaces between time recording and Chris21 could be developed to streamline the payroll input process. This interface could incorporate a one up review/ approval of hours worked or leave taken. Before this can happen, the level of errors identified in (5) above would need to decrease substantially.</p>	<p>1. Agreed. The interface between the current time sheeting system and Chris21 is in the testing phase. Feedback from staff is that the interface is working as expected. However, we agree that, until we see changes in behaviour around time-sheeting completions and approvals, interfacing the data will simply move the error rate from one area to another. Staff will spend time fixing the errors imported into the system at the same level as if they had processed the pay run manually. As part of the discussions with Frontier, council will get an understanding of the functionality of the HR21 system plus investigate and discuss the opportunities and</p>	

		<p>benefits of the Chris 21 Kiosk module.</p> <p><b>Action:</b> Discuss with Frontier what options are available to Council.</p> <p><b>Responsibility:</b> FOPS team leader, payroll staff and Frontier.</p> <p><b>Due date:</b> 28 February 2014</p>
	<p>2. In the absence of a more automated interfaced system, an independent check on the accuracy of hours and leave manually keyed into Chris21 with what has been processed through the pay run should be performed.</p>	<p>2. Agreed.</p> <p><b>Action:</b> Resource to be identified by Finance manager in conjunction with FOPS and PAR team leaders.</p> <p><b>Responsibility:</b> Finance manager, FOPS team leader and PAR team leader.</p> <p><b>Due Date:</b> 31 January 2014</p>
	<p>3. Interfaces between the HR system, and Chris21 should be investigated such that the level of re-keying is reduced. If this was possible, responsibility for updates and changes to master data could be allocated to HR, and removed from payroll, improving segregation of duties. In any</p>	<p>3. Noted. Management feel that his has already been addressed in 1) above. No action required.</p>

	event, changes to master data report as identified in (4) should still be tailored and periodically independently reviewed.	
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Observations	Assessed Risk Rating = Medium	Recommendation	Management Comment
7. Access to the temporary file used to process banking information should be restricted			
<p><b>Findings</b></p> <p>In order to process the payroll payment in the finance and bank systems, a temporary file is exported from Chris21 and saved on the server before being uploaded to the banking system:</p> <ul style="list-style-type: none"><li>for the banking system, an AFI file is created and,</li><li>for the finance system, a DAT file is created</li></ul> <p>both are located on the “Plutus” shared drive. Access to these files is granted for members of the following user groups:</p> <ul style="list-style-type: none"><li>Payroll</li><li>Administrators (It and HR)</li></ul> <p>The above user groups total 26 employees (9 for payroll, 5 for IT and 11 for HR). Each user group has read, write and edit rights.</p> <p>We note that the final payment is reconciled to the payroll reports. Therefore if there was a difference between the payroll or expenses paid and those processed in Chris21, this difference would be highlighted in this reconciliation (after the payment).</p> <p><b>Risk / Implication</b></p> <p>If the above mentioned files are not secured properly, there is an increased risk invalid changes to the bank transfer file may be made, circumventing controls in place within Chris21.</p>	<p>1. Access to the bank transfer file should be appropriately restricted to ensure that the other controls within the payroll process are not circumvented.</p>	<p>1. The IM manager will ensure that the security of the PC banking file is locked down so that there is no risk to council. Council note that they are moving away from PC Banking to internet banking and expect this issue to be resolved as a result. Staff will contact BNZ to confirm this is the case.</p> <p><b>Action:</b> IM manager to ensure the security of PC banking file.</p> <p><b>Responsibility:</b> IM manager</p> <p><b>Due Date:</b> ASAP</p>	

Observations	Assessed Risk Rating = High	Recommendation	Management Comment
8. Payments initiated by the payroll department in Chris21 should be independently reviewed and authorised			
<p><b>Findings</b></p> <p>Payroll payments, which include expense claims and bonus payments, are currently paid through the Chris21 payroll system. As with masterdata changes, any transactional inputs made are reviewed by a payroll officer at the same level within the Payroll Department in conjunction with the officer making the changes. Neither Finance nor HR performs an independent review of the payroll prior to payment. While the banking system requires dual authorisation for payments, this authorisation is based only on a comparison of the totals on the payroll payment report to the amount loaded into the banking system for payment.</p> <p><b>Risk /Implication</b></p> <p>In the absence of independent authorisation of expense claims and payroll payments (including bonus payments), there is an increased risk of inaccurate or invalid payments.</p>	<p>1. Key reports supporting proposed payments should be generated from Chris21 for review by an authorised individual within Finance or HR prior to payment. The person authorising the payroll payments should not have access to make changes to master data in Chris21 or to raise or modify a payment request in Chris21.</p>	<p>1. Agreed. The Finance Manager will appoint a resource to undertake this and ensure payroll review tasks are incorporated into staff KPI's. The re-set up of chris21 will include the design of the reports that will make this task easier i.e. an exception based report that only shows key changes both in \$ and master data terms from one pay run to the next.</p> <p><b>Action:</b> Resource to review payments to be identified</p> <p><b>Responsibility:</b> Finance Manager</p> <p><b>Due Date:</b> 31 January 2014</p>	



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# *Payroll Processes Assessment*

## *Waikato District Council*

*Final Report*

*26 May 2016*



**CONFIDENTIAL**

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**Sponsor:** Stephen Thompson      Finance Operations Team Leader



Stephen Thompson  
Finance Operations Team Leader  
Waikato District Council  
15 Galileo Street  
Ngaruawahia

26 May 2016

Dear Stephen

In accordance with our letter of engagement dated 26 January 2016, we are delighted to report on our findings arising from our payroll process assessment at Waikato District Council.

We would like to extend our appreciation for the assistance provided by staff and management in the completion of this assessment.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Lara Hillier', written over a faint, larger signature.

Lara Hillier  
Partner  
PricewaterhouseCoopers



# *Executive Summary*

## **Introduction**

In accordance with our letter of engagement dated 26 January 2016, we assessed the payroll process at Waikato District Council (“the Council”) during February 2016. Our assessment covered the current payroll process at the time of our engagement and a follow up of the findings and recommendations from our previous payroll process assessment performed in November 2013.

This report sets out the findings arising from our work.

## **Background**

Our assessment of the (legacy) payroll process performed in November 2013 identified eight findings. The main theme emerging from these findings highlighted an opportunity to improve control over the process by further employing functionality of the Chris21 (legacy) payroll system.

To address this opportunity and to improve payroll process efficiency, the Council outsourced payroll processing activities to Datacom during 2015 and replaced Chris21 with Datacom's EasiESS (employee self service) system. The first live payroll run using the outsourced model occurred in November 2015.

## **Key messages**

At the time of our fieldwork, five live payroll runs had been made through the new payroll process. Discussions held during our assessment indicated that control activities were still being refined at the time of our fieldwork and that management were looking for practical opportunities to improve the process in terms of efficiency and control. In this context, we identified opportunities for improvement across most of the Council's payroll sub-process. Specifically, our recommendations include:

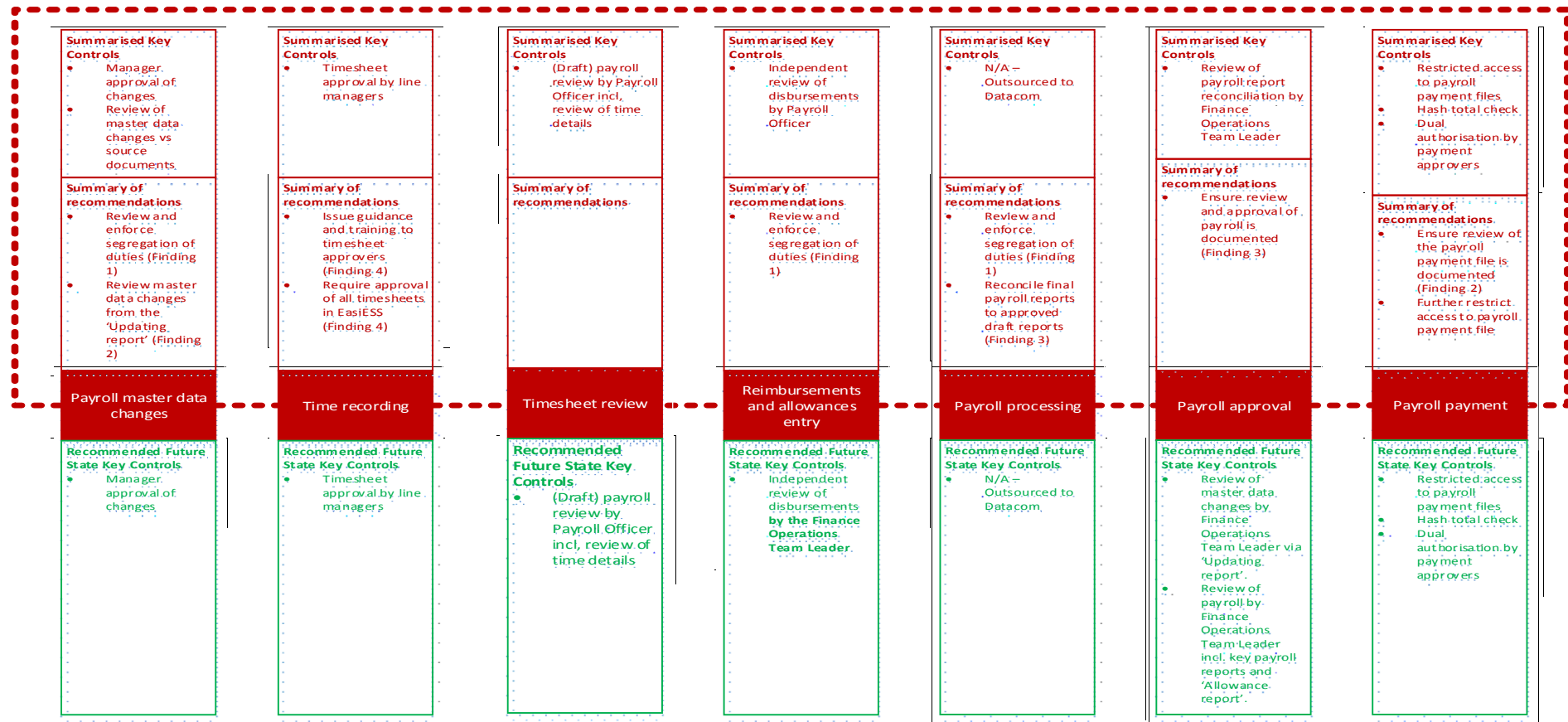
- increasing the extent to which segregation of duties is enforced across the process, including the segregation of processing and review activities and leveraging system access restrictions to enforce this
- changes to the review process for key payroll and payroll master data reports
- development of guidance and training to be delivered to timesheet approvers to improve timesheet accuracy and efficiency within the payroll review and approval process
- further restriction of access to payroll payment files which are saved to a shared Finance directory before being uploaded to the banking application for payment.

We were pleased to observe that some of the recommendations made during this assessment were considered and implemented as and when they were raised with management (including some around the review of key reports and report fields, improving segregation of duties and the formalisation of authority delegations).

Our recommendations, mapped to impacted payroll sub-processes, are summarised on the following page, alongside a high level recommended future state payroll process.



The diagram below summarises roles and responsibilities across the payroll process, as understood from our interviews and process walkthrough performed during our engagement. The diagram depicts the current state of processes, recommended future state and highlights the sub-processes impacted by the recommendations made in this report.





## Objectives and scope

The objective of our engagement was to:

- assess the design effectiveness of processes and key controls across the payroll process at the Waikato District Council
- provide recommendations for improvement where process deficiencies or control weaknesses are identified.

We assessed the design effectiveness of key controls within the following key payroll sub-processes:

- standing data maintenance, including the approval of changes and submission of changes to Datacom for processing
- time recording, review and approval
- submission of time details and other payroll inputs to Datacom for payroll
- review and approval of payroll calculation and deductions
- payroll payment
- exception reporting and reconciliations
- segregation of duties across the payroll process.

We also assessed the extent to which recommendations made in our 2013 report have been implemented and if the related risks addressed through the new payroll process.

## Limitations of scope

Our engagement did not include the assessment of the following sub processes:

- calculation and payment of staff expenses and disbursements
- activities performed by Datacom in relation to the Waikato District Council's payroll process.

## Approach

To deliver this engagement we:

- updated our understanding of the Waikato District Council payroll process by interviewing key staff involved in the process
- identified key controls performed and assessed the extent to which these are effectively designed to satisfy control objectives
- performed a detailed walkthrough of the payroll process as performed by Waikato District Council staff and inspected examples of documentation that support the walkthrough performed
- considered, based on our understanding of the process, if the specific findings raised in our 2013 report have been addressed
- reported on identified weaknesses and areas of inefficiency and suggested practical recommendations for remediation.



## Detailed findings

Our detailed findings and recommendations are set out in the next section of this report, together with management comments. We set out below a summary of our findings including our assessment of their relative priority.

No.	Finding	Priority	Page No.
1	Segregation of duties is not optimised across the payroll process	Medium	7
2	The review of payroll master data changes is not effectively designed	Medium	9
3	Payroll approval process is not effectively designed	Medium	11
4	Excessive timesheet errors are detected during payroll processing	Medium	12
5	Access to the payroll payment file is not appropriately restricted	Low	14

## Follow up on prior assessment findings

Our assessment also included a follow up of findings raised during our previous assessment. Our 2013 assessment identified eight findings. Of these, three findings had been addressed through the new payroll process. These three closed findings related to the use of functionality in the Chris21 (legacy payroll system), training on the use of the system, and the independent review of payroll reports prior to payment. The remaining five previous findings have been partially addressed, and have been re-raised and refreshed through the findings of this report in order to reflect the new environment.

The table below summarises our assessment of the status of actions implemented to address issues raised from our previous review of the Waikato District Council's payroll process in 2013.

No.	Finding	Priority	Status	Re-raised
1	The payroll department requires more formalised training on Chris21's core functionality	Medium	Closed	N/A
2	Frontier should be engaged to ensure that the set up of Chris21 is appropriate and optimised	High	Closed	N/A
3	Access rights to Chris21 master data should be appropriately restricted and periodically reviewed	High	Partially Closed	Finding 1
4	Changes to Chris21 master data should be independently reviewed on the basis of a master data change report	High	Partially Closed	Finding 5
5	Management should remind employees to complete their timesheets and annual leave forms properly	Medium	Partially Closed	Finding 4



No.	Finding	Priority	Status	Re-raised
6	Management should investigate the possibility of developing direct interfacing between the human resources, time recording and payroll systems, payroll data entry should be independently reviewed	Medium	Partially Closed	Finding 4
7	Access to the temporary file used to process banking information should be restricted	Medium	Partially Closed	Finding 6
8	Payments initiated by the payroll department in Chris21 should be independently reviewed and authorised	High	Closed	N/A

## Inherent limitations

Due to the inherent limitations of any internal control structure it is possible that Waikato District Council's overall internal control structure, within which the control procedures that we have reviewed operate, has not been audited and no opinion is expressed as to its effectiveness.

An internal audit is not designed to detect all weaknesses in control procedures as it is not performed continuously throughout the period and the tests performed are on a sample basis. Therefore material errors and irregularities and illegal acts having a direct and material financial or operational impact, if they exist, may not be detected. Also, because of the nature of irregularities, including attempts at concealment through collusion and forgery, this work may not detect a material irregularity.

This internal audit engagement does not:

- constitute an audit performed in accordance with New Zealand Auditing Standards and, accordingly, we will not express an audit opinion.
- constitute a review performed in accordance with the External Reporting Board's Standard on Assurance Engagements for Compliance Engagements (SAE 3100) or an Assurance Engagement in accordance with the International Standard of Assurance Engagements (NZ) 3000. Accordingly, we will not express an opinion or provide assurance.
- provide all the evidence that would be required to form an audit opinion of the design or operating effectiveness of the controls subject to review.


Any projection of the evaluation of control procedures to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.



# Detailed Findings and Recommendations

1. Segregation of duties is not optimised across the payroll process	Medium 
Finding	Management Action Plan
<p>The payroll process is primarily executed by the Payroll Officer and the Finance Operations Team Leader. During our assessment we identified some conflicting duties performed by these roles across the payroll process. A graphical view of the conflicts identified is presented in Appendix I.</p> <p>Generally, roles across the payroll process are segregated such that processing is performed by the Payroll Officer and review is performed by the Finance Operations Team Leader. This is aligned with good practice. However we identified that:</p> <ul style="list-style-type: none"> <li>• some payroll processing activities (such as processing reimbursements and adjustments) are performed by the Finance Operations Team Leader. This results in a less effective review by the Finance Operations Team Leader due to self review</li> <li>• authorisation to finalise payroll is submitted to Datacom by the Payroll Officer who also has the ability to submit requests for changes to the payroll or employee master data (such as bank account details). There are limited mitigating controls to detect if unauthorised changes are made by the Payroll Officer after obtaining final approval from the Finance Operations Team Leader but before submitting the finalisation request</li> <li>• some employee payroll master data is maintained by the Payroll Officer who also performs payroll processing functions. This conflict of roles has been identified for 'good practice' consideration. We recognise that the review of master data changes and the final payroll by the Finance Operations Team Leader should detect errors if effectively designed.</li> </ul> <p>Whilst the Finance Operations Team Leader's role in the payroll process is generally limited to review activities, he also has the ability to perform all payroll processing functions within the EasiESS system and submit processing requests to Datacom.</p> <p>We were advised by management that access to payroll processing functionality is needed by the Finance Operations Team Leader due to limited other staff resources to assist when workloads are excessive or when the Payroll Officer is not available.</p> <p>We were also advised that as the current payroll process is newly established (three months before our assessment performed), there is no regular, formalised process in place for the review of segregation of payroll duties or access permissions within the EasiESS payroll system.</p>	<p><b>Comment:</b></p> <p>Access to the payroll system has been removed for the FOPS Team Leader.</p> <p>The FOPS Team Leader no longer completes the re-imbursements and these are processed by the Payroll Officer. The FOPS Team Leader checks the re-imbursements to the input sheet of the payroll officer. The FOPS Team Leader also does a manual calculation of all the re-imbursements e.g. mileage claimed x rate and ensures that this reconciles to the various re-imbursements amounts on the allowance schedule at authorisation 1 stage. (NOTE: allowance schedule includes things other than re-imbursements) A control total is obtained from the allowance schedule at authorisation one stage. This total is compared to the allowance schedule total at Final stage to ensure that nothing has been removed/added. Any discrepancies in the control total are investigated.</p> <p>There is now a dual level of authorisation before any changes can be made to the payroll system. All changes have to be reviewed by a second person and that second person gives the authority to Datacom(via e-mail) to make the changes.</p>

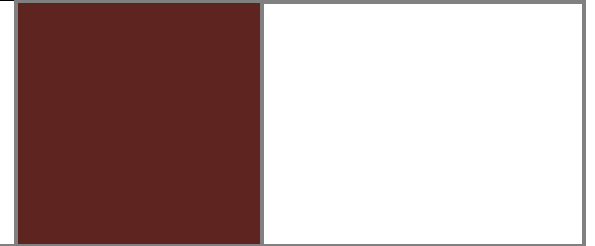
<b>Risk/ Impact</b> Where segregation of duties is not effectively enforced, there is increased risk that fraudulent or erroneous transactions will be processed, which may not be detected in a timely manner.	Unless there is collusion, council sees this as adequate to prevent any fraudulent activity. The second person is either the Assistant Accountant, FOPS Team Leader or the Finance Manager.	
<b>Recommendation</b>	<b>Responsible Management</b>	FOPS Team leader
Management should: <ul style="list-style-type: none"> <li>consider the detailed recommendations for how duties could be effectively segregated set out in Appendix I. Specifically, the segregation of payroll processing roles from review and approval activities</li> <li>ensure that the degree of segregation of duties decided upon is enforced through EasiESS system role permissions</li> <li>implement a regular, formalised review of segregation of duties. This review should include consideration of access permissions within the EasiESS payroll system.</li> </ul> Where effective segregation of duties cannot be enforced due to staff limitations, management should implementing mitigating detective controls such as an additional layer of independent review.	<b>Target Date</b>	Completed in March 2016.


2. Review of payroll master data changes is not effectively designed		Medium	
Finding	Management Action		
<p>Additions and changes to payroll employee master data are reviewed by the Finance Operations Team Leader. The Finance Operations Team Leader agrees the ‘New Employee Details’ reports and ‘Employee Modifications’ reports (which each show the changes made to individual employee records) to supporting source documents such as new starter forms and employment contracts, bank deposit slips, contract variations, etc. This does not ensure that all changes processed are reviewed by the Finance Operations Team Leader.</p> <p>Previously, the Finance Operations Team Leader agreed the (reviewed) New Employee Details and Employee Modifications reports to the EasiESS Updating report generated by Datacom during payroll processing. We note that this reconciliation could ensure the completeness of changes reviewed. However, management advised that the reconciliation is no longer performed as the Updating Report contains all changes to employee master data, including non-financial details such as phone numbers, contact address. This makes the report impractical to review efficiently.</p> <p>We also noted that the New Employee Details report is reviewed and agreed to supporting source documents by the Finance Operations Team Leader and the HR Manager. Both the Finance Operations Team Leader and the HR Manager review all employee details included in the New Employee Details report and therefore duplicate effort.</p> <p><b>Risk/ Impact</b></p> <p>Where a complete, system generated list of all financially significant master data changes is not reconciled to supporting source documentation, there is increased risk that unauthorised changes to payroll master data will be processed and will not be detected in a timely manner.</p> <p>Where key reports are reviewed in detail by more than one reviewer, there is a duplication of effort which results in process inefficiency and a loss of productivity.</p>	<p>Payroll master data changes are now reviewed by HR back to the source documents at authorisation stage.</p> <p>The Updating report has been customised to list changes to payroll arranged by the user(s) who made the changes. This makes the report easier to review and allows management to focus on the changes made by the Payroll Administrator and the Datacom consultant.</p> <p>Financially significant details, including bank account numbers, salary/wage rates, IRD codes and numbers are then reviewed by the finance staff-member doing the approval at the final stage and agreed to supporting source documents (such as contracts, bank deposit slips, tax code declaration forms).</p> <p>Review of the Updating report is also completed and signed off by the Finance person who also checks that there have been no updates between what was originally authorised and the finalised report. If changes in the Updating report are identified, they need to be investigated and understood before the payroll can progress.</p>		
Recommendation	Responsible Management	Stephen Thompson (Finance Operations Team Leader)	
<p>Management should re-assess the payroll master data review process to improve efficiency.</p> <p>Specifically, management should consider revising the review process for payroll master data changes (including the review of new starter master data, master data changes and terminations) such that the review performed by the</p>	Target Date	Completed in February 2016	


Finance Operations Team Leader is performed from the Datacom Updating report.

The review should focus on financially significant master data details such as bank accounts, salary/wage rates, IRD codes, standing disbursement payments. The review of non-financial master data (such as address, phone numbers etc could be performed by HR on a sample basis.


Review of the Updating report should be completed prior to each payroll being finalised and evidence of review should be documented and retained.



3. Payroll approval process is not effectively designed		Medium	
Finding	Management Action		
<p>Payroll is approved by Finance Operations Team Leader before it is finalised by Datacom. The finalised payroll payment is uploaded and paid through the BNZ Online Banking system.</p> <p>During our engagement we identified that there is no formalised reconciliation of the payroll payment file to approved (draft) payroll reports to detect if unauthorised changes have been made to the payroll subsequent to final approval by the Finance Operations Team Leader (but before being finalised by Datacom).</p> <p>In addition, the Finance Operations Team Leader's authorisation to finalise payroll is not always documented.</p> <p><b>Risk/ Impact</b></p> <p>Where the review of payroll payments is not effectively designed and performed with rigour, there is increased risk of inappropriate or erroneous transactions that will not be detected in a timely manner.</p>	<p>Approval of the finalised payroll payment is now documented through signature (of the Finance staff member doing the final check) on the bank upload form</p> <p>Before the (finalised) payroll is approved for payment, the Finance staff member doing the final review agrees the total payroll payment value and total (staff paid) count per:</p> <ul style="list-style-type: none"> <li>• final draft payroll bank reconciliation report</li> <li>• finalised payroll summary pay register report</li> <li>• payment file.</li> </ul> <p>In addition to this, hash totals are reviewed by payment approvers when payments are authorised.</p>		
Recommendation	Responsible Management	Stephen Thompson (Finance Operations Team Leader)	
<p>Management should ensure that:</p> <ul style="list-style-type: none"> <li>• the final (reviewed and signed) draft payroll report is reconciled to the final payroll report and the payroll payment file prior to the payment being approved.</li> <li>• evidence of review by payment authorisers is documented, including evidence that any unexpected payments (as identified during the authoriser's review) have been agreed to source documents.</li> </ul>	Target Date	Completed in February 2016	

4. Excessive timesheet errors are detected during payroll processing	Medium 
Finding	Management Action
<p>We were advised during our assessment that a high number of timesheet errors are identified by the Payroll Officer during payroll processing. Line managers approve timesheets in EasiESS before payroll processing. However:</p> <ul style="list-style-type: none"> <li>• Council staff who work in Waters, Waikato Alliance and Kopua teams submit manual timesheets. These timesheets are approved by line managers and subsequently entered to EasiESS by the team secretary. There is no independent review performed to ensure that manual timesheets have been accurately entered to EasiESS before the Payroll Officer's review of the 'Timesheet Variances' report during payroll processing.</li> <li>• management have advised that timesheet errors are consistently identified as a result of the Payroll Officer's review of the 'Timesheet Variances' report during payroll processing. These corrections relate to timesheets submitted manually and those entered directly in EasiESS. During our assessment we walked through the payroll for 23 January 2016. For this payroll, corrections were made for eight of 36 staff paid based on timesheets.</li> </ul> <p><b>Risk/ Impact</b></p> <p>Where the line manager review of timesheets is not performed effectively, there is increased risk that payroll will not be accurate, resulting in financial loss to the Council.</p>	<p>There are a number of ways Council is looking to address this:</p> <ol style="list-style-type: none"> <li>1) All teams to be on the ESS system</li> <li>2) We have an Employee Daily Timesheet report that is now being run over the timesheet system At this stage we are able to identify where incorrect standby codes have been selected.</li> <li>3) Datacom are in the process of creating a leave taken report for timesheet staff and comparing this with work hours claimed. Where the sum of the hours is greater than the rostered hours an exception report will be produced of those staff. Datacom are also looking to automate this through the leave process (as is currently the case for auto-paid staff) where leave is automatically switched from ordinary hours to leave hours when leave is approved.</li> </ol> <p>In addition, an email is sent to approving managers on a weekly basis, reminding them of considerations for payroll (e.g. leave approvals, accuracy of time captured, etc). There is no current plan to deliver formal training on payroll approval. However we have observed improvement in the number of errors identified by the Payroll team over the past few months.</p>

<i>Recommendation</i>	<i>Responsible Management</i>	Stephen Thompson (Finance Operations Team Leader)
<p>Management should develop and deliver guidance and training to all individuals (including line managers) who approve timesheets. The guidance and training should highlight the approver's responsibility and accountability for ensuring that timesheets submitted to Payroll for payment are correct. A log of timesheet errors adjusted by Payroll should be retained. The log should be reviewed by management on a regular basis to identify and follow up on individuals who continue to complete timesheets inaccurately, as well as approvers who do not review timesheets effectively.</p> <p>Management should also consider if all timesheets (including timesheets that are currently submitted manually) can be completed and approved in EasiESS. If this cannot be achieved, management should implement a process by which all manual timesheets entered into EasiESS are re-reviewed after being entered to EasiESS by the team secretary. Evidence of review should be documented and retained.</p>	<i>Target Date</i>	15 June 2016

<b>5. Access to the payroll payment file is not appropriately restricted</b>		<b>Low</b>	
<b>Finding</b>	<b>Management Action Plan</b>		
<p>Before being uploaded to the BNZ Online Banking system, the payroll electronic payment file is stored in a shared directory. Our inspection of access permissions identified that all individuals in the Finance team, HR team and IT have access to read and modify files in this directory (including the payroll payment file).</p> <p>This observation is raised as 'good practice' and to ensure the confidentiality of sensitive payroll details, as we acknowledge that there are additional mitigating controls in place to detect where unauthorised changes are made to payment files including hash 'total' validation performed by the BNZ Online Banking system. We note however that the current hash total configuration generates a warning notice for review by payment authorisers and can be bypassed when the totals do not match (i.e. a payment could be made where hash totals do not align).</p> <p><b>Risk/ Impact</b></p> <p>Where direct access to payroll payment files is not appropriately restricted, there is increased risk of inappropriate or unauthorised changes to bank payment files and that such changes will not be detected in a timely manner. There is also increased risk that sensitive payroll details (such as salaries) will be inappropriately accessed or disclosed.</p>	<p>Noted. We will look into making the payroll directory more secure. I believe this is also identified as part of our annual audit.</p> <p>Going forward, we are also going to create a report that compares staff bank account numbers between current and last pay-run and cross-reference this back to the updating report for account number changes.</p>		
<b>Recommendation</b>	<b>Responsible Management</b>	Stephen Thompson (Finance Operations Team Leader)	
Management should consider further restricting access to the payroll payment file by creating a subdirectory to which only the payroll team have access to modify.	<b>Target Date</b>	15 June 2016	







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# *Appendices*

## Appendix I: Summarised payroll process responsibilities

The diagram below summarises roles and responsibilities across the payroll process, as understood from our interviews and process walkthrough performed during our engagement. The diagram depicts the current state and recommended future state processes and is intended to highlight segregation of duties weaknesses and process inefficiencies from duplicated efforts.

### Key



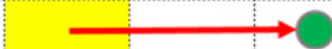





-  No segregation of duties weakness identified
-  No segregation of duties weakness but inefficiency identified for consideration
-  Segregation of duties weakness identified
-  'Best practice' segregation of duties weakness identified. Effectively designed mitigating controls are in place.



Recommended future state



Management should consider if activity needs to be continued.

Role at Waikato District Council							
	Employees	Dept. Managers	Team Secretary	Payroll Officer	Finance Ops. Team Leader	HR Manager	Delegated Authoriser
<b>Payroll master data Processing</b>							
Addition of new employee master data to EasiESS							
Submits requests for changes to employee master data							
<b>Review</b>							
Review new employee details via New Employee Details report after details entered to EasiESS							
Review changes to employee details via Employee Modifications report							
Review payroll reports (including Masterdata Update Report) before payroll is finalised							

Payroll employee master data maintenance is performed by the Payroll Officer. As a matter of 'best practice', there should be segregation of duties between individuals maintaining employee master data records and individuals processing payroll and management should consider if this 'best practice' can be achieved. We recognise however that there are limited resources available to the Waikato District Council payroll process. Given this limitation, the effective segregation of these duties may not be practically achievable. Management may consider that independent review of these activities is sufficient to mitigate risk.

The New Employee Details report is reviewed in detail by the Finance Operations Team Leader and by the HR Manager for each new employee added to the EasiESS system. Management should consider if this review is necessary as a payroll process key control as all master data changes (including new additions) are also reviewed through the Updating report prior to payroll finalisation.

Role at Waikato District Council								
	Employees	Dept. Managers	Team Secretary	Payroll Officer	Finance Ops. Team Leader	HR Manager	Delegated Authoriser	Comments
<b>Payroll Payrun Timesheets</b>								
Enter time details to timesheets								
Reviews and authorises EasiESS timesheets								
Reviews and authorises manual timesheets (hard copy)								Manual timesheets are used by three Council departments. Time details are subsequently manually entered to EasiESS by administration staff. To improve efficiency and reduce the risk of manual error, management should consider if all timesheets could be completed directly in EasiESS.
Enters manual timesheets to EasiESS system								
Submits manual timesheets in EasiESS system								Manual timesheets are entered to the EasiESS system after their (manual) approval by department managers. There is no formalised, independent review performed to ensure that manual timesheet details have been accurately entered to the EasiESS system.
Reviews final, submitted timesheets prior to payroll processing								There is no formalised review of submitted timesheets performed to ensure these are correct. We have been advised that this is because reporting on time details cannot be extracted from the EasiESS system until the payroll has been submitted. All time details are therefore reviewed after payroll submission.
<b>Processing</b>								
Submits request to Datacom to process payroll								
Submits requests for disbursements and manual payments to Datacom								Disbursements are entered and submitted by the Finance Operations Team Leader. We were advised that this is due to capacity constraints on the Payroll Officer. We note that this creates a segregation of duties weakness as the key review of payroll (including disbursements) is also performed by the Finance Operations Team Leader. Management should consider if this role could be performed by the Payroll Officer.
<b>Review</b>								
Reviews Datacom payroll reports for errors and discrepancies								
Requests amendments to payroll								
<b>Authorisation</b>								
Approves payroll								
Submits authorisation for payroll finalisation to Datacom following review								The Payroll Officer submits the request to process payroll and subsequent requests for amendments where required from the review of the Finance Operations Team Leader (refer above). The Payroll Officer also submits final authorisation to Datacom for the payroll to be finalised. Management should consider if this role could be performed by the Finance Operations Team Leader. Alternatively management should consider implementing a reconciliation of the approved payroll report to the finalised payroll reports to ensure these are consistent.

Role at Waikato District Council								
	Dept.				Finance Ops.		Delegated	
	Employees	Managers	Team Secretary	Payroll Officer	Team Leader	HR Manager	Authoriser	Comments
<b>Payment</b>								
Reconciles payroll reports to payment file								
Uploads payment file to banking system								
Reviews payroll reconciliation								
Payment authorisation								Dual authorisation is required for all payments

## Appendix II: Mapping of key controls identified to financial statement assertions

Included below are the key controls identified across the payroll process, as identified during our assessment. A description of the information processing objectives and financial statement assertions is included on the following page.

Sub-Process	Control Description	Info Processing Objectives				Financial Statement Assertions (ISA 315)						
		C	A	V	R	C	A	CO	E/O	R&O	C&P	V
Master data	'New starter or Adjustment to Payroll' forms are reviewed and approved by the General Manager prior to being processed.		X				X					
Master data	For each new employee or change to payroll standing data processed in EasiESS, the Finance Operations Team Leader agrees the changes made per New Employee Details report or Employee Modification report to source supporting documentation		X	X			X					
Time recording	Prior to each pay run, department/line managers review and approve timesheets for staff in EasiESS (or manually for Waters, Waikato Alliance and Kopua teams)		X	X			X		X			
Reimbursements and allowances	Reimbursements and allowances entered to the Reimbursement and Allowance Timesheet' spreadsheet are reviewed by the Payroll Officer (who is independent of the process of entering the data) and agreed to supporting source documents.		X	X			X		X			
Reimbursements and allowances	The final 'Allowance Report' is reviewed by the Finance Operations Team Leader and reconciled to the 'Reimbursement and Allowance Timesheet' spreadsheet to ensure Datacom has completely and accurately updated the reimbursements.	X	X	X			X					
Payroll processing	Prior to the payroll being finalised, the Payroll Officer reviews draft payroll reports including Payroll Reports (PDF) sections, Allowances report, Timesheet Entries report, Timesheet Variance report. Following the Payroll Officer's review, the Finance Operations Team leader authorises payroll finalisation.	X	X	X		X	X	X	X			
Payroll approval	The Payroll Officer reconciles the finalised Direct Credit Schedule, Deduction Schedule and Bank File received from Datacom. The reconciliation is reviewed by the Finance Operations Team Leader.		X				X					
Payroll payment	Access to payroll payment files is restricted to appropriate staff.				X							
Payroll payment	Hash totals are reviewed by payment authorisers prior to a payment being approved in the online banking system.		X				X					
Payroll payment	Payments are dual authorised in line with the bank mandate.	X	X	X		X	X					

*Definition of information processing objectives included in table above:*

The information processing objectives (IPOs) provide a useful framework to help evaluate the design effectiveness of transaction level controls within a business process or sub-process to understand the input, processing, and recording of data. Within each business process and related transaction flows, it is of fundamental importance that control activities are designed and implemented to verify that authorised transactions are recorded in a complete and accurate manner, and control activities also protect against unauthorised amendment once recorded. These information processing objectives relate to management's goals in relation to controls, which, if effectively met, help support management's implicit financial statement assertions:

<b>C: Completeness</b>	All transactions that occur are entered and accepted for processing once and only once and in the proper period. For example, duplicate entries are identified and rejected; all exceptions/rejections are addressed and resolved.
<b>A: Accuracy</b>	Transactions are recorded at the correct amount in the appropriate account and proper period (the date input was correct). This includes accuracy of key data elements and standing data used in transaction processing.  Data of a permanent or semi-permanent nature that is used repeatedly during processing, e.g., rates of pay used for calculating salaries.
<b>V: Validity</b>	Only authorised transactions that actually occurred and are related to the organisation are recorded.
<b>R: Restricted Access</b>	Data is protected against unauthorised amendments and access to confidential data and physical assets is appropriately restricted to authorised personnel. It can be difficult to achieve the other three information processing objectives (Completeness, Accuracy, and Validity), when the restricted access objective is not met.  Data is protected against unauthorised amendments, its confidentiality is ensured, and physical assets are protected.

*Definition of financial statement assertions in table above:*

<b>C: Completeness</b>	All transactions and events that should have been recorded have been recorded, and all related disclosures that should have been included in the financial statements have been included.  All assets, liabilities and equity interests that should have been recorded have been recorded, and all related disclosures that should have been included in the financial statements have been included.
<b>A: Accuracy</b>	Amounts and other data relating to recorded transactions and events have been recorded appropriately, and related disclosures have been appropriately measured and described.
<b>CO: Cut off</b>	Transactions and events have been recorded in the correct accounting period.

<b>E/O: Existence and Occurrence</b>	Assets, liabilities, and equity interests exist.  Transactions and events that have been recorded or disclosed, have occurred, and such transactions and events pertain to the entity.
<b>R&amp;O: Rights and obligations</b>	The entity holds or controls the rights to assets, and liabilities are the obligations of the entity.
<b>C&amp;P: Classification and Presentation</b>	Transactions and events have been recorded in the proper accounts.  Transactions and events are appropriately aggregated or disaggregated and clearly described, and related disclosures are relevant and understandable in the context of the requirements of the applicable financial reporting framework.
<b>V: Valuation</b>	Assets, liabilities, and equity interests have been included in the financial statements at appropriate amounts and any resulting valuation or allocation adjustments are appropriately recorded, and related disclosures have been appropriately measured and described.





### Open Meeting

<b>To</b>	Audit & Risk Committee
<b>From</b>	GJ Ion Chief Executive
<b>Date</b>	30 June 2016
<b>Prepared by</b>	Wanda Wright Committee Secretary
<b>Chief Executive Approved</b>	Y
<b>DWS Document Set #</b>	1549445
<b>Report Title</b>	Exclusion of the Public

## I. EXECUTIVE SUMMARY

To ensure that the public are excluded from the meeting during discussion on public excluded items.

## 2. RECOMMENDATION

**THAT** the public be excluded from the meeting during discussion on the following items of business:

a. **Confirmation of Minutes dated 23 March 2016**

b. **Receipt of Minutes:**

**Audit & Risk Committee dated 23 March 2016**

### REPORTS

c. **Waikato District Earthquake Loss Modelling**

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

<b>Reason for passing this resolution to withhold exists under:</b>	<b>Ground(s) under section 48(1) for the passing of this resolution is:</b>
<b>Section 7(2)(f)(i)(ii)(g)(h)(i)(j)</b>	<b>Section 48(a)(i)(ii)(b)(i)(ii)(c)(d)</b>

**d. Cash Handling Internal Audit Recommendations Update**

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

Reason for passing this resolution to Ground(s) under section 48(1) for the withhold exists under: passing of this resolution is:

Section 7(2)(f)(i)(ii)(g)(h)(i)(j)

Section 48(1)(a)(i)(ii)(b)(i)(ii)(c)(d)

**e. Register of Conflict of Interests**

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

Reason for passing this resolution:	Ground(s) under section 48(1) for the passing of this resolution:
Section 7(2)(f)(i)(h)(i)(j)	Section 48(a)(d)

**AND THAT** Ms Margaret Devlin, Chairperson Audit & Risk Committee, remains in the meeting after the public has been excluded to facilitate the discussion on public excluded items.

**3. ATTACHMENTS**

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n/a