

Agenda for a meeting of the Audit & Risk Committee of the Waikato District Council to be held in Committee Rooms 1 & 2, District Office, 15 Galileo Street, Ngaruawahia on **TUESDAY 12 JUNE 2018** 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.

NOTE: A Zero Harm Site Visit by the members of the Audit & Risk Committee to the Ngaruawahia Dog Pound will be held on 12 June 2018 from 12.30pm – 2.00pm.

1. APOLOGIES AND LEAVE OF ABSENCE

2. CONFIRMATION OF STATUS OF AGENDA

Representatives from Audit New Zealand will be in attendance.

3. DISCLOSURES OF INTEREST

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GJ Ion
CHIEF EXECUTIVE

Open Meeting

To	Audit & Risk Committee
From	Gavin Ion Chief Executive
Date	29 May 2018
Prepared by	Rose Gray Council Support Manager
Chief Executive Approved	Y
Reference #	GOV1318
Report Title	Confirmation of Minutes

1. EXECUTIVE SUMMARY

To confirm the minutes of the Audit & Risk Committee held on Thursday 29 March 2018.

2. RECOMMENDATION

THAT the minutes of the Audit & Risk Committee held on Thursday 29 March 2018 be confirmed as a true and correct record of that meeting.

3. ATTACHMENTS

Minutes

MINUTES of a meeting of the Audit & Risk Committee of the Waikato District Council held in the Committee Rooms 1 and 2, District Office, 15 Galileo Street, Ngaruawahia on **THURSDAY 29 MARCH 2018** commencing at **1.05pm**.

Present:

Ms M Devlin (Chairperson)
His Worship the Mayor, Mr AM Sanson [*until 3.48pm*]
Cr AD Bech
Cr JM Gibb [*until 2.42pm and from 2.44pm*]
Cr BL Main

Attending:

Cr SD Lynch
Mr GJ Ion (Chief Executive)
Mr TG Whittaker (General Manager Strategy & Support)
Mrs S O’Gorman (General Manager Customer Delivery)
Ms J Remihana (Acting General Manager Service Delivery)
Mrs RJ Gray (Council Support Manager)
Ms A Diaz (Finance Manager)
Ms L Shirley (Zero Harm Manager)
Mr K Abbott (Organisational Planning & Project Support Manager)
Mr K Pavlovich (Acting Waters Manager)
Mr M Willcock (Chief Information Officer)
Ms M Russo (Corporate Planner)
Mrs M Baena-Escamilla (Continuous Improvement Analyst)
Mr R Java (Procurement Manager)
Ms S Quinn (Procurement Officer)
Mr L Pieterse (Director Audit New Zealand)
Ms M Proctor (Audit Manager Audit New Zealand)
Members of staff

APOLOGIES AND LEAVE OF ABSENCE**Resolved: (Crs Main/Bech)****THAT** an apology be received from Cr Sedgwick.**CARRIED on the voices****A&R1803/01**

It was noted that the Chair had received feedback ahead of the meeting from Cr Sedgwick.

CONFIRMATION OF STATUS OF AGENDA ITEMS**Resolved: (Crs Gibb/Main)****THAT** the agenda for a meeting of the Audit & Risk Committee held on Thursday 29 March 2018 be confirmed and all items therein be considered in open meeting with the exception of those items detailed at agenda item 7 which shall be discussed with the public excluded;**AND THAT** all reports be received;**AND FURTHER THAT** in accordance with Standing Order 9.4 the order of business be changed with agenda item 6.6 [*Havelock North Inquiry: Stage Two Discussion Paper*] being considered as the first report on the agenda.**CARRIED on the voices****A&R1803/02****DISCLOSURES OF INTEREST**

The Chair, Ms Devlin, advised members of the committee that there were references to Watercare and Waikato Regional Airport in reports in the agenda. She declared an interest as a Director of Watercare and Waikato Regional Airport. It was also noted that there were no decisions required in respect of Watercare nor of Waikato Regional Airport.

CONFIRMATION OF MINUTES**Resolved: (Crs Gibb/Bech)****THAT** the minutes of a meeting of the Audit & Risk Committee held on Wednesday 13 December 2017 be confirmed as a true and correct record of that meeting.**CARRIED on the voices****A&R1803/03**

REPORTS

Havelock North Inquiry: Stage Two Discussion Paper Agenda Item 6.6

The report was received [A&R1803/2 refers] and taken as read. In speaking to the report, the Acting Waters Manager highlighted the following points:

- from the recommendation of Stage Two there does not appear to be any issue with the infrastructure, but there are significant challenges in the operations sector.
- Council supports the six principles of drinking water management detailed in the report.

Project Brief for Natural Hazards RMA Changes 2017 Agenda Item 5.1

The report was received [A&R1803/2 refers] and taken as read. It was noted that the focus is on the consenting area to establish a new natural hazards risk assessment evaluation for subdivisions with natural hazards. Discussions are being held with other Waikato Councils regarding potential cost sharing.

In summary it was acknowledged that this remains a high risk to Council. However the current work stream will provide a tool that will create a more robust process for both Council and customers. The team is currently working with other Councils to get a better outcome. In the meantime the risk is being managed on a case by case basis. It was also emphasised that in completing this work, Council should not become too risk averse.

Post Incident Review – Generator Failure on 22 January 2018 Agenda Item 5.2

The report was received [A&R1803/02 refers] and taken as read. In speaking to the report, the Acting General Manager Service Delivery provided a brief overview and answered questions from the members.

Concern was expressed on the cost to Council of this failure. The Committee requested that Management capture the learnings from this incident, such as the need to ensure providers' records on Council infrastructure are accurate as Council was receiving mixed messages at the time, eg WEL.

The Chair suggested that a formal response be written to WEL.

Audit Management Report on Long Term Plan Consultation Document for the Period 1 July 2018 to 30 June 2028

Agenda Item 5.3

The report was received [A&R1803/02 refers] and taken as read. In speaking to the report, the Audit New Zealand Audit Manager highlighted the following points:

- Good communication with the staff and the Finance Team managing the tight timeframes.
- Activity management plans get slightly out of date with reiterations when considering priorities and moving projects around.
- Infrastructure Strategy: noted that there are some opportunities for good practice that have been incorporated in the final draft. To have discussions with Management for inclusion of these in future strategies.
- Performance framework will be covered with the Long Term Plan audit in June.

The Chair agreed that this is a tight timeframe for June but noted the assurances from the Finance Manager.

Current Practices and Culture of Waikato District Council's Workplace Harassment and Bullying

Agenda Item 5.4

The report was received [A&R1803/02 refers] and taken as read. The Human Resources Manager answered questions of the members.

Discussion was held on:

- Child Protection Policy and the vetting of staff dealing with young children.
- Harassment and Bullying Policy: it was noted there is an emphasis to all staff to become proactive in reporting what is seen. This was also pertinent to Councillors. His Worship the Mayor advised he would re-emphasise this matter to all Councillors and that the Council has no tolerance of any form of bullying or harassment.

The Committee requested Management review the current procedure in respect of subcontractors.

Risk Appetite Statement
Agenda Item 5.5

The report was received [A&R1803/02 refers] and taken as read. In speaking to the report, the Organisational Planning & Project Support Manager advised changes were reflected in the Risk Appetite Statement.

Discussion was held on:

- the graphic enablers for Zero Harm and People and Culture not reflecting a zero harm risk. The Committee confirmed a zero risk appetite for Health and Safety and Fraud.
- cyber security – important for staff to follow the policy and procedures in place given the level of activity in the wider environment.

The Chief Executive advised that Council is prepared to take moderate risk around growth in the interest of being more agile in promoting growth. It was agreed that the Chief Executive would encourage managers to think differently and be innovative, to have a culture of quality, accountability, and give staff encouragement and freedom about how to do things differently to give overall effect to ratepayers.

It was noted that frameworks are in place to mitigate risk in Council. The Committee requested that risk mitigations need to include oversight of the deliverables.

Resolved: (Crs Gibb/Main)

THAT the Audit & Risk Committee recommends adoption of the Risk Appetite Statement to Council.

CARRIED on the voices

A&R1708/04

Waikato District Council Zero Harm Safety Management System
Agenda Item 6.1

The report was received [A&R1803/02 refers] and taken as read. In speaking to the report, the Zero Harm Manager highlighted the following points:

- Contractor Management, Event Management and Hazard and Risk Management – reviewing current contracts at low/high risk, relationships and safety plans, and what other organisations are doing for risk standards.

The Chair requested monthly statistics be provided to the next meeting.

The Chief Executive spoke of a zero harm presentation held with staff regarding work safe home safe aimed at reminding people about the importance of health and safety. Councillors commended the staff on the presentation.

The Chief Executive advised that there was a potential issue around leptospirosis in the Ngaruawahia dog pound. Appropriate steps are being taken in terms of exposure to staff in respect of this situation.

Annual Report 2017/2018
Agenda Item 6.2

The report was received [A&R1803/02 refers] and taken as read. In speaking to the report, the Corporate Planner highlighted the following points:

- Timeline is comparative to last year.
- The Committee will view a copy of the annual report at the September 2018 meeting prior to adoption by Council on 8 October 2018.

The Audit New Zealand Director spoke of the annual report and summary complying with legislation. The focus for FY18 will be on property plant and equipment, property revaluations and property plant not being revalued and development contributions. Audit New Zealand will review the controls Council has in place for fraud risk to ensure staff follow procurement and financial processes.

Management confirmed that the valuation process has been programmed and will be completed within the year end timetable.

The Audit New Zealand Director spoke of sensitive expenditure as being in the auditing standards of the Auditor-General. The Chair requested that any trends identified be discussed with the General Manager Strategy & Support.

It was noted that the multi-year focus by the Office of the Auditor General is on water – quality of water in rivers, and wastewater and treatment with the Havelock north scenario incorporated into the scheme.

Cr Gibb withdrew from the meeting at 2.42pm during discussion on the above item and returned at 2.44pm at the commencement of discussion on the following item.

March Update on Progress against Audit Issues
Agenda Item 6.3

The report was received [A&R1803/02 refers] and taken as read by the Corporate Planner. Discussion followed on:

- Staff resourcing requirements.
- IM calendar and disaster recovery management have progressed significantly.
- Cyber security system controls pending.
- Good progress with issues identified, hoping to be completed by end of June 2018.

The Chair expressed concern with actions still active in 2017 that need to be addressed. The General Manager Strategy & Support agreed to liaise with the Organisational Planning & Project Support Manager to review issues that may need culling. A request was made to provide a report to the next meeting to identify what is current and relevant.

Update on Process Audit and Quality Improvement
Agenda Item 6.4

The report was received [A&R1803/02 refers] and taken as read. In speaking to the report, the Continuous Improvement Analyst highlighted the following points:

- More mature group of auditors now.
- Working on five minor recommendations received from the Ministry of Primary Industries in recognising the Environmental Health Team as verifiers.
- Encouraging staff to review processes.

The Committee noted the level of progress being made.

Risk Management Policy
Agenda Item 6.5

The report was received [A&R1803/02 refers] and the Continuous Improvement Analyst took the report as read. Discussion was held on the revised policy. The Committee supported the revised strategy.

Updated Future Workplan
Agenda Item 6.7

The report was received [A&R1803/02 refers] and taken as read and noted that a site visit is organised to visit the Ngaruawahia dog pound following the June Audit & Risk Committee meeting.

Risk statement – the Chair proposed that strategic risks would be reviewed on a rolling basis at each Audit & Risk Committee meeting. This would include assessing the effectiveness of the identified risk mitigations.

EXCLUSION OF THE PUBLIC

Agenda Item 7

Resolved: (Crs Gibb/Main)

THAT the public be excluded from the meeting to enable the Audit & Risk Committee to deliberate and make decisions on the following items of business:

Confirmation of Minutes dated 13 December 2017

REPORTS

a. Procurement Manager's Report

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

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

Section 7(2)(b)(ii)(i)

Section 48(1)(3)(d)

b. Contract Spend Review March

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

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

Section 7(2)(b)(ii)(i)

Section 48(1)(3)(d)

c. Risk Assessment of Council Controlled Organisations' Draft Statement of Intent

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

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

Section 7(2)(b)(ii)(i)

Section 48(1)(3)(d)

d. Fraud Declaration

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

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

Section 7(2)(a)

Section 48(1)(a)(d)

e. **Strada Corporation Limited**

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

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

Section 7(2)(b)(ii)(i)

Section 48(1)(3)(d)

f. **Register of Members' Interest – Elected Members and Senior Staff**

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

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

Section 7(2)(f),(i)(h),(i),(j)

Section 48(1)(3)(a)(d)

g. **Committee Time with Audit New Zealand**

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

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

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

Section 48(1)(a)(d)

AND FURTHER THAT Ms Devlin (Chair), Mr Pieterse and Mrs Procter (Audit New Zealand) remain in the meeting after the public has been excluded to chair/facilitate the discussion on items in PEX 7 [Public excluded items] in the public excluded section of the meeting.

CARRIED on the voices

A&R1708/05

Resolutions A&R1803/06 – A&R1803/08 are contained in the public excluded section of these minutes.

Open Meeting

To	Audit & Risk Committee
From	Sue O’Gorman General Manager Customer Support
Date	20 March 2018
Prepared by	AnaMaria d’Aubert Consents Manager
Chief Executive Approved	Y
Reference #	GOV1318 / 1971478
Report Title	Update on Project Brief for Natural Hazards – RMA Changes 2017

I. EXECUTIVE SUMMARY

The purpose of this report is to provide an update on the “Project Brief for Natural Hazards – RMA Changes 2017” that was presented to the Audit & Risk Committee in March.

The Risks identified in the Project Brief remain ‘High’ because the deliverables identified in it have not yet commenced.

However, to address this, work has been progressing as follows:

Minimising risk – processing of Resource Consents

- All relevant subdivision applications are vetted by staff to ensure they address natural hazards and their risks. If technical reports do not include a hazard assessment, applications are returned as incomplete under section 88 Resource Management Act.
- Stakeholder engagement continues via direct engagement with applicants but also via the quarterly Growing Places newsletter. As result, over half of the applications are now including natural hazard risk matrix’s with assessments of the probability of hazard risks.
- Where specific sites have complex/significant natural hazards risks, these are being referred by Council to specialist geotechnical experts for review. Subdivision consents are not issued without input from these specialists.

Proposal for Project Work - Progress

A change to the risk profile will only occur when the project commences and its outcomes are delivered. External specialist resources need to be engaged to deliver the project.

A proposal for the work was received late January 2018 and after feedback a revised proposal was received mid May.

The revised proposal has been tailored to meet needs of three Councils (Waikato District Council, Hamilton City Council, Waikato Regional Council). The revised proposal has a cost of approximately \$50,000 of which the majority could be a shared cost between Councils (some costs will be individual to each Council).

The deliverables of the proposal would be relevant for any other Council in the wider Waikato region that might see benefit in this work for their own resource consent processes and services.

At present the three Councils have not entered into a contract, but a meeting is scheduled 8 June to confirm if the three Councils wish to proceed, together or individually, and timeframes/commencement. It is anticipated that the meeting would consider further collaboration with other Councils and therefore have additional benefits around cost sharing/funding, noting however, that this would take time and likely delay commencement of the work.

Once this meeting is held, we will understand which Councils wish to proceed, and how urgent it is for them. Also we will understand if there is agreement that there would be merit in approaching other Councils to be part of the project (which will take time and affect commencement). Once we have an indication of these matters, we can then start our own processes to source funding and schedule commencement of the project.

2. RECOMMENDATION

THAT the report from the General Manager Customer Support be received.

3. ATTACHMENTS

NIL

Open Meeting

To	Audit & Risk Committee
From	Tony Whittaker General Manager Strategy & Support
Date	22 May 2018
Prepared by	Stephen Thompson Financial Operations Team Leader
Chief Executive Approved	Y
Reference #	GOV1318 / 1958958
Report Title	Tax Risk Management Update

I. EXECUTIVE SUMMARY

The Audit & Risk Committee supported the adoption of a Tax Governance Framework in 2015. The purpose of the framework is to ensure Council moves towards and maintains best practice governance and tax compliance standards. The framework documents Council's tax risk management strategy (low risk profile), staff responsibilities, and reporting mechanisms for tax related issues. Inland Revenue has also signalled its expectations that all large organisations have tax risk management incorporated within their governance framework.

This report identifies the relevant tax issues for the financial year to date in accordance with Council's Tax Governance Framework.

2. RECOMMENDATION

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

3. TAX RISK MANAGEMENT UPDATE

Tax issues in excess of \$10,000

Staff have identified two GST compliance issues in the financial year to date. As a result, Council's tax advisors, Pricewaterhouse Coopers ("PwC"), have made the following voluntary disclosures to the Inland Revenue Department ("IRD"):

- a) GST incorrectly returned on Council's residential properties during the GST periods ended 31 December 2013 to 31 August 2016 (inclusive) – Refer *Appendix A and B*. PwC have had verbal confirmation that the legal team of Inland Revenue have supported the disclosure and hence the matter should be concluded soon.

- b) A request for a concessionary approach to accounting for GST on Council owned community halls income and expenditure. A non-binding ruling was issued by the IRD on 13 February 2018. Refer *Appendix C and D*.

Tax Returns and Payments

All tax returns and tax payments were made within the relevant timeframes during the financial year to date with the exception of the October PAYE return which was filed a day late. Council received a penalty of \$6,400.09 as a result of the late PAYE return which occurred due to a key staff member's absence. Procedures have been put in place to ensure this does not happen again.

Tax Advice

Council sought external tax advice from PwC on the following issues during the course of the financial year:

- Goods & Services Tax ("GST") on residential properties.
- GST on community halls.
- A request from IRD to deduct money from a community board member.
- GST on staff lunches and whether Fringe Benefit Tax ("FBT") is payable.
- GST treatment of a proposed land purchase.
- GST treatment of grants made by the Waikato District Community Wellbeing Trust and the Onewhero-Tuakau Community Board to the Tuakau Youth Sport Trust.
- Drafting of the Koha and Donation wording for revision of the sensitive expenditure policy.
- Review of the printed invoices and receipts from the Enterprise Cash Receipting ("ECR") system for tax compliance.
- GST treatment of water charges and payments on Council owned properties.
- Proposed purchase and tax treatment of e-bike for staff.
- Dog Notice review under ECR.
- Elected member remuneration advice.
- GST Issue with amended water invoices.

Reviews

In the past three years, Council have had PwC undertake tax reviews on Pay As You Earn ("PAYE"), FBT and GST. All reviews have had positive management letters from PwC. The issue relating to GST on Council owned properties was identified as part of the reviews.

During May 2018 Council will be investing in PwC's "My Tax Strategy". This will supplement the rolling reviews of PAYE/Withholding Tax ("WHT"), FBT and GST. The MyTax Strategy is PwC's digitally enabled and interactive approach to help Council verify or improve our approach to tax risk management. Refer *Appendix E* for a summary of the MyTax strategy product and project.

Possible Risks

- Following a request from the Audit & Risk Committee regarding Datacom certifying its systems from a “holiday pay” compliance perspective, Datacom were unable to provide the assurance requested. Staff are in the process of working with Datacom and PwC to review Councils payroll system to confirm the accuracy of holiday pay calculations.

Other matters of note

Some other relevant points of note:

- The Land Transport Management (Regional Fuel Tax) Amendment Bill is currently before the Select Committee. This bill proposes to introduce a mechanism under which regional fuel taxes can be established to provide a mechanism for region’s to fund transport infrastructure programmes that would otherwise be delayed or not funded. The bill proposes that regional councils will have the ability to apply to have a regional fuel tax in their region if certain criteria are met.
- Inland Revenue’s business transformation process is entering its third stage, being the better administration of PAYE. The proposed changes present a significant change in payroll reporting for employers. The new rules will not be mandatory until 1 April 2019 although employers could choose to voluntarily apply them from 1 April 2018. We anticipate the need for extensive work to be undertaken by payroll providers, Inland Revenue, and payroll practitioners to ensure the relevant systems and procedures have been updated, and appropriate testing has been undertaken, well before ‘go-live’. To summarise the key changes:
 - Pay day reporting – Employers in the default ‘Online Group’ category will be required to provide payroll information to Inland Revenue in electronic form, and using a prescribed form of electronic communication, within two working days following each payday.
 - Payment dates remain unchanged – Despite the change to payday reporting, employers may choose to pay PAYE (and related deductions) to Inland Revenue on a payday basis, or maintain the status quo in terms of payment (i.e. either once or twice monthly).
 - Employee information – There are changes to provide for "near real-time" sharing of employee information from the employer to Inland Revenue. This will enable Inland Revenue to mitigate subsequent errors, such as the incorrect tax code being used or incorrect deductions occurring.
 - Payroll subsidies – the subsidy will remain for two more years, but will only be available to a narrower group of employers.
 - Other – There are a number of specific rules around the reporting of out-of-cycle payments, schedular payments, employee share scheme benefits and shadow payroll amounts.
- The Department of Internal Affairs issued a paper on Better Local Government Services which was followed by draft legislation contained in the Local Government Act 2002 Amendment Bill (No. 2) 2016 (“the Bill”).

In essence, this paper proposed changes to the legislation that would enable the Local Government Commission to require local authorities to establish substantive

Council Controlled Companies (“CCOs”) – in particular, relating to the provision of water and transport services.

The proposed changes had a number of impacts, including potentially adverse income tax compliance consequences¹. Submissions were prepared² requesting that any substantive and multiple owned CCOs were exempt from income tax.

Following Select Committee hearings, an update has been made to the Bill (i.e. per Section CW 39B of the Income Tax Act 2007) which now provides local authorities with an ability to allow certain CCOs to elect whether to be subject to income tax or not. The Bill has yet to be enacted but we do not expect there to be any further amendments to this.

- Inland Revenue has been active in the public sector over the last couple of years and in the last 18 months, notified six local authorities that they are considering undertaking an audit of their tax compliance. This is part of the Inland Revenue’s general interest in encouraging organisations to be tax compliant, and is part of their interest in the wider public sector. One of the standard questions when Inland Revenue review any organisation is whether there has been an independent assessment of tax compliance, and if so, to request any reports issued. In the event that Council is selected for an audit, it is considered the rolling review programme and Tax Risk Management Framework should ensure that we are well positioned. Wider tax developments advice from PwC – Refer *Appendix F*.

4. ATTACHMENTS

- Appendix A PwC letter to IRD regarding voluntary disclosure dated 21 November 2017
- Appendix B Summary of GST Reassessments
- Appendix C PwC letter to IRD regarding GST on Community Halls’ income and expenditure dated 21 December 2017
- Appendix D IRD letter to PwC regarding GST on Community Hall’s income and expenditure dated 13 February 2018
- Appendix E PwC MyTax Strategy Proposal March 2018
- Appendix F Wider Tax Developments advice from PwC

¹ Even if the impact did not lead to additional income tax becoming payable, there was a potential for ‘trapped’ tax losses and at the very least, a degree of additional tax compliance obligations.

² The primary submission has been prepared by SOLGM, and PwC has provided SOLGM with the section on tax submissions to the Bill.



The Commissioner
 Inland Revenue
 PO Box 39010
 Wellington Mail Centre
 Lower Hutt 5045

21 November 2017

Waikato District Council
IRD No: 52-054-982

Dear Madam

This letter constitutes a voluntary disclosure on behalf of Waikato District Council (Council) pursuant to section 113 of the Tax Administration Act 1994 (the TAA). This voluntary disclosure is in relation to:

- GST incorrectly returned on Council rates charges imposed on its own residential properties during the GST periods ended 31 December 2013 to 31 August 2016 (inclusive); and
- A calculation error for GST apportionment year-end adjustments for the GST return periods ended 30 June 2015, and 30 June 2016.

Background

As part of Council's tax risk management strategy, Council requested that PricewaterhouseCoopers (PwC) undertake a GST review of Council's processes and compliance. During the review, it was identified that Council had incorrectly accounted for GST in relation to Council rates charges imposed on its own residential properties, and two year-end GST apportionment wash-up calculations.

We request the Commissioner amend Council's GST returns for the affected periods noted in this voluntary disclosure. We provide further background on these errors at **Appendices One** and **Two**, respectively, with the reassessments required to amend Council's affected GST returns at **Tables One** and **Two**, respectively.

In summary:

- GST of \$24,132.00 has been over-returned in relation to Council rates imposed on its own residential properties; and
- GST of \$18,658.96 has been under-returned in relation to the year-end GST apportionment wash-up adjustments.

Following the processing of the requested reassessments, Council is due a GST refund of \$5,473.04 (excluding use-of-money-interest).

PricewaterhouseCoopers, 113-119 The Terrace, PO Box 243, Wellington 6140, New Zealand
T: +64 4 462 7000, F: +64 4 462 7001, pwc.co.nz



Voluntary compliance

The Commissioner is required to consider the application of section 6A(3) of the TAA. This section provides that:

“In collecting the taxes committed to the Commissioner’s charge, and notwithstanding anything in the Inland Revenue Acts, it is the duty of the Commissioner to collect over time the highest net revenue that is practicable within the law having regard to:-

- a. *the resources available to the Commissioner; and*
- b. *the importance of promoting compliance, especially voluntary compliance, by all taxpayers with the Inland Revenue Acts; and*
- c. *the compliance costs incurred by taxpayers.”*

We acknowledge that pursuant to section 6A(3) of the TAA, the Commissioner has the duty “to collect over time the highest net revenue that is practicable within the law”, but this must be done having regard to “the importance of promoting compliance, especially voluntary compliance”.

Application of shortfall penalties and use-of-money interest

Under section 141G(3)(a) of the TAA, the reduction in shortfall penalties for a voluntary disclosure ‘pre notification’ of an audit is 100%, provided the shortfall penalty is for not taking reasonable care, for taking an unacceptable tax position, or for an unacceptable interpretation.

Due to the nature of these errors, we believe that no shortfall penalties should be imposed in this instance. However, on the basis that the Commissioner does impose shortfall penalties, the nature of the error would, in our view, fall within one of the above stated shortfall penalty categories, and we would request that the Commissioner exercise her discretion to apply a 100% penalty remission, accordingly.

Further, we appreciate that whilst shortfall penalties are able to be reduced by the Commissioner in certain circumstances, any over-payment or under-payment of tax will still be liable for use-of-money interest.

General

If you have any questions or comments in respect of this voluntary disclosure, please contact Phil Fisher or Mat Naziris.

Yours faithfully

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Appendix One

GST on Council rates charges imposed on its own residential properties

Error

Council has over-returned GST on rates charges imposed on its own residential properties.

Facts

Council owns various properties in the Waikato District, both commercial and residential in nature. As part of its annual rating process, Council strikes the rates and subsequently issues rates instalment tax invoices to ratepayers on 1 August, 1 December and 1 April of each year, respectively, returning GST at the correct time of supply.

Council's dedicated rating system does not have capability to differentiate between ratepayer-owned and Council-owned properties; as such, Council returns GST on the rates instalment tax invoices issued to its own properties.

Council undertakes a GST adjustment to ensure that the 'net-GST' position is maintained for its commercial properties. Indeed, a voluntary disclosure had been submitted to Inland Revenue on this matter on 29 January 2016. However, Council did not make similar corresponding GST adjustments on the rates charges imposed on its own residential properties.

It is our view that an adjustment was required on the basis Council had not made a taxable supply to another person. It would be incongruous for Council to charge itself GST and not be able to claim this GST back; this undermining the principles of the Goods and Services Tax Act 1985. If not for the limitation of Council's rating system, Council would not need to make this adjustment.

As a result, Council has **over-returned** GST output tax by \$24,132.00 during certain GST periods between the months ended 31 December 2013 to 31 August 2016 (inclusive). Please refer to **Table Two** for the GST adjustments and the affected GST periods, and to **Table One** for the requested reassessments.

Why did the error occur, how it was identified, and measures to ensure future compliance?

This error occurred as a result of an incorrect understanding by Council of the GST rules and the technical interaction between making exempt supplies of residential accommodation, and the fact that one cannot make a supply to themselves. This error was identified during the GST review undertaken by PwC following discussions with personnel regarding the returning of GST on rates.

Following the identification of this error, Council has taken appropriate steps to resolve this matter in a timely manner. Specifically, Council has:

- Reviewed and updated its internal procedures to ensure that GST is adjusted on rates charges imposed to its own residential properties; and
- Submitted this voluntary disclosure to correct prior period GST returns.



Appendix Two

GST apportionment wash-up calculations

Error

Council has under-returned GST in relation to two of its year-end GST apportionment wash-up calculations.

Facts

Council derives a minor amount of its total income from exempt supplies (e.g. residential accommodation, rates penalties, interest, etc.). However, whilst the total income from exempt supplies is trivial in comparison to Council's total income per annum, the income from exempt supplies exceeds the threshold requiring GST apportionment.

As such, Council has a GST apportionment methodology that ensures that the appropriate amount of GST is claimed (i.e. it limits the GST claimed to ensure no claim is made in respect of exempt supplies). This entails Council claiming GST input tax on all indirect expenditure incurred in relation to expenditure other than those wholly for exempt supplies, and then including a monthly GST apportionment adjustment within its GST returns to reflect that some of the indirect expenditure relate to exempt supplies.

For example:

- *Council incurs expenditure on insurance for its social housing. As social housing is a wholly exempt supply, Council does not claim the GST on the insurance expenditure.*
- *Council has an individual responsible for rates, including the collection of rates penalties (an exempt supply). Certain overhead costs are incurred by Council that relate to that individual, and as the individual is involved with Council making both taxable and exempt supplies, an apportionment methodology is used to ensure no GST is claimed on overhead expenditure to the extent it is related to the rates penalty administration and collection (i.e. as it is an exempt supply).*

The GST apportionment adjustments are system driven and are included within the GL figure for GST output tax at the end of each month. The adjustments are included on a rolling 'year-to-date' basis, with a reversal of the previous month's 'year-to-date' adjustment – this ensures that only the GST movement is included in the GST return (e.g. for the GST return for the month ended 30 August, GST output tax of \$200 is returned for GST apportionment, and an automatic reversing entry of \$100 is included, being the prior month's GST apportionment adjustment – this means that a net movement of \$100 of GST output tax is returned).

In the GST return periods ended 30 June 2015 and 30 June 2016, Council correctly calculated the actual value of GST that should have been claimed during the year, and included the difference between the 'estimated' and the 'actual' GST portion of its indirect expenditure relating to making exempt supplies within those respective GST returns. However, as Council's finance system undertakes GST apportionment adjustments on a rolling 'year-to-date' basis, by only including the difference in the 'estimated' and the 'actual' GST wash-up calculation, this resulted in Council under-returning GST because of the previous month's reversing entry.



This is best illustrated in the example below:

- *Prior to the filing of Council's GST return for the month ended 30 June, Council has returned total GST of \$1,100 related to its GST apportionment methodology.*
- *Council has determined the GST apportionment amount to be \$1,300 on actual expenditure for the income year – this means that Council has to return the GST difference of \$200 within its GST return for the month ended 30 June 2017.*
- *Given Council's rolling 'year-to-date' approach for including GST apportionment adjustments within its GST returns, rather than including the GST apportionment adjustment of \$1,300 and a reversing entry of \$1,100, Council input an adjustment of \$200, with the automatic reversing entry of \$1,100 occurring.*
- *This means that Council has inadvertently reduced GST output tax by \$900 (i.e. \$200 less \$1,100), when Council should have actually increased GST output tax by \$200. In this example, a GST shortfall of \$1,100 has arisen.*

As a result, Council has **under-returned** GST output tax by \$18,658.96. Please refer to **Table Two** for the GST adjustments and the affected GST periods, and to **Table One** for the requested reassessments.

Why did the error occur, how it was identified, and measures taken to ensure future compliance

This error occurred as a result of simple oversight and human error by the staff member that has responsibility for determining the year-end GST apportionment wash-up calculation. This error was initially identified by Council and was confirmed by PwC during the GST review. Following the identification of this error, Council has taken appropriate steps to resolve this matter in a timely manner.

Specifically, Council has:

- Reviewed and updated its internal procedures to ensure that the appropriate amount of GST is correctly included within its year-end GST returns with regards to its GST apportionment wash-up calculation; and
- Submitted this voluntary disclosure to correct prior period GST returns.

Waikato District Council
IRD No: 52-054-982
Summary of GST reassessments

Table One

Year ended 30 June 2014

GST on sales and income

Total Sales & Income
Zero rated supplies
Box 5 - Box 6
GST on sales and income
Adjustments
Total GST collected on sales and income
GST on purchases & expenses
Total Purchases
GST on purchases & expenses
Adjustments
Total GST on purchases & expenses
Balance to pay or (refund)
Difference to pay or (refund)

	Dec 13			Apr 14		
	As filed	Adjustments	As Amended	As filed	Adjustments	As Amended
Box 5	24,365,265.31	(19,918.00)	22,345,147.31	27,701,598.79	(17,126.67)	27,684,272.12
Box 6	39,201.54	-	39,201.54	37,027.25	-	37,027.25
Box 7	22,326,063.77	(19,918.00)	22,306,145.77	27,656,571.54	(17,126.67)	27,640,244.87
Box 8	2,912,095.27	(2,998.00)	2,909,497.27	1,608,683.24	(2,260.00)	1,606,423.24
Box 9	-	-	-	-	-	-
Box 10	2,912,095.27	(2,998.00)	2,909,497.27	3,508,683.24	(2,260.00)	3,506,423.24
Box 11	-	-	-	-	-	-
Box 12	6,172,341.33	-	6,172,341.33	9,323,431.10	-	9,323,431.10
Box 13	805,088.00	-	805,088.00	1,201,066.23	-	1,201,066.23
Box 14	-	-	-	-	-	-
Box 15	805,088.00	-	805,088.00	1,201,066.23	-	1,201,066.23
	2,107,007.27	(2,998.00)	2,104,409.27	2,408,627.01	(2,260.00)	2,403,367.01
		(2,998.00)			(2,260.00)	

Year ended 30 June 2015

GST on sales and income

Total Sales & Income
Zero rated supplies
Box 5 - Box 6
GST on sales and income
Adjustments
Total GST collected on sales and income
GST on purchases & expenses
Total Purchases
GST on purchases & expenses
Adjustments
Total GST on purchases & expenses
Balance to pay or (refund)
Difference to pay or (refund)

	Aug 14			Dec 14			Apr 15			Jun 15		
	As filed	Adjustments	As Amended	As filed	Adjustments	As Amended	As filed	Adjustments	As Amended	As filed	Adjustments	As Amended
Box 5	24,569,734.64	(18,338.67)	24,551,455.97	23,149,219.69	(18,409.00)	23,130,744.69	26,064,267.41	(18,346.93)	26,045,920.48	6,295,543.24	-	6,295,543.24
Box 6	34,414.07	-	34,414.07	37,554.33	-	37,554.33	49,098.49	-	49,098.49	36,348.16	-	36,348.16
Box 7	24,533,389.07	(18,338.67)	24,515,041.40	23,111,669.36	(18,409.00)	23,093,199.36	26,024,158.32	(18,346.33)	26,005,811.99	6,250,105.08	-	6,250,105.08
Box 8	2,900,266.07	(2,392.00)	2,897,874.07	3,014,564.26	(2,400.00)	3,012,164.26	3,394,455.43	(2,393.00)	3,392,062.43	816,416.75	-	816,416.75
Box 9	-	-	-	-	-	-	-	-	-	-	-	-
Box 10	2,900,266.07	(2,392.00)	2,897,874.07	3,014,564.26	(2,400.00)	3,012,164.26	3,394,455.43	(2,393.00)	3,392,062.43	816,416.75	-	816,416.75
Box 11	-	-	-	-	-	-	-	-	-	-	-	-
Box 12	5,461,462.86	-	5,461,462.86	8,140,442.75	-	8,140,442.75	10,802,058.79	-	10,802,058.79	11,325,018.53	-	11,325,018.53
Box 13	712,625.59	-	712,625.59	1,061,796.88	-	1,061,796.88	1,408,964.19	-	1,408,964.19	1,477,176.33	-	1,477,176.33
Box 14	-	-	-	-	-	-	-	-	-	-	-	-
Box 15	712,625.59	-	712,625.59	1,061,796.88	-	1,061,796.88	1,408,964.19	-	1,408,964.19	1,477,176.33	-	1,477,176.33
	2,487,641.38	(2,392.00)	2,485,249.38	1,952,767.38	(2,400.00)	1,950,367.38	1,985,491.24	(2,393.00)	1,983,098.24	(660,759.95)	-	(660,759.95)
		(2,392.00)			(2,400.00)			(2,393.00)			7,162.28	

Year ended 30 June 2016

GST on sales and income

Total Sales & Income
Zero rated supplies
Box 5 - Box 6
GST on sales and income
Adjustments
Total GST collected on sales and income
GST on purchases & expenses
Total Purchases
GST on purchases & expenses
Adjustments
Total GST on purchases & expenses
Balance to pay or (refund)
Difference to pay or (refund)

	Aug 15			Dec 15			Apr 16			Jun 16		
	As filed	Adjustments	As Amended	As filed	Adjustments	As Amended	As filed	Adjustments	As Amended	As filed	Adjustments	As Amended
Box 5	26,671,531.62	(23,567.33)	26,647,964.28	24,945,225.94	(23,268.33)	24,921,957.60	26,057,769.05	(23,506.00)	26,034,263.05	4,008,612.78	-	4,008,612.78
Box 6	41,248.67	-	41,248.67	39,486.80	-	39,486.80	43,016.14	-	43,016.14	38,167.76	-	38,167.76
Box 7	26,820,785.05	(23,567.33)	26,800,217.71	24,935,739.14	(23,268.33)	24,882,470.80	26,014,752.91	(23,506.00)	25,991,246.91	3,970,255.62	-	3,970,255.62
Box 8	3,499,532.18	(3,074.00)	3,496,458.18	3,248,574.67	(3,035.00)	3,245,539.67	3,393,228.64	(3,066.00)	3,390,162.64	517,859.35	-	517,859.35
Box 9	-	-	-	-	-	-	-	-	-	-	-	-
Box 10	3,499,532.18	(3,074.00)	3,496,458.18	3,248,574.67	(3,035.00)	3,245,539.67	3,393,228.64	(3,066.00)	3,390,162.64	517,859.35	-	517,859.35
Box 11	6,027,098.17	-	6,027,098.17	7,349,868.19	-	7,349,868.19	9,491,336.63	-	9,491,336.63	15,568,958.42	-	15,568,958.42
Box 12	786,143.24	-	786,143.24	938,678.46	-	938,678.46	1,238,000.43	-	1,238,000.43	2,030,733.72	-	2,030,733.72
Box 13	-	-	-	-	-	-	-	-	-	-	-	-
Box 14	786,143.24	-	786,143.24	938,678.46	-	938,678.46	1,238,000.43	-	1,238,000.43	2,030,733.72	-	2,030,733.72
Box 15	2,711,853.84	(3,074.00)	2,709,159.84	2,289,896.21	(3,035.00)	2,286,861.21	2,155,228.21	(3,066.00)	2,152,162.21	(1,512,874.97)	-	(1,512,874.97)
		(3,074.00)			(3,035.00)			(3,066.00)			11,496.68	

Year ended 30 June 2017

GST on sales and income

Total Sales & Income
Zero rated supplies
Box 5 - Box 6
GST on sales and income
Adjustments
Total GST collected on sales and income
GST on purchases & expenses
Total Purchases
GST on purchases & expenses
Adjustments
Total GST on purchases & expenses
Balance to pay or (refund)
Difference to pay or (refund)

	Aug 16		
	As filed	Adjustments	As Amended
Box 5	28,201,236.84	(22,271.67)	28,178,965.17
Box 6	37,489.82	-	37,489.82
Box 7	28,163,747.02	(22,271.67)	28,141,475.35
Box 8	3,673,532.22	(2,995.00)	3,670,537.22
Box 9	-	-	-
Box 10	3,673,532.22	(2,995.00)	3,670,537.22
Box 11	6,889,656.00	-	6,889,656.00
Box 12	898,656.00	-	898,656.00
Box 13	-	-	-
Box 14	898,656.00	-	898,656.00
Box 15	2,774,875.22	(2,995.00)	2,771,879.22
		(2,995.00)	

2014 year GST adjustment	(4,858.00)
2015 year GST adjustment	(31.72)
2016 year GST adjustment	2,341.68
2017 year GST adjustment	(2,995.00)
Total GST adjustments	(5,473.04)

Waikato District Council

Table Two

IRD No: 52-054-982

GST output tax adjustments

GST return for the month ended	GST on rates charges imposed on its residential properties	GST apportionment	Total GST
Dec-13	(2,598.00)	-	(2,598.00)
Apr-14	(2,260.00)	-	(2,260.00)
Aug-14	(2,392.00)	-	(2,392.00)
Dec-14	(2,409.00)	-	(2,409.00)
Apr-15	(2,393.00)	-	(2,393.00)
Jun-15	-	7,162.28	7,162.28
Aug-15	(3,074.00)	-	(3,074.00)
Dec-15	(3,035.00)	-	(3,035.00)
Apr-16	(3,066.00)	-	(3,066.00)
Jun-16	-	11,496.68	11,496.68
Aug-16	(2,905.00)	-	(2,905.00)
Total	(24,132.00)	18,658.96	(5,473.04)



The Commissioner
 Inland Revenue
 PO Box 39010
 Wellington Mail Centre
 Lower Hutt 5045

21 December 2017

Waikato District Council
IRD No: 52-054-982

GST on Community Halls' income and expenditure

Dear Madam

We write to you on behalf of Waikato District Council (Council), to seek a non-binding ruling in relation to the timing for the accounting of GST on income derived, and expenditure incurred, by Community Halls (the Halls) within the Waikato District which Council owns.

Background

The following background facts are relevant:

- There are 35 Halls in the Waikato District.
- Three main Halls are run by Council, with the remaining 32 Halls being run by locally elected Committees.
- The Halls which are run by Committees have signed up to a Terms of Reference which sets out the provisions that shall be applied in relation to the management of Halls. Please refer to **Appendix One** for a list of the Halls covered by this Terms of Reference.
- Each of the Halls are largely operated autonomously.
- Two of the Halls are separately registered for GST and are filing their own GST returns, accordingly.
- Council only obtains details of income and expenditure incurred by all of the Halls at the end of each financial year; this information is also included within Council's annual financial statements.

Looking at the 2017 financial year, Council obtained the relevant information as in previous years, after its year end. GST was then accounted for in respect of the income and expenditure in the next GST return filed for the full year.

PricewaterhouseCoopers, 113-119 The Terrace, PO Box 243, Wellington 6140, New Zealand
 T: +64 4 462 7000, F: +64 4 462 7001, pwc.co.nz



Council appreciates that the correct GST time of supply has not strictly been achieved. After extensive discussions, it has been concluded that there will be ongoing difficulties with the flow of income and expenditure information to Council from the Halls; primarily due to the Halls being run autonomously by volunteers.

As such, Council wishes for the Commissioner to agree a 'concessionary' approach that it could apply to the income and expenses of the Halls, prospectively.

Current treatment

Section 6(1)(b) of the GST Act states that local authorities are deemed to be carrying out a taxable activity for any activity that they undertake. As the activities of the Halls form part of Council's taxable activity, Council is technically required to include each of the Halls' transactions within its monthly GST returns.

However, as the Halls are operated in an autonomous manner, Council has found obtaining the correct information from the Halls to be not only hugely time consuming but inherently difficult. As a result of the lack of quality information being provided by the Halls, Council has previously not been able to include the Halls' transactions within its monthly GST returns.

Request for concessionary approach

Council approached PwC for tax advice on this matter following a GST review undertaken as part of Council's tax risk management strategy. Whilst the income and expenditure from the Halls is negligible relative to its total income and expenditure each year, Council is very mindful that it has this issue that needs to be resolved. Our advice outlined possible options to ensure GST compliance is maintained with respect to the Halls; the content of which was further discussed with Council in a follow up meeting.

The outcome of our advice recommended that Council seek approval from Inland Revenue to request approval for Council to treat the inclusion of the Halls' income and expenditure akin to that of monthly GST apportionment adjustments. We outline below how this mechanism of returning and claiming GST on the Halls' income and expenditure could work in practice.

Example (using figures approximate to 2017 actuals)

- For the year ended 30 June 2017, Council receives total income of \$400,000 (including GST) from all of its Halls, and incurs \$135,000 (including GST) of expenditure by all of its Halls. The GST component of this income and expenditure amounts to \$52,174 and \$17,609, respectively.
- Council will use these GST figures as a 'base' for the 2018 income year, and will divide the GST on income and expenditure by 12 (i.e. $\$52,174 / 12 = \$4,348$ and $\$17,609 / 12 = \$1,467$).
- Council will include \$4,348 as a debit adjustment and \$1,467 as a credit adjustment within each of its GST returns for the months ended 31 July 2017 to 31 May 2018.
- Following the filing of Council's GST return for the month ended 31 May 2018, total GST output tax of \$47,828 (i.e. $\$4,348 * 11$) has been returned, and total GST input tax of \$16,137 (i.e. $\$1,467 * 11$) has been claimed.
- Council receives the full year figures from all of the Halls. This shows total GST inclusive income of \$430,000 and GST inclusive expenditure incurred of \$150,000. The GST component of this income and expenditure amounts to \$56,087 and \$19,565, respectively.



The Commissioner
21 December 2017

- The difference between the GST returned and claimed on the Halls' income and expenditure amounts to \$8,259 (i.e. \$56,087 - \$47,828) and \$3,428 (i.e. \$19,565 - \$16,137), respectively. Therefore, Council will include a debit adjustment of \$8,259 and a credit adjustment of \$3,428 within its GST return for the month ended 30 June 2018.
- Council will then use the Halls' GST figures for the 2018 income year as a 'base' for the 2019 income year, and will divide the GST on income and expenditure by 12 (i.e. \$56,087 / 12 = \$4,674 and \$19,565 / 12 = \$1,630).
- Council will include a debit adjustment of \$4,674 and a credit adjustment of \$1,630 within its GST returns for the month ended 31 July 2018 to 31 May 2019. For the GST return for the month ended 30 June 2019, a 'wash-up' calculation will again be undertaken, as noted above.

We consider the above to be a pragmatic approach, albeit not legislated. Inland Revenue will still receive the correct net amount of GST annually, with only the timing of the returning and claiming of GST not strictly being in the correct time of supply GST periods, although an approximate amount is being accounted for in each period.

We consider this to demonstrate that a reasonable approach has been taken to ensure GST compliance is maintained by Council.

Summary

Ultimately, there is no 'perfect' or 'pure' solution to this problem given the difficulties of Council being able to obtain accurate information on a monthly basis, and the technical requirements of accounting for GST on the Halls' income and expenditure each month.

We advocate for Council to be allowed to take a pragmatic approach (as the risk is only one of timing) and we trust that Inland Revenue can appreciate the complications of the situation and will agree with our suggested approach.

General

If you have any questions or would like to discuss the above further, please contact Phil Fisher or Mat Naziris.

Yours sincerely

Phil Fisher
Partner
phil.j.fisher@nz.pwc.com
T: +64 462 7159

Mat Naziris
Senior Associate
mat.w.naziris@nz.pwc.com
T: +64 462 7165



Appendix One

Halls covered by the Terms of Reference

- Aka Aka Hall
- Eureka Hall
- Glen Murray Hall
- Gordonton District Hall
- Horsham Downs Hall
- Kariaotahi Hall
- Mangatangi Hall
- Mangawhiri Hall
- Meremere Hall
- Naike Hall
- Ohinewai Hall
- Opuatia Hall
- Orini Hall
- Otaua Hall
- Pokeno Hall
- Port Waikato Hall
- Pukekawa Hall
- Puketaha Hall
- Raglan Hall
- Ruawaro Hall
- Tamahere Hall
- Te Akau Hall
- Te Hoe Hall
- Te Kohanga Hall
- Te Kowhai Hall
- Te Mata Hall
- Waikaretu Hall
- Whangarata Hall
- Whitikahu Hall



PRICEWATERHOUSE COOPERS
PHIL FISHER
PO BOX 243
WELLINGTON 6140

IRD Number 052-054-982
Reference L0233782528
Issued 13 February 2018

Dear Sir/Madam

Waikato District Council ("the Council")

I refer to your letter dated 21 December 2017, seeking a non-binding ruling in relation to the timing for the accounting of Goods and Services Tax ("GST") on income derived and expenditure incurred, by Community Halls (the Halls) within the Waikato District which the Council owns.

You requested the Commissioner of Inland Revenue (CIR) to approve the concessionary approach proposed as follows:

1. the Halls' rental income and expenditure for a particular year be estimated based on the previous year's figures. This amount is then averaged over 12 months for its monthly GST filing.
2. a wash-up calculation is undertaken in the 30 June GST return when the final amounts are known. The difference will be shown as credit and debit adjustment.

The Halls concerned are the 31 Halls returned under the following GST accounts:

- 052-054-082
- 068-079-314
- 071-236-919

The CIR approves the method as proposed above. The approval is non-binding on the CIR and does not constitute a bind ruling within the meaning of Part 5A of the Tax Administration Act 1994. The approval is limited to this particular situation and shall not give rise to any precedent to be set for future cases or other GST accounts.

If you have any questions, please feel free to contact me at 04 890 2908.

Yours faithfully,

Sze Sze Fan

Investigator

Waikato District Council MyTax Strategy Proposal

March 2018

**Stephen Thompson**

Finance Operations Team Leader
Waikato District Council
Private Bag 544
Ngaruawahia 3742

MyTax Strategy

Dear Steve

Further to our recent discussion regarding Council's tax governance and tax risk management strategy, we now provide our proposal to apply the MyTax Strategy evaluation tool. The following pages of this proposal provide an overview of this evaluation tool, including an illustration of one aspect of the final output (refer Appendix 3).

MyTax Strategy has been developed from a PwC international initiative, and tailored to reflect the New Zealand market. The structured approach to evaluating the level, and effectiveness of the current tax governance and risk management strategy should provide Council with useful intelligence on whether it has any notable 'holes' in the current plan, and whether the current approach optimises value-for-money.

For the assignment, we will have two members from my public sector tax team. Annabel, who is also champion for the MyTax Strategy approach and was instrumental in tailoring this tool to the New Zealand market, and Josie who has run countless reviews of all aspects of a local authorities tax compliance. The proposed fee, refer page 4, has been downward adjusted and represents a degree of investment from us. This is to reflect our long-standing relationship with Council, and that you Council led the way for the sector when adopting our tax risk governance framework back in 2015.

Once you have considered the enclosed information, please do call us to discuss any residual questions that you may have. Assuming you would like to proceed, we can accommodate this to meet the availability of you and relevant members of Council's team.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Phil Fisher'.

Phil Fisher
Partner

A handwritten signature in blue ink, appearing to read 'Annabel Duncan'.

Annabel Duncan
Senior Manager

What is MyTax Strategy?

MyTax Strategy is PwC's digitally enabled and interactive approach to help organisations determine where their tax capability sits and where they want to be.

The methodology and software enablement helps any organisation either verify or improve their approach to tax risk management. The road map is bespoke for your organisation, industry and size.

Over the course of the discussion we will work through the following areas:

- ✓ **Business and tax environment** – The organisations strategy, controls and awareness;
- ✓ **Business operations** – Status, control and documentation of business processes;
- ✓ **Tax operations** – Process and controls in specific areas including tax accounting, income tax, employee and indirect taxes;
- ✓ **Tax risk management** – Identification, control and communication of tax risk;
- ✓ **Monitoring and testing** – Internal assessment and review of control effectiveness and change management;
- ✓ **Tax assurance** – Internal and external review of the tax control framework.

(See Appendix 1 for details of the MyTax Strategy areas of focus)

MyTax Strategy

Scope and fee estimate

Scope

To be valuable a tax governance framework should be unique; driven by the profile, resources and risk appetite of the organisation.

Understanding these drivers, where the organisation would like to be, and the current state of the organisation is critical to setting an appropriate and achievable framework.

From our extensive experience across the local government, and indeed the wider public sector, we are of the view that Council is one of the more advanced organisations when it comes to managing tax risk, being an early adopter of a comprehensive tax risk governance framework and supporting strategy. Having been formalised and acted upon since late 2015, MyTax Strategy provides a way for Council to now assess the effectiveness of the tax risk management strategy pursued, providing a structured and an effective way to ensure that Council is optimising the return on investment in relation to management of tax risk.

MyTax Strategy entails collaborating with you, over one to two days on-site at Council. During that time, we would hold discussions with various parts of the organisation, including Accounts Payable, Account Receivable, Rates, Payroll, Human Resources and Finance. By drawing on information across the organisation we can use the framework to make an objective assessment of where Councils current tax function effectiveness lies. We overlay these findings with the formal tax governance documents in place and any directives on tax governance from the Audit and Risk Committee to determine what Councils desired state of tax governance is.

Fee Estimate

Our fee estimate for implementing MyTax Strategy for Council is \$11,000 plus GST and disbursements (estimated at \$1,700 plus GST). This includes our time on-site working with you, our assessment of the information gathered and our report back to you.



Suggested approach

Our team will work with you to assess the current and desired state of tax risk management in your organisation.

Where areas for improvement are identified, we will work with you to determine solutions that fit your organisations requirements and resources.



Phase 1



Current state analysis

- Interviews/discussions with tax team;
- Business interviews/ information i.e. AP, AR, HR, legal, internal audit et al.

Phase 2



Desired state analysis

Determine the desired state that is fit for the future through discussions with the finance personnel responsible for tax

Phase 3



Evaluate and report

- Evaluate and report insights
- Discuss gaps identified and potential action plan
- Communicate to stakeholders
- Discuss implementation of recommendations.

Time indication: output to be provided and discussed within a month of the workshop

A more detailed project plan can be found at Appendix 1.

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Appendix 1 - Proposed detailed project timeline



Task	This week	Week 1					Week 2					Week 3					Time commitment	Format/ deliverable	
		M	T	W	T	F	M	T	W	T	F	M	T	W	T	F			
Understanding current and desired level of maturity																			
Project kick-off with Council to reconfirm scope, objectives and agree deliverable																		Agree statement of work	
Planning discussion: <ul style="list-style-type: none"> Agree workshop logistics, agenda and attendees Agree interviewees and content to be covered Agree survey questions Agree communication to be sent out and by who 		▲																Up to 1 hour	
Conduct MyTax Strategy workshop of approximately 1 day split into two sections, including: External stakeholders provide view of the tax function and desired state; Follow up discussions with other team members including project teams, legal, AP, AR etc., as required																		3-4 hours for management (less for some stakeholders) 4-5 hours for person responsible for tax – approximately 30 mins each	Workshop, completed MyTax Strategy data tool
Person responsible for tax provide view of current state and continue in second section for more detailed view on tax operation																		Up to half a day	Discussion, updates/ refinement of collected data
Follow up VC workshop with the person responsible for tax discussing draft summaries.																		Up to half a day	Workshop, proposed strategies to mitigate delta between current and desired states
Provide report including summary findings from workshop and recommendations co-developed with your team.																			Report (refer to appendix 3 for visual summary output)

Appendix 2 - MyTax Strategy tool snapshot

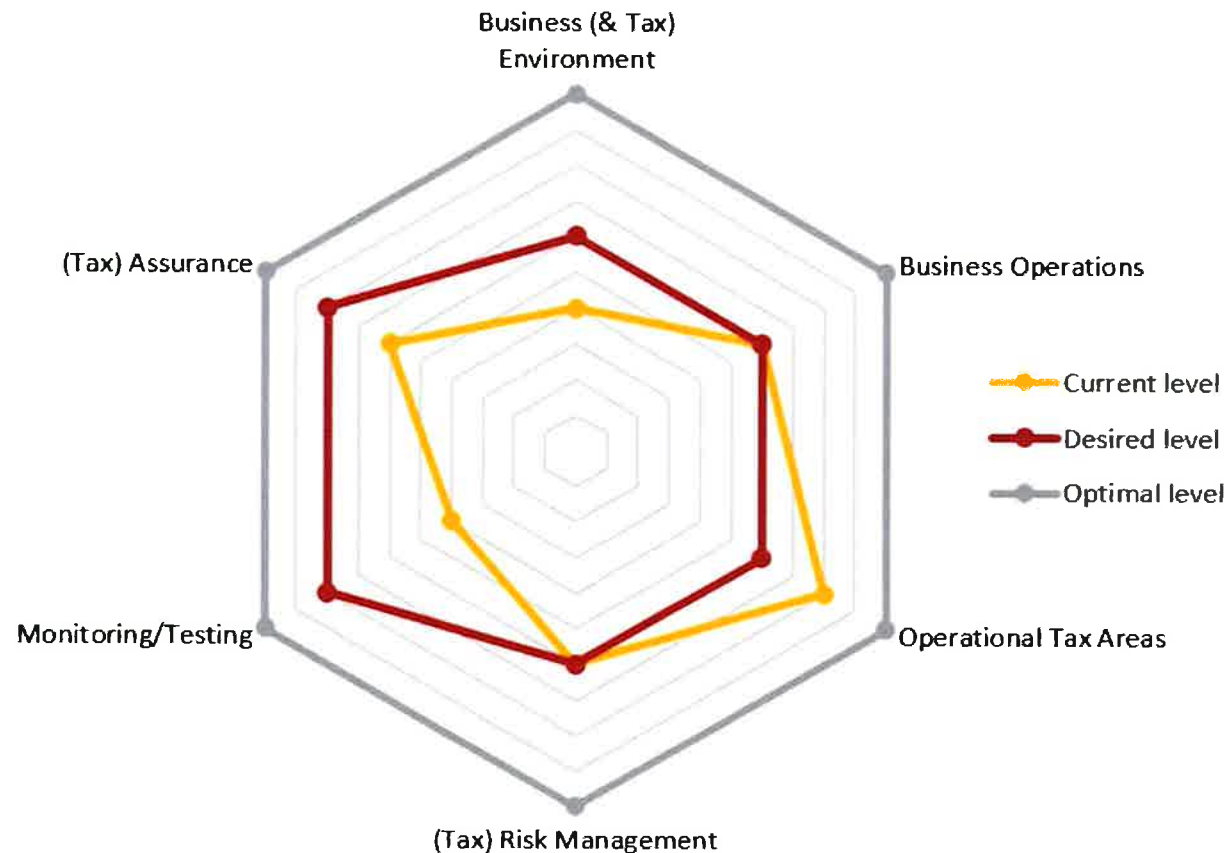
The framework is formulaic reducing bias through subjectivity. The images below provide a sample of the type and style of question being asked.

		Level1 Initial	Level2 Informal	Level3 Standardised	Level4 Managed	Level5 Optimised	
▶	1 Business (& Tax) Environment		Current		Desired		edit
▶	2 Business Operations	Current		Desired			edit
▼	3 Operational Tax Areas		Current		Desired		edit
▼	3.1 General Tax Operations		Current		Desired		edit

3.1 General Tax Operations: 3.1.3 Roles and responsibilities ⓘ
Please select the statements that best reflect your current and desired maturity level

	Initial	Informal	Standardised	Managed	Optimised
3.1.1 Tax planning					
3.1.2 Process and controls					
3.1.3 Roles and responsibilities	It is not clear what the governance is around the tax processes and who does what. Processes are led by the accounting team with minimal tax specialist input.	There is an unwritten division of roles and responsibilities, but the ultimate ownership or responsibility is unclear. Processes are led by the accounting team with some tax specialist input.	Roles and responsibilities are defined and described. Processes are led by the accounting or tax team. The role of the external advisor is clearly defined.	Current The tax/ finance department is responsible for the tax function, with explicit sign off by local controllers and (external) specialists. All local and HQ staff have clear roles and responsibilities. Performance is monitored and the information.	Desired The tax department is responsible for governing all taxes . with explicit sign off by local controllers and finance. All local and HQ staff have clear roles and responsibilities and staff are monitored for performance and employee satisfaction. If necessa

Appendix 3: MyTax Strategy summary



MyTax Strategy gives you a snapshot of how your tax function stacks up against your organisations goals, and market expectation.

APPENDIX F: Wider Tax Developments

Wider tax developments

With the Labour Government now settling into its role we are witnessing a change in direction towards a focus on social change in tax decision making. This will inevitably influence decisions that are made at the local government level and we have already seen changes to various pieces of legislation requiring decision making to take into account the social values. PwC expect this to continue and we are particularly interested in the impact for local government.

Recent tax legislation and/or Inland Revenue practice developments include:

- The effects of the overhaul of the rules for schedular withholding payments that have been in action from 1 April 2017 are that:
 - Contractors that undertake schedular activities have the option of choosing their own withholding rate, and council's should expect to see people electing their own rate going forward (with a minimum of 10% for resident contractors and 15% for non-resident).
 - Contractors that do not undertake a schedular activity can request the withholding tax be deducted by the engaging party.
- Inland Revenue have been particularly interested in overseas payments, such as allowances and reimbursements made to overseas based employees, and whether organisations are taxing these effectively.
- There has previously been some confusion about the tax treatment when employers take out group life insurance policies. The following tax treatment should be applied:
 - The employer is allowed a deduction for premiums paid, these are subject to FBT.
 - Amounts paid out on the policy are not income to the employer or employee (unless they are income under sCA1(2), with a possible exemption under sCW34.
- Historically we have supported organisations issuing a combined tax invoice and credit or debit note in respect of supplies where GST adjustments are upfront. Inland Revenue has raised the question whether this is allowed and have responded in QB18/06 that a registered person may only issue a combined tax invoice and credit or debit note if each relates to a different supply of goods and services, but not if they relate to the same supply.
- Sick leave is becoming more common across local authorities where staff are able to deposit surplus sick leave into a 'bank' for other colleagues in need. The requirements for accounting for sick leave are set out in PBE IPSAS39 Employee Benefits.
 - The consideration for sick leave banking is that employees who use in excess of their yearly entitlement will be more likely to have further sick leave entitlements and therefore likely that the liability that may need to be recognised could be higher.

Other tax developments:

- The Tax Working Group is now established and is working on reviewing a wide range of tax issues. The Group is made up of a diverse group of individuals and we look forward to seeing what recommendations are made. The Group has issued its first discussion document and submissions closed on 30 April 2018. PwC made a submission to the group and is closely monitoring the findings of the group to ensure any topical issues will be communicated to our clients.
- A review of the Commissioner's mileage rates has resulted in an increase in cost for petrol and diesel fuel vehicles in the 2017 income year. Additionally, mileage rates for hybrid and electric cars have now been introduced. Employer's may use the following rates as a reasonable

estimate of costs when reimbursing employees for business related travel using their private vehicles:

Petrol and diesel fuel vehicles – 73 cents per km

Hybrid vehicles – 73 cents per km

Electric vehicles – 81 cents per km

- Inland Revenue released a draft operational statement ED0203 on both the use of kilometre mileage rates for business deductions for income tax paying entities and also the use of mileage rates for reimbursing employees where they are required to use their own vehicle for work related travel. The main proposed change relates to the calculation of reimbursement amounts to take into account the engine size of the vehicle the employee uses leading to a more complicated calculation than currently exists. The draft statement will replace OS 09/01 and submissions closed on 30 April 2018.
- Corrective treatment for lump-sum holiday pay on termination, to ensure this is taxed as extra-pay from 1 April 2016. The correct calculation of holiday pay; this is something all employers need to be mindful of. The commissioner's statement in CS 17/02 provides guidance on how a backdated remedial payment of holiday pay is to be treated for tax purposes.
- Inland Revenue has now issued a public ruling BR Pub17/02 Goods and services tax – traffic enforcement activities by local authorities. Previously PwC worked with the sector to secure this as a private ruling. This move will greatly reduce the costs and administrative for local authorities. In summary the ruling sets out the Commissioner's view that traffic infringement fees (commonly arising from parking offences) retained by local authorities under section 141 of the Land Transport Act 1998 are not subject to GST. However input tax deductions are still available to the extent that goods and services are used in traffic law enforcement services or in making taxable supplies.
- A clarification on FBT in relation to licenced car-parks, allowing these to fall within the 'on-premises' exemption where Council has 'substantially exclusive use' of the car park.
- Interpretation Statement 17/07 was released on 29 August 2017 providing increased certainty in understanding FBT obligations for motor vehicles.
- Interpretation statement 17/08 Compulsory zero-rating of land rules (general application) was released. The Interpretation Statement provides a general overview of the compulsory zero-rating of land (CZR) rules, including practical examples of how the CZR rules work and a flowchart at the end. The statement's focus is on helping vendors and purchasers get it right from the start, before a transaction including land settles.
- Recent changes to the interest rates applicable to use of money interest applying to under-paid and over-paid tax, including a reduction in interest:
 - Charged from 8.27% to 8.22% from 8 May 2017.
 - Paid from 1.62% to 1.02% from 8 May 2017

Case Law update

We provide below a summary of several tax cases over the year that have relevance or interest to the sector.

Queenstown Airport v CIR – Court of Appeal

Subject: Depreciation

All airport runways in New Zealand are required to have Runway End Safety Areas (RESAs) to act as a safety area in case of an early landing or late take-off.

Due to Queenstown Airport's (QA) runway having a steep drop off immediately at one end of its runway, it spent around \$8.7m constructing a RESA. QA later sought to deduct depreciation on this structure. The Commissioner did not allow these deductions as RESAs did not form part of the depreciable land improvements list in Schedule 13 of the Act.

The decision

The Court of Appeal upheld the High Court's decision and found in favour of the Commissioner. The Court did not accept QA's contention that the RESA was an integral part of the depreciable runway, drawing the distinction that runway surfaces needed to be replaced every 5-10 years at a cost of \$10 million, whereas the RESAs expected life was 120 years and only required \$19,000 of maintenance yearly.

QA's argument that the construction of the RESA was an 'improvement' to the existing depreciable runway was also not accepted. The Court also held a key fact was that the RESA was not available for use by aircraft other than for use of safety reasons in an emergency.

Thus, QA was denied a deduction for depreciation of the RESA.

While the particular asset that is in question here is relatively unique, the Court of Appeal in its analysis provides a good summary and guidance on how the depreciation regime apply. Specifically, the following points were made in relation to section EE 6(1):

- The reference to normal circumstances refers to circumstances that might ordinarily be expected to affect the value of the relevant asset over time. Abnormal circumstances, of which an earthquake might be one, are excluded from consideration.
- The assessment is ordinarily made at the time the relevant deduction is sought. Necessarily, this will involve a prediction of future events.
- The test is objective in the sense that it would not be sufficient for a taxpayer to believe that the asset might deteriorate over time and therefore decline in value. There must be a reasonable basis for that expectation.
- The expression "might reasonably be expected to decline in value" sets a relatively low threshold. So long as there is a reasonable prospect that the asset might decline in value in the future, that is sufficient.

It is not necessary that the asset is actually used, only that it is available for use.

Full citation: Queenstown Airport Corporation Limited v CIR [2047] NZCA 20

Y&P NZ Limited v Wang – Court of Appeal

Subject: Compulsory zero-rating on sale of land for GST purposes.

Y&P NZ Limited entered into agreement to sell four properties to the Mr Wang and Ms Zhang for "\$2.34m + GST (if any)". At the time of entry into the agreement, the purchasers were not GST registered and thus 15% would be due in addition to the sale price. A day before settlement

the purchasers became GST registered, and called the vendor's lawyer to inform them of this fact. The vendor's lawyer then proceeded to provide amended settlement statements zero-rating the transactions and requested the purchasers GST numbers.

On the day of settlement, the vendor argued that zero-rating did not apply as a clause in the contract required all changes to be made at least two days prior to settlement in writing, which was not provided by the purchasers.

The purchasers however argued that there had been a waiver of the two-day notice in writing provision when the vendors provided the amended settlement statements with zero-rated GST, together with a request for the GST numbers.

Due to the disagreement of the GST treatment, the sale was not completed. The vendors gave notice to cancel the agreements while the purchasers were seeking specific performance. The purchasers were also successful in obtaining caveats to protect their positions.

The decision

The Court of Appeal held that the amended settlement statements, together with the request for GST numbers acted as a waiver of the contractual requirement for written notice at least two days before settlement.

However, the Court commented that vendors are not able to contract out of the written notice requirement under section 78F of the Goods and Services Tax Act 1985 (GSTA) for compulsory zero-rating to apply. This is on the basis that the provision is for the protection of New Zealand's tax base and not for the benefit of the vendor.

The Court further noted that the requirements of compulsory zero-rating under section 11(1)(mb) of the GSTA is to be tested at the date of settlement and the legislative requirement is that written notice can be given by or on settlement. The Court's view was that the purchasers would have been able to meet the statutory requirement to provide written notice of their GST status if they had been given the opportunity to do so.

Ultimately, the Court held that the sale of properties should be zero-rated and the appeal was denied. The caveats remained.

Full citation: Y&P NZ Limited v Wang [2017] NZCA 280

YL NZ Investment Ltd v Ling – High Court

Subject: GST registration

Ling sold a property to YL NZ Investment Ltd (YL NZ) for \$3.5m inclusive of GST under an agreement dated 21 December 2015. The parties used the agreement for sale and purchaser of real estate approved by the Real Estate Institute of New Zealand and the Auckland District Law Society, ninth edition 2012(2) (the ADLS Agreement). Clause 14 of the agreement dealt with zero-rating. YL NZ was GST registered. However, Ling gave a warranty under clause 14.1 of the sale and purchase agreement that she was not GST registered.

Subsequent to settlement, Inland Revenue turned down YL NZ's claim for a second-hand input tax credit on the basis that Ling was liable to be registered for GST at the time of settlement, even though she was not actually GST registered at the time. In September 2016, IR registered Ling for GST with effect from May 2015. Due to this retrospective effect, the agreement was zero-rated and as a result YL NZ could not obtain their input tax refund – worth around \$366,000. YL NZ took Ling to Court alleging breach of warranty.

The decision

The Court held that although Ling was not GST registered, she was clearly carrying out a taxable activity in the purchase and re-sale of the property, and thus was liable to be forcibly registered by Inland Revenue.

As the ADLS agreement used by the parties had used terminology from the GSTA, the Court held that the word 'registration' in the agreement would also include vendors who were liable to be registered (as per the definition of

'registered person' in the GSTA). Where the ADLS agreement asks for confirmation of the vendor's GST status, the question not only asks whether the vendor is actually GST registered but also extends to whether the vendor is liable to be registered for GST.

On this basis, Ling was held to have breached the warranty in clause 14.1, and therefore was ordered to pay YL NZ the \$366,000 plus interest.

Full citation: YL NZ Investment Limited v Ling [2017] NZHC 1793

Open Meeting

To	Audit & Risk Committee
From	Tony Whittaker General Manager Strategy & Support
Date	05 June 2018
Chief Executive Approved	Y
Reference #	GOV1318 / 1971909
Report Title	MyTax Strategy Review

I. EXECUTIVE SUMMARY

Attached is a draft report from PwC on Waikato District Council's ("Council's") tax maturity. The model is based on an internationally recognised risk management framework and PwC's experience advising local authorities and other organisations on effective tax management.

The report, which has been prepared after discussion with Council staff, provides a summary of the key tax control themes within Council. It also prioritises recommendations for enhancing Council's tax management based on PwC's experience and knowledge of Council and that of other local authorities across New Zealand.

The principle themes that have emerged are:

- Council has a mature approach to risk management in general which is reflected in the proactive approach to tax risk management.
- The use of Promapp supports Council's risk management framework, albeit not all tax processes have yet been mapped adequately.
- PwC is complimentary of Council's approach to tax governance but acknowledges the ongoing challenge to maintain this level of risk management when there are a myriad of competing business imperatives.
- Council is exposed to key person risk with the departure of the Finance Operations Team Leader who has managed the framework over the past few years.
- Tax must continue to be considered in business operations given the material amount of GST, PAYE and FBT commitments Council has.

It is recommended that this assessment be used to inform a roadmap for further enhancement of Council's tax function and that the Audit & Risk Committee revisit this model in three to four years' time.

2. RECOMMENDATION

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

ATTACHMENTS

Draft PwC MyTax Strategy Tax Management Maturity Model May 2018

pwc.co.nz

MyTax Strategy *Tax Management Maturity Model* Waikato District Council

May 2018

Draft for discussion
purposes only

Steve Thompson
Finance Operations Team Leader
Waikato District Council
Private Bag 544
Ngaruawahia 3742

1 June 2018

MyTax Strategy – Tax Function Maturity Model

Dear Steve

We report on Waikato District Council's (Council) tax function maturity as assessed recently using our MyTax Strategy model.

This report has been prepared for the purpose of providing an overview for stakeholders of the outcomes of applying the model and should not be relied upon for any other purpose.

This is a draft report. The comments in this draft report are subject to amendment or withdrawal. Our definitive findings and conclusions will be those set out in the final report.

This report is strictly confidential. Unless described in the contract or as expressly agreed by us in writing, we accept no liability (including for negligence) to anyone else in connection with this report and it may not be provided to anyone else.

Yours sincerely

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Six Elements of tax control framework	6
Maturity level scale descriptions	7
Results visual	8
Results further information	9 - 11

MyTax Strategy Model Overview

MyTax Strategy is PwC's Tax Management Maturity Model. It is based on the internationally recognised COSO (Committee of Sponsoring Organisations) risk management framework and our experience advising local authorities and other organisations on effective tax management. By completing the model you will have covered the following aspects of Waikato District Council's tax control framework:

- **Control environment** - governance, strategy, people and culture, including roles and responsibilities
- **Risk identification** – the ability to identify risks which require mitigation to achieve your tax/business strategy
- **Control activities** – which manage tax risk and opportunity, hopefully efficiently as well as effectively
- **Information and communication strategy** – interaction between departments/business units
- **Monitoring of controls** – identifying new risks and the need to modify controls to manage risk or opportunity

MyTax Strategy delivers a common communication platform on tax controls for both internal and external stakeholders and allows your organisation to understand and analyse the tax control framework and current level of tax risk and opportunity management within your tax function.

Our report, which has been prepared following completion of the model with Council staff, provides you with a summary of the key tax control themes within your business. It also prioritises our recommendations for enhancing your tax management based on our experience and knowledge of your organisation and that of other local authorities across New Zealand.

It should be noted that the statements in this report are based on the observations made during discussions with selected key personnel of Waikato District Council during completion of the model. Independent verification of the information provided was not in scope in this phase of the project, however sufficient evidence has been obtained to outline statements and conclusions.

We would like to take this opportunity to thank you for your assistance with completing this model.

MyTax Strategy

Summary of Findings

This report summarises the core findings resulting from working through the MyTax Strategy model with various Council staff. The model is designed to objectively assess Council's current state of tax function maturity and compare this to its desired state. The desired state is attained from our discussion with senior finance staff and our review of Council's Tax Governance Framework and other Risk Management documents.

The outcome is a simplified graph that illustrates these two states, highlighting areas where Council is meeting its desired state and also areas where there is work still to be done.

The findings contained within this report were discussed with the Finance Operations Team Leader at our exit meeting on 23 May 2018. In summary, the principal themes that emerged were:

- Council has a mature approach to risk management in general and has taken a proactive approach to tax risk management in particular. This is consistent with Council leadership's approach to risk.
- Council's overall Risk Management Framework is supported by the use of ProMap which has mapped a majority of significant processes undertaken by Council and ensures that each process is revisited regularly to evaluate whether accuracy and efficiencies are being optimised and that risk is being actively managed in all parts of the business. However, not all tax processes have been mapped adequately.
- We commend Council on the strong results in tax risk management emanating from the results of applying the model. This is a direct result of the proactive work that Council has been doing in relation to tax. This includes adopting a Tax Governance Framework and Strategy, along with undertaking rolling evaluations of a different tax type each year. Council also actively seeks external advice as and when required. The ongoing challenge for Council is maintaining this level of risk management, particularly when there are a myriad of competing business imperatives.
- Council is exposed to a key person risk. With the imminent departure of the Finance Operations Team Leader who had has the day-to-day responsibility for tax for the last few years, Council has the opportunity to consider how it will manage and monitor its tax risk going forward.
- Tax being considered in business operations provided the biggest delta between current state and desired state. As Council is largely exempt from income tax this can easily be understood. However, there is significant potential risk to Council if considering structuring from an income tax perspective if tax has not been considered. Additionally, Council is responsible for a material amount of GST, PAYE and FBT collectively and each of these areas needs to be managed; again significant risk can arise where business decisions are made without contemplating the tax implications.

The outcomes of this report can be used as a road map for the further enhancement of Council's tax function. We recommend that the audit and risk committee revisit this model in 3-4 years time to gauge Council's progress. This could be incorporated into either the internal audit Risk Management plan or the overarching Risk Management Strategy for Council to ensure that the true value of the model can be leveraged.

MyTax Strategy

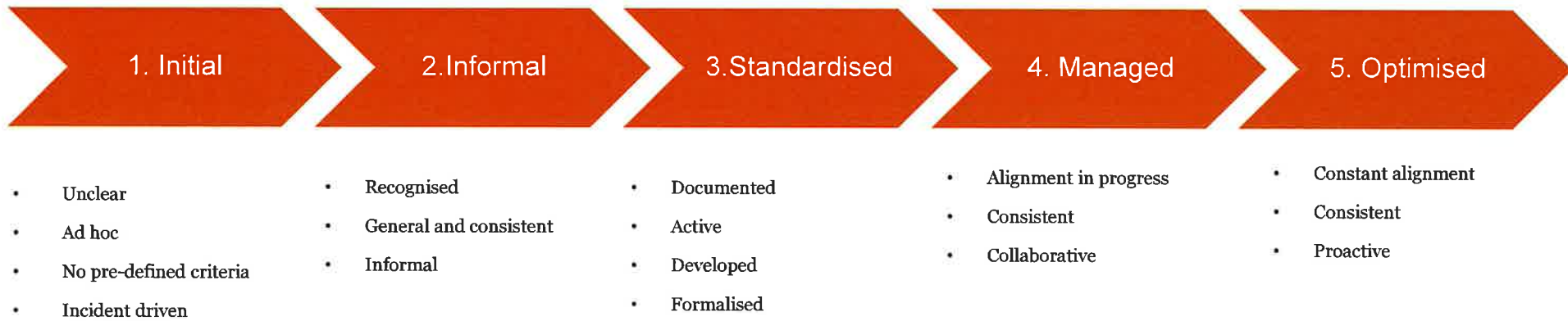
Six Elements of Tax Control Framework

In completing MyTax Strategy Waikato District Council has covered the six elements of the tax control framework per the internationally recognised Committee of Sponsoring Organisations (COSO).

- **Business (& Tax) Environment** is the foundation building block clarifying what is important for your organisation. Attention is especially paid to business and tax strategy and the 'soft' side of internal control.
- **Business Operations** focuses on business processes including use of IT, which is crucial, because without an overview of the actual operations, tax cannot be properly addressed.
- **Tax Operations** contains detailed control activities relating to tax compliance. It contains over half of the areas of tax management included within MyTax Strategy and covers Income Tax (where relevant), GST and Employment taxes.
- **Tax Risk Management** considers the identification of tax risk, and how your organisation manages, monitors and communicates these risks to both internal and external stakeholders.
- **Monitoring & Testing** looks at the internal monitoring and controls.
- **Tax Assurance** external monitoring and testing of your tax controls respectively.

MyTaxStrategy uses five maturity levels to assess your current and desired state, i.e. your ambition level of maturity, across each area of tax management . We challenge and guide your ambition level and this in turn shapes our recommendations and your action plan for improvement. See below for a definition of each level of maturity.

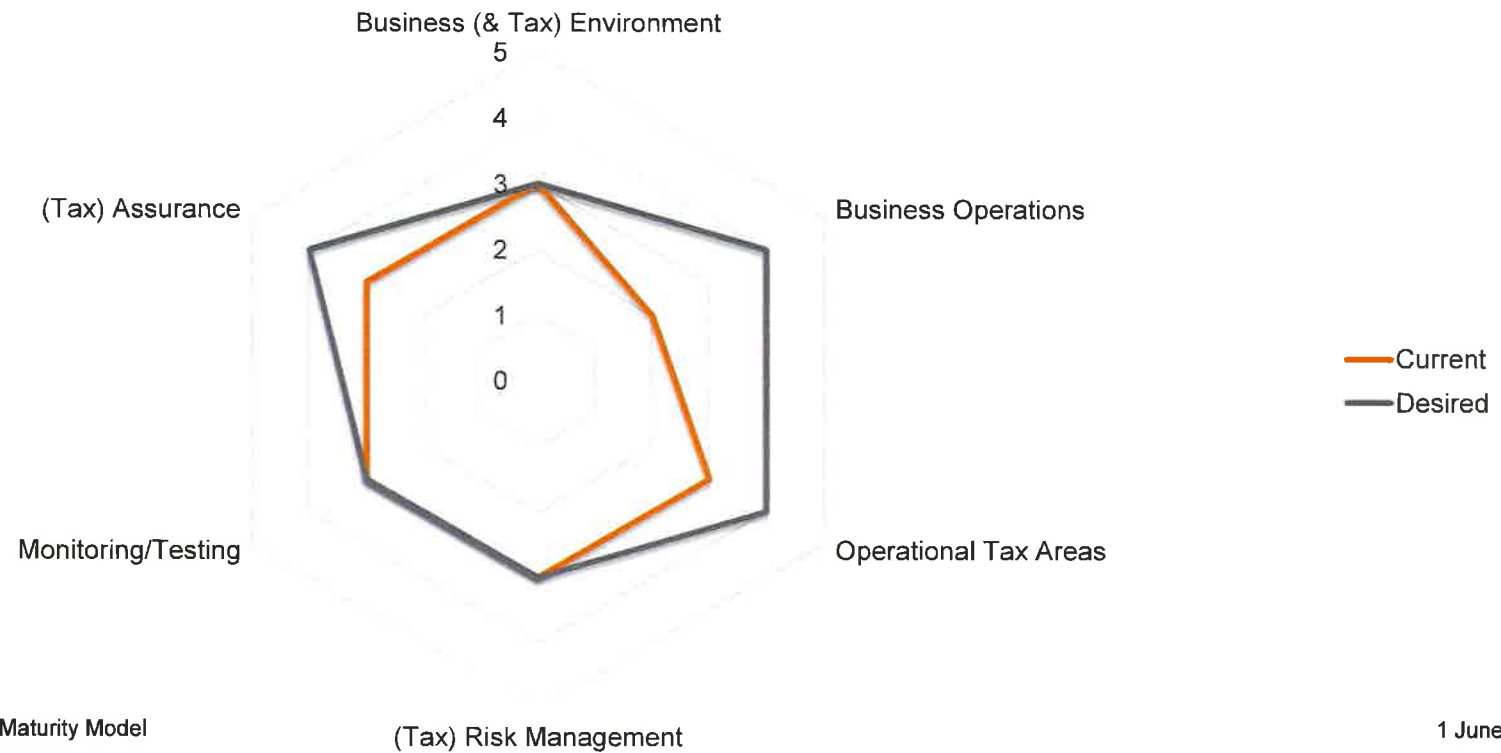
MyTax Strategy Maturity scale overview



MyTax Strategy - Results

The outcomes of the MyTax Strategy process are illustrated in the graphic below. The five phases of tax maturity range from 1 being initial, through to 5 being optimised. Further description on each of these levels and the six aspects reviewed can be found in the additional information section of this report.

The current state of tax maturity is highlighted in the orange line. The desired state is shown in the grey line. As can be seen below, Council's current state and desired state are aligned in terms of Business (& Tax) Environment, Tax Risk Management and Monitoring and Testing. This reflects Council's strong emphasis and systematic follow up on risk management in general, and specifically on tax risk management. For an organisation with Council's profile these findings are appropriate and while no additional tasks are required in this area, the challenge for Council will be to ensure it continues this strong performance.



MyTax Strategy

Summary of findings

	Initial	Informal	Standardised	Managed	Optimised	Assessment	Recommendation
1. Business (& Tax) Environment			Current			<p>Council has a clearly communicated vision to create a “liveable, thriving and connected community”. We understand that Council leadership has communicated that this will be achieved by actively embedding risk management throughout the organisation to reduce undue exposure to risk. Operations in all areas of Council are aligned to this vision however there are no KPIs set against the vision at this time.</p>	<p>No further action is required. However, we recommend Council considers establishing KPIs.</p>
			Desired				
2. Business Operations		Current		Desired		<p>This area covers how tax is incorporated into: documented processes and controls, IT strategy, Tax reporting and organisation transformation. The reason for the significant delta between current state and desired state is a result of Council setting a high bar for itself on documented processes and procedures. Not all tax processes are incorporated into the Pro-map process review format yet. There was also little or no evidence of consideration of tax when considering IT strategy and organisational transformation.</p>	<p>Recommend that Council ensures that all processes and procedures that have a tax element are documented and mapped. This is particularly important in relation to organisational transformation.</p>

MyTax Strategy Summary of findings

	Initial	Informal	Standardised	Managed	Optimised	Assessment	Recommendation
3. Operational Tax Areas			Current	Desired		<p>Tax operational processes and controls overall were sound.</p> <p>Improvement could be gained in automation and exception reporting if Council desired. However, current practices are appropriate for an organisation of this size and type.</p> <p>The gap between current state and desired state is largely due to the high standard Council sets for itself.</p>	<p>We recommend that Council explore automation and exception reporting options to determine whether further alignment with the characteristics of the managed maturity level can be achieved.</p>
4. (Tax) Risk Management			Current			<p>Council's current state is aligned to its desired state for Tax Risk Management.</p> <p>This is a direct result of a committed programme of tax risk management including rolling reviews, subscribing to online tax policies and seeking tax advice when required.</p>	<p>We recommend Council consider how it will continue to maintain this high standard. We also recommend including a scheduling a revisit to this model in 3-4 years time to benchmark its results as part of Council's overall risk management strategy.</p>

MyTax Strategy Summary of findings

	Initial	Informal	Standardised	Managed	Optimised	Assessment	Recommendation
5. Monitoring/Testing			Current			<p>Council's current state is aligned to its desired state for Monitoring/Testing. However, there is evidence of reliance on a key person in relation to monitoring tax risk.</p> <p>With the imminent departure of this key person Council will need to consider how it will identify and manage tax risk prospectively.</p>	<p>Council review its requirements in this area and consider how it will manage tax risk in future.</p>
6. (Tax) Assurance			Current	Desired		<p>While Council has actively ensured that rolling reviews occurred, the outcomes of these reviews and other tax matters historically have not been included on the Audit and Risk Committees issue log. Annual updates as outlined in the Tax Governance Framework have not been reported to the Audit and Risk Committee until recently.</p>	<p>We recommend that the Tax Governance Framework and Tax Strategy are front of mind for the Audit and Risk Committee. This should ensure annual reviews are completed and reported back.</p> <p>We also recommend that the issues identified in the rolling reviews of indirect tax types are logged on the register and follow up actions are reported back.</p> <p>Further we recommend that the MyTax Strategy model is revisited after 3-4 years to monitor Council's tax function.</p>

Open Meeting

To	Audit & Risk Committee
From	Tony Whittaker General Manager Strategy & Support
Date	24 May 2018
Prepared by	Kurt Abbot Organisational Planning & Project Support Manager
Chief Executive Approved	Y
Reference #	GOV1318 / 1960406
Report Title	Final Risk Appetite Statement

1. EXECUTIVE SUMMARY

The Final Risk Appetite Statement now includes the amendment to reflect the Audit & Risk Committee's requirement to remove ambiguity from the risk appetite dials. The Zero Harm and Fraud dials have been amended to confirm that Council has zero appetite against these two risks.

2. RECOMMENDATION

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

3. ATTACHMENTS

Risk Appetite Statement

Waikato District Council

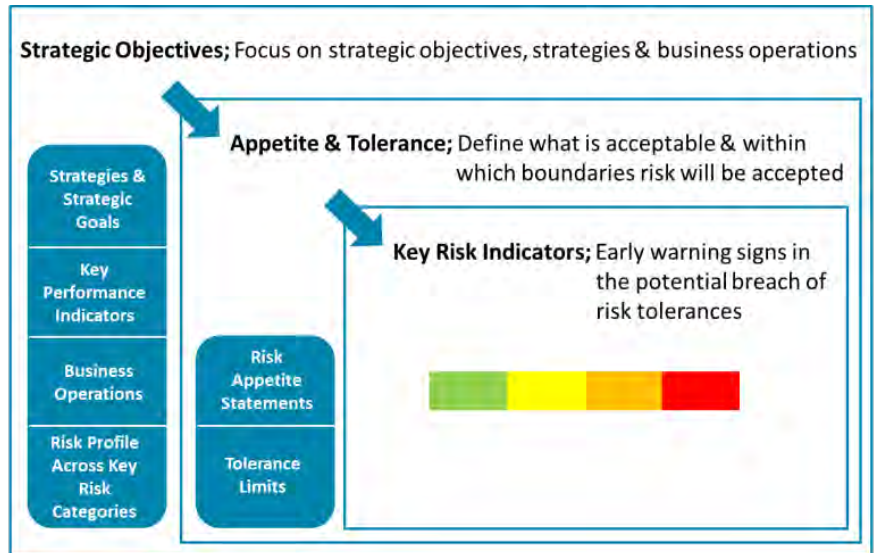
Risk Appetite Statement



Katja Jenkins
10/3/2017

Risk appetite is the conscious decision about which risks, and how much of each, the organisation is willing to take on. Councils risk appetite reflects our business model, our risk capacity, our internal risk management capabilities and our culture. Our appetite for risk is influenced by a number of factors including (but not limited to) the business environment, our people, our community needs and wants, our business systems and our policies. Having a clearly defined risk appetite gives clarity to the wider organisation about the nature and degree of risks that can be taken with our strategic, operational and project work.

Defining risk appetite is intimately linked to defining the overall strategy of an organisation and is therefore a task for the Executive Leadership Team and Council through the Audit & Risk Committee.



Benefits of Communicating Organisational Risk Appetite



Defining and articulating risk appetite has a positive influence on our culture and behaviour. It gives our people an improved understanding of what risk management means to their roles and helps them to apply effective risk management practices.

Risk appetite is a key component of effectively communicating risk expectations and ensuring a common approach across the three identified 'lines of defence';

- those managing risk
- those setting and overseeing the risk management practices, and,
- risk assurance providers

Discrepancies between the Councils agreed risk appetite and residual risk levels determine whether more controls are required to appropriately manage a risk or whether there is space for more opportunity to be sought.

Waikato District Councils Risk Appetite Statement

Waikato District Council aspires to be a recognised leader in creating a district that prides itself on economic excellence, local participation and sustainable communities. Council's activities are funded by district rates payments and through other funding sources and initiatives.

The organisations strategic direction can be summarised as:

Community Outcomes

- Sustaining Our Environment

Waikato District is a community that believes in environmental sustainability; Council will pursue and promote related ideas and manage regulatory process to safeguard and improve the district.

- Providing value for money

Residents/Ratepayers get value for money because Council finds innovative ways to deliver strategic, timely and fit for purpose infrastructure and services at the most effective cost.

- Supporting Our communities

Council considers the well-being of all the people in the district during the planning and delivery of Council activities. As such, Council will support and plan for the development of complete and connected communities.

- Building Our Economy

Council aims to attract diverse enterprise/business; creating jobs and opportunities for the districts communities, and, to continue to support existing industry. Support will be provided to others who leverage our location to ensure tourism brings benefits to a range of people in the districts communities.

- Working Together

Council will work with communities to collectively focus on the right things at the right time.

Corporate Outcomes

- One highly engaged team

In the midst of a diverse and rapidly changing community the organisation operates as one team working together across projects and disciplines; supporting, challenging and inspiring each other. Together, the Executive, Management and Staff can achieve more for the community and are proud of everyone's contribution to making Waikato District Council a great place to work.

- Partnering in a proud and thriving economy

Waikato district is home for young and old, from tangata whenua to those just arrived, the district fosters pride of place for generations. Our people excel and our elders are connected. Business, both urban and rural, is thriving and quality jobs are plentiful. Council co-design decisions with the community and is actively interested in the future. The district is excited and proud of the future we are building.

- Effortless customer experiences

Engage. Educate. Enforce. From the simplest interactions to working together in complex situations Council empowers customers with knowledge, value their time and enforces regulation with consistency and transparency. Council's interactions ensure that customers understand that they are our focus.

Council is driven by the corporate and community objectives and recognises that the body of work to achieve these objectives is comprehensive. Internally there is a significant change focus driven by the strategies to deliver on the commitments that have been made. To facilitate achievement of Council's objectives the organisations internal focus is based on effective planning, successful community engagement and on making the right decisions to ensure Council is 'doing the right thing' to meet the community's needs.

Council is willing to take well defined risks at a low to moderate level where it will result in the achievement of strategic objectives; such aspects include projects, strategic, and operational areas. Council understands that the successful achievement of its objectives is significantly supported by its perceived reputation with its customers. Accordingly, Council is not willing to accept risks that would adversely impact its reputation.




Where the organisation is determined to adopt strategies, initiatives or actions that could exceed the stated risk appetite, the Executive Leadership Team and Council, through its Audit & Risk Committee, would expect to be fully consulted prior to those activities commencing.

The risk appetite statements in this document are for Council itself and any partners, contractors or participating associates. Further detail on individual material areas of risk are set out subsequently in this document.





Waikato District Council - Risk Appetite Statement



Risk Appetite and Statement

RISK	RISK APPETITE	RISK APPETITE STATEMENTS	POTENTIAL KEY RISK INDICATOR
CUSTOMER: Strategic	Moderate 	Council has a moderate risk appetite for strategic risk. The organisation seeks opportunities to enhance the value it delivers to its customers. Lack of action in the strategic forum can impact Councils ability to remain relevant to its customers, specifically in time of increased growth. Therefore, Council is willing to take a moderate amount of risk in achieving objectives through key strategic investment such as digital transformation, economic development, and innovation (within constraints of policy).	<ul style="list-style-type: none"> • Delays in launch/progressing key strategic initiatives
CUSTOMER: Reputation/ Image	Low 	Council has a low risk appetite for risks that may adversely impact the organisations reputation, image and branding. Being a public sector the risk appetite is driven by Council and the Executives desire to make our communities feel trust in Council and for our customers to understand that we have their best interests at heart. We want our customers to view us as experts whose purpose is to provide for them. For this reason, Council and the Executive prefer to make decisions on items that may impact reputation or community relationships.	<ul style="list-style-type: none"> • Media response • Complaints/Compliments
CUSTOMER: Environmental	Low 	Council has a low risk appetite for environmental risk and potential of challenge. Council is a community that believes in environmental sustainability and is willing to pursue and promote environmental initiatives to improve the district such as the 'Zero Waste' target introduced in 2016. Councils planning controls, for buildings, transport, infrastructure and recreation, along with service provision, assist in protecting cultural heritage and the natural and physical environment and monitoring activities to ensure compliance with legislation.	<ul style="list-style-type: none"> • Challenge of decisions • Maintaining monitoring programme


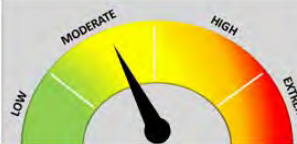
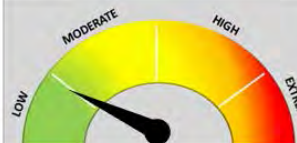
Waikato District Council - Risk Appetite Statement

<p>FINANCE: Finance</p>	<p>Moderate</p> 	<p>Council has a moderate risk appetite for financial risk. With consideration to financial risks related to the financial management of WDC and the ability to fund Council activities and operations now, and into the future Council aims for a change of approach to be more proactive rather than reactive (we need to spend to achieve; not because poor process has resulted in overspend, but because it is the right way to do things and we are getting value for that money). Council is willing to accept greater financial investment as a way of delivering better outcomes and making hard decisions around finances for the future (we need technically based conversations).</p>	<ul style="list-style-type: none"> • Variance to budget <ul style="list-style-type: none"> ○ Opex ○ Capex
<p>INTERNAL PROCESS: Operational</p>	<p>Moderate</p> 	<p>Council has a moderate risk appetite for operational risk. Continuity of services and availability of accurate and timely information to Council and the Executive is considered a key approach. Poor operational risk management can damage Council's reputation and cause financial loss.</p> <p>Through our operations we do have some tolerance for risk to ensure that we are delivering services efficiently to our customers and, both currently and in the future, allowing opportunity for innovation. Our diverse environment necessitates some operational risk such as those associated with geotechnical and specific asset management. Councils approach to operational risk is that we need to be 'good enough' to ensure continuity of essential services with consideration to value for money and likely future growth.</p>	<ul style="list-style-type: none"> • Business continuity/IMT • Operational KPIs (number required through BU/GM reports)



Waikato District Council - Risk Appetite Statement

<p>INTERNAL PROCESS: Projects</p>	<p>Moderate</p> 	<p>Council has a moderate risk appetite for project risk. The diverse nature of the organisation requires it to undertake big projects to continue to effectively deliver services to the community. In the interest of achieving our long term objectives and with consideration to the growth in our district it may be necessary to take some project risks to enable us to develop our district and grow the economy. We want to move away from concentrating on the time and cost of projects and instead focus on delivering the right solutions. Consideration therefore on the degree of project risk that may be taken should be given in light of potential reputational damage and loss of customer trust and confidence.</p>	<ul style="list-style-type: none"> • Number of failures of benefits realised through key projects • Project KPI's (RAG reports)
<p>INTERNAL PROCESS: Compliance</p>	<p>Low – Moderate</p> 	<p>Council has a low to moderate risk appetite for non-compliance with regulation and internal policy. As a local government body Council is subject to regulatory changes. The risk appetite is driven by Council and the Executive having a strong desire to be compliant with regulatory requirements to ensure that customers, staff and Council are appropriately protected from exposure to liability. Council takes the approach of 'Engage; Educate; Enforce'.</p> <p>Subsets of the risk appetite can be defined as follows:</p> <ul style="list-style-type: none"> • H&S – Low • Legislation – Low • Corporate – Low • By-laws – Moderate • Consenting – Moderate/Low 	<ul style="list-style-type: none"> • Number of non-compliances identified through the compliance programme • Instance of non-compliance raised by a regulatory body • New/Changed legislation • Training or other KPIs

Waikato District Council - Risk Appetite Statement

<p>INTERNAL PROCESS: Fraud</p>	<p>Low</p> 	<p>Council has a low risk appetite for internal or external fraud. As a tax payer funded organisation, even a minor fraud incident or suspected fraud will result in the loss of customer trust and confidence. The biggest risk of internal fraud is through the delegation and procurement process.</p>	<ul style="list-style-type: none"> ● Identified incident of fraud by Councillor, Executive, Staff or Partner ● Number of control breakdowns identified through audit and compliance programme ● Lead Indicator – Whistleblowing events
<p>INTERNAL PROCESS: Growth</p>	<p>Moderate</p> 	<p>Council has a moderate risk appetite for risk associated with growth as we want to support any growth or economic activity. Growth rate in the Waikato district is expected to surpass Hamilton and match Auckland's over the next 26 years. Providing affordable housing, essential services and social infrastructure for the increasing population has a number of challenges including added pressure on Council staff to manage increasing workloads that deliver planning and consenting requirements. In order for Council to facilitate development they are willing to look at new and innovative ways of providing services. Exploring beneficial partnerships, providing incentive for local businesses and supporting and promoting social initiatives such as place making and environmental programmes all contribute.</p>	<ul style="list-style-type: none"> ● Meeting NPS requirements ● Developer survey ● Economic development net promoter score
<p>ENABLERS: Cyber Security & IT Dependence</p>	<p>Low – Moderate</p> 	<p>Council has a low to moderate risk appetite for cyber security breach. Due to growing dependency on technology and increasing threat of attacks, the organisation believes that ongoing attention is required to manage IT-related risks. Despite this, with a future view, Council still wants to actively look for opportunities to use technology to improve customer services. It is likely however that a major cyber security breach or exposure will adversely impact customer trust and confidence. Additionally, Councils increased reliance on technology requires the business to maintain confidence in the technical capability of existing equipment, tools, software, hardware and technical performance</p>	<ul style="list-style-type: none"> ● Number of security incidents caused by malicious software ● Number of audit findings where recommendations have been accepted but not remediated/ have become over-due

Waikato District Council - Risk Appetite Statement

<p>ENABLERS: Zero Harm</p>	<p>Low</p> 	<p>from a business continuity perspective.</p> <p>Council has a low risk appetite for zero harm risk. Employee wellbeing is a top priority. Council works hard to uphold safe practices and is committed to invest to review and improve safety practices and performance.</p> <p>We aspire to be better than good enough.</p>	<p>Lead Indicators</p> <ul style="list-style-type: none"> • Number of Safety Engagement Conversations • Number of hazards identified • Number of overdue corrective actions • Number of near miss reports <p>Lag Indicators</p> <ul style="list-style-type: none"> • Number of personal injury and property damage reports • Total Recordable Injury Frequency Rate (TRIFR)
<p>ENABLERS: People & Culture</p>	<p>Low</p> 	<p>Council has a low risk appetite people and culture risks. These include risk relating to attracting and retaining key staff and risk associated with the culture and conduct of staff, including our partnerships.</p> <p>Council recognises that human capital (with consideration to people's knowledge, skills, attitude and behaviours) is a critical asset and key to achieving the organisations long term objectives.</p> <p>Our current environment demonstrates that there is significant competition for talent and a nationwide resource deficiency in many of the business areas that provide essential services for our customers. This shortage however will not see the organisation compromising on its commitments to the values that ensure a complaint, healthy, and productive workplace culture. Council is willing to invest in attracting, developing and retaining talent with the right skill sets and competencies, and will maintain a robust succession plan for key positions to ensure leadership continuity.</p>	<ul style="list-style-type: none"> • Staff turn-over • Decline in staff engagement survey • Number of internal complaints and investigations • Whistleblowing • Bullying

Open Meeting

To	Audit & Risk Committee
From	Tony Whittaker General Manager Strategy & Support
Date	01 June 2018
Prepared by	Alison Diaz Finance Manager
Chief Executive Approved	Y
Reference #	GOV1318 / 1971447
Report Title	Fraud Prevention Policy Review

I. EXECUTIVE SUMMARY

Council's Fraud Prevention Policy is required to be reviewed by the end of June 2018.

Staff have checked the current policy for any inaccuracies or changes in best practice and are comfortable that the policy is still appropriate. The broader Anti-fraud and Corruption Framework will be used to report any policy breaches and related details as they arise.

The Audit & Risk Committee is being asked to review the attached policy and either support with no changes or request adjustments ahead of the Policy & Regulatory Committee June meeting.

2. RECOMMENDATION

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

AND THAT the **Audit & Risk Committee** recommend the **Fraud Prevention Policy** be referred to the **Policy & Regulatory Committee** without change / subject to the following changes

3. ATTACHMENTS

Fraud Prevention Policy

Fraud Prevention Policy

Policy Owner:	Chief Executive
Policy Sponsor:	General Manager Strategy and Support
Approved By:	Policy & Regulatory Committee
Approval Date:	13 July 2015
Resolution Number:	WDC 1507/16/1/10
Next Review Date:	June 2018

Purpose

To address the risk of fraud and describe the actions the Council will take when any suspected fraud is reported or discovered.

Fraud prevention is about ensuring the overall integrity and performance of the Council.

Objectives

The specific objectives of this policy are to:

- ensure that the assets and reputation of Council and its members and staff are protected from fraudulent misconduct;
- prevent fraud and/or corruption within the organisation; and
- provide a consistent and transparent approach to all allegations of fraud and/or corruption.

Application

This policy applies to all elected members and staff.

Definitions

Fraud is defined as theft, unlawful conversion, embezzlement, violation of Waikato District Council policies relating to employment, finance, equipment and other assets, or any other action in relation to those matters likely to bring the Council into disrepute.

Fraud includes, but is not limited to:

- Forgery of any type;
- Misappropriation of Council funds, financial securities, supplies and other assets (including intellectual property);
- Mis-recording and/or mis-reporting financial transactions;
- Seeking and/or accepting anything of material value (i.e. greater than \$100) from Council suppliers, without disclosure, in accordance with the Gifts & Hospitality Policy;
- Unauthorised use of Council property, equipment, materials or records for personal advantage or gain;
- Unauthorised disclosure of confidential information;
- Authorising or receiving payment for goods or services not received or performed;
- Authorising or receiving payment for time not worked;
- Dishonest claims for reimbursement of expenses;
- Failure to disclose any Conflict of Interest; and
- Bribery.

Related Documents/Legislature

Legislation

- Local Government Act 2002
- Local Authority (Members' Interests) Act 1968
- Crimes Act 1961
- Protected Disclosures Act 2000

WDC Policies and Supporting Processes

- Code of Conduct (staff)
- Code of Conduct (elected personnel)
- Protected Disclosure (Whistleblowers) Policy
- Conflict of Interest Policy
- Reimbursement of Expenses Policy (staff)
- Reimbursement of Mileage and Expenses Policy (elected personnel)
- Gifts & Hospitality Policy
- Report and Investigate Fraudulent or Suspected Fraudulent Activity process

Policy Statements

General Statements

1. The Local Government Act 2002 requires Council, including its elected members and staff or agents, to spend public funds subject to the standards of probity and financial prudence such that all expenditure withstands public scrutiny.
2. Council recognises that all its assets are owned by the community and there is an expectation and obligation that elected members and staff act honestly and with integrity to safeguard public resources. Council is committed to protecting its revenue, property, information and other assets from any attempt by members of the public, contractors, sub-contractors, agents, intermediaries or its own employees or elected members, to gain financial or other benefits from Council by deceit.
3. Council is committed to the development and maintenance of best practice processes and procedures to prevent and detect fraud, and that demonstrate appropriate stewardship of Council assets.
4. Whilst the Chief Executive has ultimate responsibility for ensuring adequate controls are in place to prevent and detect fraud, each Manager has responsibility for ensuring appropriate controls are in place at all levels to ensure safeguards against fraudulent activity, and must take action to implement and maintain these controls.
5. Council has a zero tolerance to fraud. Whilst the Council values the integrity of its employees, and relies on them to act at all times in an ethical and honest manner, it will not tolerate fraud or the concealment of fraud. It will investigate all reported incidents of alleged fraud, prosecute where fraud is proven and seek restitution.
6. All disclosures of dishonest or fraudulent practices will be treated seriously. All proven incidents of fraud will be pursued through every means available and appropriate disciplinary action taken.

Minimising the Risk of Fraud

7. Internal controls, including the screening of new staff, will be maintained and regularly reviewed to provide assurance for the prevention and detection of fraud, misappropriation and other irregularities. Transactions, activities and locations that may be susceptible to fraud will be reviewed regularly.
8. Internal audit will have a key role in the ongoing monitoring of fraud related risk, and the assessment of the effectiveness of the internal control environment.
9. Specific reviews of internal controls will be undertaken by external auditors as part of their internal audit programme, along with a programme of internal audits by internal auditors.
10. Findings of these internal control audits will be reported to the Audit & Risk Committee at each of their meetings.
11. The Policy and Regulatory Committee has a governance responsibility to ensure that this policy is reviewed regularly and to satisfy itself that Council has appropriate processes and systems in place to capture and effectively investigate fraud related information. The Audit & Risk Committee has an interest in this policy from a risk perspective and hence will be involved in the review.

Duty to Report and Investigate

12. Any person who is aware of or suspects fraudulent activity must promptly report such activity to his or her line manager or general manager in the first instance, or an 'Internal Authority' as defined in Council's Protected Disclosures (Whistleblowers) Policy.
13. An individual who reports a suspicion of fraud regarding another individual or the organization in good faith will in no circumstances be threatened, intimidated, or dismissed because he or she acted in accordance with this policy. Refer to Protected Disclosures (Whistleblowers) Policy.
14. A manager to whom a protected disclosure is made must refer the disclosure to an 'Internal Authority' or the Chief Executive immediately.
15. An 'Internal Authority' who has received a protected disclosure report will consider the information provided, determine what action should be taken and inform the Chief Executive.
16. If suspicions relate to the Chief Executive, the 'Internal Authority' will inform the Mayor, who will carry out all investigations and further steps outlined in this policy and associated process.
17. The Chief Executive and/or Internal Authority shall determine if an investigation is required and, where required, establish an investigation team. The Chief Executive or Internal Authority shall also notify the Mayor, the Audit & Risk Committee Chair and Council's external auditor.
18. The investigation team will have free and unrestricted access to all Council records and premises, whether owned or rented. The investigation team will also have the authority to examine, copy, and/or remove all, or any portion of the contents of computers, files, desks, cabinets and other storage facilities on the premises without prior knowledge or consent of any individual who may use or have custody or any such items or facilities, within the scope of the investigation.

19. Where fraud has been proven, the Chief Executive will:
- a. Direct the Manager of the area where the fraud has taken place to put controls in place to mitigate further losses and prevent reoccurrence of similar misconduct;
 - b. Review the reasons for the incident, the measures taken to prevent a recurrence, and any action needed to strengthen future responses to fraud;
 - c. Advise the Council's insurers as appropriate (depending on the nature of the fraud);
 - d. Keep all other relevant personnel suitably informed about the incident and the organisation's response, including the external auditor and the Communications Manager.
20. Where fraud is not proven, the investigation team will provide the Chief Executive with a confidential report which includes a recommended course of action and any recommended improvements to internal controls that are identified as a result of the investigation. A summary of this report will be provided to the Mayor, Audit & Risk Committee, Chair of Strategy & Finance Committee and the external auditor.

Disciplinary Processes

21. Where a person is suspected of having committed fraud, the Chief Executive will follow the relevant disciplinary procedures outlined in Council's Disciplinary Policy and supporting processes.

Recovery of Loss

22. Recovering losses of money or property is a major objective of the Council following any fraud investigation. The amount of any loss will be quantified as far as possible, repayment or reparation sought and prosecution pursued.

Confidentiality

23. While alleged or actual instances of fraud can affect the rights and reputation of anyone implicated, individual identities will be protected wherever possible without detriment to Council.
24. All participants in a fraud investigation shall keep the details and results of the investigation confidential.

Dealing with the Media

25. Any person contacted by the media with respect to any fraud investigation must refer the media to the Communications Manager.

Policy Review

This policy will be reviewed as deemed appropriate by the Chief Executive, at least once every three years.

Open Meeting

To	Audit & Risk Committee
From	Tony Whittaker General Manager Strategy & Support
Date	25 May 2018
Prepared by	Alison Diaz Finance Manager
Chief Executive Approved	Y
Reference #	GOV1318
Report Title	2017/18 Annual Report Risk Assessment

I. EXECUTIVE SUMMARY

The purpose of this report is to provide the Audit & Risk Committee with an assessment of key issues that may impact on the preparation of the 2017/18 Annual Report, related audit requirements and mitigation measures to be employed.

2. RECOMMENDATION

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

3. BACKGROUND

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 2017/18 and that audit requirements are met in full.

4. DISCUSSION

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. All infrastructure assets are to be revalued this year. The scope of the valuation, the competence of the valuer, the

completeness of data and reasonableness of assumptions will all be reviewed. The valuer will need to provide assurances that the valuation has been completed in accordance with valuation and accounting standards. Adjustments posted to the general ledger and disclosures will also be reviewed.

Risk assessment re ability to deliver: Low

As noted all infrastructural assets will be revalued. Land and Building (operational and restricted assets) will not be revalued this year. This asset class was revalued in the 2016/17 year to assist with the starting position for the 2018-28 Long Term Plan. A preliminary fair value assessment has been undertaken to determine whether there is a material difference between the carrying amount and fair value. This early assessment has determined that a revaluation of Land and Building assets will not be required.

2. *Development contributions*

Development and financial contributions form a significant part of revenue and funding for capital projects amounting to \$8.5 million in 2016/17. The Council's controls will be reviewed to check that contributions are being charged in accordance with the policy. The use and application of development contribution funds will also be reviewed.

Risk assessment re ability to deliver: Low

Application of the development contributions policy is supported by a dedicated Development Contributions Coordinator role and specific software module within our Property & Rating system. Use of development contributions is linked directly to the funding of the individual projects.

3. *Management of Fraud Risk*

To provide assurance on whether financial statements and performance information are free from material misstatement resulting from fraud will be obtained by: identifying risk factors and evaluating the potential for material misstatement, evaluating the effectiveness of internal controls, the performance of substantive procedures and overall alertness for potential fraud.

Risk assessment re ability to deliver: Low

There are many risk mitigations in place, and both procurement and finance in particular are alert to areas of potential fraud and the relationship to material misstatement. From a fraud perspective, the internal controls process has improved over the financial year with electronic purchase ordering in place across the organisation. Furthermore, the removal of cash handling at Council office and library sites combined with the new electronic receiving module strengthens the fraud control environment.

4. *Management Override*

Professional standards require us to assess risks in all audits we perform including the risk of management override of control. Management are in a powerful position to perpetrate fraud due to its ability to override controls that appear to be operating effectively. Substantive audit procedures will be undertaken, including review of journal

entries, accounting estimates and significant transactions that are outside normal course of business. Random sampling will be used to incorporate unpredictability. An assessment on relevant controls will be undertaken to ensure controls are designed to reduce the risk of override.

Risk assessment re ability to deliver: Medium

Based on internal audit work completed during the year including externally conducted internal audits, there may be risk that recommendations have not yet been delivered upon. Due to the need to urgently cover key staff vacancies, two appointments have been made on a temporary basis where a known conflict of interest exists. These both have management plans in place and were disclosed to Council's auditors during the interim audit process.

5. *Areas of interest for all local authorities*

Other areas that will be addressed relate to compliance with laws and regulations, effectiveness and efficiency in Council activities, whether waste is occurring or likely to occur, whether there are any signs of lack of probity and/or lack of financial prudence by Council members, management or employees.

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:

6. *Timing of Strada Corporation Limited audit*

It is our understanding that the same external agency (Deloitte's) will be preparing the annual accounts. Once these are completed Council will take ownership of the accounting requirements for the 2018/19 financial year onwards.

Mitigation measures:

Staff will make contact with the external agency when appointed to discuss timeframes. The timetable has not been confirmed at the time of writing this report.

7. *Continuity of staff*

There are a number of vacancies within the Service Delivery Team currently. With the loss of institutional knowledge comes a heightened risk that it may take longer to complete otherwise routine annual report tasks.

Mitigation measures:

An incident management team approach has been wrapped around the Service Delivery Team to provide additional support while the team is under-resourced. Utilising a robust project management approach to the annual report with regular project team meetings to monitor progress and address issues as they arise will be important.

5. ATTACHMENTS

NIL

Open Meeting

To	Audit & Risk Committee
From	Tony Whittaker General Manager Strategy & Support
Date	25 May 2018
Chief Executive Approved	Y
Reference #	GOV1318 / 1961037
Report Title	Risk and Assurance Forum

1. EXECUTIVE SUMMARY

On Friday, 13 April 2018 a Risk and Assurance Forum was held in Hamilton for Audit & Risk Committee members and key Council staff who support these committees.

The purpose of the forum was to share current practice via a panel of practitioners and those present at the forum. Topics included:

- the deliverables of a successful Audit & Risk framework;
- the best structure for an Audit & Risk Committee;
- managing and monitoring of risk;
- communicating and getting buy-in to risk and assurance; and
- embedding risk into the way the organisation works.

Councillors Gibb, Main and Bech attended from Waikato District Council. The attached slide pack from the day is provided for the benefit of those who were not available to attend.

2. RECOMMENDATION

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

3. ATTACHMENTS

Risk and Assurance Forum Presentation

Risk and Assurance Forum

Christchurch 4 May 2018



Programme

10.30 - 11.00 Morning tea

12.00 - 12.45 Lunch

2.15 – 2.30 Afternoon tea

3.15 - 4.00 Wrap-up

Housekeeping

- Bathrooms , Fire Exits, Cellphones



4 questions

- 1. How can an Audit and Risk Committee live and breath risk and make things happen?**
- 2. How does an Audit and Risk Committee approach risk?**
- 3. How do we talk about risk?**
- 4. How do you embed risk in an organisation?**



Bruce Robertson

- Trusted advisor consultancy (R Bruce Robertson Ltd) to public sector governors and managers
- Independent member on Audit and Risk Committees for Auckland Council, Bay of Plenty Regional Council, Environment Southland, Far North, Southland, Thames Coromandel, Waipa and Waitomo District Councils
- Fellow Chartered Accountant

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rbrobertson

Philip Jones

- Significant local government experience over the last 25 years in finance, asset & risk management, both as a manager and consultant
- Currently an independent member on Audit and Risk Committees of Whangarei, Kawerau, Ruapehu, Wairoa, Horowhenua, Masterton & Carterton District Councils
- Chartered Accountant

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e: Philip@pja.co.nz



Margaret Devlin

- Independent company director working predominantly in the infrastructure and service sector, with a particular focus on Audit and Risk
- Companies include Hamilton Airport, Harrison Grierson, Aurora Networks, Met Services and Watercare
- Independent Chair of Waikato District Council Audit and Risk Committee

Need to add Andrew Michl?

Mark Maloney

- Audit Director for Audit NZ for 10 years
- Audit NZ – Director of methodology and member of LG sector Group - responsible for leading the approach to auditing LG annual reports and LTPs
- Led the development and implementation of the refreshed audit approach re the audit of the SSP
- Head of Internal Audit - Auckland Council

Cecilia Tse

- Head of Risk at Auckland Council
- Leads risk, insurance and compliance teams and works with the Executive, Audit and Risk and Finance Committees and staff to build a strong risk aware and compliance culture
- Lawyer for over 25 years in both the private and public sectors

Elizabeth Hughes

- Specialises in supporting councils, CCOs and SMEs to ensure management of reputation, and the public's trust and confidence in council decision-making, are seamlessly embedded into Council's risk profile
- 30 years experience in supporting governance, strategy and communication activity in local government

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3 + 3

3 things:

- that are good about your Audit and Risk Committee

3 things:

- areas where improvement could be made and/or you wonder about their value

What burning question do you need answered before you leave today?



QUESTION 1

How can an Audit and Risk Committee live & breath risk and make things happen?



What powers should an Audit and Risk Committee have?

Who should be on an Audit and Risk Committee?

Why have an independent?

How should it be organised?

Why only meet four times a year?

Does an Audit and Risk Committee have a *culture*?



The building blocks

Composition of the Committee

- Chair
- Size of membership
- Skill and experience mix
- Independent members
- Tenure / Rotation

Purpose of the Committee

Clear Terms of Reference
Independence

Work programme – “broad and balanced” scope

Pre meeting planning

The agenda – devoting sufficient time
Deep dives
Regular interaction with key officers
Self review
Reporting on the work of the committee to the GB

- Effectiveness of governance, risk and internal control
- Risk , Internal Audit and External Audit – Approval and monitoring of work programmes
- Financial, Operational, IS, Projects, Procurement, Contract , Management, Legislative Compliance, Probity, Fraud
- Key accountability documents – LTP, Annual Report
- “deep dives” on key risks

Your Audit and Risk Committee

Risk drives the Agenda

- Do you understand the key (strategic and operational) risks your council faces (current, new and emerging)?
- Do you have an understanding of the effectiveness of your key risk mitigations? How do you obtain assurance as to the effectiveness of those mitigations?
- Does your committee have a forward looking work programme in place?
- Do you (your Committee Chair) meet regularly with Risk, Internal Audit and External Audit ?
- Do you devote sufficient time to explore key organisational risks?

Purpose and Scope

- What is the purpose of your Audit and Risk Committee?
- Does your committee have a clear Terms of Reference in place ?
- Is the scope of your Committee's Terms of Reference sufficiently "broad and balanced"

Structure

- Given your risk profile have you considered what mix of skills you need around the committee table?
- Have you considered appointing independent members and/or an independent chair ?

Review and Reporting of Performance of the Committee

- Does your Governing Body know what your Committee's role is and what you do?
- How do you know you are doing an effective job?

Question 1 – Key points

QUESTION 2

How does an Audit and Risk Committee approach risk?



What is risk?

Do you categorise risk? For what purpose?

How do you get assurance over a risk?

Risk numbers/values vs judgement?



What to bring to the table

Categories of risk

Topical areas

Deep dives

Significant projects

Assurance process

Risk appetites

CCO risks

Relationship with Audit



WHAT ABOUT EMERGING RISKS?

Insurance - policy cover, limits, deductibles

Reputation and decision-making

Other?

Additional reporting / workshop items

Process assurance and identification of key risks and controls to Committee on LTP process- with Legal, Audit and Finance

Significant topics

Deep dives on top risks

Corrupt Auckland Transport execs jailed for five years



Tasman Tempest



Question 2 – Key Points

QUESTION 3

How do we talk about risk?



What should a Audit and Risk Committee should focus on, and how does this link to the top risks and risk appetite?

What is the role of a Audit and Risk Committee in communicating assurance to councillors and even external stakeholders?

How should matters of risk be communicated at meetings and between meetings



Risk Appetite - understand where the appetite for Council sits and ensure mitigations are in place which correspond with the risk appetite

Focus on strategic risks - those which have the potential to “derail” the strategy

Develop workplan that ensures process and progress is being maintained

Keep risk management plan realistic - it should be active/living and not inhibiting

Do not be passive, bring the inquiring mind to the issues being addressed

Questions:

How does the committee stay current?

How does the committee identify/understand the emerging risks?

How does the committee satisfy itself that the control environment is effective - do the the mitigations work and are they delivering?

Engagement with the auditors - are they friend or foe?

Is there a role for an internal auditor and what is the relationship between the internal and external auditor?

Communication with the external auditor - proactive or on a needs must basis?

Annual review of committee performance



Question 3 – Key Points

QUESTION 4

How do you embed risk in an organisation?



How do you build an appropriate risk culture in your organisation?

What risks do staff focus on?

What should an Audit and Risk Committee expect from staff?

Do you have the right people?

Are you responsible for their approach?



What tools do you have? Do they work?

What is the tone from the top?

What are people at the coal face saying?

Consequences and rewards

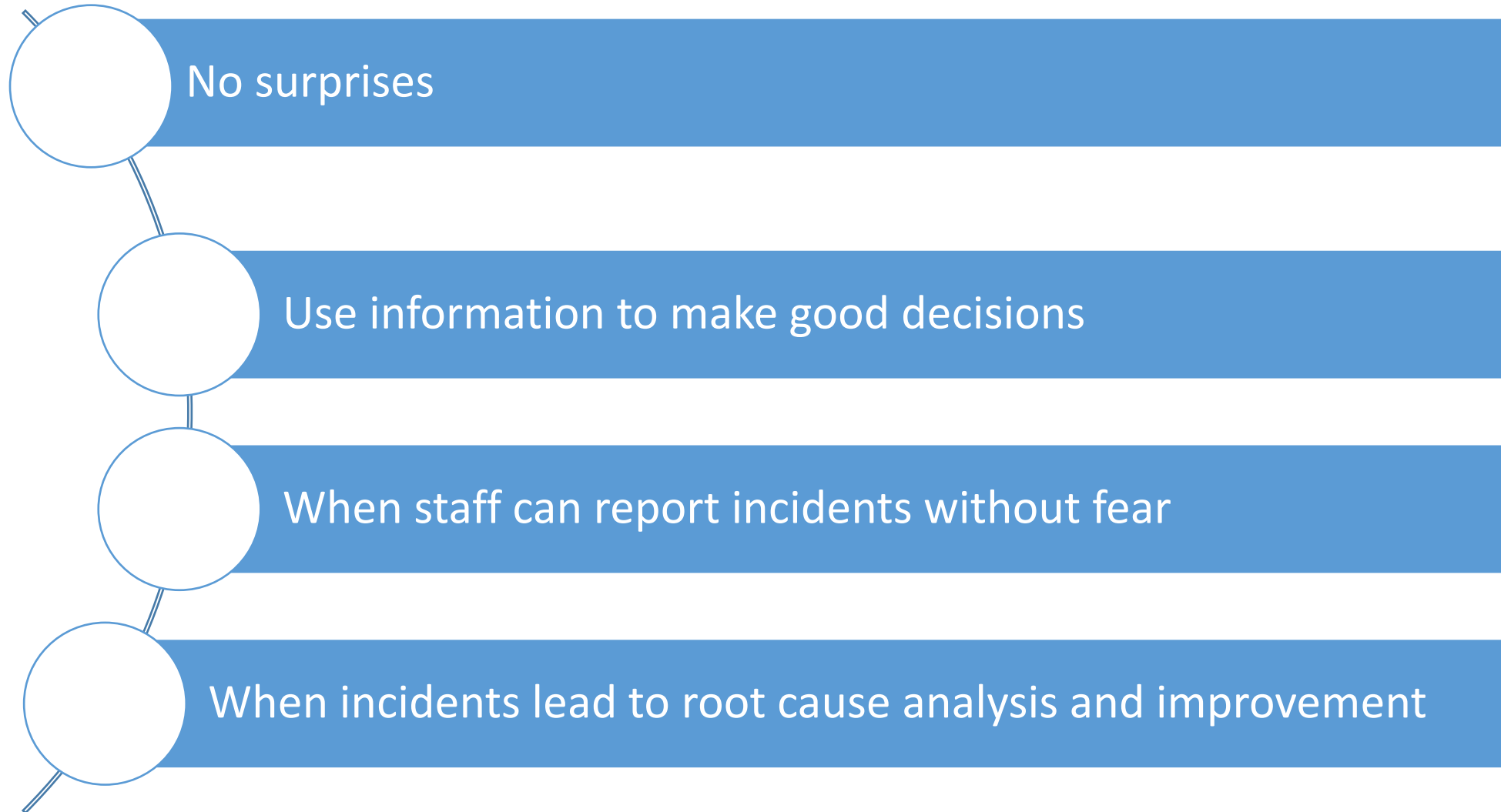
Tell the stories



North Shore carpark slips down the bank- NZ Herald November 2017



What good looks like



Question 4 – Key Points

What three things will you will do to lift risk culture in your organisation and who you will need to support you achieve this?

Share one idea or action with others at your table



What keeps you awake at night?

Wrap up

Thank you for your participation
and contributions today



Open Meeting

To	Audit & Risk Committee
From	Gavin Ion Chief Executive
Date	29 May 2018
Prepared by	Lynn Shirley Zero Harm Manager
Chief Executive Approved	Y
Reference/Doc Set #	GOV1318 / 1866302
Report Title	Waikato District Council Zero Harm Safety Management System

1. EXECUTIVE SUMMARY

The purpose of this report is to present an overview of the Waikato District Council Zero Harm Safety Management System (ZHSMS) to the Audit & Risk Committee and provide an update on current health and safety performance.

2. RECOMMENDATION

THAT the report from the Chief Executive be received.

3. REPORT

Primary Objective

To develop a sustainable zero harm culture that is supported by sound systems, policies, standards and procedures that enable best practice workplace health and safety performance. We aim for more than just compliance by observing the principle that workers and others should be given the highest level of protection against harm to ensure their health, safety and wellbeing.

Zero Harm Safety Management System (ZHSMS)

As per our Zero Harm strategy for 2017-2018 work has been progressing on reviewing and revising our existing policies and processes for a number of our critical risks. As previously discussed the Council's Zero Harm Safety Management System (ZHSMS) will establish the minimum standards for planning, implementing and managing health and safety to ensure our people work safe and go home safe every day.

Where policies or processes do not exist, new documentation has been developed to support the management of these risks. The focus has been placed initially on the following critical risks:

- Asbestos
- On Road Driving
- Hazardous Substances
- Workplace Violence and Aggression

A new standard has been developed and published on the WaiSite, detailing Councils approach to the identification and management of asbestos.

Asbestos

Along with the development of the ZHSMS Asbestos Management Standard, Council have in accordance with the Health and Safety at Work Act (Asbestos) Regulations 2016, prepared and published an organisational Asbestos Management Plan.

Asbestos Management Surveys have been undertaken by a competent Asbestos Surveyor and reports received for the following locations:

- Ngaruawahia Z Service Station
- Brownlee Avenue Depot

The next survey is being planned for the Huntly War Memorial Hall.

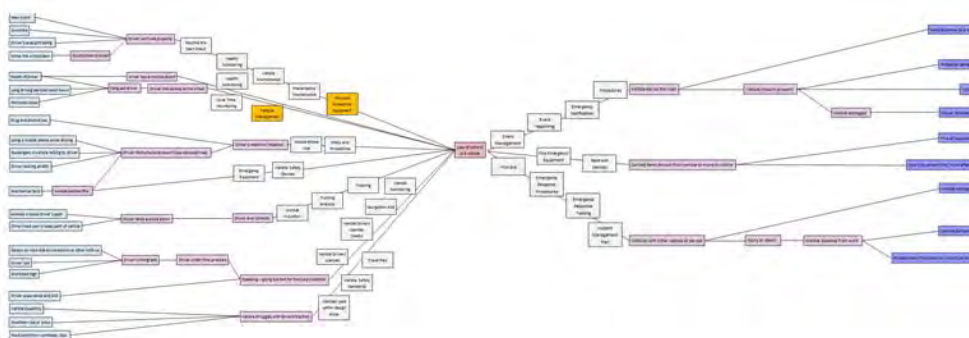
Four Asbestos Awareness Seminars have been organised with an external training provider for the following teams:

- Environmental Health and Monitoring
- Waters Operations
- Building Inspectors
- Parks and Facilities
- Programme Delivery



On Road Driving – Light Vehicles

Work has commenced on the development of the Bowtie for the Critical Risk of On Road Driving – Light Vehicles. In conjunction with the Bowtie, a review of the Safe Use of Council Vehicles Policy is being undertaken to ensure that it is aligned with the Bowtie and documents the minimum controls to manage this critical risk.



22 preventative and 10 recovery controls have been identified to manage this risk. Once the Bowtie controls are finalised, a gap analysis will be undertaken to identify which controls are in place and which need to be implemented.

Hazard and Risk Management

A number of hazard identification and risk assessment activities have been undertaken in the last three months. These have included facility visits and observation of worker tasks for the following:

- Wainui Farm Reserve
- Raglan Kopua Holiday Park
- Water Reticulation Wastewater Pump Station Maintenance
- Lake Hakanoa Holiday Park

Hazards identified during the risk assessments have been documented, risk scored and controls identified for implementation where required. BWare Safety Manager is being used to record hazards and assign actions to implement controls. The status of actions (e.g. overdue actions) is being reported to and monitored by the ELT weekly.

Contractor Management

A Contractor H&S Workshop was held this month with Councils three waste management contractors; Xtreme Zero Waste, Metrowaste and Smart Environmental. The aim of the 2½ hr workshop was to;

- gain a consistent understanding of what health and safety information should be shared between PCBUs,
- sharing information and understanding of risk management in our waste collection services and;
- get commitment for ongoing collaboration and alignment of health and safety best practice.



Contractor site visits over the past three months have included:

- Belgravia Leisure – Huntly Aquatic Centre
- Xtreme Zero Waste – Raglan Resource Recovery Centre
- Base Civil Ltd

Council has also volunteered to test a small business health and safety leadership development programme that is being piloted by the Business Leaders' Health and Safety Forum. We are looking to approach and invite 8 to 10 of our contractors to participate in this free pilot programme for owners and CEOs of small to medium sized businesses. The programme consists of two one-day workshops which will focus on four key areas of health and safety leadership for SMEs; valuing, engaging, enabling and learning. This will give Council and opportunity to further engage with and work alongside our contractors to achieve health and safety best practice.

Leptospirosis

At the last meeting it was reported to the Committee, that a dog in the pound was suspected of being infected with Leptospirosis. The Committee questioned if this triggered any regulatory reporting requirements. The Animal Control Team Leader contacted the

Ministry of Primary Industries (MPI) following the meeting to determine if the situation required notification. Council was advised that notification was not required.

Organisational Engagement

In order to engage and empower our Safety Action Team (SAT) representatives a draft position description (PD) has been developed for a SAT Representative. The draft PD has been shared with the Safety Action Team for review and feedback.

Work has also been undertaken over the past three months to strengthen and improve Safety Engagement Conversations. These conversations are a vital part of helping us live our Zero Harm Vision and follow our Zero Harm Essentials. They are an opportunity to provide visible leadership and to drive regular, meaningful and proactive health, safety and wellbeing discussions. To support our People Leaders to undertake and record these conversations a number of coaching and support tools, known as Zero Harm Safety Skills have been developed and deployed.

ZERO HARM SAFETY SKILL

Details	
Subject	Having a Safety Engagement Conversation
Reference	ZHSS 001/Recording Safety Engagement Conversations in B/Wore Safety Manager
Target Audience	People Leaders
Date Issued	April 2018
Document Number	ZHSS 002
Version	01

Background:
The purpose of this Zero Harm Safety Skill is to provide information and guidance for our leaders when undertaking a Safety Engagement Conversation. Safety Engagement Conversations are a vital part of helping us live our Zero Harm Vision and follow our Zero Harm Essentials. They are an opportunity to provide visible leadership and to drive regular, meaningful and proactive health, safety and wellbeing discussions. They are key to helping ensure that we all work safe and go home safe every day.

Look after yourself and others.

At risk practices/behaviours:	Any unsafe practices observed should immediately trigger a Safety Engagement Conversation with that person, with intent to gain commitment to the correct practices/behaviours discussed. Safety Engagement Conversations should focus on the unsafe behaviours and practices most likely to cause an injury for your people and through observing these behaviors before an event occurs.
Reinforcing safe practices/behaviours:	To support the implementation of a sustainable safety culture and drive a safe working environment it is equally important to recognise individuals when they are working safely. This positive reinforcement leads to the behaviour and encourages people to continue to work safely.
Areas of focus for safety engagements:	There are a number of work tasks that have the potential to expose our people to critical risks. These risks, if not well controlled could lead to serious injury or a fatality. Examples of these risks include: <ul style="list-style-type: none"> • On Road Driving • Fatigue • Workplace Aggression and Violence • Hazardous Substances Some of the control measures for managing our critical risks include the following of safe practices or behaviours for example: <ul style="list-style-type: none"> > Wearing a seat belt > Obeying posted speed limits > Not using a handheld phone while driving > Carrying a risk/hazard assessment > Wearing the correct personal protective equipment (PPE) Discussing these safe practices/behaviours with workers is important to ensure they understand the risk and that you get agreement from them on the correct practices/behaviours.
Areas of focus for health and wellbeing:	There are a number of both work and non-work related factors that can impact a workers health and wellbeing. Examples may include:

4. DISCUSSION AND ANALYSIS OF OPTIONS

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.

4.2 OPTIONS

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

5. CONSIDERATION

5.1 FINANCIAL

There are no direct financial requirements identified in this report.

5.2 LEGAL

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

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 as illustrated by the associated diagram.



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

6. CONCLUSION

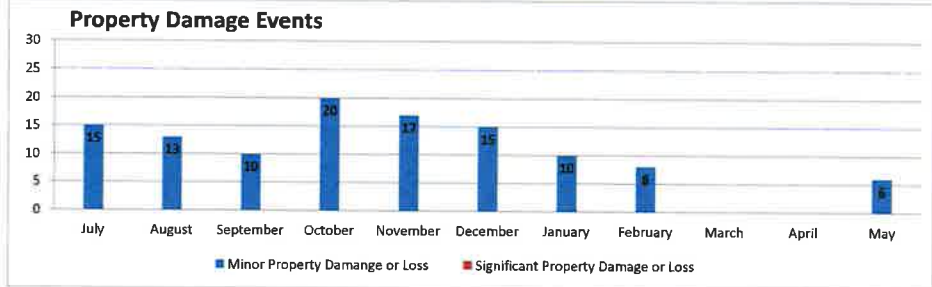
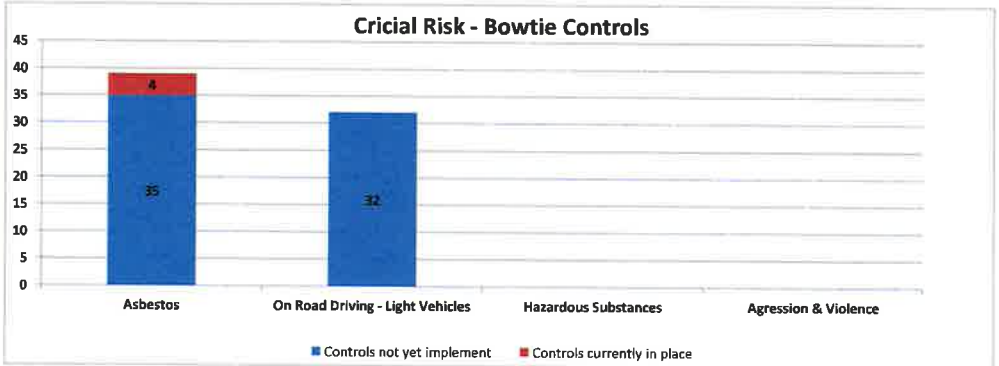
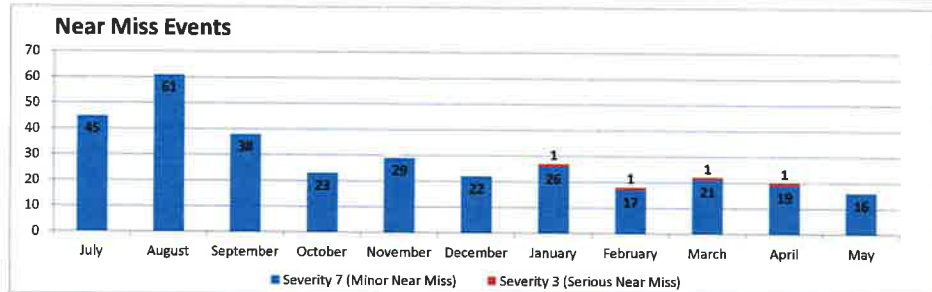
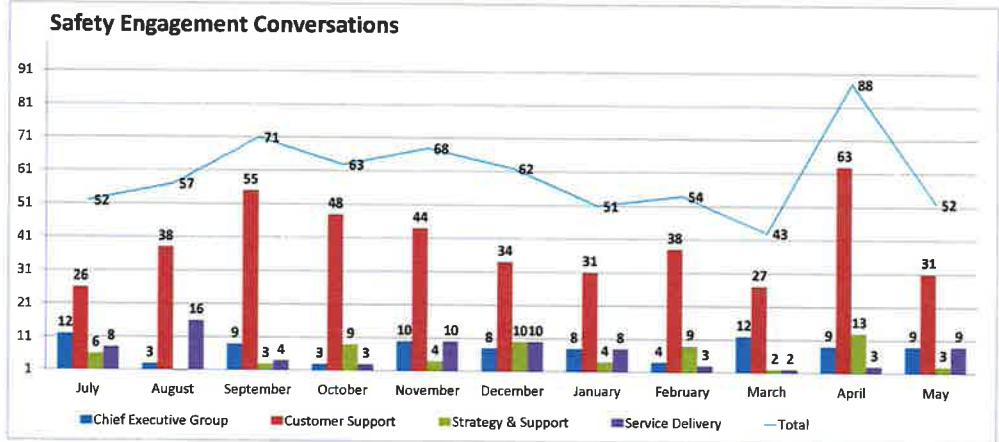
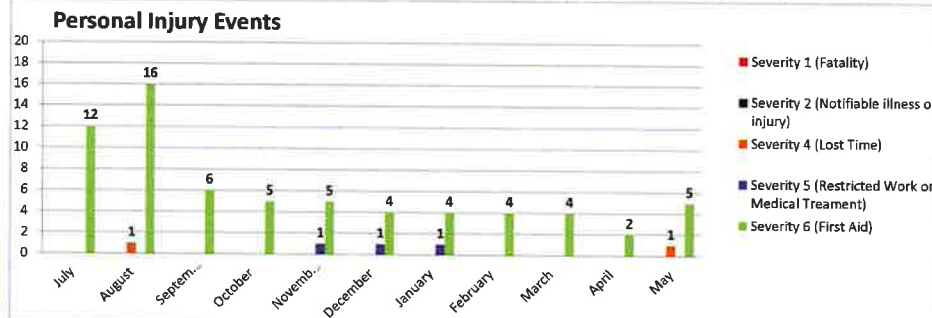
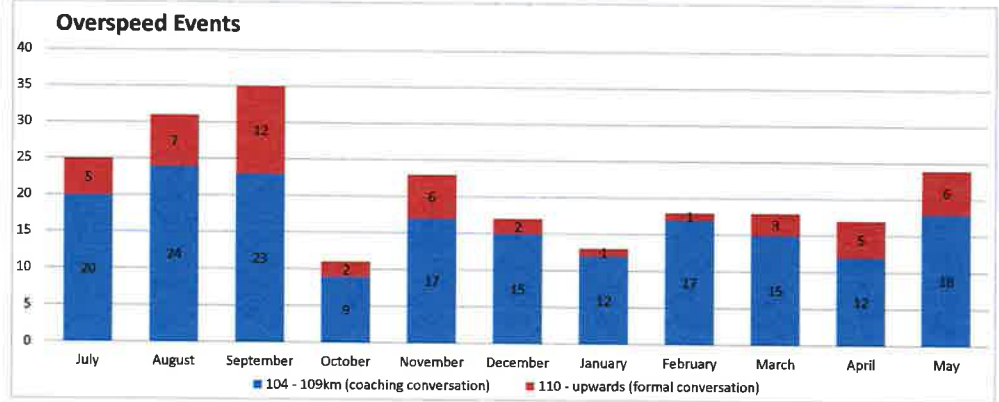
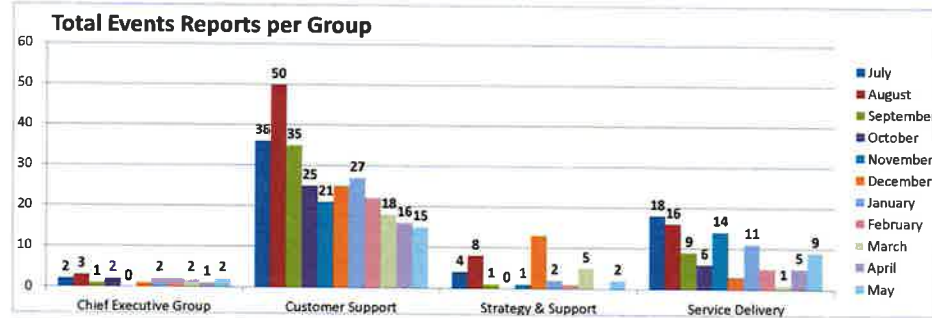
This report provides an update on progress with our Zero Harm systems and processes, and monthly statistics progress

7. ATTACHMENTS

Zero Harm Dashboard – (December 2017 - May 2018)

Zero Harm Dashboard - Quarter Four (April - June 2018)

Dashboard as at 30/05/2018



Open Meeting

To	Audit & Risk Committee
From	Tony Whittaker General Manager Strategy & Support
Date	31 May 2017
Prepared by	Vanessa Jenkins Human Resources Manager
Chief Executive Approved	Y
Reference #	GOV1318 / 1971508
Report Title	Strategic Risk Deep Dive: People & Culture

1. EXECUTIVE SUMMARY

This report details actions and outcomes associated with the organisations Strategic Risk – People & Culture.

2. RECOMMENDATION

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

3. DISCUSSION

R00190 People & Culture

Risk Statement: Business outcomes are significantly impacted due to inability to attract and or retain appropriate staff or as a result of undesirable workplace culture.

Waikato District Council (“Council”) currently has in place the following policies and activities to minimise this risk:

Attraction:

- Remuneration in line with market rates based on Strategic Pay research.
- Modernised, agile and easy to use in-house recruitment platform (talent pooling) and website.
- Partnering with other Councils to recruit (three Council arrangement).
- Engagement of local and international recruitment agencies and sourcing specialists as required.
- Use of social media networking platforms e.g. LinkedIn and Facebook.
- Offer incentives for employee referrals.

- Work life balance (two days per year and flexible working arrangement opportunities).
- Within the HR Strategy, work to be done on:
 - Council Branding (what is our point of difference in the market and how can we leverage off it?): work complete on website branding, further work underway on updating adverts and other collateral etc. to align.

Retention:

- Active Reward and Recognition Policy to regularly reward performance and organisation contribution, annual Waifactor awards.
- Active wellness programmes which include Vitae support, flu vaccinations and health monitor, ongoing workshops and training partnering with Sport Waikato.
- Active annual staff engagement survey to measure and benchmark performance which then informs annual Our Plan strategy.
- Active leadership programmes, developing leaders through to Senior leaders.
- Active cadetship programme partnering with Wintec.
- Within the HR Strategy: work to be done on:
 - Succession Planning: work to be programmed as part of Our Plan strategy.
 - Remuneration (how can we really reward our top performers?): work programmed for post July.
 - Coaching: introduced as part of iLume programme, further training has been quoted and to be tabled with the Executive Leadership Team for a decision.
 - Competency Framework: partially complete, roll out programmed with Our Plan programme.
 - Career Pathways: work to be programmed as part of Our Plan strategy.
 - Induction: refresh held with Senior Leaders, audit checking work now in progress.

Treatment Progress: items underway / finalised / overdue include:

- MC00474 HR Strategy: This work is underway as per the above.
- MC00475 Maintenance of peripheral workforce: Implementation of a set protocol/process that defines how Council plans to implement new partnerships/long term contracts from the perspective of providing seamless integration of systems and resources at the point of requirements design and tender review. This work has been included for consideration as part of the procurement process review. Currently our partnerships have included a values alignment based pre assessment as part of the consideration to partner e.g. Alliance, Wintec cadetship programme and CityCare.
- MC00476 Organisational Change programme: The Council has a Communications Framework in place which guides the way we do things. A specific engagement strategy is under development as a key Our Plan – Gearing for Growth and Greatness initiative starting in June 2018. Eleven indicative themes have emerged: Sustained Innovation; Community Focus; Risk; Partnership and Funding; Our Purpose; Capability; Empowerment; Growth; Teams; Accountability; and IM roadmap.

Emerging Risks

The consideration of partnering with WaterCare for the delivery of Councils three waters presents a retention risk for staff. As the terms of the partnership are unknown staff may be actively seeking alternative employment to minimise their personal risk and job security.

Treatments: Active, open communication with all affected employees, talent pooling current applicants for waters roles to minimise vacancy lengths if resignations occur.

The Our Plan Gearing for Growth and Greatness could cause uncertainty in the workforce should the change programme not be well managed.

Treatments: Appointment of Change Manager who owns the change programme detailed change programme plans with input from relevant teams e.g. Human Resources and Communications, clear open communication which is aligned across the Executive Leadership Team.

4. CONCLUSION

The Strategic Risk Register is active and progress is being made to advance outstanding work associated with risk treatments.

5. ATTACHMENTS

Strategic Risk Register: R00190 People & Culture

Strategic Risk Register: R00190 People & Culture

RESIDUAL
9.0
MODERATE

INHERENT
25.0

R00190

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

People & Culture

Business outcomes are significantly impacted due to inability to attract and or retain appropriate staff or as a result of undesirable workplace culture.

Council are unable to recruit or keep staff in core service positions due to a lack of appropriately trained people, industry competition and or perceived or actual Council culture.

OWNER: **Vanessa Jenkins**

RISK LIKELIHOOD DESCRIPTORS: **Frequent (5)**
RESIDUAL RISK LIKELIHOOD DESCRIPTORS: **Likely (3)**
RISK CONSEQUENCE DESCRIPTORS: **Catastrophic (5)**
RESIDUAL RISK CONSEQUENCE DESCRIPTORS: **Moderate (3)**

[SIGNOFF HISTORY](#) / [CHANGE LOG](#)

[Add Treatment](#) [Link Treatment](#)

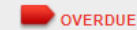
TREATMENT MC00474

HR Strategy

The HR Strategy guides the direction of Councils personnel management including but not limited to;

- Succession, recruitment and workforce planning
- Initiatives
- Support requirements (inc technology, market analytics and metrics)

This treatment impacts the likelihood by providing the structure to implement pro-active actions associated with attracting and maintaining resources.



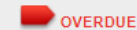
SIGNOFF(S): **Vanessa Jenkins**
DUE DATE: **14 Sep 2017** [SIGNOFF HISTORY](#)
FREQUENCY: **The first Day of every 6 months**

TREATMENT MC00475

Maintenance of peripheral workforce.

Council's business groups maintain relationships with key consultancy practices for the purpose of employing specialist services and/or for providing resources where personnel vacancies exist or where it is identified that supplementary personnel are required in addition to the permanent workforce.

This treatment impacts the consequence of the risk by providing options for temporarily filling vacancies facilitating time for recruitment whilst maintaining business as usual.

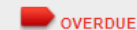


SIGNOFF(S): **Ian Cathcart**
Sue O'Gorman
Tony Whittaker
DUE DATE: **01 Oct 2017** [SIGNOFF HISTORY](#)
FREQUENCY: **The first Day of every 6 months**

TREATMENT MC00476

An organisational change program has been implemented to deliver initiatives associated with improved workplace culture and leadership. The program comprises a number of project work-streams championed by the Executive Team.

This treatment impacts the likelihood of the risk by providing a strategic approach to changing the organisational culture.



SIGNOFF(S): **Gavin Ion**
DUE DATE: **01 May 2018** [SIGNOFF HISTORY](#)
FREQUENCY: **The first Day of every 3 months**

Open Meeting

To	Audit & Risk Committee
From	Tony Whittaker General Manager Strategy & Support
Date	25 May 2018
Chief Executive Approved	Y
Reference #	GOV1318 / 1961035
Report Title	Risk Conversations

1. EXECUTIVE SUMMARY

The purpose of this report is to enable key staff within the organisation who are managing risk in their everyday activities (expect this to be third tier managers and/or team leaders) to come and share “their business”, from a risk perspective, with the Audit & Risk Committee. This will provide the Committee an opportunity to dialogue with these staff to obtain assurance, from a governance perspective, that appropriate controls and culture are in place.

The intention is to have one of these conversations at every Audit & Risk Committee meeting. The Animal Control leadership will attend the June Audit & Risk meeting for this purpose.

Attached is the Hazard and Risk Management (“HARM”) Register for Animal Control which can be used as a “starter for ten”. This includes the team’s key risks and controls.

2. RECOMMENDATION

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

3. ATTACHMENTS

Hazard and Risk Management Register for Animal Control



Hazard and Risk Management (HARM) Register



Risk / Hazard	IRA	RRA	Control methods	Status
Hazard / Risk:				
Slippery metal step located in door way between main pound kennels and outside run area. Metal surface is slippery especially when it is wet.	9	1		Closed or Eliminated
There are a number of faded pieces of safety signage at the Pound e.g. on the entry gate and also the door into the laundry area.	4			Assessing
Un-used or redundant items being stored at the back of the pound. These items include old doors and an LPG cylinder. These objects have the potential to cause a trip and fall or be a falling object hazard.	6	1		Closed or Eliminated
Section of redundant fencing on right hand side of driveway into the Pound. This section is no longer required as the security gate has been moved to further up the driveway. This section of fencing makes it very narrow when turning into the driveway.	6	1	E: Eliminate - Fence has been removed. Hazard has been eliminated	Closed or Eliminated
Noise	16		E: Eliminate - Hearing protection must be worn when discharging firearms M: Administrative - Must hold a current firearms licence	Currently Managed



Hazard and Risk Management (HARM) Register



Risk / Hazard	IRA	RRA	Control methods	Status
Hazard / Risk:				
			M: Administrative - Fire Arms Policy	
Compound Gates - Tuakau Office	3	3	E: Eliminate - When entering or exiting the compound ensure the gates are fully opened before moving through E: Eliminate - If the gates start to close, swipe your access card and wait for the gates E: Eliminate - Do not walk or through closing gates	Assessing
Metal grate on entrance to Pound. The grate is slightly sunken into the concrete creating a potential trip hazard.	6	4	M: Administrative - Visual indicator painted around grate to draw attention to change in surface level	Currently Managed
Leptospirosis - Animal Handling	12		M: PPE Controls - Use latex gloves when handling stock Minimise - Practice good hygiene, wash your hands or use hand sanitizer	Assessing
Sliding Entry Door - Ngaruawahia & Pukekohe Dog Pound	4	2	Minimise - Take caution when using the sliding entry door	Assessing
Hazard / Risk: Working with Dangerous Animals				
There is the potential for worker or members of the public to be injured or damage to equipment or assets, from	20	10	M: Administrative - The organisation shall ensure it has in place a procedure to classify a dog as Dangerous or	Currently Managed



Hazard and Risk Management (HARM) Register



Risk / Hazard	IRA	RRA	Control methods	Status
Hazard / Risk: Working with Dangerous Animals				
<p>dog bites or vehicle collisions or any other incident resulting from animal contact due to animals including stock being improperly controlled or contained.</p>			<p>Menacing. M: Administrative - The organisation shall ensure it has in place a procedure to respond to a Dog attached and where required seize the dog. M: Administrative - The organisation shall ensure it has in place a procedure to respond to stock complaints. M: Administrative - The organisation shall ensure it has in place a procedure to respond to Wandering Dog complaints. M: Administrative - The organisation shall ensure it has in place a process to provide education programmes to assist community understanding of dog ownership, responsibilities, compliance with dog ownership regulations and dog safety. M: Administrative - The organisation shall ensure it has in a place a process to identify and disqualify dog owners.</p>	
Hazard / Risk: Working with Firearms				
<p>Animal Control Officers have access to firearms to carry out</p>	<p>25</p>	<p>10</p>	<p>M: Engineer - The organisation shall ensure that</p>	<p>Currently Managed</p>



Hazard and Risk Management (HARM) Register



Risk / Hazard	IRA	RRA	Control methods	Status
Hazard / Risk: Working with Firearms				
their roles. It is possible that they or others could be exposed to risk, as a result of a firearm being used or present.			<p>it has in place suitable and secure facilities for the storage of firearms.</p> <p>M: Administrative - The organisation shall ensure that it has a Firearms Policy in place. The policy must detail the expectations and responsibilities relating to the use, storage and maintenance and appropriate PPE required for firearms use.</p> <p>M: Administrative - The organisation shall ensure that it has procedures in place detailing how to safety use, store and maintain firearms.</p> <p>M: Administrative - The organisation shall ensure that it has in place suitable First Aid and Emergency Equipment.</p> <p>M: Administrative - The organisation shall ensure that it has a Training Needs Analysis in place to identify training requirements for the use of Firearms</p> <p>M: Administrative - The organisation shall ensure that it has in place a process to ensure that all workers who may or are required to use a Firearm receive the correct training.</p>	



Hazard and Risk Management (HARM) Register



Risk / Hazard	IRA	RRA	Control methods	Status
Hazard / Risk: Working with Firearms				
			<p>M: Administrative - The organisation shall ensure that it has in place a process to ensure all workers required to use a firearm have the correct licence as detailed in the legislation.</p> <p>M: PPE Controls - The organisation shall ensure the fit for purpose Personal Protective Equipment (PPE) is available for all workers who may or are required to use a firearm.</p>	

Open Meeting

To	Audit & Risk Committee
From	Tony Whittaker General Manager Strategy & Support
Date	24 May 2018
Prepared by	Will Gauntlett Consents Technical Team Leader
Chief Executive Approved	Y
Reference #	GOV1318 / 1968145
Report Title	Incident Management Debrief: Huntly East Mines

I. EXECUTIVE SUMMARY

The attached transition plan is provided to demonstrate the successful application of the Incident Management Team (“IMT”) on a recent event that required immediate cross organisational response. The report will be supported by a verbal update of the incident.

2. RECOMMENDATION

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

3. ATTACHMENTS

Transition Plan – New information about Huntly Mine Closures

TRANSITION PLAN

Action Plan Number	I.0
Incident	Transition Plan: New information about Huntly mine closures
Date	27 March 2018
File	RRM03

Summary of Incident

Solid Energy has recently closed the East Mine in Huntly. The main mine roadways have been plugged and sealed. Over the next 4 - 5 years it is expected that groundwater will fill the workings.

WDC recently received advice from its specialist geological engineering consultant Ian Brown that there may be risks associated with the recent closure of the mine. Concerns were raised about the potential for gas build ups and further subsidence from reduced pillar stability as the mine fills with water. As a result, urgent meetings were held to discuss the situation, including a meeting with MBIE , LINZ and WorkSafe on 12 March 2018 to gain clarity on the level of risk to people, property and infrastructure.

WorkSafe informed the WDC that the Huntly East mine has been sealed appropriately and that the seals exceed the standards required by mining legislation. The risk of methane gas finding its way to the surface is low.

However due to the potential for future subsidence the WDC has decided to implement a risk averse response. Further work is required to better understand the likelihood and magnitude of any subsidence during the flooding period. It is expected that any subsidence over this period would be gradual and there is unlikely to be any additional risk to the safety of people living in the area. Modelling would help support this view. Once the mine is full, it is generally accepted that the risk of subsidence would be minimised.

In order to serve the best interests of our communities and residents, WDC will continue to consider consent applications in this area on a case-by-case basis, but will now seek input from a specialist consulting geotechnical engineer for each application. As the uncertainty is higher while the mine is flooding, there is a higher likelihood of consent being declined during this period. It has been determined that land that isn't above underground workings, well away from subsidence problems and not near historic bore holes where gas may be present, are likely to be considered acceptable to develop however development in the area will continue to be subject to special design requirements.

The LINZ Huntly East Subsidence Policy is still applicable to some property owners should they wish to invoke it. The policy provides for either repair or purchase of properties which suffer the effects of subsidence caused by mining of the South Headings.

Aim

To recover from, and monitor, the impacts of the closure of the Huntly mines in a manner that best serves the community, doing so within Council's legislative bounds.

Objectives

Reputational risks understood and mitigated

Contingencies considered

Support requirements of affected public and staff understood and planned

Long term plan created

Plan of Action/Strategy

The transition to recovery/monitoring will occur once the following tasks are completed:

1. Key actions (those deemed to be required) in the Comms Plan are completed. (Jake leading with Sheryl).
2. Letter to Worksafe seeking confirmation of gas mitigation measures undertaken by Solid Energy (Roger)
3. Decision on ownership of ongoing work programme, utilising feedback from treasury (Gavin)

High level Recovery/Monitoring Tasks

Recovery/Monitoring phase will be responsible for:

1. Outstanding risks assessments
2. Welfare considerations
3. Comms and Partnerships considerations
4. Overseeing ongoing work programme

At an appropriate time, Recovery/Monitoring will also prompt

1. Report to Council – once Ian's final report is received.
2. Close loop on letter to government at an appropriate time, eg once modelling agreement is reached.

Limiting Factors

Uncertainty around information

Limited expertise in council and in New Zealand

Rumours likely already moving around the community

Huntly in news recently for other matters

Coordination Measures

Resource Needs

Council Recovery manager, Welfare manager, PIM manager and associated CIMS functions as required.

Information Flow

Keep small IMT group right up to date: Jacob Quinn <jacob.quinn@waidc.govt.nz>; Roger MacCulloch <Roger.MacCulloch@waidc.govt.nz>; Gudrun Jones <Gudrun.Jones@waidc.govt.nz>; Ana Maria d'Aubert <AnaMaria.d'Aubert@waidc.govt.nz>; Mervyn B. Balloch <Mervyn.Balloch@waidc.govt.nz>; Angela Parquist <angela.parquist@waidc.govt.nz>; Kurt Abbot <Kurt.Abbot@waidc.govt.nz>;

Wider group to keep informed with key updates: Gavin J. Ion <Gavin.Ion@waidc.govt.nz>; Jacki Remihana <jacki.remihana@waidc.govt.nz>; Sue O'Gorman <Sue.O'Gorman@waidc.govt.nz>; Tony Whittaker <Tony.Whittaker@waidc.govt.nz>; Vanessa Jenkins <vanessa.jenkins@waidc.govt.nz>; Allan Sanson <Allan.Sanson@waidc.govt.nz>

Wider group including staff if necessary: Donna Tracey <Donna.Tracey@waidc.govt.nz>; Sheryl Flay <Sheryl.Flay@waidc.govt.nz>; Evonne Miller <evonne.miller@waidc.govt.nz>; Audrey Bujang <Audrey.Bujang@waidc.govt.nz>; Emma Ensor <emma.ensor@waidc.govt.nz> Kelly G. Nicolson <Kelly.Nicolson@waidc.govt.nz>; Craig Birkett <craig.birkett@waidc.govt.nz>; Ian Boddington <Ian.Boddington@waidc.govt.nz>; Ella Makin <Ella.Makin@waidc.govt.nz>

Key Council representatives: Shelley Lynch; Frank McInally; Allan Sanson; Katrina Langlands (Chairperson Huntly CB)

Current WDC expert: ian@irba.co.nz;

WRC contacts: perry.empson@waikatoregion.govt.nz; Jorge Rodriguez <Jorge.Rodriguez@waikatoregion.govt.nz>

Central govt SME contacts: Priscilla Page <Priscilla.Page@worksafe.govt.nz>; Andy O'Loan <Andy.O'Loan@mbie.govt.nz>; 'Dave Bellett' <Dave.Bellett@worksafe.govt.nz>; dcardwell@linz.govt.nz; huntlyeastpolicy@linz.govt.nz.

Central govt Comms contacts

mark.scott@worksafe.govt.nz; rhenderson@linz.govt.nz; media@mbie.govt.nz; media@worksafe.govt.nz; media@linz.govt.nz

Communications Plan

Comms Plan for Response is a separate document – completed 19 March 2018. ECM ID 1920300.

Organisation

N/A

Appendices

All documentation in ECM Project folder RMM03

Approval and distribution

AP prepared by	<i>Will Gauntlett & Kurt Abbot</i>
AP approved by	<i>Will Gauntlett</i>
Distribution	<i>Jacob Quinn <jacob.quinn@waidc.govt.nz>; Roger MacCulloch <Roger.MacCulloch@waidc.govt.nz>; Gudrun Jones <Gudrun.Jones@waidc.govt.nz>; Ana Maria d'Aubert <AnaMaria.d'Aubert@waidc.govt.nz>; Mervyn B. Balloch <Mervyn.Balloch@waidc.govt.nz>; Angela Parquist <angela.parquist@waidc.govt.nz>; Kurt Abbot <Kurt.Abbot@waidc.govt.nz>;</i>

Open Meeting

To	Audit & Risk Committee
From	Tony Whittaker General Manager Strategy & Support
Date	25 May 2018
Prepared by	Madelina Baena-Escamilla Continuous Improvement Analyst
Chief Executive Approved	Y
Reference #	GOV1318 / 1968752
Report Title	Update on Process, Audit and Quality Improvement

I. EXECUTIVE SUMMARY

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

2. DISCUSSION

2.1. Process Audit Programme

The process audit programme for 2017/2018 has been completed, 14 audits were scheduled across 35 business processes. In the past two months, the remaining 4 audits (covering 10 processes) were completed. The 14 completed audits resulted in 16 major non-conformances, 13 minor non-conformances and 106 recommendations for improvement. The majority of the non-conformances have been addressed. The focus for the next couple of months is to implement all suggested changes and improvements (see attached *Process Audit Status (2017-2018)* @25-05-2018 Activity Report).

A new audit schedule is due July and we are in the process of identifying key processes for audit.

2.2. Policy

The work programme for reviewing internal and external Council policies is progressing as planned.

Policies published in the last term:

- Risk Management Policy

Other policies being created or reviewed are:

- Social Media policy
- Library Lending Policy
- Disability Policy (new)
- Business Continuity Policy
- Lone Worker Policy
- 'Long Long' (long sleeve/long pants) Policy
- Harassment and Bullying Policy
- Corporate Uniform Policy
- Community Engagement
- Remote Access Policy

2.3. Process Improvement Forum

During the past two months, the Process Improvement Forum has participated in the Project and Programme Improvement project. High level processes for “Manage Physical Works Projects” and “Manage Information Management Projects” have been defined and with the project team and relevant staff specific activities for each process, are being created.

The Process Improvement Forum continues to meet on a monthly basis to drive Council’s quality management system and encourage process mapping and continuous improvement. In the past month, we have delivered 5 drop-in sessions where staff can go for assistance in reviewing and finalising their processes. As a result of these sessions, it has been possible to decrease the number of overdue and unpublished processes.

3. RECOMMENDATIONS

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

4. ATTACHMENTS

Internal Audit Status (2017-2018) @25-05-2018

Audit Schedule 2017 – 2018 (To be completed at 15 March/2018)

Group/Team	Processes	owners and experts	Auditors	Proposed date of Audit	Outcome			Progress update
					Major NC (high)	Minor NC (medium)	Rec (Low)	
Procurement and Contract Management	<ul style="list-style-type: none"> 01. Initiate Procurement Project 02. Identify Procurement Needs and Analyse the Market 03. Create Specification of Requirements Document 04. Plan Approach to Market and Evaluation 	Rajendra Java Tony Whittaker	Annetta Purdy (Lead Auditor) Samantha Fredrick Evonne Miller	4 Interviews were carried out between 21 st Nov 2017 to 16 th Jan 2018	2	0	3	Audit has been carried out and report has been sent to the process owner.
	<ul style="list-style-type: none"> 05. Approach Market and Select Supplier 06. Negotiate and award contract 07. Manage Contract and Relationships 08. Review Results 	Rajendra Java Tony Whittaker	Elijah Tamati (Lead Auditor) Rosemary Towl Jonathan Ward	23 Jan 2018	4	0	5	Audit has been carried out and report has been sent to the process owner.
	<ul style="list-style-type: none"> Prepare Request Quotations for Goods or Services (RFQ) Add Value to Existing Maintenance Contract Procure from All of Government / Syndicated Suppliers Panel 	Rajendra Java Tony Whitaker Reuben Rink	Susan Toogood (Lead Auditor) Shelley Woollett	12 March 2018	4	0	18	Audit has been carried out and report has been sent to the process owner.
	<ul style="list-style-type: none"> Appoint Consultant from Professional Services Panel (PSP) Appoint Consultant from Information Technology Services Panel (ITSP) 	Rajendra Java Tony Whitaker Julian Hudson	Phyllis Hefang (Lead Auditor) Robert Ball	12 Feb 2018 to 26 Mar 2018	0	1	12	Audit has been carried out and report has been sent to the process owner.
	<ul style="list-style-type: none"> Manage Contract Administration (physical works) Carry Out Site Inspection 	Rajendra Java Reuben Rink	Pam Osborne (Lead Auditor) Paul Harrison	07 March 2018	0	0	4	Audit has been carried out, the auditors are writing the report

Finance	<ul style="list-style-type: none"> Engage a New Supplier Create an Electronic Purchase Order Receipt an Electronic Purchase Order Set up a New Supplier in Finance One 	Nicky Hunter Stephen Thompson	Debbie Dalbeth (Lead Auditor) Alan Kuyper	12/02/2018 to 23/02/2018	0	0	13	Audit has been carried out and report has been sent to the process owner.
Zero Harm	<ul style="list-style-type: none"> Report and Investigate a Near Miss Work Event (Non Injury) Report and Investigate a Work Incident or Injury Manage Employee Rehabilitation for Work Related Injuries 	Kylie Anderson	Reece Turner(Lead Auditor) Kay Warren James Templeton	08 March 2018	3	4	8	Audit has been carried out and report has been sent to the process owner.
Human Resources/Zero Harm	<ul style="list-style-type: none"> Manage Worker who is considered to be not Worksafe Arrange for employee to be tested for alcohol or drugs Investigate Misconduct and Take Appropriate Disciplinary Action 	Vanessa Jenkins Sarfraz Hapuku	Sharlene Jenkins (Lead Auditor) Madelina Baena-Escamilla	06 March 2018	1	0	15	Audit has been carried out and report has been sent to the process owner.
Libraries	<ul style="list-style-type: none"> Manage Library Memberships Manage Customer Payments/Debt for Library Items Manage 'Claims Returned' process 	Denise Lamb Merren Tait	Helen Williams (Lead Auditor) Tracey Oakes	28 February 2018 to 08 March 2018	0	1	5	Audit has been carried out and report has been sent to the process owner.
Roading	<ul style="list-style-type: none"> Receive and Enter Vehicle Entrance Application Manage Requests for Change of Speed Limit 	Paul Harrison Wayne Furlong	Sarfraz Hapuku (Lead Auditor) Mark Shaw	13 Mar 2018	1	1	7	Audit has been carried out and report has been sent to the process owner.

Audit Schedule 2017 – 2018 (Carried out at Auditor Training)

Group/Team	Processes	owners and experts	Auditors	Date of Audit / Status	Outcome			Progress update
					Major NC (high)	Minor NC (medium)	Rec (Low)	
Consents - Technical	<ul style="list-style-type: none"> Process a Rural or Urban Road Number Request through a Service Requests 	William Gauntlett Jodi Bell-Wymer	Shelley Woollett Lynette Wainwright Alan Kuyper	1st Nov 2017	0	3	5	Audit was carried out, and owners have made changes in the process. Audit is closed
Council Support	<ul style="list-style-type: none"> Carry out Citizenship Ceremony 	Rose Gray Wanda Wright	Samantha Frederick Jonathan Ward	1st Nov 2017	0	0	6	Audit was carried out, and owners have made changes in the process. Audit is closed
Animal Control	<ul style="list-style-type: none"> Respond to Dog Attack Process Firearms Policy 	Mark Te Anga Megan May	Robert Ball Paul Harrison Evonne Miller	1st Nov 2017	0	1	4	Audit was carried out, and owners have made changes in the process. Audit is closed
Communications	<ul style="list-style-type: none"> Respond to WDC Facebook Comment 	Deanna Harris Jacob Quinn	Rosemary Towl Tracey Oakes	1st Nov 2017	1	2	1	Audit was carried out, and owners have made changes in the process. Audit is closed

Open Meeting

To	Audit & Risk Committee
From	Tony Whittaker General Manager Strategy & Support
Date	29 May 2018
Prepared by	Melissa Russo Corporate Planner
Chief Executive Approved	Y
Reference #	GOV1318 / 1968783
Report Title	Update on Progress against Audit issues – June 2017

I. EXECUTIVE SUMMARY

The purpose of this report is to provide an update on progress against issues raised through the audits. The audits included are:

- Annual Report
- Cyber security systems
- Risk management
- Project management
- Procurement and contract management
- Council's Internal audits

Staff have undertaken a review of audit issues contained in the Audit Issues register. Additional focus has been made towards progressing the remaining outstanding issues and some issues have been identified as 'ongoing'. Good progress has been made over the past quarter, completing 43 items from both the pending and work in progress categories. Remaining items have been reduced to 20 of the original 153 actions.

The items highlighted in green in the attachment have all been completed since the last report in March 2018.

2. RECOMMENDATION

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

3. SUMMARY OF PROGRESS

The tables below outline the areas and status of issues – either completed, in progress or pending since the last report in March 2018.

Areas of audit issues – June 2018

	Pending	Work in progress	Complete	Total
Audit New Zealand	0	2	27	29
Cyber security	3	2	28 + 1 ongoing	34
Internal audit	0	0	5	5
Procurement and contract management	0	2	13	15
Risk management	8	3	25 + 1 ongoing	37
Project management	0	0	33	33
Total	11	9	133	153

Areas of audit issues – March 2018

	Pending	Work in progress	Complete	Total
Audit New Zealand	4	4	21	29
Cyber security	20	4	10	34
Internal audit	0	0	5	5
Procurement and contract management	0	7	8	15
Risk management	8	7	22	37
Project management	2	7	24	33
Total	34	29	90	153

The ongoing issues identified are those including training and process improvement. Staff consider we will always be undertaking ongoing business improvement, hence the introduction of a new status.

Pending issues are those classified as ‘yet to be determined if the recommendation will be actioned’ as the issue may be addressed through other controls. The pending actions have not been the immediate priority, however are now getting some focus.

Of the ‘work in progress’ issues, many of these are scheduled to be completed soon and hence further progress will be made by the next Audit & Risk Committee meeting.

Risk Management

Risk Appetite Statements were adopted at the March meeting of the Audit & Risk Committee. Final amendments to the risk dials have been implemented and is included in the June Audit & Risk Committee agenda for the Committee’s information. Katja Jenkins, the organisation’s Risk Advisor returns to Council on 18 June after a six month career

development role in Australia. Upon Katja's return the risk improvement programme will be advanced with earnest.

Project Management

A full revitalisation of the project management framework began February 2018. The objective of the Project and Portfolio Management Improvement project ("PPM") is to develop and implement fundamental processes, documents and tools, by 29 June 2018, to enable the improved practice of project, programme and portfolio management at Council. The finalisation of standards for project, programme & portfolio management was completed by the end of May. The related Promapp & IPM (technology tools) updates are progressing well and will continue until implementation. A planning workshop for the project change management and implementation was held on Wednesday, 30 May. Work has now commenced on the implementation plan and training material. It is therefore considered that all audit recommendations have been met and closed on the Audit Issues register.

Information Management ("IM")

Since the last Audit and Risk Committee meeting the following audit actions have been completed:

Change Management

- IM Change Control process reviewed and a new process published.

Review of users who have remote access

- The Remote Access Policy has been signed off and all user accounts with remote access are being reviewed. People Leaders have been sent a list of their staff to be confirmed by the end of June.

Monitoring and reporting

- The Service Desk system has been upgraded and IM are publishing results against a service level agreement on a weekly basis. Currently tracking at around 87% success against a target of 80%.

Rec01: Formalise business owners for major information assets and information systems

- Business ownership roles and responsibilities have been documented and distributed. A draft list of owners has been circulated and verification of this is in progress.

All devices have virus definition updates and patches applied

- Antivirus
 - A new Antivirus software – Sophos – has been rolled out across the PCs. The signatures are updated automatically.
 - Servers that require Antivirus still have McAfee. A plan is being implemented to replace McAfee with Sophos on servers.
- Security patches
 - All PCs had security patches updated in late 2017.
 - Servers were approximately 50% complete around the same time.

- Procedures are being implemented to continue the cycle of patching on a two to three month schedule.

Rec06: Raise awareness on ICT strategy and use of shadow IT and cloud

- The ICT strategy has been well communicated across the organisation over the last year. Cloud is part of the strategy. The library system was recently migrated to SaaS.

Rec09: Identify and address cases of skills dependency in IM team

- Two new team leader roles have been recruited into the IM team.

4. CONCLUSION

There is a total of 153 issues that have been raised by various audits across the organisation, 133 of which are complete, an improvement of 43 in the quarter.

5. ATTACHMENTS

Combined Audit Recommendations

Audit Area	Domain	Recommendation/ Action Required	Date first raised	Proposed Action/Plan - May A&R Committee comment	Who	By When	Status	Comments
AuditNZ	Segregation of duties	Establish controls for a 'one up' approach to the approval purchase orders	Jul-16	The current EPO setups allow for 92 staff to raise purchase orders on behalf of council. 6 of these do not have delegations so have 'write-only' access (i.e. someone will always have to approve), 16 are managers who can only approve (this forces the higher delegation levels to always have someone else in the transaction) and the remainder can raise, receipt and approve within their delegation - anything higher requires a one-up approval. It is the set up of these 70 staff that the team will review.	Alison	As per procurement programme timings	Complete	The EPO system has been implemented with associated internal controls re delegations. The revised procurement programme will re-schedule investigation of one-up approvals over the next two years to determine whether the controls can be further strengthened. The intention is to avoid any roadblocks in procurement that may arise from the requirement to be readily accessible to emails. In the interim, reporting out of the EPO system will be used to mitigate risk.
AuditNZ	IT Service performance	Change Management	Jul-16	The IM Change Control process has been reviewed and updated.	IM		Complete	The IM Change Control process has been reviewed and updated.
AuditNZ	Service performance reporting	Job summary sheets that record the date and times the job started and finished	Jul-16	A mobile solution is currently being implemented and will provide us with the relevant information and an audit trail. We are in discussions with Downer and City Care about how their systems work and whether we can implement a similar system.	Karl	TBC	Complete	The mobile solution is not now being progressed in lieu of the pending reorganisation of how the waters business is delivered.
AuditNZ	User Access	Review of users who have remote access	Jul-16	Policy reviewed. The review of who should have access is underway, closes June 29th. Added to IM calendar as annual activity. I think we can consider this complete.	IM		Complete	Policy reviewed. The review of who should have access is underway, closes June 29th. Added to IM calendar as annual activity. I think we can consider this complete.
AuditNZ	Systems Updates	Create IT asset register	Jul-16	This is work in progress. IM have confirmed a register of physical servers and their replacement cycle. The PC fleet records are being updated in the new Manage Engine instance. Processes for maintaining those are still under development. Mobile phone records can be accessed via the Spark portal. We do need to start work with other mobile devices.	IM	Dec-19	Work in progress	This work is partially complete. IM have confirmed a register of physical servers and their replacement cycle. The PC fleet records are being updated in the new Manage Engine instance. Processes for maintaining those are still under development. Mobile phone records can be accessed via the Spark portal.
AuditNZ	Contract management	Develop and implement a contract management system	Jul-16	This recommendation/action is considerably out of Procurement's control, but has been identified as a priority for the Procurement function. A recent meeting with Tech One has established that we should be able to implement the current contracts module. Waiting on timings and costs associated with this exercise.	Sarah	Dec-19	Work in progress	A resource has been contracted to develop a robust contract management framework and implement with staff. This will consider the value of implementing a contract management system.
AuditNZ	IT Service performance	Monitoring and reporting	Jul-16	First SLA report published with IM weekly update week ending May 18th.	IM		Complete	First SLA report published with IM weekly update week ending May 18th.
AuditNZ	Systems Updates	All devices have virus definition updates and patches applied	Jul-16	A new antivirus software (Sophos) was implemented in late 2018. This is rolled out to the PC fleet. Signatures are automatically updated. PC patching of critical security patches was caught up early in 2018. A process for keeping this updated has been developed and being actioned. The schedule to patching servers has been established and key security patches applied to most.	IM		Complete	A new antivirus software (Sophos) has been implemented. This has been rolled out to the PC fleet. Signatures are automatically updated. PC patching of critical security patches was caught up early in 2018. A process for keeping this updated has been developed and being actioned. The schedule to patching servers has been established and key security patches applied to most.

Cyber Security	Bus Own and Direction for IT	Rec02: Business owners (from Rec01) formalise information security requirements for the assets owned	Dec-15		ELT	Pending outcome of above recommendation	Pending	
Cyber Security	Bus Own and Direction for IT	Rec03: Integrate ICT governance in to council governance processes	Dec-15		ELT		Pending	
Cyber Security	Bus Own and Direction for IT	Rec08: Improve employee engagement	Dec-15	Connections leadership training and Illume team coaching programme 100% complete. ELT to consider next steps in terms of People leader development. HR Manager is currently developing a future work programme in line with 100 day plan.	ELT & HR		Complete	Leadership training with Connections and Illume complete. Further training being considered for Team Managers. Ongoing development programme.
Cyber Security	Employee and contractor practices	Rec01: Review and improve employee agreements and induction in terms of information security requirements, record keeping and outlining disciplinary processes	Dec-15	As employment agreements are reviewed these requirements will be considered on a case by case basis. Recordkeeping responsibilities is being included in the new staff induction.	HR & IM		Complete	As employment agreements are reviewed these requirements will be considered on a case by case basis. Recordkeeping responsibilities is being included in the new staff induction.
Cyber Security	Employee and contractor practices	Rec04: Outline information security requirements in employees job descriptions	Dec-15	As position descriptions are reviewed these requirements will be considered on a case by case basis.	HR & IM		Complete	As position descriptions are reviewed these requirements will be incorporated.
Cyber Security	Employee and contractor practices	Rec02: Improve management of disgruntled employees	Dec-15	Policies,systems and options in place for disgruntled employee's eg protected disclosure policy, mediation, procedure for resolving employment relationship problems and personal grievances in staff employment agreements, staff survey (for feedback), two formal performance reviews a year where employees can raise issues. Serious issues escalated to ELT.	HR & leaders		Complete	Policies,systems and options are in place for disgruntled employee's eg protected disclosure policy, mediation, procedure for resolving employment relationship problems and personal grievances in staff employment agreements, staff survey (for feedback), two formal performance reviews a year where employees can raise issues. Serious issues escalated to ELT.
Cyber Security	Employee and contractor practices	Rec03: Undertake targeted training for employees who handle sensitive information and/or for instances of poor practices.	Dec-15	We have not progressed this due to other priorities and workload. It is currently not scheduled.	HR, IM & Comms	TBC	Pending	
Cyber Security	Bus Own and Direction for IT	Rec05: Review and report on internet sites visited to gauge use of shadow IT and cloud	Dec-15	Use of other systems, including cloud based / shadow IT is considered during the scoping phase for each IM roadmap project. A current example is the initial work on Asset management.	IM		Complete	Use of other systems, including cloud based / shadow IT is considered during the scoping phase for each IM roadmap project. A current example is the initial work on Asset management.
Cyber Security	IM practices	Rec06: Review and improve asset management, monitoring and capacity planning (including for environment support systems)	Dec-15	This is work in progress. IM have confirmed a register of physical servers and their replacement cycle. The PC fleet records are being updated in the new Manage Engine instance. Processes for maintaining those are still under development. Mobile phone records can be accessed via the Spark portal. We do need to start work with other mobile devices.	IM	TBC	Work in Progress	See IT Asset Register under Audit NZ
Cyber Security	IM practices	Rec07: Undertake periodic penetrations tests for critical systems, internal applications interfaces and internet-facing systems	Dec-15	This is now a scheduled / regular activity on the IM calendar.	IM		Complete	This is now a scheduled / regular activity on the IM calendar.
Cyber Security	IM practices	Rec09: Review and improve monitoring for security incidents, incident response plan, patch management, change control and release management processes	Dec-15	Aspects of this are underway, for example, we now have a regular server patching program in place. The full range of the items in the recommendation have not been completed.	IM	TBC	Work in Progress	Aspects of this are underway, for example, we now have a regular server patching program in place. The full range of the items in the recommendation have not yet been completed.

Cyber Security	IM practices	Rec11: Include link to scam advice on public website and in emails to members of the public	Dec-15	The requirement for this type of information to customers will be considered with the scope of each digital project in the IM Roadmap.	IM		Complete	The requirement for this type of information to customers will be considered with the scope of each digital project in the IM Roadmap.
Cyber Security	Bus Own and Direction for IT	Rec10: Review, improve and periodically test Business Continuity Plans	Dec-15	Back up and Recovery tests are part of ongoing BAU in IM. DR Test completed last month. Refer to the IM Calendar process.	IM		Complete	Back up and Recovery tests are part of ongoing BAU in IM. DR Test completed last month. Refer to the IM Calendar process.
Cyber Security	IM practices	Rec08: Review and improve communications plan for incident response	Dec-15	There was a review on the general IMT process following the virus attack in September 2016. IM also developed and published a specific process to manage virus incidents.	IM & Comms		Complete	Council has an IMT (Incident management Team) process in place which was used following the virus attack in September 2016. IM also developed and published a specific process to manage virus incidents.
Cyber Security	Employee and contractor practices	Rec05: Improve clarity and transparency around security roles and responsibilities	Dec-15	These requirements are being considered in the ongoing business ownership work, development of personas for staff roles within IM projects, and the requirements of each application.	IM / HR & ELT		Complete	These requirements are being considered in the ongoing business ownership work, development of personas for staff roles within IM projects, and the requirements of each application.
Cyber Security	Mngt of external suppliers	Rec01: Review and improve contracts with service providers for coverage of information security requirements, service transition and termination and right to audit	Dec-15	This item will be reviewed with each supplier as contracts come due for renewal	Legal & Procurement		Complete	This will be addressed as supplier contracts are renewed.
Cyber Security	Mngt of external suppliers	Rec05: Review contractor agreements in terms of information security requirements, record keeping and non-disclosure agreements	Dec-15	This item will be reviewed with each supplier as contracts come due for renewal	Legal & Procurement		Complete	This will be addressed as supplier contracts are renewed.
Cyber Security	Mngt of external suppliers	Rec06: Require vendors to use secure development practices and vulnerability testing for applications	Dec-15	This item will be reviewed with each supplier as contracts come due for renewal	Legal & Procurement		Complete	This will be addressed as supplier contracts are renewed.
Cyber Security	Bus Own and Direction for IT	Rec01: Formalise business owners for major information assets and information systems	Dec-15	Document outlining business ownership responsibilities and proposed business owners has been drafted and distributed for review.	IM	TBC	Complete	Document outlining business ownership responsibilities and proposed business owners has been drafted and distributed for review.
Cyber Security	Bus Own and Direction for IT	Rec06: Raise awareness on ICT strategy and use of shadow IT and cloud	Dec-15	The ICT strategy has been communicated and continues to be. Cloud is part of that and will be used as appropriate. Decisions on appropriate solutions are a case by case issue.	IM		Complete	The ICT strategy has been communicated and continues to be. Cloud is part of that and will be used as appropriate. Decisions on appropriate solutions are a case by case issue.
Cyber Security	Bus Own and Direction for IT	Rec07: Utilise ICT strategy and resource management to identify resource gaps	Dec-15	The recruitment of two new IM team leaders and the current work on the council IM project management framework is enabling improved resource planning.	IM		Complete	The recruitment of two new IM team leaders and the current work on the council IM project management framework is enabling improved resource planning.
Cyber Security	Bus Own and Direction for IT	Rec09: Identify and address cases of skills dependency in IM team	Dec-15	Two new team leaders have been appointed.	IM		Complete	Two new team leaders have been appointed.
Cyber Security	Mngt of external suppliers	Rec02: Review Service Level Agreements with service providers and include penalties where relevant	Dec-15	This item will be reviewed with each supplier as contracts come due for renewal	Procurement & IM		Complete	This item will be reviewed with each supplier as contracts come due for renewal
Cyber Security	Mngt of external suppliers	Rec03: Undertake service provider management including performance monitoring	Dec-15	This item will be reviewed with each supplier as contracts come due for renewal	Procurement & IM		Complete	This item will be reviewed with each supplier as contracts come due for renewal
Cyber Security	Mngt of external suppliers	Rec04: Perform pre-planning for cases of change to service provider and review contracts for changes required	Dec-15	This item will be reviewed with each supplier as contracts come due for renewal	Procurement & IM		Complete	This item will be reviewed with each supplier as contracts come due for renewal
KPMG review of Procurement and Contract Management	Contract management	3) Perform a sample-based check of all newly created contracts on a six-monthly basis to identify and reinforce compliance. 4) Ensure that adequate documentation and evidence of due processes followed by WDC staff is maintained to support WDC's decision relating to supplier contracts.	Dec-16	Ongoing. Audits of individual contracts are being undertaken on a sample basis, and will continue to be. Processes are to be continually updated as required, and appropriate tools have been put in place to assist sample-based checks on contract compliance.	Sarah	May-18	Complete	Ongoing. Audits of individual contracts are being undertaken on a sample basis, and will continue to be. Processes are to be continually updated as required, and appropriate tools have been put in place to assist sample-based checks on contract compliance. Better inhouse reports will enable more frequent and indepth analysis, continually auditing the information in these reports to ensure data capture is correct also.

KPMG review of Procurement and Contract Management	Contract management	Develop guidelines relating to tender evaluation team and criteria. 1) Formalise WDC's procurement guidelines relating to the composition of the tender evaluation team and weighting of tender evaluation criteria. For example, consider the following: • Specify the minimum number of tender evaluation members depending on the value and risk of the procurement. • Specify a default weighting to be applied for the tender evaluation criteria. Deviation from the default		Guidelines have been provided in the new procedures and specialised training	Sarah		Complete	Guides & templates have been added to relevant process steps for clarity
KPMG review of Procurement and Contract Management	Contract management	Specify whether a finance team member and/or the Procurement Manager should be part of the tender evaluation team where the procurement reaches a certain value or risk threshold.	Dec-16	WDC Rules have been adjusted to ensure that at certain levels of spend, Procurement is included in evaluation teams. Procurement should be included in the evaluation team of any open public tender above \$250k, to ensure objectivity of the process. Recommendation that Procurement can be included below this spend on any public tender also. Evaluation team members will need to be stated. To be written into Procurement Manual.	Sarah	Jun-18	Complete	WDC Rules have been adjusted to ensure that at certain levels of spend, Procurement is included in evaluation teams. Procurement should be included in the evaluation team of any open public tender above \$250k, to ensure objectivity of the process. Recommendation that Procurement can be included below this spend on any public tender also. Evaluation team members will need to be stated. To be written into Procurement Manual.
KPMG review of Procurement and Contract Management	Contract management	Implement a supplier performance measurement framework and strengthen supplier performance monitoring. 1) Develop and implement a performance management framework for measuring and monitoring contractor performance against agreed KPIs. This should form part of the Contract Management Policy.	Dec-16	Engaged with consultant to assist getting a Contract Management framework in place asap - uniform across WDC. Expect to see this implemented in the first quarter of 2018/19.	Raj Java	Jun-18	Work in progress	Engaged consultant to assist getting a Contract Management framework in place asap - uniform across WDC. Expect to see this implemented in the first quarter of 2018/19.
KPMG review of Procurement and Contract Management	Contract management	Strengthen tracking of supplier spend. 1) Implement a regular spend analysis which should include: • Review of expenditure incurred by supplier. Where spend with a supplier is over the anticipated value, consideration should be made whether additional due diligence/checks needs to be performed in line with the policy. • Review of expenditure by category/nature of spend. Identify opportunities to consolidate spend with suppliers. • Review of expenditure by contracted and non-contracted suppliers. Where spend with non-contracted expenditure exceeds a predetermined threshold (e.g. \$50K), consider entering into negotiations with the respective supplier to formalise a contract and agree better trading terms.	Dec-16	Reporting on supplier spend has been improved by new contract spend reports. Enables Procurement and Contract Managers to monitor spend against contract. Report also created on contract spend and purchase order spend, to be monitored for contract opportunities. Categorisation will be initiated with addition of any new suppliers to database, and to the existing supplier base from July 18.	Sarah	Jun-18	Complete	Reporting on supplier spend has been improved by new contract spend reports. Enables Procurement and Contract Managers to monitor spend against contract. Report also created on contract spend and purchase order spend, to be monitored for contract opportunities. Categorisation will be initiated with addition of any new suppliers to database, and to the existing supplier base from July 18.
KPMG review of Procurement and Contract Management	Finance	Implement a 'one-up' approval of PO and strengthen controls to detect breach of Delegation of Authority. 1) Update WDC's procurement policies and procedures to require invoices to be approved by "one-up" level for POs raised and approved by the same staff within their DoA. 2) Ensure that manual POs and invoices are checked by the Accounts Payable team on a random basis to ensure that the approval is in line with DoA until the ePO system is rolled out throughout the WDC.		Complete	Sarah	Complete	Complete	One up approvals through ePO are only for requisitions above the requestors delegation limits. Other controls will be used to mitigate risks of not having the one up approvals if purchases are within delegated limits.
KPMG review of Procurement and Contract Management	Finance	Implement exception reporting over key supplier Masterfile changes. 1) Implement exception reporting to identify changes to supplier bank account details. 2) Review of the exception report should be performed by an independent staff on a regular basis.		Complete	Stephen Thompson	Complete	Complete	

KPMG review of Procurement and Contract Management	Finance	Implement controls to detect duplicate invoice into FinanceOne. 1) Implement the following system controls within FinanceOne: • Prevent entry of invoices with the same invoice number against the same supplier. • Prevent entry of invoices dated prior to the PO date. 2) Alternatively, implement a monitoring reporting function to highlight all invoices dated prior to the purchase order date.		1) The AP module will not allow you to enter the same invoice number for the same supplier with the same date. However, if anyone of these details are mis-keyed or are different, it will be accepted by the system. Staff have a report to identify possible duplicate invoice numbers which is reviewed. However, under the EPO system, if duplicate invoices are entered happens, there will be nothing to match this invoice against. 2) No longer applicable – per above	Stephen Thompson	Jul-17	Complete	This is no longer an issue as we are fully electronic in raising purchase orders. If an invoice is received without a Purchase order quoted, it is immediately returned to the supplier - unpaid.
KPMG review of Procurement and Contract Management	Procurement	Develop a procurement strategy and ensure consistency and clarity of procurement guidelines. 1) WDC should consider developing a procurement strategy. The strategy should set out: • procurement aims and objectives for the next 3 to 5 years • procurement vision • demonstrates the support by senior management • maps out the major initiatives to be addressed in the forthcoming 3 to 5 years • WDC's public commitment to maintain and improve the day-to-day procurement work within WDC and emphasises a determination to make continual improvements in that work • framework upon which WDC's procurement policy and procedures are based • objectives against which progress can be measured and reported 2) Review procurement guidelines to ensure there is consistency between procurement policy, the manual and ProMapp process descriptions.	Dec-16	Procurement Strategy has been identified as Medium term initiative that will be addressed once immediate procurement risk priorities are addressed. A regional procurement resource has been employed by WLASS to work on a common policy and framework across the group of Councils.	Raj Java	Jun-18	Work in progress	Procurement Strategy has been identified as Medium term initiative that will be addressed once immediate procurement risk priorities are addressed. A regional procurement resource has been employed by WLASS to work on a common policy and framework across the group of Councils.
KPMG review of Procurement and Contract Management	Procurement	Strengthen supplier vetting and improve monitoring over duplicate supplier accounts. 1) Update the new supplier form to include checks for conflict of interest declaration by staff involved in the procurement and approval by the Zero Harm team where applicable. 2) Instruct staff to complete new supplier form before committing WDC to procure goods/services from a new supplier.	Dec-16	New process has included a revision of the new supplier form to include conflict of interest and zero harm checks. All new suppliers are now being approved/checked for addition to database by Procurement.	Raj Java	Jun-18	Complete	New process has included a revision of the new supplier form to include conflict of interest and zero harm checks. All new suppliers are now being approved/checked for addition to database by Procurement.
KPMG review of Procurement and Contract Management	Procurement	Perform supplier rationalisation and spend monitoring. 1) Perform supplier spend monitoring on a regular basis to identify opportunities for formalising arrangements with suppliers (including invoice consolidation) for potential cost savings and ensure appropriate levels of due diligence checks are performed. 2) Consider developing a preferred supplier listing over high volume procurement areas and communicate across the organisation to consolidate supplier spend for potential cost savings.	Dec-16	Data Analytics to be rerun by KPMG before the September A & R Committee meeting. Initial supplier rationalisation complete and ongoing through process of internal audits. High volume transactions against suppliers monitored to check if contracts are required/in place already.	Raj Java	Jun-18	Complete	Data Analytics to be rerun by KPMG before the September A & R Committee meeting. Initial supplier rationalisation complete and ongoing through process of internal audits. High volume transactions against suppliers monitored to check if contracts are required/in place already.
Project Management	Methodology	Resource Management - While resource allocation will differ considerably across enterprise, explain the key methods and how capacity is managed in total. Also, provide useful checklists for resource requirements and costing methods.	Jun-16	Will be rolled out via Tendered Supplier who will be identified pre Xmas.	ELT & PMF		Complete	Full portfolio management and governance is part of the new project management framework. Governance will begin prioritisation etc at the end of the first reporting month July. However the maturity of resource management will be improved over the entire 2018/19 financial year.

Project Management	Methodology	Link to Contract Management expectations - Clarify Councils 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.	Jun-16	Nearing completion - significant involvement of various staff through creation of reporting packs. Expected completion mid June 2018. Project Delivery team will use new framework and tools as pilot for first reporting month of July	ELT & PMF		Complete	Nearing completion - significant involvement of various staff through creation of reporting packs. Expected completion mid June 2018. Project Delivery team will use new framework and tools as pilot for first reporting month of July
Project Management	Methodology	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.	Jun-16	Nearing completion - significant involvement of various staff through creation of reporting packs. Expected completion mid June 2018. Project Delivery team will use new framework and tools as pilot for first reporting month of July	PMF		Complete	Nearing completion - significant involvement of various staff through creation of reporting packs. Expected completion mid June 2018. Project Delivery team will use new framework and tools as pilot for first reporting month of July
Project Management	Adoption of Framework	Enrol project personnel to help pilot the tool to establish buy in.	42522	Will be rolled out via Tendered Supplier	PMF & PMA		Complete	Incorporated through change programme as part of current project
Project Management	Adoption of Framework	Ensure 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 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.	42522	Will be rolled out via Tendered Supplier	PMF & PMA		Complete	Undertaken as part of Project on refresh of Project management
Project Management	Adoption of Framework	Win positive feedback from smaller user communities before rolling out too widely (given the diverse nature of projects at council).	Jun-16	Will be rolled out via Tendered Supplier	PMF & PMA		Complete	This will be part of change/rollout programme. Early adopters and first majority have been identified forming either part of development team or pilot teams.
Project Management	Practices	Encourage project managers to attend project management networking events where they can share their good and bad personal experiences for others to learn from.	42522	Will be rolled out via Tendered Supplier	PMF & PMA		Complete	Incorporated within change programme
Project Management	Practices	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.	42522	Will be rolled out via Tendered Supplier who will be identified pre Xmas.	PMF & PMA		Complete	Incorporated within change programme
Project Management	Practices	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 with Councils risk matrix so that projects can be measured consistently.	Jun-16	Has been designed and forms part of project framework and implementation programme.	PMF & PMA		Complete	Designed and forms part of project framework. Will be rolled out as part of overall framework training. All council projects internal or external will be required to follow WDC process.
Risk Management	Risk Culture	Consider enhancing the dissemination of risk management information down through business line personnel. For instance, at each ARC meeting, 4 top key risks are selected for detailed discussion and action monitoring. Management should consider sharing the information and actions arising from these discussions with the business line personnel.	Sep-17	Awaiting return of risk manager to apply focus to change programme (18 June)	A&R		Work in progress	Is a key focus of Our Plan (internal strategic priority)
Risk Management	Risk Reporting & Insight	Review the current risk reporting to ARC and ensure there is a consistent criteria based on which key risks are selected for quarterly reporting. The criteria should be discussed and approved by the ARC.	Sep-17	Awaiting return of risk manager to apply focus to change programme (18 June)	A&R, ELT and Risk Coordinator		Pending	To be implemented upon risk managers
Risk Management	Risk Culture	Risk Management should be formalised as part of the team meeting agendas. Responsibility to lead the risk discussion should be rotated among the team to shift the mind-set that risk management is primarily led by senior management.	Sep-17	Awaiting return of risk manager to apply focus to change programme (18 June)	ELT		Work in progress	Risk is now a key topic of ELT - further enhancements to come with 100 day implementation including risk based approach to all decision making.
Risk Management	Risk Culture	Consider introducing risk management into employee performance plans to encourage the desired risk management culture and behaviours.	42979		ELT		Complete	

Risk Management	Risk Management & Monitoring	A process to test or validate the effectiveness of management's current activities to mitigate or reduce risk to acceptable levels should be considered (i.e. Internal Audit). These processes are relied upon by Council, ET, and external parties to gain confidence in the appropriateness and effectiveness of risk mitigation, responses, and action plans.	Sep-17		ELT		Pending	To be implemented upon risk managers return.
Risk Management	Risk Reporting & Insight	The number of key controls reported to the ARC should be reviewed. Management may want to report key risks identified as a result of the top down risk identification and assessment once implemented.	Sep-17	Awaiting return of risk manager to apply focus to change programme (18 June)	A&R, ELT and Risk Coordinator		Pending	To be implemented upon risk managers
Risk Management	Risk Strategy & Appetite	Communicate the RAS to the wider organisation, or at least mid tier management levels.	Sep-17	Awaiting return of risk manager to apply focus to change programme (18 June)	A&R, ELT and Risk Coordinator		Pending	To be implemented upon risk managers - Also forms significant part of the 100 day project focus and change project
Risk Management	Risk Reporting & Insight	Council and ET reporting processes need to be defined so that there is alignment with Council expectations and risk appetites. Council and ET's risk reporting requirements are vital to the effective discharge of their risk oversight responsibilities. It is also focused on supporting decision making.	Sep-17	Awaiting return of risk manager to apply focus to change programme (18 June)	A&R, ELT and Risk Coordinator		Pending	To be implemented upon risk managers
Risk Management	Risk Strategy & Appetite	Create a clear linkage to WDC's strategic objectives and/or community outcomes to ensure that all risks associated with strategic objectives have been completely considered and are being mitigated appropriately. We recommend that risks are considered as key aspects of the annual planning and discussed by the Executive Team (ET) and the Council when setting up strategic objectives and/or community outcomes. Other opportunities include framing key planning activities such as asset management and district plan development such that risk discussions become more live and visible.	Sep-17	On track - to be completed post Risk Appetite statements being confirmed.	ELT & Risk Coordinator		Pending	Strategic planning framework due for completion 1 June 2018
Risk Management	Risk Culture	Risk management awareness sessions and trainings should be considered to enhance risk management capability in the organisation.	Sep-17	With completion of Risk Appetite statements a full roll out will be planned upon risk managers return.	Risk Coordinator	Jan-18	Ongoing	Currently, knowledge gaps being identified through meetings with Business Unit Managers and Team Leaders as operational registers are being reviewed. All initial Risk Tool Training has been completed. 100 day project has identified several other issues to be addressed through this process to ensure better outcomes.
Risk Management	Risk Governance	The existing Risk Management Framework and Policy are dated February 2013 and March 2014 respectively. These need to be updated. This presents an opportunity for WDC to align the framework with the strategic objectives of the organisation and the key elements of a risk management process.		On track - to be completed post Risk Appetite statements being confirmed.	Risk Coordinator		Complete	Approved March ARC meeting
Risk Management	Risk Governance	Risk management understanding and capability is limited in the business to use risk management in business as usual activities. There is a need for more guidance and coaching for the business to enable risk information to be used in day to day business and decision making.	42979	See other related items	Risk Coordinator	43221	Complete	Closing this item as double up with other open items
Risk Management	Risk Reporting & Insight	A process has not yet been identified for monitoring or reporting incidents. An incident monitoring process for all risk areas of the organisation, including reporting processes needs to be implemented.	Sep-17	On track - to be completed post Risk Appetite statements being confirmed.	Risk Coordinator	Aug-18	Work in progress	Formal incident reporting processes have recently been implemented within the organisation. ORA to include a process review to identify if incidents relate identified risks and how to engage the evaluation process with risk/incident management in the context of CI. This will also require a process for evaluating if the possibility of incident recurrence requires escalation onto the risk register.
Risk Management	Risk Strategy & Appetite	Ensure alignment between the documented risk appetite levels and relevant Council policies.	Sep-17	On track - to be completed post Risk Appetite statements being confirmed.	Risk Coordinator	Jul-18	Pending	Will require a significant review programme. TBC other 100day projects may require similar policy review i.e. related to vision.

Risk Management	Risk Governance	Council level thresholds for escalation and reporting are not defined. Currently there is quarterly reporting on the organisational risk register (ORR).	Sep-17	Awaiting return of risk manager to apply focus to change programme (18 june)	A&R, ELT and Risk Coordinator	Jul-18	Pending	To be implemented upon risk managers
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Open Meeting

To	Audit & Risk Committee
From	Tony Whittaker General Manager Strategy & Support
Date	16 May 2018
Prepared by	Sharlene Jenkins PA General Manager Strategy & Support
Chief Executive Approved	Y
Reference #	GOV1318 / 1961466
Report Title	Updated Future Workplan

1. EXECUTIVE SUMMARY

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

2. RECOMMENDATION

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

3. ATTACHMENTS

Updated Future Work Plan

	12 June 2018	17 September 2018	12 December 2018	March 2019 TBC	Standing items for all meetings
Strategic Risk Deep Dive	People and Culture				<ul style="list-style-type: none"> ▪ Zero Harm Update H&S update on H&S performance against agreed targets, systemic issues identified which can be fed into the risk control framework. To include monthly statistics. ▪ Update on Process Audit and Quality Improvement Rolling review of bylaw & policies – schedule to be agreed ▪ Post Implementation Reviews and/or Incident Debrief Reports Post project appraisals on key investments ▪ Update on Progress against Audit Issues Update on progress against Audit management report ▪ Organisation Risk Direction Update on risk management actions, progress on mitigations and direction of travel of risk ▪ Procurement Update Update on procurement and contract management ▪ Risk Conversations Opportunity for Committee to dialogue with key staff to obtain assurance that appropriate controls and culture are in place
Risk	Annual Report Risk Assessment Annual Report Programme Compliance Risk Management framework Review (deferred to September)		Waikato District Council Health & Safety Framework Review H&S Management framework Risk Appetite Review	Review of Council Controlled Organisations Statements of Intent	
Internal Audit	Procurement and Contract Management Framework Review	Spend Analysis Update			
Insurance		Insurance Renewal Process Update Insurance review	Insurance Policy / Premium Confirmation		
Annual Report		Annual Report	Final Management Report Audit Management Report	Annual Report Project Planning Annual Report Programme	
Other	Zero Harm Site Visit Ngaruawahia Dog Pound 16 Brownlee Avenue, Ngaruawahia 12.30pm–2.00pm (opens at 2.30pm)	Audit & Risk Committee Key Achievements Review of Audit & Risk Committee performance against Terms of Reference			

Strategic Risks

- | | | | |
|---|--|--|--|
| <ul style="list-style-type: none"> ▪ Council Partnerships ▪ Zero Harm ▪ Asset Management | <ul style="list-style-type: none"> ▪ Waters CCO Proposal ▪ Stakeholder Engagement ▪ Economic and Social Development | <ul style="list-style-type: none"> ▪ People and Culture ▪ Regional / National Strategic Planning ▪ Projects and Initiatives | <ul style="list-style-type: none"> ▪ Compliance Management ▪ Business Resilience ▪ Cyber Security |
|---|--|--|--|

Open Meeting

To	Audit & Risk Committee
From	Gavin Ion Chief Executive
Date	31 May 2018
Prepared by	Lynette Wainwright Committee Secretary
Chief Executive Approved	Y
Reference #	GOV1301
Report Title	Exclusion of the Public

I. EXECUTIVE SUMMARY

To exclude the public from the whole or part of the proceedings of the meeting to enable the Audit & Risk Committee to deliberate and make decisions in private on public excluded items.

2. RECOMMENDATION

THAT the report of the Chief Executive be received;

AND THAT the public be excluded from the meeting to enable the Audit & Risk Committee to deliberate and make decisions on the following items of business:

Confirmation of Minutes dated Thursday 29 March 2018

REPORTS

a. Contract Spend Review

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

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

Section 7(2)(b)(ii)(i)

Section 48(1)(3)(d)

b. Procurement Manager Report

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)(b)(ii)(i)

Section 48(1)(3)(d)

c. Raglan Kopua Holiday Park Internal Controls Review 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)(a)

Section 48(1)(3)(a)(d)

d. Fraud and Corruption Risk Management 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)(b)(ii)(i)

Section 48(1)(3)(d)

e. Fraud Declaration

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

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

Section 7(2)(a)

Section 48(1)(a)(d)

f. Register of Members' Interest – Elected Members and Senior Staff

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

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

Section 7(2)(f)(l)(h)(i)(j)

Section 48(1)(3)(a)(d)

g. Committee Time with Audit New Zealand

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

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

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

Section 48(1)(a)(d)

AND FURTHER THAT Ms Devlin (Chair), Mr Pieterse and Ms Procter (Audit New Zealand) remain in the meeting after the public has been excluded to chair/facilitate the discussion on items in PEX 7 [Public excluded items] in the public excluded section of the meeting.