

Agenda for a meeting of the Audit & Risk Committee of the Waikato District Council to be held Committee Rooms 1 & 2, 15 Galileo Street, Ngaruawahia on **THURSDAY, 29 SEPTEMBER 2022** commencing at **9.30am**.

- 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**

- 4. CONFIRMATION OF MINUTES**

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GJ Ion
CHIEF EXECUTIVE

TERMS OF REFERENCE AND DELEGATION

Reports to:	The Council
Chairperson:	External appointee – Mr Peter Stubbs
Membership:	Deputy Chairperson – Cr Janet Gibb Mayor Allan Sanson (<i>ex officio</i>) Cr Aksel Bech Cr Jacqui Church Cr Jan Sedgwick
Meeting frequency:	As required – no less than four times each year.
Quorum:	Four members

Purpose:

The Audit and Risk Committee is responsible for:

1. Considering and reviewing the adequacy of Council's risk management and internal control frameworks.
2. Monitoring and seeking assurance on the functioning of Council's risk management and internal control frameworks (including systems and processes).
3. Managing the independent auditor (internal and external) expectations and relationships.

Terms of Reference:

To achieve the above purpose the Audit and Risk Committee will:

1. Annually review council's risk management framework to ensure it is effective
2. Ensure the strategic risk register is current and relevant
3. Ensure Council has an effective internal control framework to identify and manage business risk (at the risk portfolio level)
4. Review Council's insurance programme for adequacy of risk mitigation
5. Review the effectiveness of Council's business continuity and disaster recovery planning and testing arrangements
6. Ensure Council has an effective framework in place to prevent, detect and investigate fraud-related issues
7. Ensure Council has an effective Health and Safety/Zero Harm framework in place to prevent, detect and investigate safety-related issues
8. Review the internal audit framework to ensure that appropriate organisational structures, authority, access, and reporting arrangements are in place
9. Approve the annual internal and external audit programme and related plans
10. Consider Council's annual report from a risk perspective, and subject to audit clearance, make recommendations to Council regarding adoption
11. Review audit reports (internal and external) and monitor management's implementation of audit recommendations
12. Keep Council informed on significant risk or audit issues raised and proposed actions
13. Meet regularly with independent auditors to gain assurance on the risk frameworks and the management of them

The Committee is delegated the following recommendatory powers:

1. The committee has no decision-making powers.
2. The committee may make recommendations to the Council and/or the Chief Executive
3. The committee may conduct and monitor special investigations in accordance with Council policy and approved budget, including engaging expert assistance, on matters within its terms of reference.

Administrative arrangements:

Meetings

The committee will meet at least four times each year. An extraordinary meeting may be called to review the annual report. The chairperson is required to call a meeting if requested to do so by the Council, or the Chief Executive.

A meeting plan, including dates and agenda items, will be agreed by the committee each year. The meeting plan will cover all the committee's responsibilities as detailed in these Terms of Reference.

For clarity, the Council's Standing Orders and Code of Conduct will apply to committee meetings and members.

Membership

Members are appointed for an initial term of no more than the three years that aligns with the triennial elections, after which they may be eligible for extension or reappointment.

The Council appoints external members of the committee; the terms of the appointment are to be recorded in a contract.

Attendance at meetings

Meetings can be held in person, by telephone, or by video conference in accordance with Standing Orders.

The Chief Executive, Executive Leadership Team members, and external audit representatives will be invited to attend each meeting, unless requested not to do so by the chairperson of the committee. The committee may also ask other Council employees, or other suitably qualified persons with interest or expertise in special topics, to attend committee meetings or participate for certain agenda items.

The committee will meet separately with both the internal and external auditors at least once a year.

Reporting

The committee will regularly, and at least once a year, report to the Council on its operation and activities during the year.

The report should include:

- a summary of the work the committee performed to fully discharge its responsibilities during the preceding year; and
- a summary of the Waikato District Council's progress in addressing the findings and recommendations made in internal and external audit reports, and the Auditor-General's reports (if applicable).

The committee may, at any time, report to the Chief Executive or the Council on any other matter it deems of sufficient importance to do so. In addition, at any time an individual committee member may request a meeting with the Chief Executive or the Council.

Assessment arrangements

The chairperson of the committee will initiate a review of the performance of the committee at least once every two years and present it to the Council. This will support the committee's philosophy of continuous improvement.

Review of Terms of Reference

The committee will review its Terms of Reference at least once a year. This review will include consultation with the Council.

Any substantive changes to the Terms of Reference will be recommended for approval by the committee to the Council.

To	Audit & Risk Committee
Report title	Confirmation of Minutes
Date:	Wednesday, 21 September 2022
Report Author:	Rosa Leahy, Democracy Advisor
Authorised by:	Gaylene Kanawa, Democracy Manager

1. Purpose of the report

Te Take moo te puurongo

To confirm the minutes for a meeting of Audit & Risk Committee held on Wednesday, 29 June 2022.

2. Staff recommendations

Tuutohu-aa-kaimahi

THAT the minutes for a meeting of the Audit & Risk Committee held on Wednesday, 29 June 2022 be confirmed as a true and correct record.

3. Attachments

Ngaa taapirihanga

Attachment 1 – A&R Minutes – 29 June 2022

MINUTES for a meeting of the Audit & Risk Committee of the Waikato District Council held in Committee Rooms 1 and 2, District Office, 15 Galileo Street, Ngaruawahia on **WEDNESDAY, 29 JUNE 2022** commencing at **9.30am**.

Present:

Mr P Stubbs (Chairperson)
His Worship the Mayor, AM Sanson
Cr JA Church
Cr JD Sedgwick

Attending:

Mr C Susan, Audit NZ
Ms K Maccown, Audit NZ

Mr TG Whittaker (Chief Operating Officer)
Ms A Diaz (Chief Financial Officer)
Mrs S O’Gorman (General Manager Customer Delivery)
Mrs V Jenkins (People & Capability Manager)
Mr R MacCulloch (General Manager, Service Delivery)
Mr G King (Chief Information Officer)
Mr C Bailey (Finance Manager)
Mr K Abbott (Projects & Innovation Manager)
Mrs L Shirley (Zero Harm Manager)
Ms K Newell (Resilience Manager)
Ms A McPhee (Emergency Management Advisor)
Mrs GJ Kanawa (Democracy Team Leader)

APOLOGIES AND LEAVE OF ABSENCE

Resolved: (Mr Stubbs/Cr Sedgwick)

THAT the Audit & Risk Committee accepts the apologies from Cr Bech and Cr Gibb for non-attendance.

CARRIED

A&R2206/01

CONFIRMATION OF STATUS OF AGENDA ITEMS

Resolved: (Crs Church/Sedgwick)

THAT the Audit & Risk Committee:

- a. confirms the agenda for the meeting of the Audit & Risk Committee held on Wednesday, 29 June 2022;
- b. agrees all items therein be considered in open meeting, with the exception of those items detailed at agenda item 8 which shall be discussed with the public excluded; and
- c. receives all reports.

CARRIED

A&R2206/02

DISCLOSURES OF INTEREST

There were no disclosures of interest.

CONFIRMATION OF MINUTES

Resolved: (Crs Sedgwick/Church)

THAT the minutes of the meeting for the Audit & Risk Committee held on Thursday, 6 April 2022 be confirmed as a true and correct record.

CARRIED

A&R2206/03

ACTION REGISTER

Agenda Item 5

The register was received [A&R2206/02] and no further discussion was held.

REPORTS

Chief Financial Officer Report Agenda Item 6.1

The report was received [A&R2206/02] and taken as read. The following discussion was held:

- Papahua (Raglan) Holiday Park COVID wage subsidy – Council had not received confirmation in writing as yet regarding eligibility as MBIE changed rules around compliance for wage subsidy and advised that the camp was possibly not eligible in the most recent round of subsidies.
- Transformation project – Discussion held around mitigations in place for transition of this project in case replacement systems were not available and the other systems had been taken down.
- Members advised that a lot of reports had links to Promapps, for which the committee do not have access – need to consider other links, including the advice previously to have all these significant policies available on the Council website.

Strategic Risk Register & Emerging Risks Report for June 2022 Agenda Item 6.2

The report was received [A&R2206/02] and taken as read. The following discussion was held:

- Report was very wordy and suggest staff look at how the report could be condensed further. It was noted that the report had been reduced in size and would move towards the Zero Harm model, utilising graphs and provide more of a pictorial approach which should reduce the wordiness further.
- Report notes a lot of discussions are around people yet only identified as moderate risk appetite, part of the development and refinement of mitigations do significantly impact on our people but also focus on our processes.
- The General Manager, Service Delivery provided an update on work being carried out regarding risk with capital programmes. Majority of the workforce were competent and experienced, noting we do have gaps which ELT were working on.
- Three Waters and Roding partners were going to assist with delivering the larger CAPEX programme, which had not eventuated due to either COVID restrictions or supply/demand issues.
- What were the nett improvements for service delivery, rather than revenue/costs delivery, i.e. what are our operational improvements?

ACTION: Report to come to the September meeting regarding delivery of CAPEX programme, which will include a response to the above question.

- Chairperson requested Audit NZ make a comparison of those Councils that were good at delivering on the CAPEX programme and share this information with WDC staff.

ACTION: Audit NZ to share where in their opinion are great exemplars for the delivery of CAPEX programmes.

- It was noted that Council needed a practical approach to deciding the quantum of activity and projects able to be truly co-designed. Cost and time are key barriers to co-design notwithstanding the benefits of community engagement and buy in. Staff to review blueprint and other capital projects proposed and work with the communities (Community Boards and Committees) to determine a limited number of projects for co-design versus inform.
- GIB referred to in the report yet this is a brand rather than product, are Council utilising this as a requirement in building consents or should it be referred to as plasterboard? Staff confirmed that many designers and builders were using alternative plasterboard products with no consenting issues provided we received the correct documentation.

ACTION: Future reports should not refer to specific brands but the general product.

Waikato District Council Zero Harm Update
Agenda Item 6.3

The report was received [A&R2206/02] and taken as read. The following discussion was held:

- Nothing particularly of concern at the moment – staff continue to work on the framework and mitigations to manage Council risk.
- WDC risk profile is different as most of our work contracted out and we needed to ensure our partners were aligned to our framework.
- Zero Harm team have developed the Change Standard and associated risk identification tool, which is currently being reviewed by the ELT. This tool allows for staff to be able to identify risks when making change and apply the appropriate mitigations to ensure the change does not cause us to go outside our risk appetite.
- Wellbeing risks – whilst we do not believe we are doing all we can regarding these risks, however we do have a number of mitigations in place that we provide to staff to assist with wellbeing factors, i.e. the wellbeing collective initiatives, vaccination vouchers for influenza, Vitae for mental wellbeing and safety conversations by people leaders.
- Workplace violence training – request to include elected members when this training is available again. This would occur as there are some staff that also need to undertake this training and will be rescheduled, however it is likely this would be after the elections.
- Minor injury initially described, no fracture and Watercare undertook appropriate action and reporting.

ACTION: Zero Harm team to include Elected Members when rescheduling the workplace violence (CERT) training.

2021/22 Annual Report Preparation

Agenda Item 6.5

The report was received [A&R2206/02] and taken as read. The following discussion was held:

- The Finance Manager noted that the completed projects capitalised was now at \$40m, rather than \$25.6m.
- Clarification was sought regarding the figures in second paragraph of 4.1.1 of the report regarding valuation of assets – noting the first figure related to land, then building and then infrastructure assets.
- Two risks were the timeline and major projects.

Independent Internal Audit Programme & Framework

Agenda Item 6.5

The report was received [A&R2206/02] and taken as read. The following discussion was held:

- Independent providers – Clarification was sought on who these were, it was noted that Council mainly utilise internal staff from another area of the business, however external expertise is sought from our COLAB partners if we do not have the expertise in a particular area.
- Protection and enhancement structure – based on judgement from staff.
- External Penetration Test & Vulnerability Scan – Concern raised that we were waiting until 2025 considering the current cyber security risk. It was noted that there was a staggered approach to cyber security tests and scans with some work being carried out next year.
- Cyber security - Each of the processes have overlap and staff were confident that the programme was sufficient to mitigate risk as the vulnerability assessment being undertaken next financial year has an overlap.
- Business maturity vs risk genre – struggle with understanding some of this information and would prefer to know where we are on a scale of 1-10 in a graph similar to Zero Harm. This programme does create an opportunity to identify a baseline versus where we want to be.

ACTION: Staff to consider how they can set out the maturity versus risk information in easy to read graphs which capture baseline and track our improvement in managing risks downward.

Resolved: (His Worship the Mayor/Cr Sedgwick)

THAT the Audit & Risk Committee approves the Independent Internal Audit Programme and Framework.

CARRIED

A&R2206/04

The meeting adjourned at 10.36am and reconvened at 10.45am.

Committee Performance Evaluation Survey Results
Agenda Item 6.6

The report was received [A&R2206/02] and taken as read. The following discussion was held:

- Chairperson noted that he had discussed the results with the members and it was agreed that a workshop be scheduled to discuss actions for recommendation to the next committee meeting.

ACTION: Democracy Team Leader to schedule a workshop for the Audit & Risk Committee members after 31 July 2022.

Quality & Governance Assurance Update
Agenda Item 7.1

The report was received [A&R2206/02] and taken as read. The following discussion was held:

- Good result from the IANZ review, but noted that things that were okay last year are being picked up this year. Colleagues in other councils are also dealing with these issues.
- Staff are working with the Waikato BC group, cluster under COLAB and endeavouring to get better manuals and audit processes from IANZ in this area, with a view to continual improvement.
- IANZ drilling into our processes in more detail – Sometimes we push back but the problem when we do is that our accreditation is at stake and most councils just do what they have to to keep accreditation.
- Audits are incredibly time consuming and costly for every Council, with the last review (for which we pushed back on) we received comments about apostrophes and commas.
- Organisation was wanting to achieve practical processes and outcomes with internal audits.
- The Chief Financial Officer provided some further clarity around the affordability risk Committee requested some clarity around the affordability strategic risk.
- The committee discussed the risk appetite associated with Cyber security. The current moderate appetite is reflective of the practical need to operate the business in this environment rather than an acceptance of risk

Future Work Plan
Agenda Item 7.2

The report was received [A&R2206/02] and taken as read. No further discussion was held.

Register of Interests

Agenda Item 7.3

The report was received [A&R2206/02] and taken as read. The following discussion was held:

- Discussion was held around the need for these registers to be monitored by the Audit & Risk Committee. It was agreed that the Mayor and Councillors register should continue to be reported as good practice and a risk mitigation. The senior staff register would also continue to be reported at ELT level.

ACTION: Democracy Team to continue updating all registers, noting that only ELT and Mayor/Councillors registers would be reported to the Committee.

EXCLUSION OF THE PUBLIC

Agenda Item 8

Resolved: (His Worship the Mayor/Cr Sedgwick)

THAT the Audit and Risk Committee:

- a. exclude the public from the following parts of the proceedings of this meeting.

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

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
<p>Item number PEX 1 Confirmation of Minutes</p> <p>Item PEX 3 Action Register</p> <p>Item PEX 4.1 Fraud Declaration</p> <p>Item PEX 4.2 Register of Members' Interests – Senior Staff</p> <p>Item PEX 4.3 Audit NZ Time with Committee Compliance Survey Results</p>	<p>Good reason to withhold exists under Section 6 or Section 7 Local Government Official Information and Meetings Act 1987</p>	<p>Section 48(1)(a)</p>

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

Item No.	Section	Interest
Item number PEX 2 Confirmation of Minutes Item PEX 3 Action Register		Refer to the previous Public Excluded reason in the agenda for this meeting.
Item PEX 4.1 Fraud Declaration	7(2)(a) 7(2)(c)(ii)	To protect the privacy of natural persons, including that of deceased natural persons. To protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information— (ii) would be likely otherwise to damage the public interest.
Item PEX 4.2 Register of Members' Interests – Senior Staff	7(2)(a)	Protect the privacy of natural persons, including that of deceased natural persons.
Item PEX 4.3 Committee Time with Audit New Zealand	7(2)(c)(ii)	To protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely otherwise to damage the public interest

- b. THAT Ms Macown and Mr Susan from Audit NZ be permitted to remain at this meeting, after the public has been excluded, because of their knowledge of audit requirements for Waikato District Council. This knowledge, which will be of assistance in relation to the matter to be discussed, is relevant to that matter to inform and advise the Committee members.

CARRIED

A&R2206/05

To	Audit and Risk Committee
Report title	Actions Register – September 2022
Date:	Wednesday, 21 September 2022
Report Author:	Tony Whittaker, Chief Operating Officer

1. Purpose of the report **Te Take moo te puurongo**

To update the Audit and Risk Committee on the actions arising from the previous meeting.

2. Staff recommendations **Tuutohu-aa-kaimahi**

THAT the Actions Register for September 2022 be received.

3. Attachments **Ngaa taapirihanga**

Attachment 1 – Audit and Risk Committee Actions Register September 2022

Audit & Risk Committee: Action Register – September 2022

#	Action	Owner	Date Assigned	Date Due	Status
1	<p>Strategic Risk Register and Emerging Risks</p> <p>Reporting mechanisms to be refined to highlight the issues the committee need to be abreast of, with the balance of issues on track being in the attachment report.</p> <p>Reports to make it clear whether Committee action required.</p> <p>Full analysis underpinning Risk Assessment Graphs to be provided annually to provide opportunity for committee discussion on assessments.</p>	Risk Advisor	December 2021	December 2022	In progress. Dashboard provided for key strategic risks comparing residual risk to risk appetite. The trending dashboard initially prepared for the Zero Harm risk has now been rolled out to other risks as part of the risk mitigation review and update. Plan to complete all strategic risks by the December meeting.
2	<p>Reform – RMA and Three Waters</p> <p>Committee to be kept informed between meetings where early involvement re impact risk is required</p>	Chief Operating Officer	December 2021	Ongoing	Noted.
3	<p>Internal Audit</p> <p>Consider internal audit of process mitigating future financial impact of development agreements</p>	Chief Financial Officer	December 2021	December 2022	<p>In progress. A series of workshops (including developer representation) are planned with Councillors as a first step. An initial workshop has been held.</p> <p>Recent Development Agreement conversations with Council has provided certain expectations.</p>
4	Chief Financial Officer to provide an update report on the escalation of cost issues re Wastewater capital expenditure.	Chief Executive/Chief Financial Officer	March 2022	September 2022	In progress. An independent consultant has undertaken the review. A paper will be considered by Council late September.
5	Report for the September meeting regarding delivery of CAPEX programme.	GM Service Delivery	June 2022	September 2022	Complete. A paper is included on the agenda.
6	Audit NZ to share, in their opinion, great exemplars for the delivery of CAPEX programmes.	Audit NZ	June 2022	September 2022	In Progress:
7	Zero Harm team to include Elected Members when rescheduling the workplace violence (CERT) training.	Zero Harm Manager	June 2022	December 2022	In Progress. Being organised for November.

To	Audit & Risk Committee
Report title	Chief Financial Officer Report
Date:	12 September 2022
Report Author:	Alison Diaz, Chief Financial Officer

1. Purpose of the report

Te Take moo te puurongo

This report aims to keep the Audit & Risk Committee abreast of risks and issues that could impact council and its stakeholders from a financial, procurement and/or legal perspective.

2. Executive summary

Whakaraapopotanga matua

2021/22 Annual Audit update

The final audit of Council's 2021/22 Annual Report was scheduled to commence on 22 August 2022. However, as indicated as a risk in June, Audit New Zealand staff have been reallocated to provide clearance to the Financial Statements of Government audit which must be completed by the end of September. Councils have a December statutory timeframe and as such our audit has been deferred until 10 October 2022.

There is a risk the new Council will not feel comfortable adopting an Annual Report for retrospective performance. To mitigate this risk the draft Annual Report will be taken to the September Council meeting for adoption "subject to final audit". The letter of representation will also be signed by Mayor Sanson before the end of the triennium.

Staff will present the Annual Report adjustments resulting from the audit process to the new Council in November/December (timings to be confirmed). The review of the audit process and Audit & Risk Committee time with Audit New Zealand will be postponed until December 2022.

Insurance - Fire and Emergency New Zealand

In 2017, the New Zealand Fire Service and Rural Fire Authorities (previously managed by local authorities) merged into one organisation under the Fire and Emergency New Zealand Act 2017 (FENZ Act).

Levies on insurance contracts are the main source of funding for these services. A transitional levy was put in place until 1 July 2024 while the Department of Internal Affairs reviewed the funding mechanisms.

In 2021, cabinet agreed to amend the FENZ Act so that the levy will be charged on contracts for insurance for 'fire damage' rather than 'material damage', and that the levy will be calculated based on the sum insured. Any property insured against fire damage will be charged the levy unless exempt.

The amendment bill is in the final stages of drafting and associated regulation-making powers to determine the exemptions aspect is in the first phase of targeted consultation. Public consultation on the levy regime is planned for the second quarter of 2023.

Exemptions that council currently has that would likely be discontinued post 1 July 2024 are:

- *Forestry* – currently there is no levy payable under our forestry/standing timber policy. Assuming this would be calculated using the current levy rate, 0.1% of the value would be charged which would be very low at ~\$280.
- *Land Transport Infrastructure* – roads are not normally insured as there is no available insurance, however, it may impact on offroad infrastructure such as timber cycle/walkways. More information is needed.
- *Construction works* – Council itself doesn't currently have a contracts work policy however it is anticipated for local authorities and/or Council Controlled Organisations that this coverage would increase the cost of project delivery substantially; retaining walls, dams, roads, streets, paths, railways, tramways, bridges, tunnels and runways would all be leviable.

An update will be provided once the impacts of the proposed levy changes are better understood. At which time our insurable risk strategy may need review.

Procurement Strategy: broader outcomes versus expedited delivery

The strategy for procurement activity focuses on four key areas:

- 1) *Activating procurement enablers* – focusing on people (training), processes (promapp and data driver analysis) and tools (digital transformation).
- 2) *Facilitating strategic procurement* – using supplier/relationship management and category management information to deliver planning aligned to council's long term plan life cycle.
- 3) *Building a sustainable procurement framework* – developing a framework with our partners that supports broader outcomes including the establishment of a small business panel to enable small to medium sized businesses to adhere to local authority standards and participate in procurement processes.
- 4) *Delivering procurement best practice* – using the procurement capability index (NZ Government Procurement and Property assessment) to gain insight, raise capability and improve performance.

The sustainable procurement framework will incorporate the concept of 'social procurement' under the terminology of broader outcomes.

For the past two years Council has set social procurement targets through the Chief Executive's business plan, however, the Procurement Team are noting an increase in procurement policy exemption requests for direct award with existing partners.

Staff are finding it challenging to strike the balance between social/broader procurement outcomes and the equally desired fast-track process and affordability issues to deliver work programmes on time. Further work will be undertaken in the coming quarter to determine the appropriate way forward.

3. Staff recommendations **Tuutohu-aa-kaimahi**

THAT the Chief Financial Officer Report be received.

4. Attachments **Ngaa taapirihanga**

There are no attachments.

To	Audit & Risk Committee
Report title	Strategic Risk Register and Emerging Risks September 2022
Date:	9 September 2022
Report Author:	David Tisdall – Risk Advisor
Authorised by:	Tony Whittaker - Chief Operating Officer

1. Purpose of the report

Te Take moo te puurongo

To update the Audit and Risk Committee on the current risk activity and strategic and emerging risks.

2. Executive summary

Whakaraapopototanga matua

This report details:

- Strategic Risk Activity Update
- Strategic Risk Projected Treatment Implementation.
- Emerging Risks

The review of the mitigations for the strategic risks has progressed well. Residual risk graphs have been developed to improve visibility and accountability of strategic risks and the residual risk of three strategic risks have been reduced. A review of emerging risks has been carried out and is discussed below.

3. Staff recommendations

Tuutohu-aa-kaimahi

THAT the Strategic Risk Register and Emerging Risks report for September 2022 be received.

4. Discussion Matapaki

4.1 Strategic Risk Activity Update

Since the June Audit and Risk Committee (the Committee) we have:

- Developed and improved the assessment method for existing strategic risk treatments to measure their effectiveness and extent of implementation.
- Utilised the improved assessment methodology to change the way we report on strategic risks, with the following benefits:
 - Increased visibility and accountability to the Committee of our strategic risk management
 - Provides a high-level strategic risk road map for managing strategic risks

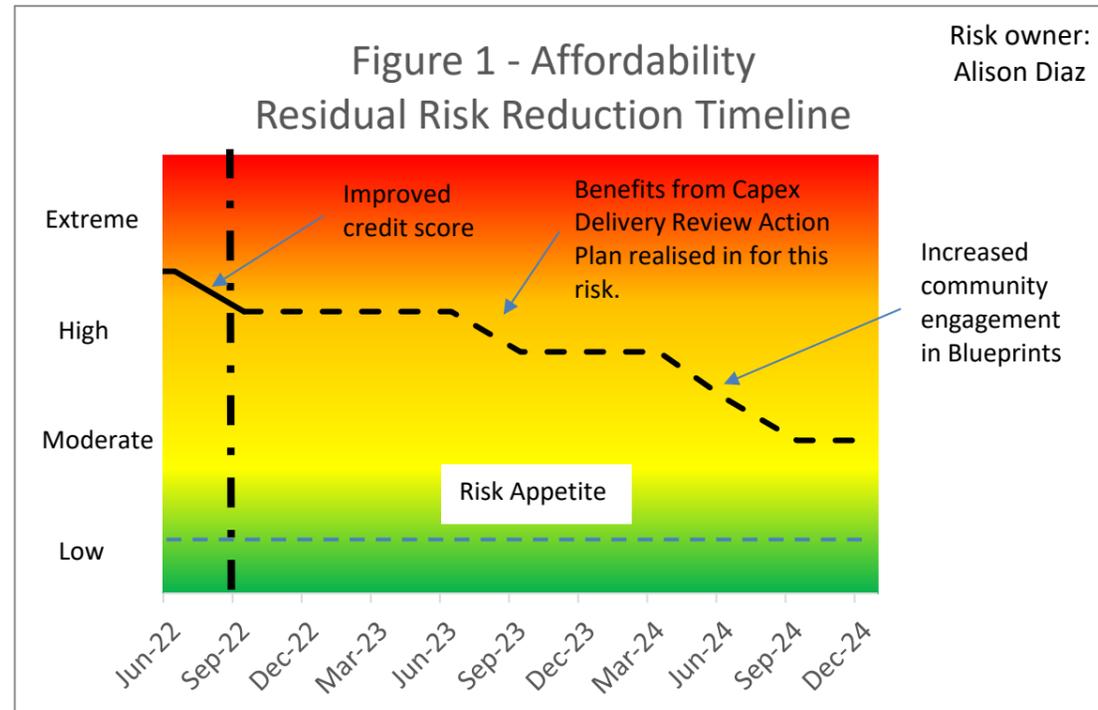
Next steps include the development of a high-level maturity assessment tool to provide confidence to the approach we are taking to mitigate strategic risks.

- Undertaken a deep dive of the Workplace Culture strategic risk (presented under separate cover).
- Identified further opportunities to clarify and improve our approach to the climate resilience strategic risk. This will seek to improve the understanding of our business responsibility and scope to reduce climate related risk.

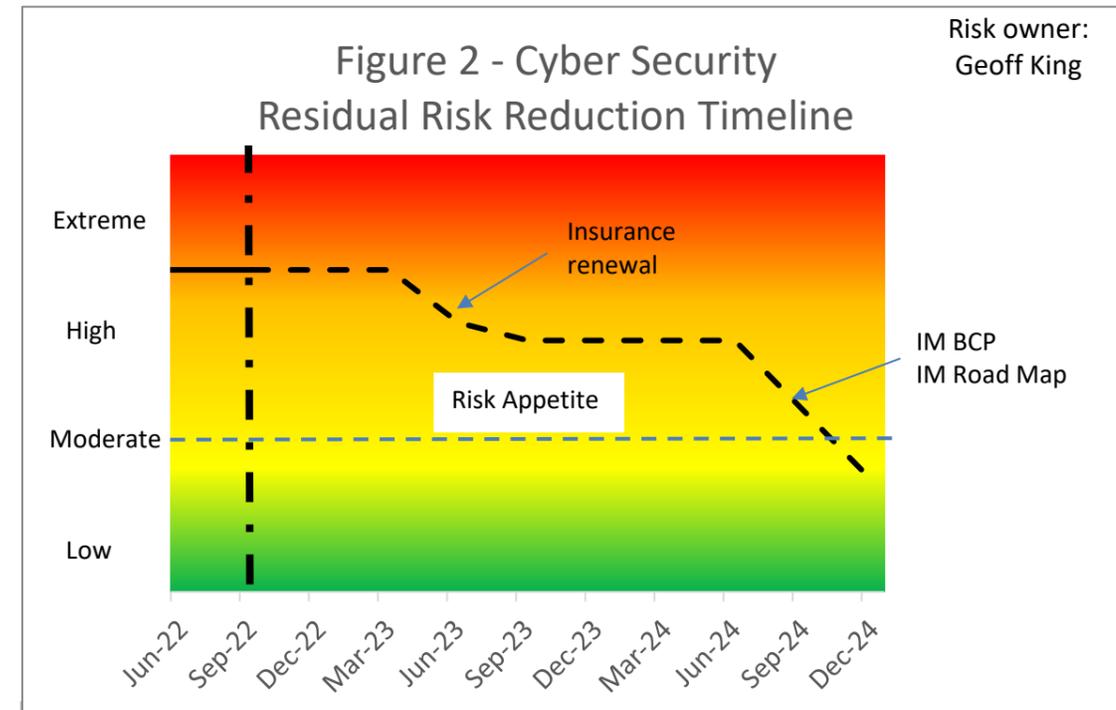
4.2 Strategic Risk Gap Analysis

Council is currently managing eleven Strategic Risks. In this quarter:

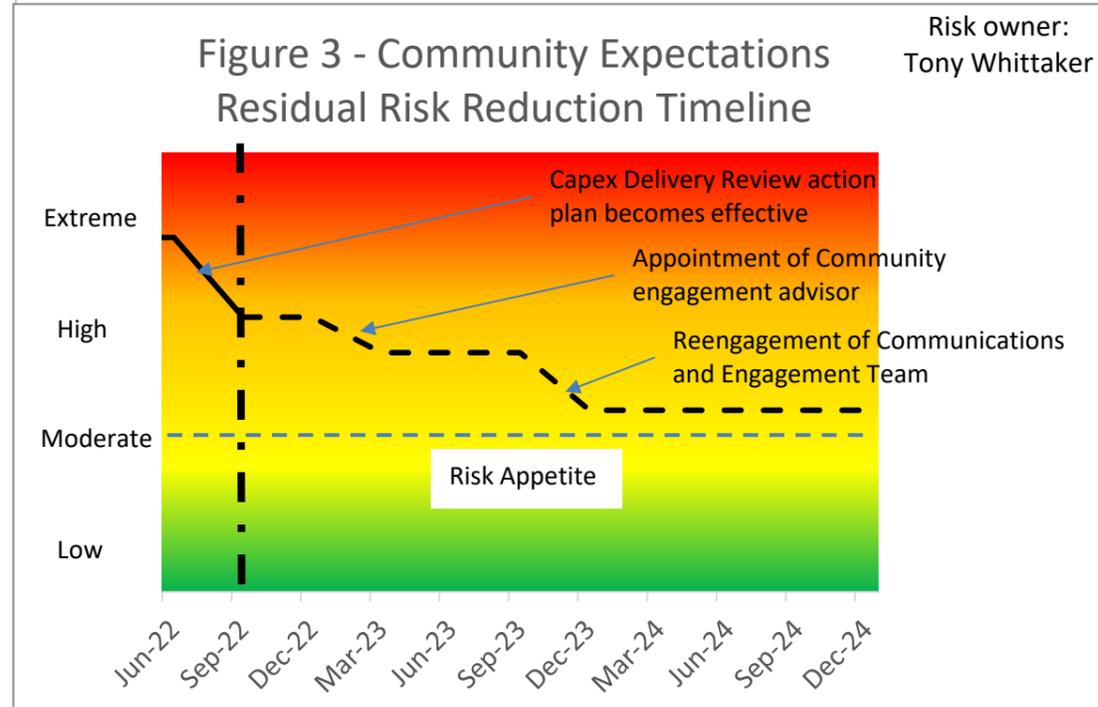
- Eight risks are assessed to be outside Councils risk appetite (Refer Figures 1 – 8).
 - Three risks are within appetite (Refer Table 1).
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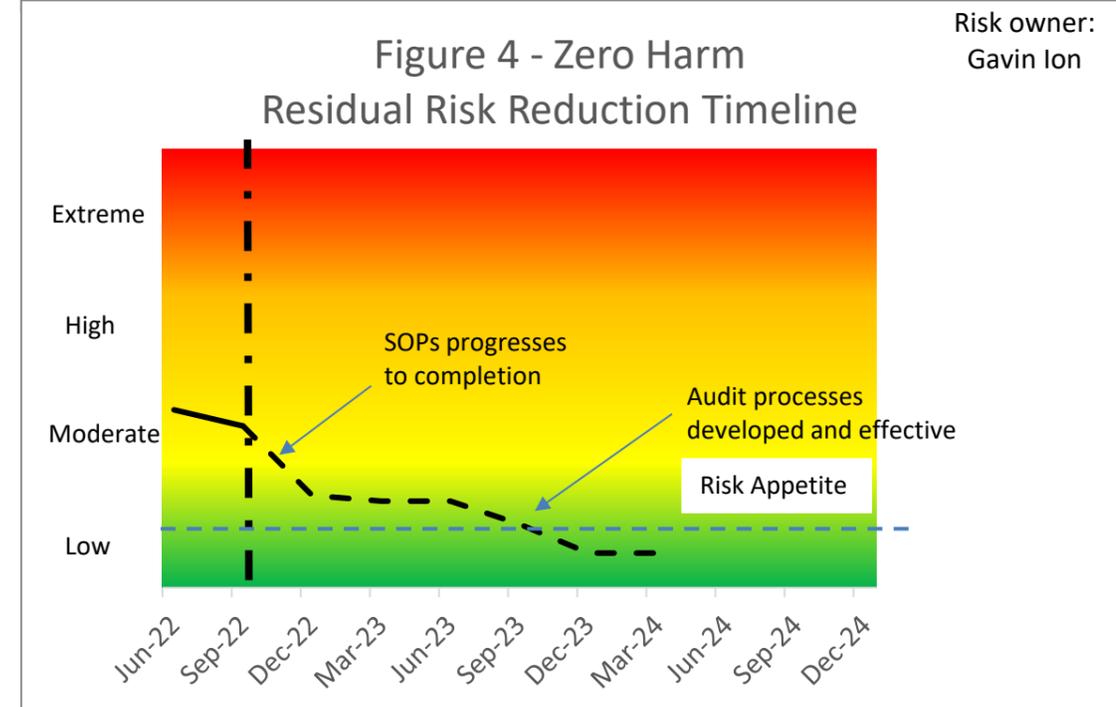
Affordability - Due to debt cap increasing our ability to borrow more increased and cost of borrowing decreases. Additionally, financial risks associated with water infrastructure will be eliminated when three waters takes effect. The positive effects of these factors will be partially offset by inflation and economic slowdown. Due to this a long term Moderate risk is anticipated.



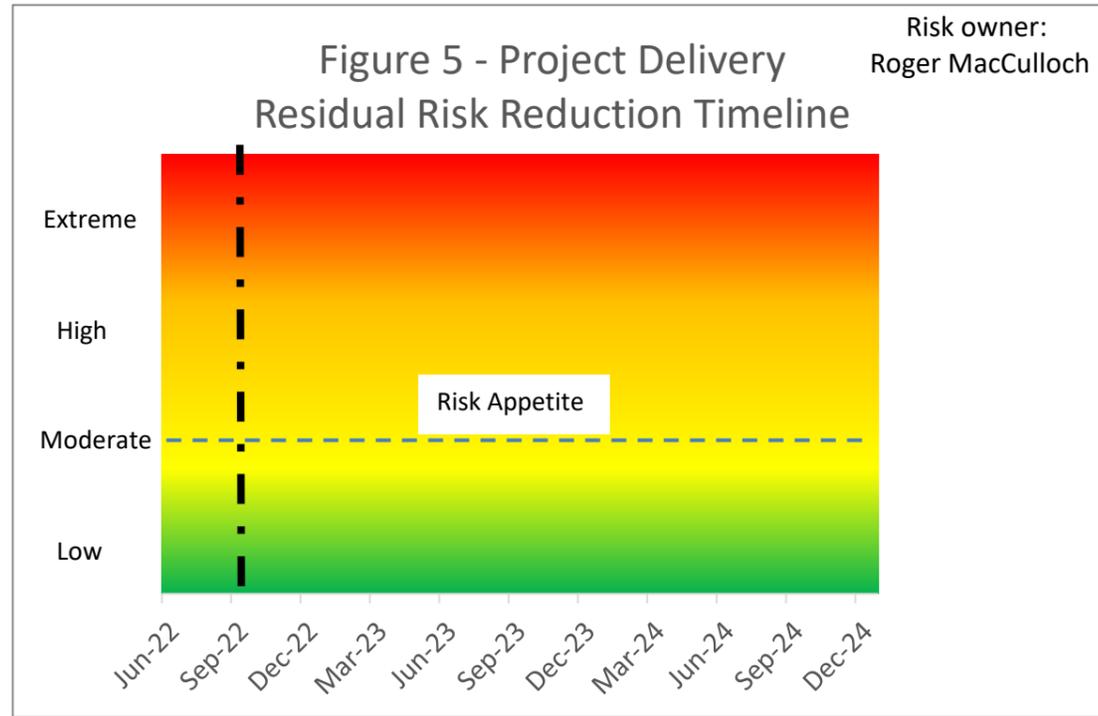
Cyber Security - Council is progressing the three year cyber security improvement plan as endorsed by Audit & Risk. Council is currently commencing year 2 of the plan, with key initiatives which will substantially reduce risk being; Exchange Online & ATP, Cyber Security Training, Always-on-VPN, TechOne Cloud migration, and the refresh of the councils Disaster Recovery solution (joint IM & IMT initiative).



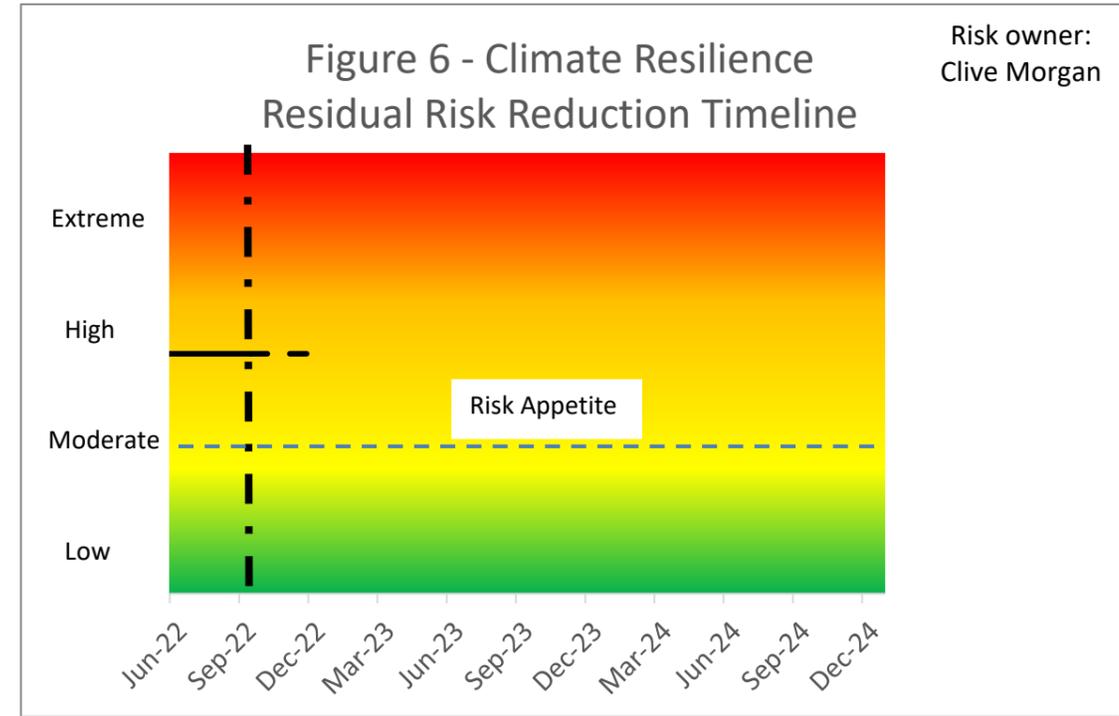
Community Expectations - The current focus is to revise the Capex Delivery structure and have it in place by the end of September. Additional consultant support was engaged in the interim. Resourcing challenges continue to compromise certain regulatory KPIs. The upcoming Communications and Engagement recruitment intends to commence community storytelling.



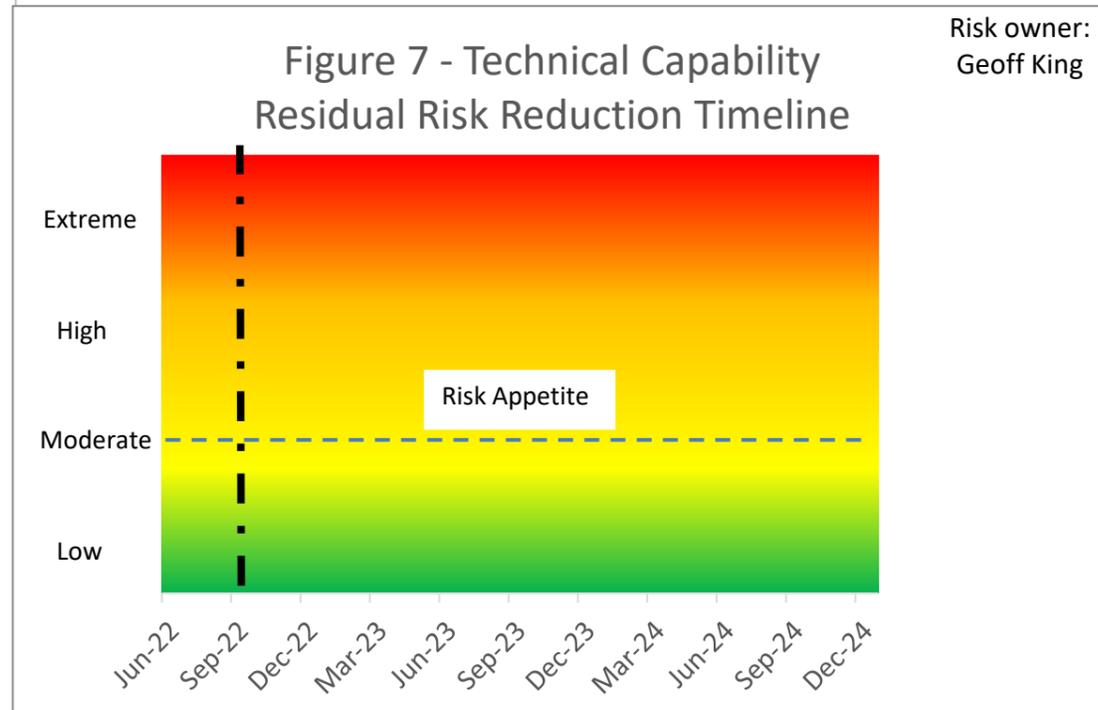
Zero Harm - The focus is primarily on good processes and documentation of Zero Harm tasks. Currently there is little auditing in place to measure the uptake of processes and conformance to standards. Audit processes being developed and anticipated to be complete and effective mid to late 2023.



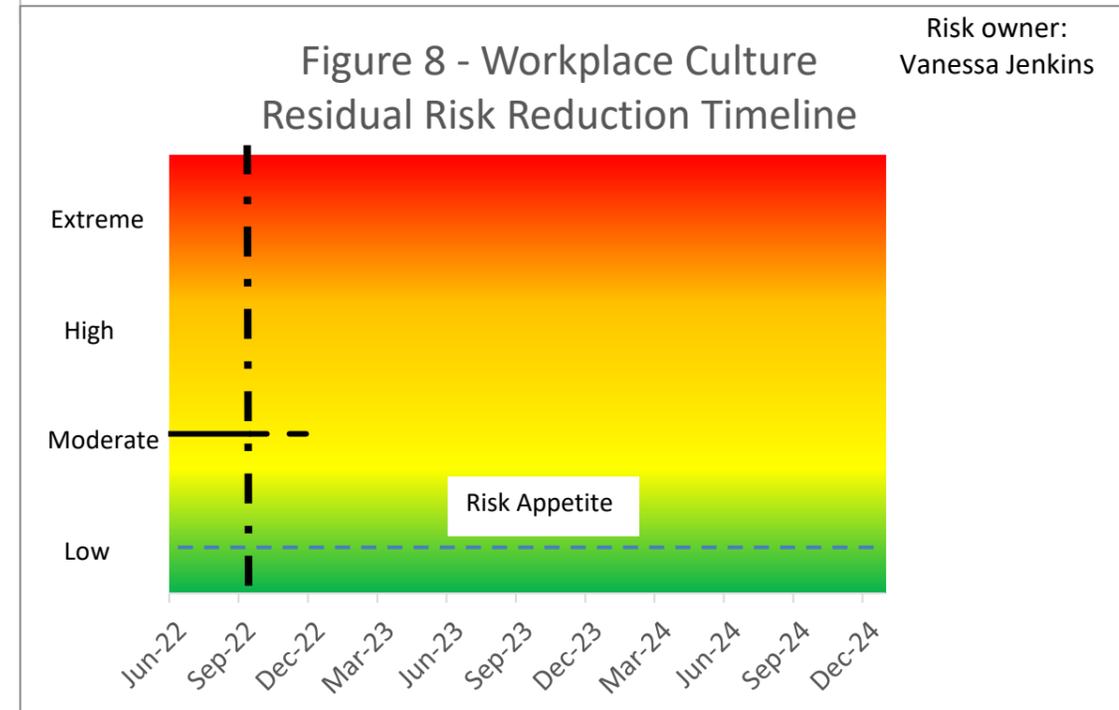
Project Delivery - Capex delivery works programme and action plan is developed and being implemented. Key functions include the development of an EPMO office. Risk assessment and treatment plan to be determined in next quarter.



Climate Resilience - There is a currently review underway to clarify the approach and intention behind the climate resilience risk. This along with the Climate action road map being developed and will inform the above figure to project the reduction of our residual risk score. Our existing risk exposure is considered High.



Technical Capability - A deep dive for the Technical Capability risk will be carried out next quarter to determine residual risk score and identify treatments. The risk is to be broken down into four work streams: **Learning & Development (P&C)** including: 1) training/technology awareness across all of our people and 2) innovation culture. **IM (on behalf of the Business Owners)** including 3) deferred maintenance of systems and 4) adoption of modern systems / modern ways of working.



Workplace Culture – Inherent risk associated with workplace culture assessed to be moderate. Refer to the deep dive of the Workplace Culture strategic risk (presented under separate cover).

Table I. Strategic Risks assessed as within Council Risk Appetite.

Title	Residual Rating	Risk Appetite	Comment
People & Culture	Moderate	Moderate	
Business Resilience	Moderate	Moderate	Appointment of business continuity management to improve our business resilience.
Regional & National Strategic Planning & Legislative Reform	Moderate	Moderate	Keeping a watching brief on Local government reform, RMA and three waters. The relevant submissions and/or feedback at relevant stages for each processes is being delivered. Staff will continue to keep a watching brief for the next steps in each of these initiatives.

4.3 Emerging Risks

The emerging risks outlined below are areas where considerable change is expected and for which management wish to keep the Committee abreast of activity:

4.4 Government reform – Future of local government

The Committee is familiar with the central government lead review of Local Government. The Review is considering roles, functions, and partnerships; representation and governance; and funding and financing.

Until the completion of this review elevated levels of uncertainty exist regarding the potential impact on council functions. The Minister of Local Government has recently issued a revised due date of 28 October 2022 for the draft report. This will be followed by a four-month submission phase with the final report expected in June 2023. There is a degree of uncertainty around how enforceable recommendations of the review will be on local government.

Council is keeping connected to the process having met with the panel to provide input and feedback. Feedback on the interim report has been provided by Council. We are also doing our best to keep staff informed as part of our strategy to mitigate the risk of staff movement in this employment climate.

4.5 Inflationary & Affordability Pressures

Staff are monitoring ratepayer payments as a test of affordability. Payment arrangements are offered where requested. The Rates Postponement Policy has not been required at this point.

We will continue to monitor and work with inflationary pressures. Floating lines and reprioritisation are tools available to Council. The combination of inflation, affordability and local government elections is likely to trigger a more comprehensive review of the annual plan late this year.

4.6 Consent volume change

Building companies are scaling down in response to the economic downturn and supply chain issues. This has not yet been reflected in the number of consent application Council is receiving however this is likely at this stage to reflect the building industry going through its backlog of work.

If consents do reduce, and growth reduces below planned level there is a financial risk of “stranded assets”. This is where infrastructure projects that have been financed on the assumption of the increased growth, and therefore rates.

4.7 Local government elections

The upcoming Local Government elections is going to provide significant change to Council given councillor retirements and new seats (Māori Wards).

A comprehensive induction programme to connect the new council into the current council strategy and work focus is still underway.

This programme aims to enable the business of council to continue efficiently, however, it is accepted that significant political change could lead to a change in direction or focus over time.

4.8 Global Supply Chain Interruptions

The impact of COVID-19 on procurement remains a significant emerging risk with ongoing delays in key supply areas including engineering components, electronics, and construction materials. Council implements procurement strategies to optimise opportunities and identify alternate solutions. Suppliers and project staff are aware of the impacts and working within the constraints and availability of resources. This impacts both delivery of Council projects and the building activity within the district.

Additional disruption from conflict in Ukraine has also seen significant shortages and therefore increased costs of fertiliser. Approximately a 300% increase in cost in Africa. If similar effects are felt in New Zealand, then the ratepaying capacity of our largely agricultural district could lead to a financial risk for Council.

4.9 Climate change

The risks presented by climate change on the business are broad and complex. Recent legislation changes, such as the Emissions Reduction Plan and the National adaptation plan (in consultation) have direct implications on our business.

There also appears to be a change in public attitude to improve the environmental impact from major projects. This may lead to increased expectations of the community on council to mitigate climate impact in areas where there is limited council influence or control.

Work is currently underway to help council better define the strategic risk for Council and understand our position and role in climate risk for the District. Through this we hope to look for opportunities to support our District to become more resilience and pursue the goal of Liveable, Thriving and Connected communities, while mitigating any risk of increased exposure and overstepping our purview as council.

5. Next steps

Ahu whakamua

Planned activities for the next quarter include:

- Deep dive into technical capability risk.
- Develop maturity assessment model for strategic risks.
- Operational risk register review to inform strategic risks.

6. Attachments

Ngaa taapirihanga

Appendix 1 - Strategic risk names and descriptions

Appendix 1 - Strategic risk names and descriptions

Risk Title	Risk Description
<p>Zero Harm: Significant harm is caused to workers, or others, due to poor or inactive health and safety systems, non-compliance with legislative requirements, or inadequate governance/ management of shared health and safety responsibilities with other PCBUs.</p>	<p>People are harmed as a result of the Council failing to identify, implement, review and maintain appropriate health and safety policies, procedures, and processes or develop and sustain a culture of Zero Harm by eliminating or managing health, safety and wellbeing risks.</p>
<p>Climate Resilience: Council experiences significant public scrutiny and or financial impact caused by Council being unable to effectively support Communities to adapt to climate impacts.</p>	<p>Communities hold Council accountable and or require significant emergency support from Council for inaction or untimely response to adverse and increasing climate impacts. This includes consideration of associated costs linked to poor planning and or inaction related to climate change adaptation.</p>
<p>Affordability: Community needs are not met due to Council being unable to deliver new and or appropriately maintain existing infrastructure due to disparity between funding and cost.</p>	<p>Infrastructure delivery becomes unaffordable due to increasing costs associated with the current economic situation. This includes the cost of labour and supplies, and material availability</p>
<p>Community Expectations: Council experiences significant public scrutiny due to being unable to meet key community expectations due to increasing costs and resources.</p>	<p>Misalignment between community wants and the viability of delivering those wants (financial and resourcing) results in communities losing faith in Councils ability and support.</p>
<p>Cyber Security: Council is exposed to significant business disruption caused by unauthorized access or damage to privileged information and or reduced data integrity resulting from cyber-attack or employee behaviour (externally or internally initiated).</p>	<p>Council systems or the information contained within are compromised by cyber-crime or a lack of compliance with process resulting in significant financial, reputational, and or business impact.</p>

Risk Title	Risk Description
<p>People & Culture (Recruitment and Retention): Business outcomes are significantly impacted due to an inability to attract and or retain suitable personnel.</p>	<p>Council are unable to recruit, promote or keep staff in core service positions due to a lack of appropriately trained people, industry competition or perceived or actual Council culture.</p>
<p>Business Resilience: Business function is significantly disrupted due to a lack of organisational resilience.</p>	<p>Council operations are impacted through failure to create and prioritize action plans for implementation in the event of a business impact incident.</p>
<p>Regional & National Strategic Planning & Legislative Reform: Council is financially disadvantaged and or experiences significant disruption due to being unable to effectively adapt to structural and legislative changes by central government and or national / regional strategic planning exercises.</p>	<p>A lack of insight, planning and or adaptability associated with national strategy and reforms results in Council incurring significant cost, additional resourcing pressure, and or wasted finance and resources.</p>
<p>Technical Capability: Council is unable to meet key business needs, including customer engagement, business resilience, and optimal service level requirements due to a lack of technical capability (people and systems).</p>	<p>Due to cost, insight and or capability, Council is unable to meet the demands of digital progression.</p>
<p>Workplace Culture: Business outcomes are significantly impacted due to a lack of change readiness and or poor internal culture within the workforce.</p>	<p>Councils people are unprepared, unwilling and or unable to effectively adapt to change resulting in poor performance and a degraded internal culture.</p>
<p>Project Delivery: Council is unable to deliver key capital projects due to a lack of capacity and or project capability.</p>	<p>Councils capital works programme fails to meet timelines, cost and or quality requirements as the result of resourcing deficit and or poor planning and management practices.</p>

To	Audit and Risk Committee
Report title	Waikato District Council Zero Harm Report
Date:	9 September 2022
Report Author:	Lynn Shirley, Zero Harm Manager
Authorised By:	Gavin Ion, Chief Executive

1. Purpose of the report

Te Take moo te puurongo

To inform the Audit and Risk Committee on the progress of initiatives underway to improve health, safety, and wellbeing, as well as current key performance indicators covering the period June 2022 to August 2022.

2. Executive summary

Whakaraapopotanga matua

- The current priority is implementing our Zero Harm framework including the documentation of processes and tasks.
- The FY22/23 Zero Harm Strategic Improvement Plan been finalised by the ELT and shared with the Safety Action Team (SAT).

3. Staff recommendations

Tuutohu-aa-kaimahi

THAT the Waikato District Council Zero Harm report be received.

4. Background

Koorero whaimaarama

Council is committed to pursuing a culture of Zero Harm by eliminating or managing health, safety, and wellbeing risks.

This report provides commentary and a range of indicators on the performance of health, safety and wellbeing systems and programmes at Council. The intention of this report is to enable the Committee to provide assurance to Council on the adequacy and functioning of Council's health, safety and wellbeing risk management system and associated programmes.

5. Discussion Matapaki

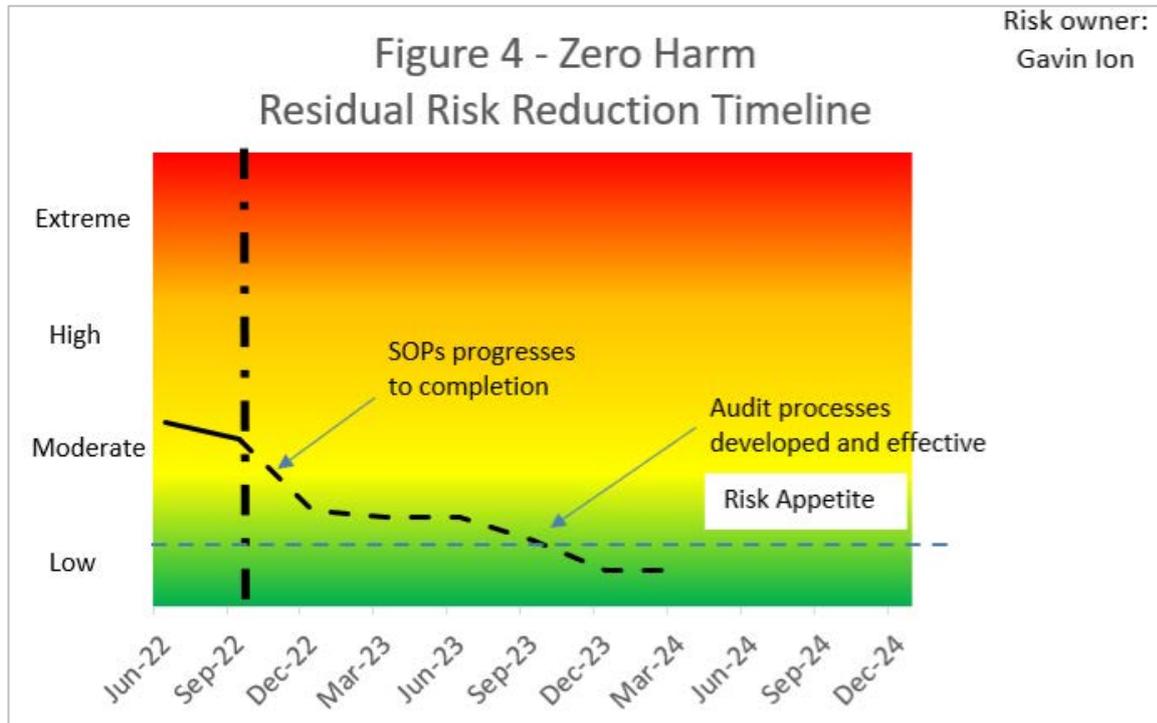
Zero Harm Strategic Risk Management Progress

A further review of progress against the Zero Harm strategic risk control plan has been undertaken. Since the last risk review in June, the following treatments have either been implemented or partially implemented.

- **Operational Planning and Controls** – Gardening staff at Woodlands are currently being assessed against the new Standard Operating Procedures (SOPs). The SOPs are also being loaded into Promapp for ongoing quality management.
- **Internal Audit** – Work is progressing on a revised internal audit tool and the internal ISO 45001 audit has been scheduled for November.
- **Management of Change** – The Management of Change Standard and the associated risk identification tool have been approved by the Executive Leadership Team (ELT) and work is underway to embed these requirements into procurement and project management systems.
- **Emergency Preparedness and Response** – The Evacuation Scheme for Tamahere Community Centre was approved by Fire and Emergency New Zealand (FENZ). Another three evacuation scheme applications have been prepared for submission. The Emergency Response Plan for Woodlands Estate has been completed and is ready for publication and training to be delivered.

Following the review, the updated Zero Harm Strategic Risk Reduction Timeline is illustrated below. The current priority is implementing our Zero Harm framework including the documentation of processes and tasks.

At this time, there is limited auditing in place to measure the uptake of processes and conformance to standards. Audit processes are being developed and are anticipated to be implemented by mid to late 2023.



Zero Harm Strategic Improvement Plan FY22/23

The FY22/23 Zero Harm Strategic Improvement Plan (refer to Attachment 1) has been finalised by the ELT and shared with the Safety Action Team (SAT). The following infographic has been developed to share the key areas of focus with the organisation.

The FY22/23 plan contains 67 action items. The priority activities for the next three months include:

- H&S Governance Leadership Induction Programme for Elected Members
- Critical Risk Bowtie for Working on or Near Roadways
- Critical Risk Bowtie for Mental Wellbeing
- Emergency response procedures
- ISO 45001 internal audit
- Work Safe Home Safe 2023 event



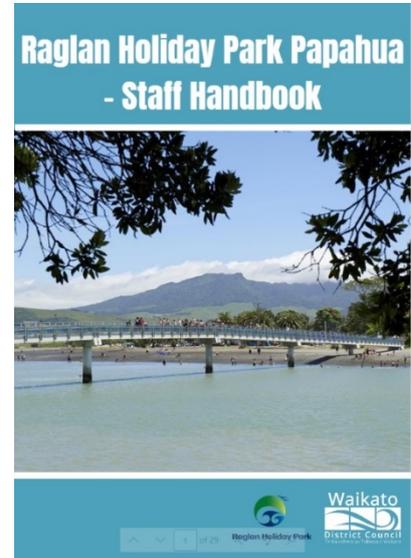
Our People

Work Safe Home Safe 2023 Event

Planning has commenced for our Work Safe Home Safe 2023 event. The month-long event will take place in February 2023. A project team that includes SAT representatives has been formed to plan and deliver the event.

Raglan Holiday Park – Team Connection Day

The independent health and safety gap analysis (audit) undertaken at Raglan Holiday Park identified that it was difficult for the team to engage with wider Council run events. To address this opportunity for improvement, the Camp Manager has planned a Team Connection Day that includes a health and safety refresher induction for all Camp staff. A Raglan Holiday Park Staff Handbook has also been developed to standardise the health and safety information provided to all staff.



Effective Systems

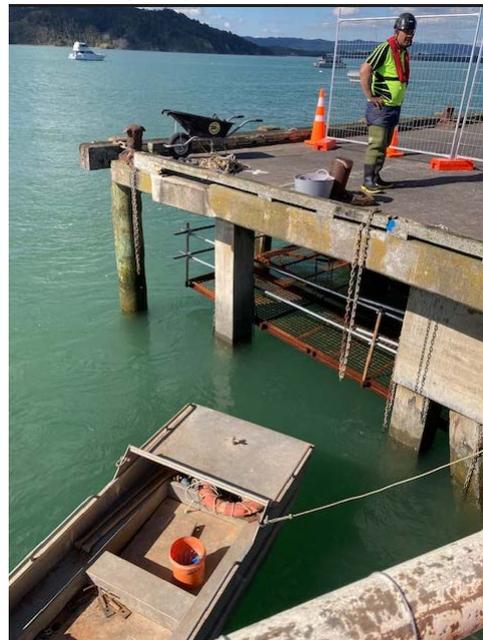
Contractor Management

Raglan Wharf Upgrade and Huntly Railway Station Relocation projects are the first major capital projects to have a stand-alone contractor Health & Safety expectations framework included in the contractual documentation.

The purpose of the framework is to:

- Clarify Council's expectations, standards, values, culture and intended coordination strategy for the contract; and
- Ensure that the main contractor and their subcontractors who are engaged to undertake the work, achieve best practice by taking a collaborative outcomes-based approach.

The main contractors for both projects have submitted their health and safety plans to Council for review against the framework prior to work commencing. A site visit to the Raglan Wharf project was recently undertaken by the Zero Harm team and Chief Executive.



Raglan Wharf Upgrade

Performance Reporting and Corrective Actions Management

Council's zero harm performance across several health and safety metrics for the period July 2022 to August 2022 is shown below. The results for the period July 2021 to June 2022 are included for comparison.

Work is currently being undertaken to develop a more comprehensive Zero Harm Balanced Scorecard to support review of safety performance and implementation of the Zero Harm strategic improvement activities.

Measures	July 21 to June 22	July 22 to August 22 (annualised)	Trend Against previous year	Commentary
Events reported in BWare Safety Manager (Lead)	178	40 (240)		
Total Recordable Injuries (TRIs) e.g., Lost Time Injury, Restricted Work Injury or Medical Treatment Injury (Lag)	2	1 (2)		Staff member tripped on uneven section of footpath near the entrance of the compound driveway. Three days lost time.
WorkSafe NZ Notifiable Events (Lag)	1	0 (0)		
First Aid Injury events (Lag)	18	4 (24)		Tripped over laptop cord, dog faeces sprayed in eyes and mouth while cleaning pound, cut hand on fencing standard
Serious Near Miss events (Lead)	1	1 (6)*		Event under investigation – Animal Control Officers working in road corridor without high visibility clothing *It is generally considered that having more near misses being reported is a more accurate reflection of positive safety culture
Near Miss events (Lead)	86	17 (102)*		*It is generally considered that having more near misses being reported is a more accurate reflection of positive safety culture
New Hazards (Lead)	162	15 (90)		Comparative figure for 20/21 includes Covid-19 risk management controls and is significantly higher than normal
Safety Engagement Conversations (Lead) KPI is >150 conversations per month or 1800 annually	2061	319 (1914)		

Critical Safety Risk Management

The following critical risks are scheduled to undergo a risk review in the next three months

- On road driving
- Hazardous substances
- Working with animals
- Asbestos

Working with Animals

A working group continues to meet fortnightly to progress implementation and strengthening of the controls in this bowtie. Current key areas of focus include:

- Implementation of a Health & Safety Memorandum of Understanding with Global Vets
- Workplace hazard identification and risk assessment training for all Animal Control Officers (ACOs)
- Dynamic risk assessment procedure implementation
- Development of a workplace inspection tool for Pound facilities
- Further development and refinement of standard operating procedures (SOPs)

Workplace Violence

In the last three months we have delivered situational safety, tactical communications, or front counter safety training to 64 staff to support management of the risk of workplace violence and aggression. We also have a further 19 staff scheduled to complete training later this month.

The following table illustrates the status of staff training in relation to the risk of workplace violence and aggression. Whilst Covid-19 significantly impacted the delivery of the training to staff identified as having a moderate level of exposure, changes in traffic level settings have now enabled face-to-face training to be undertaken.

Level of Exposure	Recommended training based on exposure or role	Percentage of workers who have completed training
Very High	Situational Safety and Tactical Communications (SSTC) (2 days)	100%
High	Front Counter Safety Training (1 day)	97% (2 staff out of 69, still to complete training)
Moderate	Situational Safety and Tactical Communications (1 day)	64% (Note: approximately 80 staff including elected members still to complete this training)
Low	Communication Skills (1/2 day)	Course still to be developed

The working group established to develop a customer education campaign on our zero-tolerance approach to abuse or threatening behaviour has prepared and released a staff survey to inform the campaign. The purpose of the survey is to help us understand:

- The type of abuse staff have been subjected to
 - The impact it has / how it affects staff
 - The type of support, training and tools needed
-

To date, 213 staff have completed the survey. The results of the survey and the campaign will be launched to our staff next month, and to our customers from November onwards.

6. Attachments

Ngaa taapirihanga

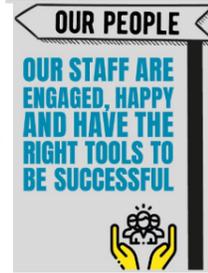
Attachment 1. Zero Harm Strategic Improvement Plan 2022/2023

Vision (Mission)

Mahi Tika Kaainga ora “Work Safe Home Safe”

We are committed to pursuing a culture of Zero Harm by eliminating or managing health, safety and wellbeing risks. We believe that :

- By looking after ourselves and others we will return home safe every day
- Health and safety is everyone’s non-negotiable responsibility
- Work should only start when all safety critical controls are in place



Our Strategic Objectives

- We will be leaders in health and safety to help others learn, innovate and improve performance
- We will have a health and safety development pathway to support safety leadership and culture capability
- We will further develop and embed ISO45001 as the framework for our safety management system
- We will have a continuous improvement mindset where we actively seek to learn and improve our culture, performance, systems and tools
- We will increase risk mindfulness and further embed our critical safety risk management framework
- We will continue to develop closer relationships with PCBU’s with shared duties that support the health, safety and wellbeing of our people and others



“Work Safe, Home Safe ” 2022/20223 (Team Tactics)

Goal	Activities	Plan	Do	Check	Q1 July - Sept	Q2 Oct- Dec	Q3 Jan - Mar	Q4 Apr - June
Our People	Safety Leadership and Culture	Develop and undertake Safety Leadership survey with all People Leaders						
Our People	Safety Leadership and Culture	Undertake organisation wide health, safety and wellbeing survey						
Our People	Safety Leadership and Culture		Develop Safety Leadership Training Programme					
Our People	Safety Leadership and Culture		Develop and deliver Work Safe, Home Safe 2023 event to the organisation					
Our People	Safety Leadership and Governance		Develop H&S Governance Leadership Induction programme for 2022 Elected Members					
Our People	Worker Engagement and Participation			Undertake review of Safety Action Team (SAT) committee operations				
Our People	Health and Wellbeing			In conjunction with Wellbeing Collective review WDC Wellbeing Strategy for 2022/2023				
Effective Systems	Auditing and Assurance		Implement Zero Harm Assurance Calendar					
Effective Systems	Safety Management Systems		Further develop and implement Zero Harm Safety Management System Framework to ISO45001					
Effective Systems	Contractor Management		Revise and implement Contractor H&S Management Standard and associated tools					
Effective Systems	Emergency Preparedness and Response		Implement revised Emergency Response Procedures and deliver training					
Effective Systems	Hazard and Risk Management			Review all Workgroup Hazard and Risk Registers				

Zero Harm “Work Safe, Home Safe” Strategic Plan 2022/2023

KEY PERFORMANCE INDICATORS

“Work Safe, Home Safe” 2022/20223 (Team Tactics)								
Goal	Activities	Plan	Do	Check	Q1	Q2	Q3	Q4
Managed Risks	Hazardous Substances, Workplace Violence, Asbestos and On Road Driving		Implement remaining Bowtie Controls for Hazardous Substances, Workplace Violence, Asbestos and On Road Driving Critical Risks					
Managed Risks	Working on or Near Roadways	Develop Critical Risk Standard and Bowtie for Working on or Near Roads						
Managed Risks	Working with Animals	Develop Critical Risk Standard for Working with Animals						
Managed Risks	Mental Wellbeing	Develop Critical Risk Standard and Bowtie for Mental Wellbeing at Work						
Managed Risks	Work-related Fatigue	Develop Critical Risk Standard and Bowtie for Work-related Fatigue						
Our Plan	Flexible working in this new world of COVID-19 as it is today			Review Remote and Flexible Working Risk Management procedures				
Our Plan	Understanding and improving our Customer Experience	Undertake H&S Needs Analysis for all Community Halls in conjunction with Venue & Events Team						
Our Plan	Te Tiriti o Waitangi understanding and our role as a partner of the treaty		All ZH team to attend Te Tiriti o Waitangi training					
Our Plan	Preparing for Local Government Reform	Ensure we stay flexible and agile to changes in our risk profile that may emerge through local government reform.	Develop our understanding of the reform and stay abreast of any relevant information	Continue to assess best practice opportunities in Zero Harm by connecting and contributing to other local government forums				

Our Measures	Target (+/- 15%)	Unit	Deadline	Status
Events reported in BWare Safety Manager (Lead)	> 180	Events reported	30th June 2023	
Total Recordable Injuries (TRIs) e.g., Lost Time Injury, Restricted Work Injury or Medical Treatment Injury (Lag)	< 2	TRI events	30th June 2023	
WorkSafe NZ Notifiable Events (Lag)	0	Events reported	30th June 2023	
First Aid Injury Events (Lag)	< 17	Events reported	30th June 2023	
Near Miss Events (Lead)	> 90	Events reported	30th June 2023	
New Hazards (Lead)	> 50	Hazards reported	30th June 2023	
Safety Engagement Conversations (Lead)	> 1800	Conversations recorded	30th June 2023	
ISO 45000 Internal Safety Management System Audit (Lead)	Compliant	ISO 45001 Audit Standards	31st December 2022	

To	Audit & Risk Committee
Report title	Capital Project Delivery Review
Date:	29 September 2022
Report Author:	Roger MacCulloch, General Manager Service Delivery

1. Purpose of the report

Te Take moo te puurongo

According to risk R00238 (Project Delivery) of the Corporate Risk Register, there is concern that "Council is unable to delivery key capital projects due to a lack of capacity or project capability". To quantify this risk, the General Manager – Service Delivery, commissioned an independent assessment of Councils CAPEX Delivery Performance. This review, along with an Action Plan to address the issues raised in the report, were presented to Council's Infrastructure Committee on 8 August 2022.

The purpose of this report is to advise the Audit & Risk Committee of this work and provide an update on progress being made to implement the Action Plan.

2. Executive summary

Whakaraapopotanga matua

Waikato District Council have repeatedly failed to deliver the full capital works programme each financial year. Through the Gearing for Growth and Greatness structure realignment, changes were made which have increased delivery but not to the extent required to deliver the ambitious outcomes of the current long-term plan (LTP).

To help the organisation to truly understand what further changes are required to deliver the capital works programme, Emma Brookes from PSB Solutions was engaged to undertake a review, focusing on People, Processes, and Tools and Reporting.

This review identified several issues that need to be addressed to achieve the step change required to deliver the full annual work programme and made recommendations on how this could be done. These recommendations have been considered and incorporated into an Action Plan that is currently being implemented.

A copy of the “Capital Project Delivery Review” prepared by Emma Brookes (PSB Solutions), the Action Plan and a cover report that was presented to the Infrastructure Committee on 8 August 2022 is attached.

3. Staff recommendations Tuutohu-aa-kaimahi

THAT the Capital Project Delivery Review report be received.

4. Background Koorero whaimaarama

The ‘Capital Project Delivery Review’ report prepared by staff (attached) was well received by the Infrastructure Committee and the actions proposed to address the issues identified were endorsed.

Since that meeting, a project team has been working hard to implement the actions, starting with establishment of an Enterprise Project Management Office (EPMO) and realignment of the business with this office.

At the time of writing this report, Kirsty Wellington (PMO Manager) had been appointed as the EPMO manager and staff engagement / consultation on a possible new framework had been undertaken. At the time of report writing, the final draft proposal was being prepared and was about to be presented to the affected teams / staff. A verbal update on this proposal and feedback received from staff will be available at the meeting.

Detailed planning of the 2022/23 Capital Work Programme is also underway with the help of Patrick Edwards from Development Partners Ltd. This work involves:

- The development of a high level categorised and prioritised consolidated capital projects programme for FY22/23. This will include brief commentary for each project describing scope, budget, level of urgency, key stakeholders and suggested strategy to completion (by 3 August 2022 – Complete)
- A detailed review of NZTA subsidised projects with a focus on detailed project programme for procurement and delivery with a confirmed budget and timeframe, allocating resources (both internal and external) as required (by 30 September 2022 – underway).
- A fully detailed project scope and current project plan & budget for each remaining LTP projects uploaded in to WDC’s project control and management system (by 31 October 2022)

Given the initiatives outlined above, it is clear that the organisation has taken this matter seriously and are working hard to resolve the issues identified in the review.

5. Discussion and analysis

Taataritanga me ngaa tohutohu

The Emma Brookes report has provided valuable insights into the reasons why only incremental improvements have been made on delivery of Councils Capital works programme and what needs to be done to address these issues. A detailed action plan has been developed and is implemented with urgency.

5.1 Risks

Tuuraru

According to risk R00238 (Project Delivery) of the Corporate Risk Register, there is concern that "Council is unable to delivery key capital projects due to a lack of capacity or project capability".

This concern appears to be well founded given current performance and proactive works are underway to implement appropriate controls to lower the inherent risk. A Project Delivery Strategic Risk Control Plan is also being worked on by Kirsty Wellington, David Tisdall and myself to further clarify the risks to delivery and identify appropriate treatments.

Following implementation on the Action Plan, a more detailed risk assessment will also be carried out for each of the business units involved in the delivery of capital projects to ensure we have captured all relevant risks and have appropriate treatments in place.

6. Next steps

Ahu whakamua

Staff will continue to provide regular updates to Council on the implementation of the Action Plan and progress being made on delivering the 2022/23 work programme.

7. Attachments

Ngaa taapirihanga

Attachment 1 – Report to the 8 August 2022 Infrastructure Committee Meeting "Capital Project Delivery Review"

Attachment 2 – WDC Independent Assessment - Emma Brookes

Attachment 3 – Capex Delivery Action Plan

To | **Infrastructure Committee**
Report title | **Capital Project Delivery Review**

Date: | 8 August 2022
Report Author: | Megan May, Deputy General Manager Service Delivery
Authorised by: | Roger MacCulloch, General Manager Service Delivery

1. Purpose of the report **Te Take moo te puurongo**

To inform the Infrastructure Committee of work undertaken to review Capital Project Delivery at Waikato District Council (WDC) and advise of proposed actions to improve delivery of this work.

2. Executive summary **Whakaraapopototanga matua**

Waikato District Council have repeatedly failed to deliver the full capital works programme each financial year. Through the Gearing for Growth and Greatness structure realignment, changes were made which have increased delivery but not to the extent required to deliver the ambitious outcomes of the current long-term plan (LTP).

To help the organisation to truly understand what further changes are required to deliver the capital works programme, Emma Brookes from PSB Solutions was engaged to undertake a review, focusing on People, Processes, and Tools and Reporting.

The purpose of this report is to present her findings and the subsequent Action Plan which has been developed internally to operationalise her recommendations.

3. Staff recommendations **Tuutohu-aa-kaimahi**

That the Infrastructure Committee:

- a. receives the report.

4. Background Koorero whaimaarama

In the 2020/21 Financial Year, \$58.6m of capital projects were delivered. This was an improvement on previous years and can be attributed to the structural changes implemented through the Gearing for Growth and Greatness review.

Through the Long Term Plan, an ambitious capital programme of \$150.8 m was planned. It was anticipated that this work could be completed by working with our partner organisations (Watercare, Waikato District Alliance, Citycare, Cushman and Wakefield) and delivery through normal project procurement methods.

Unfortunately, this hasn't come to realisation and whilst interruptions to projects through Covid restrictions, material supply delay and staff shortages through sickness and resignations have contributed to this shortfall, delivery is well below what was forecasted.

As detailed in the August Service Delivery Infrastructure report, the 2021/22 Financial year ended with a total spend of \$63.7m which is 42% of the total budget of \$150.8m.

Councillors have expressed their concern on staff ability to deliver on the full capital projects programme. This has now been confirmed and therefore an external consultant was engaged to review the delivery methodology and provide recommendations on what changes were required to improve the delivery of capital projects in the 2022/23 FY and beyond.

This report is included as an attachment for reference.

In addition to this, staff have commenced work to implement the recommendations and have created an action plan to focus on the three components reflective of the Emma Brookes Report.

These focus areas are:

- People
- Processes
- Tools and Reporting

The action plan is also attached to this report.

5. Discussion Matapaki

As acknowledged in the Independent Assessment report, there have been disruptions outside of WDC control which have contributed to the lack of delivery. There are also concerning behaviours and practices occurring which need to be addressed.

The Executive Summary of the report states:

It is understood that disruptions created by Covid 19, particularly in 2021 with an internal border implemented through the district, ongoing supply chain disruptions, and inflationary cost pressures have challenged the delivery of CAPEX projects for Waikato District Council (WDC).

Disruptions outside the control WDC aside, there are critical issues associated with capability, accountability, transparency, and processes, that have presented as issues and will continue as issues when Covid 19 disruptions fade. These issues are hindering the ability of WDC to achieve the aspirations articulated in the current and prior long-term plans. The incremental improvements that have been achieved (such as the playground contracting relationship) have not been systemised or leveraged for the benefit of the wider CAPEX portfolio at this point.

In relation to people, culture, and behaviours, a high trust and high engagement approach has been adopted by senior leadership. Individuals have redefined the operating model that was implemented post the G4GG restructure. Due to this, the model has never been fully adopted and the benefits of a 'centre of excellence' never realised. There are subvert and sometimes overt behaviours demonstrated in following organisational requirements. There is a lack of capability in some key leadership roles to support the high trust and high engagement model. A cultural reset focused on accountability is required.

There has been a reluctance to leverage existing partnerships to enable greater delivery of CAPEX projects. This reluctance relates to the historical perspectives on the quality of work generated from the partnerships.

There are gaps in processes in relation to planning, business partnering, and governance that do not align with the expected levels of project management maturity. These gaps are accentuated by the lack of a single point of accountability to provide strategic oversight of the CAPEX portfolio, this single point of accountability had been intended under the G4GG initiative but has not eventuated. It is known that there are high levels of carry forward each financial year, which if allowed to continue may result in approximately 12-18 months worth of activity delivered in this three-year LTP.

Greater collaboration and co-ordination with Business Owners is required, including the requirement to design projects to the available budget without inflating of the project to costs greater than funds that are available. Similarly, bottlenecks in the design function of Community Projects should be re-considered from a resourcing perspective to allow for flex in the pipeline.

There are opportunities to expand the role and remit of the PMO to strengthen project management processes and provide arms length assurance against the quality of the projects underway.

Tools and reporting using Camms are currently under-utilised, and when utilised this is done so in a basic pro forma manner to meet the expectations of WDC leadership. This means that there is insufficient transparency provided to governance structures when projects are stalled or have roadblocks. This pro forma reporting is supported by spreadsheets off the system where presumably a full and detailed level of reporting exists but is not available to stakeholders and governance.

In response to this, a project team has been created and an Action Plan has been developed. The first priority, as recommended by Emma Brookes, is to expand and communicate the role and resourcing of the Project Management Office (PMO) function towards an Enterprise Project Management Office (EPMO), to set critical planning requirements, lead virtual teams, and carry out assurance, with governance providing stop/go decision making at each stage gate.

As the implementation of this change will take time, an external consultant has been engaged to support delivery of the current financial years' capital works programme. Patrick Edwards of Development Partners Ltd has been engaged to complete this project and has already started collecting information to support this work. The first phase of deliverables for this work is as follows:

- Initial review of WDC's entire capital projects including those not completed in the last financial year as well as those in the current LTP (comprising of around 150 projects)
- Compare LTP goals versus actual delivery for the previous financial year (Delivery timeframe as well as budget)
- Compare LTP budget versus actual expenditure
- High level Prioritisation of WDC's capital projects in terms of both importance to the Council and Community, as well as targets set in LTP for current and previous financial year

This will result in a high level categorised and prioritised consolidated capital projects programme for FY22/23. This will include brief commentary for each project describing scope, budget, level of urgency, key stakeholders and suggested strategy to completion.

Phase two, which will follow the above work, will involve a more detailed review of NZTA subsidised projects with a focus on detailed project programme for procurement and delivery

with a confirmed budget and timeframe, allocating resources (both internal and external) as required.

The final deliverable, due to be completed by 30 October 2022, will be a fully detailed project scope and current project plan & budget for each project uploaded in to WDC's project control and management system.

6. Next steps

Ahu whakamua

In addition to the work currently underway, the WDC team will commence implementation of the Action Plan to complete a cultural reset, increase accountability, review capability and capacity of staff, review delivery model and other actions detailed in the attached document. An internal governance structure has been set up to support and enable this work.

Staff will continue to update Council as this work progresses to provide a high level of transparency and comfort that significant improvements will be seen in the coming financial year.

7. Attachments

Ngaa taapirihanga

Attachment 1 – WDC Independent Assessment - Emma Brookes

Attachment 2 – Capex Delivery Action Plan

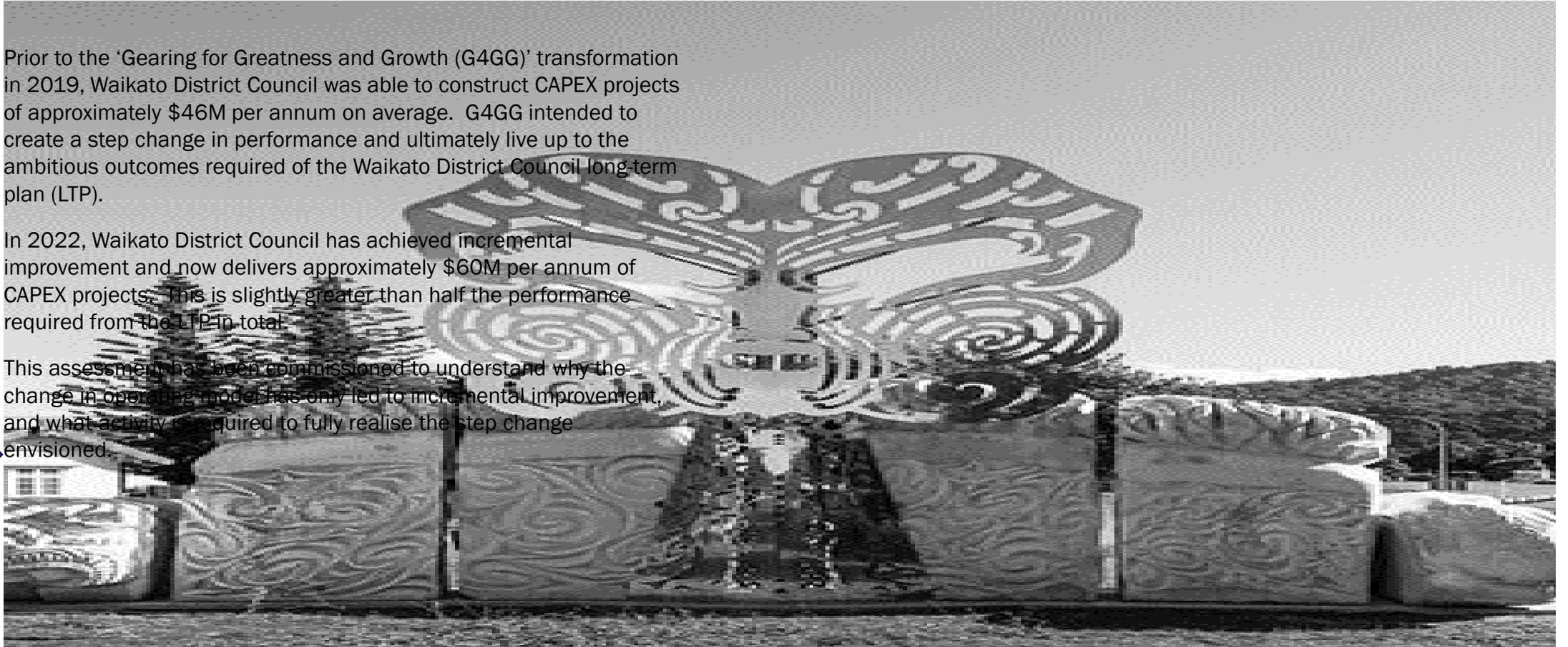
WDC Independent Assessment: CAPEX Project Delivery Performance

Problem Statement

Prior to the 'Gearing for Greatness and Growth (G4GG)' transformation in 2019, Waikato District Council was able to construct CAPEX projects of approximately \$46M per annum on average. G4GG intended to create a step change in performance and ultimately live up to the ambitious outcomes required of the Waikato District Council long-term plan (LTP).

In 2022, Waikato District Council has achieved incremental improvement and now delivers approximately \$60M per annum of CAPEX projects. This is slightly greater than half the performance required from the LTP in total.

This assessment has been commissioned to understand why the change in operating model has only led to incremental improvement, and what activity is required to fully realise the step change envisioned.



Methodology

Interviews were carried out with the following stakeholders:

- Everard Whangapirita, Procurement Manager, Operations
- Kirsty Wellington, Project Management Office Manager, Operations
- Roger MacCulloch, General Manager, Service Delivery, Service Delivery
- Ross Bayer, Roding Team Leader, Service Delivery
- Megan May, Community Connections Manager, Service Delivery
- Jackie Bishop, Contracts and Partnering Manager, Service Delivery
- Trisha Morrison, Acting Assets Manager, Service Delivery
- Sarah Jones, Senior Solicitor, Operations
- Erin Hawes, Management Accountant, Operations
- Harsha Garcha, Management Accountant, Operations
- Kurt Abbot, Projects and Innovation Manager, Operations
- Paul McPherson, Community Projects Manager, Service Delivery

Interviews cntd:

Lynn Shirley, Zero Harm Manager, Chief Executive Office

Kylie Anderson, Zero Harm Advisor, Chief Executive Office

The following documentation was reviewed:

- Camms reporting and project files
- PGG Reports
- Audit and Risk Committee Agendas and Minutes
- Infrastructure Committee Agendas and Minutes

Scope

The Scope of this independent review has focused on effectiveness of the following components:

- **People**
 - Leadership
 - Behaviors
 - Capability and development
- **Process**
 - Gearing for growth and greatness model and intent
 - Project delivery processes
 - Business partnering processes
 - Planning processes
 - Communication processes
 - Governance processes
- **Tools and Reporting**
 - Camms



Terms of Reference

In carrying out the assessment, the Reviewer may have regard to the following.

- a) Documentation that informs governance, the original gearing for greatness and growth, and reporting captured within the Camms system.
- b) Interviews with stakeholders from Service Delivery, PMO, Finance, Procurement, Zero Harm, Legal, Comms, and Risk
- c) Reference to best practices, and identification of enhancements and changes required



Limitations

Recommendations provided by the consultant are based on findings and observations during the assessment period. Waikato District Council has responsibility for interpreting and determining if the recommendations are fit for purpose.

The information contained in this report is for the sole benefit of Waikato District Council, specifically for the purposes of reviewing the performance of CAPEX delivery. The content should not be used or relied on by any other person or for any other purpose.

Due to the time-constrained nature of the assessment, deep analysis was not conducted into governance processes and structures, the environment experienced by project managers directly, detailed understanding of delegated authorities, or detailed communication processes. At this point a detailed understanding of CAPEX delivery in Waters has not been completed.

This report is confidential and cannot be shared, commented on, or used without permission from Waikato District Council and PSB Solutions.



Summary



Summary

This review focused on understanding why the change in operating model, implemented in 2019 following the 'Gearing for greatness and growth (G4GG)' restructure has delivered only incremental improvement rather than the expected step change in performance.

It is understood that disruptions created by Covid 19, particularly in 2021 with an internal border implemented through the district, ongoing supply chain disruptions, and inflationary cost pressures have challenged the delivery of CAPEX projects for Waikato District Council (WDC).

Disruptions outside the control WDC aside, there are critical issues associated with capability, accountability, transparency, and processes, that have presented as issues and will continue as issues when Covid 19 disruptions fade. These issues are hindering the ability of WDC to achieve the aspirations articulated in the current and prior long-term plans. The incremental improvements that have been achieved (such as the playground contracting relationship) have not been systemised or leveraged for the benefit of the wider CAPEX portfolio at this point.

In relation to people, culture, and behaviours, a high trust and high engagement approach has been adopted by senior leadership. Individuals have redefined the operating model that was implemented post the G4GG restructure. Due to this, the model has never been fully adopted and the benefits of a 'centre of excellence' never realised. There are subvert and sometimes overt behaviours demonstrated in following organisational requirements. There is a lack of capability in some key leadership roles to support the high trust and high engagement model. A cultural reset focused on accountability is required.

Summary cntd

There has been a reluctance to leverage existing partnerships to enable greater delivery of CAPEX projects. This reluctance relates to the historical perspectives on the quality of work generated from the partnerships.

There are gaps in processes in relation to planning, business partnering, and governance that do not align with the expected levels of project management maturity. These gaps are accentuated by the lack of a single point of accountability to provide strategic oversight of the CAPEX portfolio, this single point of accountability had been intended under the G4GG initiative but has not eventuated. It is known that there are high levels of carry forward each financial year, which if allowed to continue may result in approximately 12-18 months worth of activity delivered in this three-year LTP.

Greater collaboration and co-ordination with Business Owners is required, including the requirement to design projects to the available budget without inflating of the project to costs greater than funds that are available. Similarly, bottlenecks in the design function of Community Projects should be re-considered from a resourcing perspective to allow for flex in the pipeline.

There are opportunities to expand the role and remit of the PMO to strengthen project management processes and provide arms length assurance against the quality of the projects underway.

Tools and reporting using Camms are currently under-utilised, and when utilised this is done so in a basic pro forma manner to meet the expectations of WDC leadership. This means that there is insufficient transparency provided to governance structures when projects are stalled or have roadblocks. This pro forma reporting is supported by spreadsheets off the system where presumably a full and detailed level of reporting exists but is not available to stakeholders and governance.



Findings and Recommendations

1.0 People, Culture, and Behaviours

#	Finding	#	Recommendation
1.1	<p>Senior leadership at WDC have endeavoured to create a high trust and high empowerment culture. Equally high in priority is the level of performance expected in terms of delivery of CAPEX performance.</p> <p>Many stakeholders commented that alongside the high trust and empowerment culture, an accountability gap has emerged. The outcomes of this gap include poor planning practices, low levels of transparency, and a lack of assurance processes across key programme and project milestones.</p>	1.1.1	<p>Following on from the introduction of Gearing for Greatness and Growth (G4GG), a cultural reset may be required to build an ‘owners mindset’ in how all forms of resources are planned for, procured, and deployed. This may involve the adoption of a ‘WDC non-negotiables of CAPEX management’ (or similar) including items such as assurance processes, procurement planning, use of Camms, and virtual team requirements.</p>
1.2	<p>There are subvert, and at times overt behaviours demonstrated where key organisational requirements are either circumvented or completed with a tokenish attitude to placate senior leadership requests.</p> <p>Where people leaders have desired to manage low levels of performance, they feel they have not been adequately supported by Human Resources to focus on implementing performance management strategies.</p> <p>There is a lack of adequate capability in some leadership roles to support the high trust and engagement model in relation to CAPEX delivery.</p> <p>There is a reluctance to leverage existing partnerships such as the Infrastructure Alliance to deliver CAPEX projects due to concerns about the quality of projects delivered historically</p>	1.2.1	<p>Seek targeted HR and senior leadership support for the performance management activities required to support people leaders in the implementation of the ‘non-negotiables’</p>
		1.3.1	<p>Determine where key capability is lacking within leadership roles in the current model, and seek both interim and long term capability that will enable high trust, high engagement, and high accountability.</p>
		1.4.1	<p>Determine if additional capability is required (as capability has recently been onboarded) in relation to contract management which would enable effective use of existing partnerships.</p>

2.0 Process

Finding

2.1 The intent and strategy of G4GG was robust with clear desired outcomes:

- Establishing strong Community Connections with open spaces, venues, facilities, and events, and delivering high quality services in these areas. We also want to resolve on-going issues with footpaths, bins and toilets via a virtual team who will work across the organisation to get things right in these key areas. The same can be said for events with an Events & Engagement Coordination Virtual Team now shown on the structure.
- Focusing on Strategic Property Management to maximise returns on existing assets and allow strategic investment in growth areas. This team will work closely with the Legal team and the Community Growth Group.
- Building capacity in our project delivery team to ensure Community Projects are better co-designed and delivered on time and on budget.
- Managing Contracts and Partnerships carefully to ensure we are getting the best value out of them and can capitalise on opportunities identified. This team will play a big part in making the growth ideas a reality.
- Reviewing our Asset Management systems, processes and strategies to ensure they are fit for purpose and meet the needs of our communities. This is a highly specialised area of our business that manages assets worth a large amount of money and this must be done right.
- The design function will have resource come back into the WDC structure with some remaining at the Alliance.

While many of these outcomes are either on track or developing in relation to CAPEX delivery, there are remaining gaps in relation to planning, business partnering, project delivery, and communication processes, leading to governance processes that lack clarity and oversight.

2.0 Process ctnd

#	Finding	#	Recommendation
2.2	<p>Nearly all supporting stakeholders reported gaps in planning processes that lead to rushed or inadequate fulfillment of local government requirements for procurement, accurate financial forecasting, contract management, and various legislative requirements. There does not seem to be an overall point of accountability for portfolio management of CAPEX delivery.</p> <p>Stakeholders lack confidence in the ability of the organisation to deliver each planned year of CAPEX projects. One stakeholder has forecasted that the new financial year CAPEX projects will not begin to commence until 6-7 months into the financial year due to the significant volume of carry forward projects. If this performance trajectory is to continue, it is likely that only 12 to 18 months worth of Long Term Plan (LTP) projects will have been delivered within the three-year LTP window.</p> <p>The PMO function has been focused for 18 months on the delivery of key internal programmes. There is not a fully understood or accepted view that the PMO has overarching responsibilities across Business Units for the overall organisation project management requirements from some stakeholders.</p>	2.2.1	<p>Alongside 1.3.1, determine the overall point of accountability for portfolio management of CAPEX delivery.</p>
		2.3.1	<p>With senior leadership support, expand and communicate the role and resourcing of the PMO function towards an EPMO, to set critical planning requirements, lead virtual teams, and carry out assurance, with governance providing stop/go decision making at each stage gate.</p>

2.0 Process ctnd

#	Finding	#	Recommendation
2.3	Business partnering processes are reported to be strained in some areas and broken in others due primarily difference of opinion and personality. Some business owners have reported that project scopes are cancelled and sent back to them at times, rather than partnering to build greater competency of business owners.	2.4.1	In working through a cultural reset (1.1.1), build in the requirement for collaboration between business owners and CAPEX project managers to ensure outcomes that are delivered meet the requirements of business owners.
2.4	Business owners have noted a bottleneck in relation to design of CAPEX projects, that is delaying the delivery of projects, in addition, design aspects of CAPEX projects are inflated and accordingly exceed the budget available for the project.	2.5.1	Consider the current organisational structural design for CAPEX project design in terms of the ability to flex when required (greater outsourcing) and reinforce requirements of designing to budget.
2.5	There are a multitude of governance forums required for CAPEX delivery. Stakeholders have commented that these forums are currently clunky, and that there is likely to be potential to strengthen governance, but due to the lack of transparent planning and reporting processes, determining opportunities to improve governance is difficult at present.	2.6.1	Due to the gaps in ability to manage oversight of the portfolio, it is likely that there are mechanisms that would strengthen governance processes, however this should be prioritised for completion when greater capability and accountability has been achieved.

3.0 Tools and Reporting

#	Finding	#	Recommendation
3.1	<p>WDC requires the use of Camms.Project for project planning and management, benefits realisation management, budgeting and financials and project workflow.</p> <p>While there are areas in which the Camms tool is not fully optimised (such as roading financials), the tool is successfully being used in a number of instances, and is the primary mechanism for creation of governance reporting documentation.</p> <p>Camms previously had the CPM3 maturity model embedded within the tool but this was removed due to organisational capability. The maturity model allowed for the implementation of quality assurance checks against projects.</p>	3.1.1	Continue to optimise Camms to support user adoption of the tool as internal systems are upgraded (i.e., finance transformation project).
		3.2.1	Re-embed a project maturity model within Camms, including the requirement for quality assurance and project health check activities at the appropriate stages of the maturity model which align with key governance forums.
3.2	<p>A sampling review of current CAPEX projects in Camms indicates that there are a number of projects in difficulty and this appears widely recognised within the organisation, however the reporting in Camms does not appear to reflect this. This indicates that there is insufficient transparency which flows through to governance structures where projects encounter issues or are stalled.</p> <p>The reviewer understands that there are side spreadsheets kept alongside Camms as some Project Managers do not see the benefit in the use of the tool.</p>	3.3.1	In addition to 1.1.1, create an amnesty period for the deletion of side spreadsheets, and full adoption of Camms as the organisational project management and monitoring tool as a non-negotiable within the organisation.

Summary of Recommendations

People, Culture and Behaviours

- 1.1.1 Following on from the introduction of Gearing for Greatness and Growth (G4GG), a cultural reset may be required to build an 'owners mindset' in how all forms of resources are planned for, procured, and deployed. This may involve the adoption of a 'WDC non-negotiables of CAPEX management' (or similar) including items such as assurance processes, procurement planning, use of Camms, and virtual team requirements.
- 1.2.1 Seek targeted HR and senior leadership support for the performance management activities required to support people leaders in the implementation of the 'non-negotiables'
- 1.3.1 Determine where key capability is lacking within leadership roles in the current model, and seek both interim and long term capability that will enable high trust, high engagement, and high accountability.
- 1.4.1 Determine if additional capability is required in relation to contract management which would enable effective use of existing partnerships

Process

- 2.2.1 Alongside 1.3.1, determine the overall point of accountability for portfolio management of CAPEX delivery.
- 2.3.1 With senior leadership support, expand and communicate the role and resourcing of the PMO function towards an EPMO, to set critical planning requirements, lead virtual teams, and carry out assurance, with governance providing stop/go decision making at each stage gate.
- 2.4.1 In working through a cultural reset (1.1.1), build in the requirement for collaboration between business owners and CAPEX project managers to ensure outcomes that are delivered meet the requirements of business owners.
- 2.5.1 Consider the current organisational structural design for CAPEX project design in terms of the ability to flex when required (greater outsourcing) and reinforce requirements of designing to budget.
- 2.6.1 Due to the gaps in ability to manage oversight of the portfolio, it is likely that there are mechanisms that would strengthen governance processes, however this should be prioritised for completion when greater capability and accountability has been achieved.

Tools and Reporting

- 3.1.1 Continue to optimise Camms to support user adoption of the tool as internal systems are upgraded (i.e., finance transformation project).
- 3.2.1 Re-embed a project maturity model within Camms, including the requirement for quality assurance and project health check activities at the appropriate stages of the maturity model which align with key governance forums.
- 3.3.1 In addition to 1.1.1, create an amnesty period for the deletion of side spreadsheets, and full adoption of Camms as the organisational project management and monitoring tool as a non-negotiable within the organisation.

About PSB Solutions



Emma Brookes
MBA MinstD
Executive Director

Acutely perceptive, and sound in judgment, with pragmatic advice. Emma has the experience, capability, and skills to get to the crux of situations and create a frank assessment to support you in delivering the right outcomes.

Emma has held General Manager roles across the private sector (Fonterra Co-operative Group) and the public sector (WorkSafe NZ). She has traversed broad functional leadership opportunities including Supply Chain, Corporate Social Responsibility, Customer Service, Health and Safety, and Capital Projects.

Since founding PSB Solutions in 2020, Emma has been involved in a number of high profile engagements including the CHASNZ review of Ports of Auckland. Emma has enjoyed working with a number of local government organisations including Hamilton City Council, Auckland Council and Wellington City Council.



Thank you

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CAPEX Project Delivery Performance Review – Action Plan

People, Culture, and Behaviours

Recommendation	Proposed Action	Due Date
<p>1.1.1 Following on from the introduction of Gearing for Greatness and Growth (G4GG), a cultural reset may be required to build an 'owners mindset' in how all forms of resources are planned for, procured, and deployed. This may involve the adoption of a 'WDC non-negotiables of CAPEX management' (or similar) including items such as assurance processes, procurement planning, use of CAMM's, and virtual team requirements</p>	<p>1. Cultural Reset</p> <ul style="list-style-type: none"> ▪ Socialise the findings of the review and Action Plan with key stakeholders. ▪ Initiate a change process to implement the new CAPEX Delivery Management Standard. ▪ Establish virtual teams and governance structures. ▪ Monitor progress and celebrate success. ▪ Proactively monitor compliance with the standard and address non-compliance. <p>2. Develop CAPEX Delivery Management Standard:</p> <ul style="list-style-type: none"> - Assurance processes - Procurement planning - Use of CAMM's - Virtual Teams <p>Work with the PMO Manager to refresh and update the WDC Project Management Methodology Guide V3.1 to ensure clarity of what's expected of staff and contractors/consultants for the delivery of CAPEX projects document all relevant processes / requirements and reporting lines / governance structures</p>	<p>31/07/22</p> <p>31/08/22</p> <p>31/08/22</p> <p>Ongoing</p> <p>Ongoing</p> <p>31/08/22</p>
<p>1.2.1 Seek targeted HR and senior leadership support for the performance management activities required to support people leaders in the implementation of the 'non-negotiables</p>	<p>3. HR Support to enforce compliance with Standard Work with the P&C Team to ensure there is sufficient capacity and capability in the team to support the PMO, Business owners and People Leaders to enforce compliance with the CAPEX Delivery Management Standard.</p>	<p>18/07/22</p>
<p>1.3.1 Determine where key capability is lacking within leadership roles in the current model, and seek both interim and long term capability that will enable high trust, high engagement, and high accountability</p>	<p>4. Review leadership capability Identify key leadership roles in the current model, assess capability / effectiveness and competencies, and then provide upskilling opportunities where appropriate</p> <p>5. Establish Interim capability Engage Patrick Edwards from Development Partners Ltd to help develop a realistic 2022/23 and 23/24 work programme which integrates carry forwards with LTP projects and then support detailed project planning / delivery.</p>	<p>31/07/22</p> <p>18/07/22</p>

	<p>6. Realign model to include long term capability Carry out a review of the current delivery model / structure and realign where necessary using standard restructuring processes.</p>	30/09/22
<p>1.4.1 Determine if additional capability is required (as capability has recently been onboarded) in relation to contract management which would enable effective use of existing partnerships</p>	<p>7. Enhance project delivery capability</p> <ul style="list-style-type: none"> ▪ Review current number and capability of project managers (including contractors) ▪ Determine resources required to deliver the 2022/23 work programme and secure appropriate resources. ▪ Review historic PM costs (including external support) to determine hours/value of PM required to deliver projects. This will inform the resource requirement to deliver upcoming program. ▪ Consider the current recruitment process to engage project managers. Optimise opportunities to attract quality applicants with appropriate capabilities, competencies, experience and values that align with WDC. ▪ Introduce standard induction methodology for all new project delivery resources (permanents, contractors and consultants) to educate and set the expectation on the use of WDC processes and tools from inception. <p>8. Leverage off existing partnerships</p> <ul style="list-style-type: none"> ▪ Review capability of existing partners and clarify availability to deliver defined work packages ▪ Obtain approval to increase the contract sum / award additional work ▪ Establish management and governance frameworks ▪ Provide support and necessary training to operational staff to manage/work with partners to deliver additional capital projects (Contract Management skills) 	<p>31/07/22</p> <p>31/08/22</p> <p>16/09/22</p> <p>30/09/22</p> <p>30/09/22</p> <p>12/08/22</p> <p>31/08/22</p> <p>31/08/22</p> <p>ongoing</p>

Process

Recommendation	Proposed Action	Due Date
<p>2.2.1 Determine the overall point of accountability for portfolio management of CAPEX delivery</p>	<p>9. Establish overall point of accountability for CAPEX Portfolio Following the review of the current delivery model / structure and during the realignment / restructuring processes, establish an overall point of accountability for the CAPEX portfolio</p>	30/09/22
<p>2.2.2 With senior leadership support, expand and communicate the role and</p>	<p>10. Re-define role / responsibility of PMO via establishment of an EPMO</p> <ul style="list-style-type: none"> - Set planning requirements 	

<p>resourcing of the PMO function towards an EPMO, to set critical planning requirements, lead virtual teams, and carry out assurance, with governance providing stop/go decision making at each stage gate</p>	<ul style="list-style-type: none"> - Lead virtual teams - Carry out assurance - Governance gateways (with quality data for data driven decisions). <p>During the review of the current delivery model / structure, establish an EPMO</p>	<p>30/09/22</p>
<p>2.2.3 In working through a cultural reset, build in the requirement for collaboration between business owners and CAPEX project managers to ensure outcomes that are delivered meet the requirements of business owners</p>	<p>11. Build collaborative teams to meet business owner requirements</p> <p>Implement a collaborative scope development process to align expectations of all parties and avoid assumptions. Partner with our business owners to build scope development capability</p> <p>Reintroduce regular steering group meetings with PMs and business owners for project/programme overview, provide updates and overall project health. Steering group meetings focus: project guidance, change to scope, time or budget. Risk, issues, stakeholder engagement and project interdependencies.</p> <p>Introduce regular reporting discipline using the WDC project management tool(CAMMS) to provide transparency on projects and trust between teams.</p> <p>Review operational/business owner team resourcing to support the inclusion of staff throughout project delivery (end to end).</p>	<p>30/09/22</p> <p>30/09/22</p> <p>Ongoing</p> <p>30/09/22</p>
<p>2.2.4 Consider the current organisational structural design for CAPEX project design in terms of the ability to flex when required (greater outsourcing) and reinforce requirements of designing to budget</p>	<p>12. Review Design Office structure / functions</p> <p>Review all LTP projects with design element to consider skills required to deliver. Analyse the estimated cost of this work, inclusive of structural design, to determine appropriate levels of resources to deliver works program.</p> <p>Optimise skills of current design team to deliver projects that align with their abilities/expertise. Complete a gap analysis to determine appropriate resource skill required to support project delivery</p> <p>Once resourcing levels are determined, align design team structure to better support delivery.</p> <p>13. Design to budget</p> <p>Include design staff/team in project development process to ensure projects are not over scoped, or unrealistic expectations set with community.</p> <p>Reconsider co-creation process of projects with limited budget. Consult on items with no price implication such as colour choice, location (if not hindered by infrastructure)</p>	<p>30/09/22</p> <p>30/09/22</p> <p>30/09/22</p> <p>Ongoing</p> <p>30/09/22</p>

	Enforce higher level of accountability to external consultants who design projects which do not align with budgets.	ongoing
2.2.5 Due to the gaps in ability to manage oversight of the portfolio, it is likely that there are mechanisms that would strengthen governance processes, however this should be prioritised for completion when greater capability and accountability has been achieved	<p>14. Strengthen governance processes (after capability & accountability actions)</p> <p>The current frequency of Governance (political) reporting requirement does not support a high level of reporting discipline. Introduce regular internal reporting periods. Use CAMMS programme reports to inform the health of the programme. Review programme structure and update to reflect business owner/sponsors ownership and oversight responsibilities.</p> <p>Utilise WDC project management tool (CAMMS) “exceptions reports” to identify projects which have not been updated as required/expected.</p>	30/09/22 30/09/22

Tools and Reporting

Recommendation	Proposed Action	Due Date
3.1.1 Continue to optimise CAMM’s to support user adoption of the tool as internal systems are upgraded (i.e., finance transformation project)	<p>15. Align CAMM’s functionality to user needs</p> <ul style="list-style-type: none"> - System upgrades - Financial linkages <p>Ensure CAMMS users use the WDC Project Management tool consistently and appropriately to deliver quality data, then Include CAMMS users in upgrade considerations to ensure changes are fit for purpose. Seek regular feedback from users and consider improvement suggestions.</p> <p>Consider additional project administration support for CAMMS to optimise PM resource whilst ensuring project data and reporting is up to date and accurate.</p>	Ongoing
3.2.1 Re-embed a project maturity model within CAMM’s, including the requirement for quality assurance and project health check activities at the appropriate stages of the maturity model which align with key governance forums	<p>16. Re-embed a project maturity model in CAMM’s</p> <ul style="list-style-type: none"> - Quality assurance - Project health at stages - Realignment of governance forums <p>Introduce health checks and project audits at end of phases for key projects as opportunities to coach and develop project management capability, compliance to project processes, methodologies and WDC policies.</p> <p>Reintroduce regular procurement/zero harm/legal/PM workshops to align expectations early and provide transparency. This will avoid the need for rework and create pipeline of activity visibility.</p>	30/09/22 30/09/22
3.3.1	17. Amnesty period for off-line systems	

<p>In addition to the cultural reset, create an amnesty period for the deletion of side spreadsheets, and full adoption of CAMM's as the organisational project management and monitoring tool as a non-negotiable within the organisation</p>	<p>18. Deadline for full adoption of CAMMs</p> <p>As part of the cultural reset, staff will be given until the end of July to stop using off-line spreadsheets to manage the work programme and adopt CAMMS</p>	<p>31/07/22</p>
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To	Audit & Risk Committee
Report title	Deep Dive – Workplace Culture
Date:	21 September 2022
Report author:	Vanessa Jenkins, People and Capability Manager
Authorised by:	Gavin Ion, Chief Executive

1. Executive summary

Whakaraapopotanga matua

The Deep Dive report aims to provide an opportunity for Governance to gain a true understanding of how Management view risk and to assess Managements control actions and mitigation procedures.

The report includes;

- Risk background
- Internal/external threats & impact
- Examination of associated treatments
- Residual risk assessment
- Forecast
- Recommendations

This report relates to the strategic risk:

Workplace Culture: Business outcomes are significantly impacted due to a lack of change readiness and or poor internal culture within the workforce.

Council’s people are unprepared, unwilling and or unable to effectively adapt to change resulting in poor performance and a degraded internal culture.

2. Staff recommendations Tuutohu-aa-kaimahi

THAT the Deep Dive – Workplace Culture report be received.

3. Background Koorero whaimaarama

In the Council context, culture is a system of values, beliefs and behaviours that shape how things get done within Council. While corporate culture is set by the “tone at the top”, it’s critical for Council leadership, including Elected Members, to demonstrate commitment to a positive culture. A sound corporate culture should permeate the entire organisation.

Culture matters, because a strong, positive corporate culture provides a framework not only for risk mitigation, but also for both short and long-term value creation. It aligns values, goals, behaviours, and systems throughout the organisation in ways that can have favourable impacts, both internally (for example, through positive employee engagement, or by facilitating optimal performance, or a strong zero harm record) and externally (through positive branding and reputation).

On the other hand, a damaged or broken culture can create dysfunction throughout the organisation and create risk to critical assets, including brand reputation, intellectual property, and talent.

Change readiness is a key aspect to understand to deliver on Our Plan and our vision, liveable thriving and connected communities. Our people are affected in so many ways – an active PMO, continuous improvement of team structure and resourcing and change management. Poor employee culture can affect the ability of the organisation to cope with and embrace change.

It is also important that culture is set so that openness and transparency is supported for staff to raise concerns and feel safe in raising uncomfortable things. This benefits mental health but also leads to trust and respect e.g. embracing failure and learning from it.

Flexible working

We have now moved on to a place where flexible working is a “must have” for job seekers, along with a workspace that allows flexibility, productivity and collaboration. Going hand in hand is the expectation that technical solutions and connectivity (laptops, internet connection) can happen anywhere, anytime.

How and where work gets done has been permanently redefined since COVID-19 hit, and it is now up to Council to adapt to emerging talent demands to remain competitive moving forward.

The Great Resignation

As shown through the Covid pandemic and the establishment of the 'Great Resignation', employees are striving to find happiness more than ever before. People are now becoming less tolerant of workplace stresses and are increasingly wanting their place of work to reflect their own preferences and priorities. They're now putting more weight on Council to meet their needs compared to pre-pandemic, where before, our employees would be looking to meet Council requirements. Resources are much harder to find (including consultants) and employees now have their pick of roles and are engaging in remuneration bidding wars between organisations.

Future of Local Government

The Future for Local Government Review is an independent Ministerial review established in April 2021 to consider how New Zealand's system of local democracy and governance will need to evolve over the next 30 years, in order to improve the wellbeing of New Zealanders, and actively embody the Treaty partnership. While the review is over several years it is anticipated to affect all Councils and staff. The uncertainty and lack of information can cause issues with engagement, change readiness and retention/attraction.

Current culture state - employee engagement survey data

Outcomes from Council's 2022 staff survey show statistically **significant improvement** in Council's workplace culture through a key culture indicator, the annual staff engagement survey (conducted by askyourteam). This is despite the impacts of Covid, implementation of flexible working, our vaccine policy and the year of the great resignation.

Waikato District Council	Engagement score	Benchmark (all LG surveys)
Annual staff survey 2022	70%	64%
Pulse survey (March 2022)	79%	
Annual staff survey 2021	66%	64%
Annual staff survey 2020	64%	64%
Annual staff survey 2019	65%	64%

Another key indicator we use is the retention rates of new starters – the number of new starters retained in their first year of employment.

As of June 2022, our levels were 99% compared with Local Government Professional Aotearoa (Taituara) statistics of 81.2%

4. Definitions Whakamaramatanga

Internal Culture: Describes the organisation’s leadership, values, beliefs, interactions, behaviours, and attitudes that contribute to the work environment.

Key principles:

- Values - Do it Right (represent the district, geared for growth, here to serve, team up).
- Vision - Liveable, thriving and connected communities

Change readiness: Is the extent to which those involved in a change are ready to engage with it. Low change readiness can hinder the ability to reach goals, where as individuals ready for change are more likely to exert greater effort, persist against setbacks, and cooperate with others to achieve their aims. This gives a much greater chance of sustaining any changes in the long term.

4. Discussion Matapaki

4.1 Internal/ External Threats & Impact

The following information describes the identified risk components and their impact within scope of the risk.

Waikato District Councils ability to function during this period of the great resignation and the future of local government means our commitment to a flexible, resilient working model is essential to attract and retain talent from the perspective of:

- Peoples individual capacity to cope with constant change internally and externally (change fatigue)
 - The impact on sickness in the workplace from Covid and serious flu’s and illnesses – teams left to cope short resourced
 - The impact of the great resignation where people resources are scarce and costly
 - The impact of mental health and wellbeing with workloads, change and home stressors
 - The potential impact on our existing workplace culture; and
 - Our people leader’s ability to manage performance
-

This risk should be considered in conjunction with the organisation's responsibility to:

- Adhere to national strategies to manage the COVID-19 pandemic; and
- Meet Councils own Zero Harm commitments including mental health.
- Implement government's legislative changes

It must also be balanced with consideration to change related opportunities including:

- Organisational resilience (capacity to adapt and recover)
- Remaining competitive in the employment market (flexibility in work)
- Recruitment
- Retention of staff

The risk therefore is captured as:

Our people become disengaged as the result of high turnover, the inability to attract talent in the market, lack of preparedness for organisational change and the unclear future of local government. Therefore, Council can't function and operate business as usual.

Associated strategic risks that may have an impact or be impacted by Stakeholder Engagement have been considered as part of the risk assessment process.

Risk Description	Association
<p>People & Culture; Business outcomes are significantly impacted due to an inability to attract and or retain suitable personnel.</p>	<p>The potential for staff to become disengaged and leave the organisation may increase the likelihood of this risk. Flexibility and outcomes-based performance potentially balances or even supersedes this impact. If we want to competitively attract and retain talent, we need to be evolving or we won't have employees to carry out our operations.</p>
<p>Cyber Security: Council is exposed to significant business disruption caused by unauthorized access or damage to privileged information and or reduced data integrity resulting from cyber-attack or employee behaviour (externally or internally initiated).</p>	<p>Increased reliance on technology, remote working, and the potential for disengaged staff may increase the likelihood of this risk.</p>
<p>Business Resilience; Business function is significantly disrupted due to a lack of organisational resilience.</p>	<p>Creating a more adaptable and resilient workforce may decrease the likelihood and consequences of this risk.</p>

Community Expectations: Council experiences significant public scrutiny due to being unable to meet key community expectations due to increasing costs and resources.	A lack of resourcing (people) will impact this risk and currently a risk mitigation of consultants may also not be a viable option due to scarcity.
Regional & National Strategic Planning & Legislative Reform; Council experiences significant disruption to business function caused by structural and legislative changes by central government and or national / regional strategic planning exercises.	Activity in this area needs to be carefully approached with good change management – the risk here is that we are not in control of the information or timing.
Technical Capability: Council is unable to meet key business needs, including customer engagement, business resilience, and optimal service level requirements due to a lack of technical capability (people and systems).	A lack of people resourcing can result in the need to appoint for development opportunities (or new graduates). This can put a strain on the existing team to develop them to appropriate technical skill level. With consultancy resourcing constraints, this may not be a risk mitigation.
Project Delivery: Council is unable to deliver key capital projects due to a lack of capacity and or project capability.	People resourcing is a key risk with the year of the great resignation and consultant shortages. With the borders being closed immigration is not supporting a skilled labour supply.

A number of direct and in-direct risks have been identified and considered as part of the risk assessment process:

Risk Portfolio	Risk Description
Political/ Strategic	<ul style="list-style-type: none"> • Changing leadership (Local body & national elections) may change direction of business • Future of Local Government – Significant impact on behaviour • Impact of individuals personal political opinions conflicting with council work
Environmental	<ul style="list-style-type: none"> • Apathetic/ disengaged people not adequately completing critical work that mitigates environmental damage
Compliance Regulatory	<ul style="list-style-type: none"> • Health and safety at work act – mental wellbeing. • Employment relations Act. • People not understanding roles or able to grow leading to failure to comply with regulatory requirements.
Financial	<ul style="list-style-type: none"> • Cost of high labour turnover • Recruitment costs • Mistakes and errors from poor work culture

	<ul style="list-style-type: none"> • Personal grievances impacting quality of work • Cost of consultants to make up the difference. • Loss of intellectual property • Trauma support, • Cost of mediation.
Reputation/ Image	<ul style="list-style-type: none"> • Media exposure to poor workplace culture. • Poor story telling from unhappy employees. • Reputational damage leading to poor outcomes from our work. • Poor reputation impacting relationships of employees within their communities.
Business Continuity	<ul style="list-style-type: none"> • Succession planning. • Resourcing • Poor change management leading to impacts to delivery • Unable to recruit • Putting in place systems to measure the impact of past businesses challenges to know how ready our people are to take on new challenges.

4.2 Inherent Risk Score

With consideration to identified internal and external impacts and associated risks Management has assessed the inherent risk as follows:

Likelihood; (4)

- Strong probability of occurrence in the foreseeable future / history of frequent occurrence.

Consequence; (4)

- High profile adverse national media attention (less than one week) or sustained (in excess of 2 weeks) cumulative adverse local media attention or loss of confidence from significant portion of community sector.

The inherent risk factor is therefore considered to be **High**.

Note: all identified risks have been documented and will be managed in accordance with Councils risk management policy and associated processes.

4.3 Examine Associated Treatments

To ensure a holistic approach, treatments have been established with consideration to the identified associated, direct and indirect risks.

WDC Culture – who we are, how we do things and how we feel about it.

Existing/ New	Treatment	Impact
Connection cadence	Team up, Team talks, Chamber chat, team plan sharing, people leader connections	Staff feel connected and informed, accurate information is shared, expectations and vision is set.
Values	Employee codesigned values 'Do it RIGHT'	Staff understand expectations and have shared values to work with along people leaders understanding the attributes we are recruiting for.
Symbols and traditions	Street tour, golden thread, long service celebrations	These are important as they remind our people our culture, it's rules beliefs and meanings.
Coaching culture	People leaders are trained in coaching skills	People leaders can develop their people through coaching. Employees take ownership for their own development.
Internal committees (employee groups)	Staff engagement group, wellbeing collective, safety action team, unions, social club.	Committees are hidden gem because they allow people to put their passions into actions. It allows focus on common goals to bring change to Council
Learning organisation	Mindtools, 80/20/10 rule, internal promotion focus, self-led learning.	We support our people to continuously learn and develop – aids in retention, self-fulfilment and appreciation as well as addressing the skills shortage we have.
Flexible working	Flexible working principals	Retains and attracts employees, responds to work life balance and mental health. Clarifies expectations of the pendulum – must work for Org, customer, team, and self.
Pay, Performance and Recognition project (completed)	A project focused on responding to employee feedback about our performance review framework and updating our pay system in conjunction with our unions.	Retains and attracts employees with more flexibility and better relevance and recognition. Removes onerous processes and aligns with market.
Takitaki leadership	Development programme for 30 employees annually – now	Retains and attracts employees, develops employees which

programme (updated)	includes Alumni and connection to ELT	addresses skills gaps. Develops culture we want.
Employee experience project (new)	A focus on an employees journey at Council and the moments that matter	Will improve employee engagement, and retention.
Diversity and inclusion work programme (new)	A focus on employees being their authentic self at work, recognising biases and forming a committee to champion diversity	Will improve employee engagement, and retention.
Policy – code of conduct	The policy provides clear expectations of acceptable behaviours and outlining consequences should breaches be identified.	Ensures consistency and accountability to drive culture.
Staff survey	The annual staff survey aims to measure staff engagement.	The survey provides key insights into strategic and operational requirements relating to Councils people and culture. It also identifies potential obstacles associated with change (facilitating early intervention).
Zero Harm	<p>Council has in place several wellbeing support services including;</p> <ul style="list-style-type: none"> • Vitae; a national provider of workplace wellness and support services. • Councils Wellbeing Collective; whose purpose is facilitating, leading and promoting workplace wellbeing initiatives • Tracksuit Inc.; a wellbeing partner providing an electronic platform with health and wellbeing information 	<p>This treatment impacts the likelihood of the risk by providing people services to facilitate appropriate mental wellbeing help for staff e.g. managing the pressures of work and life. These services are free and allow people to access them directly, via request or as a recommendation from people leaders/management. This treatment is partially effective.</p>
Te Tiriti obligations (new)	We will equip and support our people to effectively engage with our Iwi partners and incorporate	Will improve employee engagement, and retention.

	the principles of Te Tiriti o Waitangi into all that we do.	
The future of local government (new)	Respond and be resilient to government change eg Three waters, local government reform etc	Supporting our people through this and developing them to be successful will improve employee engagement, and retention.
Council has focused on its Employee Value Proposition (our unique set of values and offerings used to attract candidates)	Show casing what we have to offer – we can't compete on salary but we can offer other incentives and benefits.	Will improve employee engagement, and retention.
Understanding change readiness	Focus on elevating hot or upcoming issues to an ELT level.	Will allow to understand who is change ready or not and what we need to do to respond.
People and Capacity resourcing (new)	A recommendation to review the P&C team has been supported by the Executive team to ensure fit for purpose resourcing including change management and wellbeing responsibilities.	The review focuses on development of people leaders and business partnering to allow the team to deliver on their objectives and strategic work programme to move the business forward – will improve engagement and retention and recruitment.

4.4 Residual Risk Assessment

This residual risk assessment considers all identified risk areas, risk treatments and treatment impacts affecting the strategic risk;

Likelihood; (2)

- Not expected but there is a slight chance of occurrence at some time

Consequence; (3)

- Adverse local media coverage that if repeated over time will adversely affect Council or negatively perceived business practice leading to widespread resident/ratepayer complaints or prolonged unresolved dispute requiring legal oversight.

The residual risk factor is therefore considered to be **Moderate**.

4.5 Forecast

The following may impact the workplace culture risk in the next 6-12 months.

- With borders being open, skilled migrants are more available
- Labour turnover increases as skilled employees head overseas or to other job offers
- Increased need to take on unskilled and upskill
- Future of Local Government decisions
- Change of Mayor/Council/Government
- Further Covid outbreaks/mutations and illness
- Shortage of graduates

5. Conclusion Whakamutunga

The residual risk score has been recommended to be rated as Moderate. This is considered appropriate given the uncontrollable external factors (great resignation, future of local government) and the strength of the treatments currently in place, along with the new treatments. Currently workplace culture is above average as assessed by the annual employee engagement survey and benchmarks with other organisations. This is very positive considering it was following a particularly disruptive period of the implementation and subsequent removal of a compulsory vaccination policy.

6. Attachments Ngaa taapirihanga

There are no attachments for this report.

To	Audit & Risk Committee
Report title	Strategic Communications and Engagement – a progress update
Date:	22 September 2022
Report Author:	Emma Edgar - Communications, Marketing & Engagement Manager
Authorised by:	Tony Whittaker - Chief Operating Officer

1. Purpose of the report

Te Take moo te puurongo

To inform the Audit & Risk Committee on progress being made to improve the communications, marketing, and engagement function for Council – focusing on the current key risks relating to this portfolio of work and the proposed solutions to enhance the current offering for our people, our customers, and communities.

2. Executive summary

Whakaraapopotanga matua

At the March committee meeting, the Communications & Engagement Manager presented a paper about work being undertaken to improve communications, marketing, and engagement services at Council.

The Committee requested an update after a period of six months to provide it with assurances that the risks and opportunities raised at that time were subsequently being managed and progressing in the right direction.

Over the past six months we have been putting increased focus on communicating with our people, our customers, and our communities in more strategic ways that we believe will help shift the dial on several disruptive conversations and existing narratives that currently, and too often, reflect negatively on the good work and reputation of Council.

As set out in our Risk Appetite Statement, we know that the successful achievement of Council's objectives is significantly underpinned by its perceived reputation with our customers and communities.

The risk appetite of Council and the Executive is driven by the desire to lift this perception and earn a greater trust from our communities, ensuring they know that we have their best interests at heart. We want our customers to view us as experts whose purpose is to provide the services that they want and need, and we accept that a moderate level of risk is required to deliver on those outcomes.

3. Staff recommendations Tuutohu-aa-kaimahi

That the Audit & Risk Committee notes the progress being made on Strategic Communications and Engagement, as well as the direction which requires governance support to be fully successful.

4. Discussion Matapaki

The Communications and Engagement team are a shared service function of Council that exist to support and enhance outcomes for others as they deliver against the work programmes of the Long-Term Plan and Our Plan.

Our portfolio of work is broad but provides critical support to all strategic risk owners across the business, using communications and engagement tools and techniques to help manage and mitigate the risks that are associated with their deliverables. For example, communications plays a key role in the Zero Harm work programme - ensuring that our people understand our workplace is a safe and supportive place for them to be; or for our Customer Support delivery teams – running a Zero Tolerance education and awareness campaign that ensures our customers understand we have a culture that does not accept violence or inappropriate behaviour towards our staff.

Our work programme has several interdependencies that fall out of the corporate outcomes of our Risk Appetite Statement, including:

- Managing or contributing to the delivery of communications and information that our customers can engage with and understand. For example, committing to a Plain English approach and auditing our customer communications with this lens.
 - Supporting a multi-channel customer experience environment that makes it easy for people do business with us and access the information they need when they need it. For example, implementation of a chatbot on our website and support for social media commentary and queries.
 - Building strong relationships out in the community – getting a better understanding of who our customers are and what’s important to them so that we can engage on the topics that matter.
 - Delivering a brand experience that has strong and respected recognition with our stakeholders and community.
-

Updates against focus areas as previously identified in April 2022 report.**Issue 1: We need a strategic communications framework that aligns with our organisational vision and goals.**

Challenge: Although there are existing plans in place for how and when we communicate, these now need a review and refresh because there is still ad-hoc and uncoordinated activity happening across the Council that is not achieving the desired results. There is currently limited ability to maintain oversight of all communications and engagement activities and therefore ensure cohesive messaging that will help us deliver a clear overarching narrative, to all our audiences, articulating how we are delivering liveable, thriving, and connected communities across the district.

Progress update: Following a recent review and realignment of the Communications and Engagement team that focused on building capability and capacity to deliver enhanced outcomes, work is now underway to develop this framework in partnership with the Executive Leadership Team (ELT) and key senior leaders across the organisation. We are pleased to have recently welcomed a new Senior Community Engagement Advisor (20 September) who will now undertake a full stakeholder mapping exercise to understand the community touchpoints across all areas of the Council. This will subsequently lead to a refresh of the existing Community Engagement Strategy (2015). The current Communications & Engagement strategy (completed in 2020) is also being refreshed in line with this work.

Issue 2: Lack of a cohesive narrative and storytelling approach.

Challenge: When it comes to our external communications, we operate reactively and not proactively enough to ensure that we are illustrating the benefits that we bring to our communities. There is not enough human-centred content and therefore people are not feeling connected to what we offer and how it resonates with and impacts their lives. This of course includes why they should get involved in decision making and how active participation can affect change and influence outcomes in their communities. This may have also had a positive flow-on effect in terms of people's interest in participating in local government, either by voting or standing as an elected member.

Progress update: The key focus has initially been on enhancing our digital communication presence including social media channels, our website, and other regular public communications such as our fortnightly district e-newsletter. We have implemented a revised social media strategy that has seen a significant growth in followers and importantly engagement across all our platforms has shifted with increased positive sentiment. We've worked to update content and fix errors on our website and commenced a subscriber campaign to grow our newsletter audience.

Issue 3: We consult but we don't truly engage our communities.

Challenge: Currently there is a fractured and inconsistent approach to community engagement and participation across Council. Not enough time and resource is available to implement an approach with significant lead times that would allow for early and considered community engagement. Additionally, there is no overarching framework or planning that enables efficiencies such as coordinated touchpoints where multiple teams could engage with one community simultaneously on various outcomes.

Solution: Implement a community engagement framework with clearly defined principles and approaches, managed and coordinated by a Community Engagement centre of excellence. Appoint a lead role to bring this discipline/ best practice to WDC.

Progress update: This has been limited whilst we have worked through a recruitment process to secure a suitable resource to lead this work for Council. The newly appointed Senior Community Engagement Advisor now has an immediate remit to undertake current state analysis and subsequently develop a fit for purpose strategy that will enable us to galvanise our efforts in this space, with a strong commitment to making measurable progress against our community engagement related KPIs.

We will measure our success against the objectives we set out in our new strategy as well as continuing to consider insights from our regular resident satisfaction survey, service request analysis and customer feedback.

Issue 4: We need a refreshed internal communications plan and robust channels.

Challenge: Currently there is a lack of understanding and awareness of the importance of strategic internal communication and its relationship to our external positioning, reputation, and brand. Lack of clear and purposeful channels that enable internal sharing and information flow that encourages less silo mentality and builds wider understanding of progress and success against our organisational objectives.

Solution: Implement internal communications practices and channels that not only enable our people to be better connected to the organisation and each other, but ultimately create an organisation of advocates who champion our mahi and vision and can articulate this compellingly out in the community in which they live and work.

Progress update: We have made the most progress here with changes to the way we communicate with our people about what's happening at Council and why it matters. There is still more to be done, but so far, we have streamlined our internal newsletter and lifted engagement with news and updates, introduced a weekly ELT Blog that demonstrates visible leadership communication and engages staff in an informal way in strategic content, and started a refresh of our intranet that will see the implementation of a truly collaborative storytelling platform for staff - to be launched later in the year.

Issue 5: Council's brand is fractured, inconsistently applied, and lacks opportunity for positive recognition/attribution.

Challenge: The Council brand and its importance as a presence in our community is not currently well understood either internally or externally. It is not protected in the way that it should be or valued with respect to what it offers in terms of reputational image and public perception of performance. An inconsistent and continued lack of curation negatively impacts our reputation and people's awareness of what we are delivering or enabling in their community.

Solution: Our brand should speak to who we are as a Council and what we represent to our ratepayers as well as our people and potential people (employer brand). It should form an important aspect of our overall storytelling approach; help build awareness of where we are in the community and develop trust and confidence with our customers.

Progress update: Work on a brand refresh is nearing completion and will be launched to the organisation in October. The intention is to visibly represent a more unified organisation and to ensure clarity of our brand in the external environment. The recent use of internal brand in public facing communications has created confusion and creates a barrier for important attribution back to Council.

Beyond the visual side of our brand, we're working to promote brand protection and ensuring our people and elected members understand the role they play in this. We must all strive to protect our brand and reputation and where possible enhance it with positive attribution and proof points of our delivery and success.

In terms of media management, this responsibility sits with the communications team. Spokespeople for Council should always be appropriately trained and coached to be on message and with a clear branded story. This will be a future focus and a part of the upcoming elected member induction programme.

Issue 6: Inconsistent approach used to communicate with the community boards and committees, and therefore beyond to our communities.

Challenge: Currently there is no shared or standardised templates for two-way communication/ information sharing at scheduled meetings. There is also no consistent approach across Council teams to how information and progress updates should be shared with elected members and so opportunities are missed to be able to do this efficiently and with storytelling for our communities in mind. This results in us not being able to best support our elected members who are of course important stakeholders in our brand and reputation and a key conduit to the communities we serve.

Solution: Implement an agreed framework for ongoing communications and include a workable briefing template and digital hub for information to be shared in real-time.

Progress update: This is on hold until post elections and will be an area for further discussion with the new Mayor and co-design opportunity.

Summary

The above focus areas underpin the success of our strategic communications approach and will support us to deliver to our ambitions for Council as follows:

- Our communities understanding the role of Council and the value we add/ value realised by our ratepayers.
- Our customers knowing where to access information, how to get involved in the things that matter, and how to have a voice in local democracy.
- Our people understanding their connection to our vision and purpose and championing this in our communities.
- Our Community Boards and Committees feeling better connected to Council and clearer on the story of progress/ success as relevant to their communities.

It is key that as visible leaders of our organisation you are seen to lead by example and walk the talk on the issues outlined and the things that will move us forward in terms of positive perception of Council's brand and reputation.

Ultimately this is a journey we are all on and one that will take time to achieve. We have taken some positive steps over the past six months and are already seeing some shifts in engagement and perceptions as a result. We look forward to reporting back in a further six months with some more tangible measures of the success of this approach.

5. Attachments Ngaa taapirihanga

There are no attachments for this report.

To	Audit and Risk Committee
Report title	Business Resilience update
Date:	26 September 2022
Report Author:	Anisha McPhee, Business Resilience Advisor
Authorised by:	Tony Whittaker, Chief Operating Officer

1. Purpose of the report

Te Take moo te puurongo

To provide the Audit and Risk Committee (the Committee) with assurance of activity and progress underpinning mitigation of the Business Resilience strategic risk.

This update provides the Committee with an update of current activities being undertaken to increase the maturity of Council's business resilience programme and provide an overview of planned activities. The update will be presented to the Committee each quarter, for information and assurance.

Being the first dedicated report to the Committee, this report sets out:

- current state of business resilience activities at Council, including key work undertaken to date for business continuity arrangements
- a high-level overview of the business resilience work programme for the next 12 months

2. Executive summary

Whakaraapopotanga matua

Business Resilience is the focus of one of Council's twelve Strategic Risks. It is defined as: 'Business function is significantly disrupted due to a lack of organisation resilience'.

Previous actions undertaken by Council to progress business resilience maturity, have focussed largely on business continuity planning, together with some disaster recovery planning. With the creation of the Business Resilience Advisor position in August 2022, capacity now exists to increase the scope and speed of progress across this discipline.

Key achievements to date

- Completion of business continuity plans for all teams and business units across council (50 plans), now reviewed annually.
- Completion of Council's organisational business continuity plan, reviewed on a quarterly basis.
- Completion of business impact assessments, in line with ISO 22317:2021, for all essential service processes, reviewed annually.
- Review of information management and facilities disaster recovery arrangements, including adoption of the Colab Cyber Security Incident Response plan, and participation in the regional cyber security response group with other councils in the Waikato region.
- Crisis leadership development – 12-month externally facilitated programme completed by 25 incident management leaders, including eight Executive Team members.
- Emergency/incident leadership development – four employees deployed to Nelson Tasman Civil Defence emergency response to flooding in August 2022. Three Council staff members appointed to leadership roles under a declared state of emergency.
- Externally audited Emergency Management exercise completed, showing Council sitting within 'Advancing' (70%) when undertaking a full functional assessment (Waikato District was the only council in the region to undertake a fully functional exercise). This places Council as one of the highest assessed councils in the Waikato region (range of 19-74%).

Key areas of work from 2022/23 Business Resilience work programme

- Develop a business resilience framework, including how we will measure our efficacy and maturity.
- Develop a business resilience audit process, including how we increase maturity and quality of all business continuity plans to a recognised best practice standard.
- Develop business resilience roadmap, including business continuity, disaster recovery (IM & facilities), incident management and emergency management and the maturity across these disciplines.
- Undertake a deep dive of essential services business continuity arrangements, using the results to increase maturity with a goal of progressing to best practice.
- Undertake an internal audit of post-incident reports to ensure recommendations and learnings have been implemented.
- Continue to develop our crisis leaders by practical application through testing and exercises.
- Deep dive into key areas of Council that present highest risk to maturing business resilience and bring teams together to collectively progress key pieces of work, for example update of our IM business continuity plan and updates of disaster recovery plans and processes.
- Organisation-wide business continuity test to take place in November 2022 – will now be carried out annually.
- Implementation of key audit and exercise recommendations for emergency management, including readiness, response, and recovery activities.

A detailed calendar is in progress to ensure delivery of this work programme with the changing resources available. Reporting against this will be provided in future Committee reports.

3. Staff recommendations Tuutohu-aa-kaimahi

THAT the Business Resilience Update be received.

4. Attachments Ngaa taapirihanga

There are no attachments for this report.

To	Audit and Risk Committee
Report title	Tax Risk Management Update
Date:	29 September 2022
Report Author:	Colin Bailey, Finance Manager
Authorised by:	Alison Diaz, Chief Financial Officer

1. Purpose of the report

Te Take moo te puurongo

The purpose of this report is to update the Audit and Risk Committee regarding the tax risk management programme.

2. Executive summary

Whakaraapopototanga matua

The Audit and 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 Councils 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.

Tax issues in excess of \$10,000

The attached report from PricewaterhouseCoopers (PwC) refers to a GST Voluntary Disclosure in respect of a GST underpayment of \$311,199.08 in 2020. This matter was advised to the Committee in September 2021. There have been no tax issues in excess of \$10,000.

Tax Returns and Payments

All tax returns and tax payments were made within the relevant timeframes during the 2021/22 financial year and in the current year to date. Council has procedures in place to ensure deadlines are met and no penalties are incurred.

Tax Advice

Council sought external tax advice from PwC on the following issues during the 2021/22 financial year:

- The GST Voluntary Disclosure referred to earlier in this report.
- FBT on first-aid kits supplied to staff during Zero Harm Week.

Reviews

PwC performed a FBT Compliance Evaluation that concluded the Council had a high level of FBT compliance. Recommendations for enhancements in certain areas have been implemented.

Possible Risks

- Flexible working arrangements pose a number of issues in relation to personal taxation and FBT. The Finance team works closely with People and Capability in this regard.
- Inland Revenue have indicated they will be moving to increasing use of data analytics of tax returns submitted, in particular in relation to payroll and GST.

Other matters of note

An update on tax developments is included in the attached Annual Update.

3. Staff recommendations **Tuutohu-aa-kaimahi**

THAT the Tax Risk Management Update report be received.

4. Attachments **Ngaa taapirihanga**

Attachment 1 - Waikato District Council Annual Tax Update.

Waikato District Council Annual Tax Update

By Phil Fisher & Kelly David

August 2022



Introduction

Introduction

A Tax Risk Governance Framework was adopted by Waikato District Council (Council) as a proactive step towards identifying and managing tax risk to maintain the Council's low risk profile. As part of the Tax Governance Framework, we have prepared this annual tax update as a report to Council's Audit and Risk Committee.

This document provides:

- A summary of the more substantive tax advice Council has sought from PwC during the period ended 30 June 2022.
- Council's tax strategy achieved to date, and proposed for upcoming years.
- A more general update on the wider tax environment which may affect Council and the local authority sector more broadly – refer Part Two.

Tax Governance

Inland Revenue has increased its focus on significant enterprises and their approach to tax governance and tax risk management. This has included the issuance of tax governance review letters to a number of organisations; the questions in that letter are reproduced in Appendix One for reference.

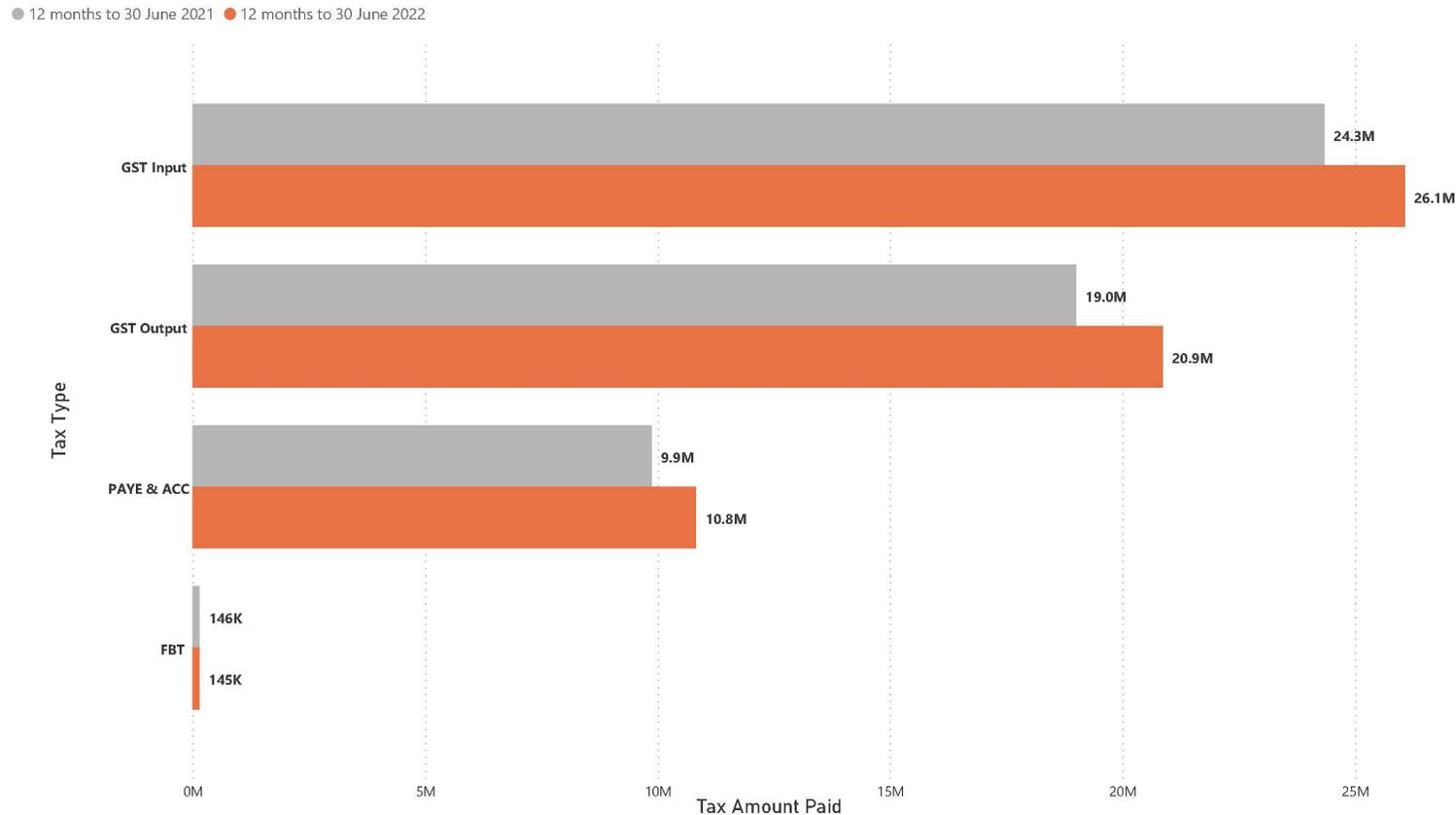
Ultimately, Inland Revenue's guidance around good governance focuses on the need for organisations to develop an effective tax control framework. As Council has developed a comprehensive tax risk management strategy, and been adhering to this for the last few years, Council can have confidence that it is meeting Inland Revenue's expectations.

Waikato District Council's tax figure

The tax accounted for by Council

Council is largely exempt from income tax, but is required to account for a number of other indirect taxes. The following provides a representation of the main taxes accounted for by Council during the two years ended 30 June 2022.

Whilst GST output tax has increased, Council's GST input tax has also increased from the prior year which is the trend that would be expected.



Proposed Tax Risk Management Strategy

	Achieved Strategy		Proposed future strategy		
	2022	2023	2024	2025	
Financial Year to 30 June 2022:					
PwC tax helpdesk facility	✓	✓	✓	✓	
PwC online tax policies & guides	✓	✓	✓	✓	
Independent tax evaluations:					
• GST					
• GST post system implementation review			✓		
• PAYE/WHT/KiwiSaver (incl. data analytics)		✓			
• FBT		✓			
Income tax return independently reviewed	✓	✓	✓	✓	
Tax disclosure notes independently reviewed	✓	✓	✓	✓	
Tax agency – income tax	✓	✓	✓	✓	
Report to Audit and Risk Committee on tax risk management	✓	✓	✓	✓	
External advice sought on major issues	✓	✓	✓	✓	
Other tax training provided to staff	As required	As required	As required	As required	

Tax advice provided during the period ended 30 June 2022

Tax advice sought – period ended 30 June 2022

Council set a Tax Risk Management Strategy for the year ended 30 June 2022, and has been proactive in achieving its planned strategy.

For the most part, the tax compliance of Council has been ‘business as usual’ with the various tax returns (income tax, GST, PAYE, FBT, etc.) being filed on time.

Relevant work undertaken throughout the period ended 30 June 2022, included:

- **GST Voluntary Disclosure** – a GST reconciliation calculation was undertaken that resulted in Council identifying an error in the adjustments made to the February 2020 GST return. Council sought advice from PwC and a voluntary disclosure was filed to amend the GST position and adjust for the overpaid GST of \$311,199.08. Council has enhanced its GST review process, particularly around the approach to adjustments, to mitigate the risk of such errors occurring in the future.
- **FBT compliance evaluation** – Overall we concluded that Council had a high level of FBT compliance. There were recommendations for enhancements to be made in certain areas, including ensuring motor vehicle fleet listing information is up-to-date and relevant, the FBT treatment applying to civil defence and zero-harm vehicles, and improved tracking of unclassified benefits for the purpose of applying the de minimis exemption.
- **Advice re FBT on first-aid kits** – Council sought advice on whether first-aid kits gifted to staff are likely subject to FBT. Our advice concluded that this on balance, there are reasonable grounds to treat these as exempt from FBT under the health and safety exemption.

To support the ongoing risk management, Council:

- Continued to subscribe and actively use PwC’s online indirect Tax Policies and Guides as well as the Tax Helpdesk.
- Received assistance with completion and filing of the income tax return for the year ended 30 June 2021.
- Commissioned PwC to provide an annual update.

Tax developments relevant to Council Recent tax developments, includes:

Taxation (Annual Rates for 2021-22, GST and Remedial Matters) Act

On 30 March 2022, the Taxation Act received Royal Assent.

The Act included a number of changes to the tax rules for the deductibility of interest payments for residential property investors, the bright-line test, cryptoassets, the income tax treatment applying to local authorities, and GST invoicing and record keeping. The two most relevant aspects of this Taxation Act for Council were the changes to:

- The income tax rules applying to Councils, referred to on the next page; and
- The GST invoicing requirements, albeit a number of these GST changes were deferred until April 2023.

The proposed GST invoicing changes are to enable e-invoicing, a government initiative to accelerate the processing and payment of invoices which local authorities are being encouraged to adopt. There were some issues with the proposed legislation, and over the coming few months, we anticipate further clarification and explanation of how the proposed GST changes will operate in practice. Notwithstanding this, the following GST changes were introduced and do apply from 1 April 2022:

- Taxpayers are no longer required to obtain the Commissioner's approval to issue Buyer Created Tax Invoices although the supplier and the recipient must still agree certain matters and record that agreement in writing.
- Reissued invoices no longer have to be marked "copy only".
- Changes were introduced in relation to the use of shared tax invoices.

A Supplementary Order Paper (SOP) was also introduced in addition to the Act which included an additional option for calculating Fringe Benefit Tax (FBT). This option is called the 'Pooled' Alternate Rate method and is a simplified version of the full alternate rate calculation. This applied from 1 April 2022 to enable it to be used for the fourth quarter calculation for the 2022 FBT year. The calculation of FBT to pay under this method is determined as follows:

Attributed benefits are to be returned at:

- 49.25% for employees who receive less than \$160,000 in gross cash pay and less than \$13,400 in attributed benefits;
- 49.25% for employees who receive more than \$13,400 in attributed benefits, but have "all-inclusive pay" of under \$129,681;
- 63.93% for all other employees.

Non-attributed benefits are returned at 49.25% (or 63.93% for shareholder employees).

In effect, the Pooled Alternate Rate aims to provide a balance between simplicity and accuracy by only requiring the top rate of 63.93% to be applied to benefits received by higher earning employees.

Flexible working arrangements

Inland Revenue released Determination EE003 in relation to payments to employees for working from home and for using their own telecoms/usage plans. There was no substantive change from the previous iterations that this document built on but it combined (EE001, EE002, EE002A, EE002B). The same 'safe harbour' thresholds remain:

- A tax-free payment of up to \$400 for furniture or equipment purchases
- A tax-free payment of up to \$5/week for telecommunication usage plans
- A tax-free payment of \$15/week for other working from home costs (e.g. electricity).

Determination EE003 does only apply until 31 March 2023; thereafter, it is not clear whether there will be any further extensions, changes in legislation or a reversion to the historical legislative position.

There has been a notable increase in queries from public sector organisations regarding flexible working arrangements, particularly where in order to attract appropriate talent to roles clients are engaging employees and contractors from distant locations. Some are working remotely from outside the region and some are travelling frequently to the region. In more extreme cases, Council's are looking to retain the services of employees even when they move overseas; this has significant tax compliance risks and obligations.

Further, Inland Revenue released the Operational Statement 19/05: *Employer provided travel from home to a distant workplace income tax (PAYE) and fringe benefit tax* in December 2019 which provided some guidance in this area. However, this guidance was in relation to travel costs and there are some discrepancies between how travel is treated compared to how the provision of accommodation is treated.

In relation to accommodation, we note that Inland Revenue released OS 21/01 10 June 2021 Operational Statement on the Income tax treatment of accommodation provided to employees. While no substantial changes emerged, it does consolidate a number of the various tax rules that apply to accommodation payments.

Overall, we recommend that all flexible and remote working arrangements Council is considering entering into are discussed with the finance team prior to agreeing with an employee. Failure to do so can add a considerable unexpected tax cost and compliance burden.

Tax developments in the local authority sector

Significant developments over the past year which will impact the local authority sector:

Income Tax on Local Authorities

The Tax Bill specifically proposed a number of changes to the way local authorities are taxed on income from CCO's.

Dividends – As initially proposed, dividends paid from wholly owned CCOs, port companies or energy companies to local authorities would be deemed exempt from tax. The Act now extends the exemption to include both wholly and partly owned CCO's, port companies and energy companies. In addition, dividends received from CCO's received by CCO holding companies with 100% local authority ownership will also be exempt income.

Donations – The Act removed the ability for local authorities to claim a deduction for charitable donations, with effect from the 2022-23 income year onwards.

Imputation credits – The proposed restriction from converting imputation credits to tax losses has been removed from the Act. This is on the basis that it is no longer necessary given the changes to exempt dividends. Whilst imputation credits will not be required to be attached to the exempt dividends paid to local authorities, CCO's may choose to do so.

Interest Deductions – The Bill originally proposed that deductions for finance costs would be limited to only those incurred on loans to Council Controlled Trading Organisations (CCTO) and borrowings to acquire shares in a CCTO. This was concerning as it would have the effect of disallowing interest deductions relating to CCO's, despite there being a nexus to assessable income. Further, the definitions of CCO and CCTO between the Income Tax Act 2007 and Local Government Act 2002 were not entirely clear. As a result of the concerns raised, this proposal was deferred pending further work on the definitions of CCO and CCTO and the wider local government sector reforms. This is extremely positive, as this proposal had the potential to significantly raise the cost of borrowing for local authorities.

Tax Loss Offsets – Tax loss offsets will remain possible within local authority groups that meet the normal criteria, and we had it confirmed that a local authorities historic tax losses will still be able to be carried forward.

Overseas employees

Cross-Border workers: Issues and options for reform was issued on 5 October 2021. Following the issuance of ED0223, this paper re-confirms that income is treated as foreign sourced non-resident income where the individual is not tax resident and the work is being performed outside of New Zealand. As such no NZ PAYE withholding obligations arise for employees that work overseas for Council; although there could be employment tax obligations in the overseas jurisdiction.

This paper also proposes:

- To relax the rules for non-resident contractors tax (NRCT) by applying the thresholds to a single payer; and
- Move overseas employer superannuation contributions and insurances paid on behalf of an employee into the PAYE 'basket', which could affect employees negatively.

New Mileage

Inland Revenue has released new mileage rates for the 2021-2022 income year. The tier 1 rate has increased to 83 cents per kilometre. This represents a combination of a vehicle's fixed and running costs and is used for the business portion of the first 14,000 kilometres travelled by the vehicle in a year.

Other tax developments that could impact Council

Other recent tax developments, includes:

Increase in marginal tax rate to 39%

From 1 April 2021 the new top marginal tax rate of 39% was implemented. This applied to annual personal income over \$180,000. This had repercussions for other tax types to mitigate risk of potential distortions particularly around avoiding the new higher tax rate. A couple of the consequential changes that were immediately relevant for Council include:

- **FBT:** The FBT rate on amounts of all inclusive pay over \$129,681 increased to 63.93% to ensure consistent treatment of cash and non-cash remuneration. However, if the single rate option is used this new rate of 63.93% applies to all benefits provided. This is a notable increase from 49.25%. There are steps that can be taken to mitigate the impact of this, including the ability to use a new methodology introduced by way of a SOP (referred to earlier). It has made FBT a key focus area for all organisations.
- **ESCT:** ESCT increased to 39% on superannuation contributions made for an employee whose ESCT rate threshold amount exceeds \$216,000. Across the public and private sector, there has been a notable increase in the number of ESCT related issues, and it is become even more important to ensure KiwiSaver and ESCT compliance obligations are met prospectively.

Inland Revenue activity

Recent discussions with senior Inland Revenue staff have confirmed that they will be moving to increasing use of data analytics of tax returns submitted, in particular in relation to payroll and GST. We have already seen evidence of the power of this with Inland Revenue cross checking payroll filings for wage subsidy reconciliations. Accordingly, we have developed a suite of data analytical tools that can check the payroll tax calculations.

In a separate meeting with Inland Revenue policy officials PwC heard about the Inland Revenue tax policy work program for the next 12-24 months. Amongst other issues the FBT regime was signalled as the next employment tax area to be considered. There have been no further details on this to date but a full review of this area is long overdue.

Other recent tax developments include:

- Inland Revenue's use of money interest rate has increased from 7.00% to 7.28%, effective from 9 May 2022. The credit rate remains static at 0.00%.

Final word

The tax environment is constantly evolving, and as Inland Revenue move out of the Business Transformation phase to the Business As Usual phase, we have already seen an increased focus on tax compliance and management of tax risks.

As noted earlier, Inland Revenue has issued their Tax Governance Questionnaire to a number of organisations and this governance campaign marks a fundamental shift in Inland Revenue's thinking and approach. Essentially, Inland Revenue is moving away from being focussed on taxpayers being compliant depending on the tax technical positions adopted, and are broadening their thinking to include tax risk that is created through processes, operations and systems - essentially to protect the integrity of the NZ tax system and base.

An observation is that many New Zealand organisations would struggle to positively respond to the questions posed by Inland Revenue; particularly when it comes to considering the employment taxes and GST. Certainly our recent experience has been that many businesses have largely focussed on the income tax considerations and the other tax types have tended to have less attention. This is particularly true for payroll, which often sits within the HR function and the visibility for the Finance team is limited.

At the same time, like most New Zealand organisations, Council has been grappling with the challenges of Covid-19. Accordingly, having an easily operationalised tax control framework (which Council currently has) and a focus on meeting tax compliance needs is essential, removing one of the risks that is prevalent for all New Zealand organisations.

Appendix One

Tax governance is important and top of mind for Inland Revenue. We note that Inland Revenue:

- Has moved the focus from tax risk from technical positions adopted to tax risk created through processes, operations and systems
- Plans to launch a new compliance campaign focused on tax governance, which will possibly include a high-level questionnaire sent to a larger range of New Zealand entities, and which will require CFO sign off.

The last questionnaire issued to a small, cross-section of New Zealand businesses is as follows:



Tax Governance Questionnaire

Please send the form to TaxGovernance@ird.govt.nz before or latest by **5 November 2021**
Important note: This questionnaire covers the operation of the income tax, GST, payroll and FBT systems in your organisation across the last three years to 31 August 2021

New Zealand Group:

New Zealand Parent Company IRD Number:

1. Does the company have a well-documented overarching tax strategy? Yes No

2. Does the chief financial officer or tax manager formally confirm, at least once annually, that this strategy has been regularly reviewed, updated where necessary and followed in practice? Yes No

3. Does the company have an effective tax control framework to manage day-to-day tax risks? Yes No

If you answered "no" to questions 1 or 3 above, please state in the box at the end of this questionnaire whether the company intends to document its overarching tax strategy and/or tax control framework in the next 12 months.

4. Has the operation of the tax control framework been tested independently in the last three years? Yes No

5. (a) In the last three years, have any tax control deficiencies been identified? Yes No

(b) If you answered yes to 5(a), have any follow-up actions been taken to remediate those deficiencies? Yes No

6. Are key internal policies, procedures and controls covering the data collection, analysis, calculation, recording and reporting for tax filing and other tax compliance requirements, documented and available for examination if required? Yes No

7. Does a review take place at least annually for changes to accounting policies upon which group financial statements are prepared and all items examined where tax treatment may differ materially from financial accounting treatment? Yes No

8. Is there a robust process in place for the finance and/or tax teams to stay on top of all relevant changes in tax law and related Inland Revenue guidance? Yes No

9. Is a process in place to identify significant transactions (including those which need to be reported to the board or relevant board sub-committees) in respect of which external advice and/or binding rulings may be required? Yes No

10. Does senior management report regularly to the board or relevant board sub-committees on potentially material tax issues or risks? Yes No

If there is any other contextual information, such as any planned work on tax governance in the next 12 months, please include that here.

To	Audit & Risk Committee
Report title	Audit & Risk Committee Key Achievements
Date:	28 September 2022
Report Author:	Kelly Newell, Resilience Manager
Authorised by:	Peter Stubbs, Chairperson

1. Purpose of the report

Te Take moo te puurongo

To update Council on the key activities and achievements of the Audit & Risk Committee for the year ended 30 June 2022.

2. Executive summary

Whakaraapopototanga matua

The Audit and Risk Committee (Committee) terms of reference provide that it is responsible for:

- Considering and reviewing the adequacy of Council's risk management and internal control frameworks.
- Monitoring and seeking assurance on the functioning of Council's risk management and internal control frameworks (including systems and processes).
- Managing the independent auditor (internal and external) expectations and relationships.

To achieve the above purpose the Committee has developed a work programme covering specific areas as detailed below, with the relevant action which the committee considers has delivered on the terms of reference objective.

The Committee has no decision-making powers but works with Council and the Chief Executive, making recommendations to support the implementation of best practice risk governance.

This report provides a summary of the key activities and achievements of the Committee as required by the terms of reference.

3. Staff recommendations Tuutohu-aa-kaimahi

THAT the Audit & Risk Committee approves the Audit and Risk Committee Achievements report for presentation to Council.

4. Background Koorero whaimaarama

The Committee has developed an annual work programme to provide it with assurance the objectives of the Committee are met. The work programme encompasses several standing items and specific risk, audit and other based items. The items are addressed through reports and written and verbal updates provided to the Committee at each meeting. The Committee's primary focus is on critical risks and assurance.

5. Discussion Matapaki

The Committee received and engaged in the following quarterly standing item reports during the past year:

- Chief Financial Officer Report; describing financial risks and issues including funding, insurance, and procurement.
- Strategic Risk and Emerging Risks Report; detailing changes to Councils eleven strategic risks, emerging risks that may have impact in the Local Government sector, and updates on Councils Risk Management Framework and associated risk culture activities. The review of the Strategic Risks was undertaken in a facilitated workshop by KPMG with Council and subsequently confirmed for inclusion in the risk register by the committee.
- Risk Conversations Report; providing an overview of operational risks with risk owners within a designated business area.
- Strategic Risk Deep Dive Report; performing an in-depth review and analysis of a key risk for the purpose of maintaining currency and providing assurance
- Zero Harm Update Report; detailing performance against agreed Health and Safety targets and assurance on management action associated with Council's Critical Safety risks.
- Post Implementation Reviews and/or Incident Debrief Report, summarising outcomes from a key project or incident appraisal.
- Quality Governance and Assurance Report; outlining progress against audit recommendations and a rolling review of bylaw and policy updates.

The Committee has presided over a more focused terms of reference and evolution of information, reports and discussion to deliver on this.

In addition to the standing items referred to above the Committee completed the following specific engagements as documented in the terms of reference:

- Final Audit Management Report for the Long-Term Plan 2021-31
- Annual Report Risk Assessment 2021
- Tax Risk Mitigation Update: ensuring Council maintains progress and best practice governance and tax compliance standards.
- Revision of the Audit & Risk Committee Terms of Reference; update and adoption by the Committee; recommendation for adoption to Council.
- Adoption of the Audit & Risk Committee Future Annual Work Programme (2022)
- Fraud and Corruption Risk Management Update.
- Sensitive Expenditure Policy Review; seeking endorsement of the revised policy from a risk perspective.
- Final Audit New Zealand Management Report for Year Ended 30 June 2021; issues identified during the year end Annual Report audit included on action list.
- KPMG facilitated Strategic Risk and Risk Appetite Review workshop with Council
- Risk Management Framework Review; annual review for currency and best practice.
- Strategic Communications risk conversation encompassing current issues, risks and opportunities; work being undertaken to improve our communications, marketing, and engagement function at Council.
- Insurance Policy / Premium Confirmation; outcome of the insurance renewal and related premiums.
- Prepared a Committee Performance Evaluation Survey for distribution; proposed strategy to deliver on the Committee's objective to improve its performance. Reviewed the results and have had a workshop to make recommendations to Council.
- Zero Harm Safety Management System Audit 2021 – Post Implementation Report; provision of key findings from the report and compliance against International Organisation for Standardisation ("ISO") standard 45001:2018
- WDC Zero Harm Safety Management System (ZHSMS) Review; an overview of Council's evolving safety management system and highlight of areas that have been developed, in progress or planned for completion.
- Independent Internal Audit Programme and Framework; preparation of framework and development of an internal audit forward work programme enabling priority to be given to activities in higher residual risk areas or those out of Council's risk tolerance.

The detailed work programme and its connection to the relevant terms of reference item is shown in the attached appendix. This is to provide assurance that the items detailed in the terms of reference which deliver on the Committee's objectives have been had regard to.

6. Next steps

Ahu whakamua

The Committee considers that progress has been made in several areas during the year ended 30 June 2022 and those activities undertaken supporting meeting the requirements outlined in the Committees Terms or Reference.

7. Attachments

Ngaa taapirihanga

Attachment 1 - Audit and Risk Committee Key Achievements Table

Appendix One: Audit & Risk Committee Key Achievements Table

Terms of Reference	Reports Received	Completion
Annually review council's risk management framework to ensure it is effective	Risk Management Framework Review	Dec 2021
Ensure the strategic risk register is current and relevant	KPMG facilitated Strategic Risk and Risk Appetite Review workshop with Council	Dec 2021
	Strategic Risk and Emerging Risks Report	Standing Item
Ensure Council has an effective internal control framework to identify and manage business risk (at the risk portfolio level)	Chief Financial Officer Report	Standing Item
	Risk Conversations Report	Standing Item
	Independent Internal Audit Programme and Framework	June 2022
	Tax Risk Mitigation Update	Sept 2021
	Strategic Communications risk conversation encompassing current issues, risks and opportunities	Apr 2022
Review Council's insurance programme for adequacy of risk mitigation	Insurance Policy / Premium Confirmation	Apr 2022
Review the effectiveness of Council's business continuity and disaster recovery planning and testing arrangements	Update provided in June Strategic Risk paper. More comprehensive report and work programme detailed at September 2022 meeting.	
Ensure Council has an effective framework in place to prevent, detect and investigate fraud-related issues	Fraud and Corruption Risk Management Update	Dec 2021
	Sensitive Expenditure Policy Review	Dec 2021
Ensure Council has an effective Health and Safety/Zero Harm framework in place to prevent, detect and investigate safety-related issues	Zero Harm Update Report	Standing item
	Zero Harm Safety Management System Audit 2021 – Post Implementation Report	Apr 2022
	WDC Zero Harm Safety Management System (ZHSMS) Review	Apr 2022
Review the internal audit framework to ensure that appropriate organisational structures, authority, access, and reporting arrangements are in place	Strategic Risk Deep Dive Report	Standing Item
	Independent Internal Audit Programme and Framework	June 2022
Approve the annual internal and external audit programme and related plans	Quality Governance and Assurance Report	Standing item
	Independent Internal Audit Programme and Framework	June 2022
Consider Council's annual report from a risk perspective, and subject to audit clearance, make recommendations to Council regarding adoption	Annual Report Risk Assessment 2021	Sept 2021
	2021/2022 Annual Report Preparation and Audit Risk Assessment	June 2022
Review audit reports (internal and external) and monitor management's implementation of audit recommendations	Final Audit Management for the Long-Term Plan 2021-31	Sept 2021
	Quality Governance and Assurance Report	Standing item
	Post Implementation Reviews and/or Incident Debrief Report	Standing item
	Final Audit New Zealand Management Report for Year Ended 30 June 2021	Dec 2021
Keep Council informed on significant risk or audit issues raised and proposed actions	Chief Financial Officer Report	Standing item
Meet regularly with independent auditors to gain assurance on the risk frameworks and the management of them	Audit New Zealand attendance at committee meeting	Standing item

Committee Administrative Arrangements

Terms of Reference	Activity	Completion
The chairperson of the committee will initiate a review of the performance of the committee at least once every two years and present it to the Council. This will support the committee's philosophy of continuous improvement.	Committee Performance Evaluation process and survey agreed for distribution	Apr 2022
	Committee Performance Evaluation results presented to Committee & subsequent workshop held to agreed recommendations for Council consideration	June and July 2022
	Adoption of the Audit & Risk Committee Future Annual Work Programme (2022)	June 2022
The committee will review its Terms of Reference at least once a year. This review will include consultation with the Council	Revision of the Audit & Risk Committee Terms of Reference	Sept 2021
The committee will regularly, and at least once a year, report to the Council on its operation and activities during the year.	Annual Committee Achievements report to Council	Sept 2021

To	Audit & Risk Committee
Report title	Committee Performance Evaluation Survey & Recommended Actions
Date:	9 September 2022
Report Author:	Peter Stubbs, Independent Chairperson
Authorised by:	Tony Whittaker, Chief Operating Officer

1. Purpose of the report

Te Take moo te puurongo

For the Audit & Risk Committee (the Committee) to agree actions to improve performance following a workshop held by the Committee to review the recent survey results on its performance.

2. Executive summary

Whakaraapopotanga matua

At its June 2022 meeting the Committee reviewed the survey responses and agreed to hold a workshop of Committee members to develop an action plan and where necessary, recommendations to the new Council.

The workshop was held on Monday, 1 August 2022. The notes and summary of the workshop are attached (Attachment 1).

Five key points raised were:

1. Composition of the Committee – members raised the opportunity to increase the number of independent members. It is noted this is a decision for the new Council hence the Chairperson would meet with the new Mayor following the elections to discuss further.
 2. Skills and Experience of members – Concern was raised regarding training for members and what competencies were deemed necessary. A list of core competencies to be developed by the Chairperson for consideration by the Committee at the next meeting (Attachment 2). A regional Audit & Risk Committee forum is being organised by Co-Lab (facilitated by KPMG) for members as part of an induction programme.
-

3. Communication – the survey results indicated there was minimal visibility of the business of the Committee to other Councillors, notwithstanding they all receive the Committee agenda and papers. It was agreed that key messages would be prepared by the Chairperson for circulation to all stakeholders following each meeting.
4. Frequency of meetings/Zero Harm site visits – whilst it has been noted the size of agendas had reduced through focus and the development of a work programme, there was a feeling that another meeting per annum might provide an opportunity for more engagement in key risk matters.

It is noted that a workshop (facilitated by KPMG) is held each year with the full Council to review strategic risks and risk appetite. It was suggested that council sites could be identified at this workshop which are subsequently visited by the Chairperson and Zero Harm team early in the following year for report back to the Committee.

5. Annual survey and review of the Committee – it was agreed the Committee should undertake the survey and review annually to ensure improvement and progress is being made on the actions identified each year.

The Committee will note a number of these changes will require consideration by the new Mayor and Council. The objective of this report is to provide direction to the Chairperson for a conversation with the new Mayor when considering the Council/Committee structure in the new triennium.

3. Staff recommendations Tuutohu-aa-kaimahi

That the Audit & Risk Committee:

- a. **confirms the Chairperson will develop a summary of outcomes/actions from each meeting for distribution to stakeholders; including other Councillors, staff and external agencies (i.e. Audit NZ, KPMG etc);**
 - b. **confirms that an annual survey of committee performance be undertaken to ensure continuous improvement is made by the Committee relative to their terms of reference;**
 - c. **confirms the skills and experience required for members of the Committee as per Attachment 2 to this report;**
 - d. **notes the elected members appointed to the Committee following the 2022 elections will receive training as part of their induction programme;**
 - e. **request staff schedule the annual strategic risk workshop with Council in conjunction with the Chairperson and KPMG (at which time the Council will identify sites for assessment early in the new year); and**
-

- f. notes the Chairperson will meet with the new Mayor to discuss the composition and skills and experience of Committee members following the elections.

4. Attachments

Ngaa taapirihanga

Attachment 1 – Audit & Risk Committee Workshop Notes – 1 August 2022

Attachment 2 – Skills and Experience framework for Audit & Risk Committee members

AUDIT & RISK COMMITTEE WORKSHOP – 1/8/22

The Chair went round the table get views of Committee from survey feedback:

1. Minutes to S&F to keep other councillors informed
2. Competency of members – IOD special training courses for A&R
3. Participation in other Council A&R Meetings
4. Annual review – asking two questions in one – Committee is effective and reports accurately
5. Big gap as only half of questionnaires came back – different consultation approach?
6. Obtain feedback from other councils
7. Induction would be helpful
8. Q5&Q14 – balance of independent/external – disclosure/trust issues
9. Become more effective as a team by building trust so we spend more time on solutions
10. Induction programme – knowing what it is
11. Complete misunderstanding generically about A&R – mayoral candidates
12. Executive summary – key messages
13. Q6 – support
14. Q8 - induction
15. Importance of committee is significant
16. Q4 – Composition of the committee
17. Q3 – lack of feedback to other councillors
18. Agendas – concern on size of agenda – have more regular meetings, i.e. bi-monthly rather than quarterly

Peter summarised the key issues into:

1. Composition
2. Competence – training and induction
3. Comms – to other councillors, are actions reasonable and can be completed?
4. Meeting Frequency
5. Annual Review

Composition discussion points:

- Having reviewed terms of reference – some work undertaken on a list of core competencies that we would expect to see in a committee.
- Framework set by Mayor at the beginning of each triennium
- More councillors as you know the communities and what is of concern
- Composition of the committee – Maaori view? Recommendation to new mayor

Competence – training and induction

- Couple of programmes to assist committee on getting up to speed
- Developing a simple induction programme for incoming members.

Communications

- Communications – report to S&F?? Any decisions we make are clear and actionable.
- Colab – key messages – one page after each meeting to go out to other councillors
- Adoption of key messages document each meeting – possibly one more meeting

Meeting Frequency & Topics

- Meeting frequency – bi-monthly or quarterly – reducing size of papers – can't ask hard questions if I push to gallop.
- Feel like a long interval between meetings
- One more meeting – top ten risk review – more attendance by other councillors
- Committee driven – start of every year – confer with colleagues – where should I be visiting and report back to you on.
- Deep dives – one per meeting – outcomes from deep dives.
- Final meeting – deeper focus on top ten risks (end of year with all councillors involved).
- 6th meeting – site visit committee identify where they want to visit. Councillors identify areas and get Chair to look at them?
- Be careful not to get into detail and role of external auditors
- H&S – obligation to understand the risks and whether they are being appropriately managed.
- Independent deep dive – relying on layers have we discharged obligation of committee?
- Don't utilise KPMG/PWC – Committee/Chair facilitates?
- Commit to providing actionable feedback.
- Annual review of committee performance

Audit and Risk Committee: Knowledge and Skills Framework¹

Core areas of knowledge

Knowledge Area	Details of core knowledge required	How the Audit and Risk Committee will apply the knowledge
Organisational knowledge	An overview of the governance structures of the Council and decision-making processes. Knowledge of the organisational objectives and major functions of the Council	This knowledge will be core to most activities of the Audit and Risk Committee (Committee) including review of the Annual Report, internal and external audit reports and risk registers
Audit and Risk Committee role and functions	An understanding of the Committee's role and place within the governance structures. Familiarity with the Committee's terms of reference and accountability arrangements. Knowledge of the purpose and role of the Audit Committee	This knowledge will enable the Committee to prioritise its work in order to ensure it discharges its responsibilities under its terms of reference and to avoid overlapping the work of others
Governance	Previous governance experience or knowledge of the fundamentals of governance	This knowledge is essential to understand the appropriate demarcation between the Committee and the proper roles of management
Internal audit	Knowledge of the arrangements for delivery of the internal audit service in the Council	The Committee has oversight of the internal audit function
External Audit	Knowledge of the role and functions of the external auditor and who currently undertake this role. Knowledge of the key reports and assurances that external audit will provide. Knowledge about arrangements for the appointment of auditors and quality monitoring undertaken.	The Committee should monitor the relationship between the external auditor and the Council and support the delivery of an effective service
Financial management and accounting	Awareness of the financial statements that a Council must produce and the principles it must follow to produce them. Understanding of good financial management principles.	Making due enquiry of the Annual Report and process from a risk perspective. Receiving the external audit report and opinion on the financial audit. Reviewing both external and internal audit recommendations relating to financial management and controls
Risk management	Understanding of the principles of risk management, including linkage to good governance and decision	The Committee will consider the robustness of the Council's risk management arrangements and should also have awareness of the

¹ Adapted, with acknowledgement to City of Wolverhampton Council

Knowledge Area	Details of core knowledge required	How the Audit and Risk Committee will apply the knowledge
	making. Knowledge of the risk management policy and strategy of the organisation. Understanding of risk governance arrangements, including the role of members and of the Committee.	major risks the Council faces. Keeping up to date with the risk profile is necessary to support the review of a number of Committee agenda items, including the risk based internal audit plan, external audit plans and the explanatory foreword of the accounts. Typically, risk registers will be used to inform the Committee. The Committee will also review reports and action plans to develop the application of risk management practice.
Fraud	An understanding of the main areas of fraud risk the Council is exposed to. Knowledge of the principles of good fraud risk management practice. Knowledge of the Council's arrangements for tackling fraud.	Knowledge of fraud risks and good fraud risk management practice will be helpful when the Committee reviews the organisation's fraud and corruption strategy and receives reports on the effectiveness of that strategy.
Employer	An understanding of the current obligations arising from being an employer, and experience in managing a workforce	This knowledge will help in Workforce Culture and Zero Harm conversations

Specialist Knowledge that would add value to the Audit Committee

Knowledge Area	Details of core knowledge required	How the Audit and Risk Committee will apply the knowledge
Accountancy	Professional qualification in accountancy	More able to engage with financial management issues coming before the Committee. Having an understanding of the professional requirements and standards that the finance function must meet will provide helpful context for discussions of risks and resource issues. More able to engage with the external auditors and understand the results of audit work.
Risk management	Risk management qualification. Practical experience of applying risk management. Knowledge or risks and opportunities associated with major areas of activity.	Enhanced knowledge of risk management will inform the Committee's oversight of the development of risk management practice. Enhanced knowledge of risks and opportunities will be helpful when reviewing risk registers.
Governance and legal	Legal qualification and knowledge of specific areas of interest to the Committee, for example constitutional arrangements, data protection or contract law.	Legal knowledge may add value when the Committee considers areas of legal, risk or governance issues.

Knowledge Area	Details of core knowledge required	How the Audit and Risk Committee will apply the knowledge
Asset management	Previous experience in the management of large-scale assets	Knowledge of relevant legislation, risks and challenges associated with major assets will help the Committee to understand the operational context.
Programme and project management	Project management qualifications or practical knowledge of project management principles.	Expert knowledge in this area will be helpful when considering project risk management or internal audit reviews
IT systems and IT governance	Knowledge gained from management or development work in IT	Knowledge in this area will be helpful when considering IT governance arrangements or audit reviews of risks and controls.
Insurance	Knowledge of the insurance market and the various relevant insurance products	Knowledge in this area will be helpful when considering how, when and to what extent risks can be mitigated by insurance.

Core skills

Knowledge Area	Details of core knowledge required	How the Audit and Risk Committee will apply the knowledge
Strategic thinking and understanding of materiality	Able to focus on material issues and overall position, rather than being side-tracked by detail	When reviewing audit reports, findings will include areas of higher risk, or materiality to the organisation, but may also contain more minor errors or control failures. The Committee will need to pitch its review at an appropriate level to avoid spending too much time on detail
Questioning and constructive challenge	Able to frame questions that draw out relevant facts and explanations. Challenging performance and seeking explanation while avoiding hostility or grandstanding.	The Committee will review reports and recommendations to address weaknesses in internal control. The Committee will seek to understand the reasons for weaknesses and ensure a solution is found.
Focus on improvement	Ensuring there is a clear plan of action and allocation of responsibility	The outcome of the Committee will be to secure improvements to the governance, risk management or control of the organisation, including clearly defined actions and responsibilities. Where errors or control failures have occurred, then the Committee should seek assurances that appropriate action has been taken and is monitored.
Able to balance practicality against theory	Able to understand the practical implications of recommendations to understand how they might work in practice.	The Committee should seek assurances that planned actions are practical and realistic.

Knowledge Area	Details of core knowledge required	How the Audit and Risk Committee will apply the knowledge
Clear communication skills and focus on the needs of users	Support the use of plain English in communications, avoiding jargon, acronyms, etc	The committee will encourage and ensure all papers and communications presented and prepared will be written for the appropriate audiences.
Objectivity	Evaluate information based on evidence presented and avoiding bias or subjectivity.	The Committee will receive assurance reports and review risk registers. There may be differences of opinion about the significance of risk and the appropriate control responses and the Committee will need to weigh up differing views.
Meeting management skills	Chair the meeting effectively: summarise issues raised, ensure all participants can contribute, focus on the outcome and actions from the meeting	These skills are essential for the Committee chair to help ensure that meetings stay on track and address the items on the agenda. The skills are desirable for all other members

To	Audit and Risk Committee
Report title	Ideas & Improvement Framework
Date:	12 September 2022
Report author:	Kurt Abbot, Projects and Innovation Manager
Authorised by:	Tony Whittaker, Chief Operating Officer

1. Purpose of the report

Te Take moo te puurongo

To inform the Audit and Risk Committee on the framework utilised by council to capture and implement ideas for improvement.

2. Executive summary

Whakaraapopototanga matua

- An Ideas and Improvement framework is in place to leverage opportunities presented to the business by customers, councillors, and staff
- This report outlines the framework, how it operates and provides example opportunities previously considered by the organisation

3. Staff recommendations

Tuutohu-aa-kaimahi

THAT the Ideas and Improvement Framework report be received.

4. Background

Koorero whaimaarama

Council is committed to having an environment of Innovation. The organisation must remain relevant to its customers and stakeholders by delivering on the needs, wants and expectations of these key stakeholders, including communities. Therefore, the environment must allow for continuous improvement, ideas to be freely expressed and captured with action taken to realise the opportunities identified. This also involves learning from things that may not have gone well.

The creation of the wider innovation environment relies on several strategies including the Employee Experience strategy that looks to empower staff for example. This report covers only the framework utilised to capture, triage, prioritize and implement opportunities for improvement.

5. Discussion Matapaki

Ideas & Improvement framework

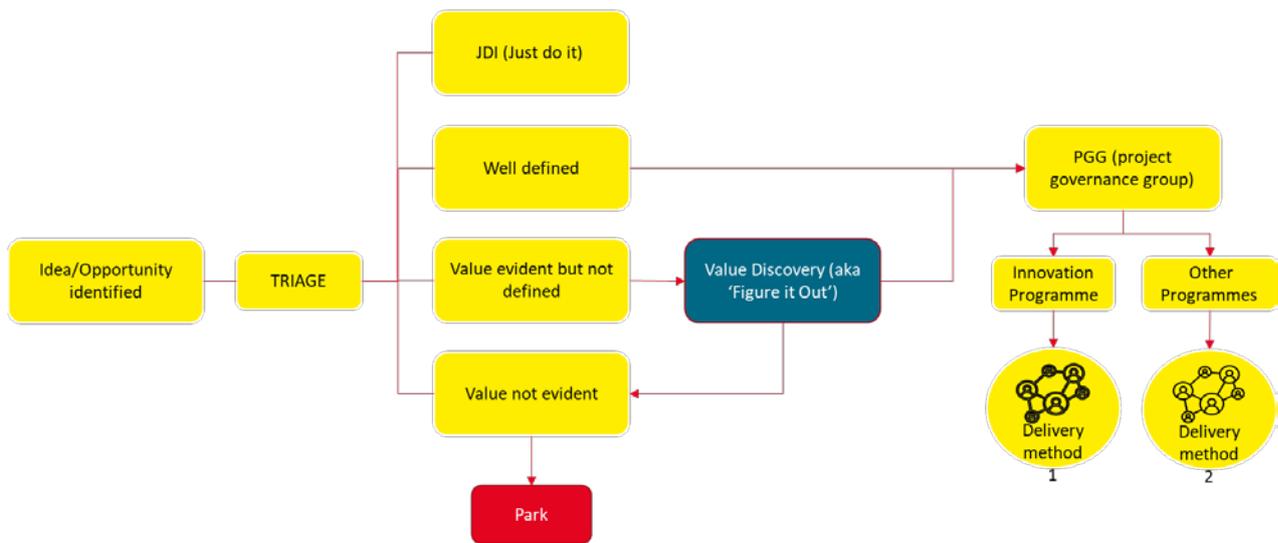
The business utilises a simple framework that enables the capture of ideas and ensures that they are meaningfully considered and if appropriate implemented. Historically ideas or opportunities for improvement have been captured then passed to the relevant business owner to consider. What was identified however is that often these business owners lacked capacity or expertise to explore the idea and make an informed decision to seize upon the value that the opportunity may offer. The consequential outcome of this is that submitters of ideas may become demotivated and therefore not present ideas in the future. Ultimately this leads to poor outcomes for customers, community and staff if value add opportunities are missed.

The framework enables the capture of ideas through an easily accessible tool with the ideas assessed for value by dedicated resource (triaged). This step ensures all ideas are adequately considered and opportunities lost are minimised. In addition to this simple step the submitter is also communicated with to inform them of what action will be taken against their idea, therefore motivating the submitter to continue to innovate.

The action taken against an idea falls into three categories; an idea that is promoted to immediately implement (just do it), a category for ideas that require further detailed exploration to determine value and effort to implement, and the third category - proceed as a project under the project management framework.

Triaging is undertaken by the Projects & Innovation manager, Chief Information Officer and the Innovation & Improvement manager. These senior managers utilise their experience, knowledge of council systems and strategies to quickly assess ideas for possible value. They are also able to assign resources to undertake further investigation if required or to implement simple improvements (just do its).

Ideas & Improvements - Assessment & implementation Framework



Tools & supporting framework

Council utilises a tool called Promapp that contains several modules including process mapping, risk management and a specific module for the capture and administration of improvements. All staff are trained and have access to log improvement opportunities into this tool. Improvements are administered within the tool including tasking and communicating back to the idea submitter on the status of the idea.

Support

Within the organisation there are several roles that support teams to both help discover opportunities and implement them. As an example, business analysts and continuous improvement analysts may support teams by facilitating design thinking sessions, gaining customer insight or simply implementing waste reduction against a given process. Where the opportunities presented are more complex a full project management approach is taken through the Project Management Office (PMO).

The organisation also has in place an Improvement Forum. This forum is made up of representatives from across the organisation. The purpose of the forum and the representatives is to provide sustainable support to the organisation from an improvement perspective. Predominantly the responsibility of forum members is to advocate and champion ongoing improvement activities and provide simple technical support or advice.

Current Situation of Improvement Opportunities

There are currently several significant transformation programmes underway across the organisation. These programmes and the projects within them are broad in scope which has allowed many of the opportunities presented to be incorporated into the projects themselves rather than set up standalone initiatives. These transformation projects cover functions like the end-to-end consenting process, developer experience, customer experience, capital project delivery and financial systems

With the significant change investment across the prioritised transformation projects the strategy for internal improvement has been focused on reduction of waste from existing processes (smaller achievable change).

An example of ideas submitted to the organisation is attached. This list does not include improvement activities teams or individuals implement themselves (these are generally just do it opportunities as they don't affect other teams) but represents ideas that may sit outside of the submitters area of influence or ability.

6. Attachments **Ngaa taapirihanga**

Attachment 1 - Assessment framework for improvement ideas

Attachment 2 - Ideas and improvement register

Assessment Framework for Improvement Ideas

Identifying and implementing opportunities across the business

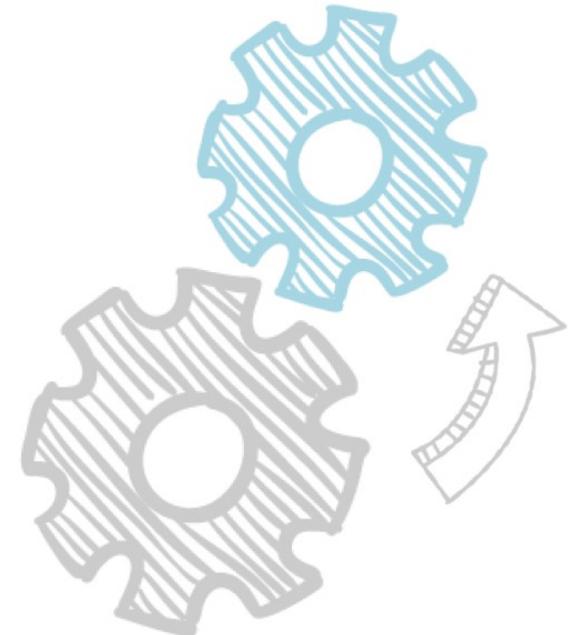
How are ideas managed and arranged?

1. An idea can be lodged by our Customers, our Councillors or our Staff. The place to register an idea is through Promapp within the 'Improvement Module'
2. There is an initial classification of the idea that considers three main benefit categories;
 - Customer/Community e.g. will the idea add value to customers/community
 - Business Improvement e.g. will the idea reduce waste, save time or money
 - General e.g. any other type of value – staff wellbeing, benefits etc
3. The ideas are assessed monthly to determine feasibility using Effort vs Impact matrix, taking into account resources, cost and urgency and the impact for our community and people.
4. The idea is followed up in the improvement module where the type of improvement is defined and informed to the stakeholders and managed through its lifecycle within the improvement module

Effort vs Impact

Effort $E=(R+C+U)/3$					
Resource	R Score	Cost	C Score	Time to implement	U Score
Minimal (E.g. 1 Person)	25	Minimal (E.g. < NZD \$100)	25	Minimal (< week)	25
Minor (E.g. 2 or more people/teams)	20	Minor (E.g. Needs Team Leader Approval)	20	Minor (E.g. < 1 Month)	20
Moderate (E.g. 3 or more people, small project)	15	Moderate (E.g. Needs Business Unit Manager approval)	15	Moderate (E.g. < 2 Months)	15
Major (E.g. Medium project team with less than 5 people)	10	Major (E.g. Needs ELT Approval)	10	Major (E.g. < 3 Months)	10
Significant (E.g. Large project team with 5 or more people)	5	Significant (E.g. Needs CE/Council approval)	5	Significant (> 6 months)	5

Impact $I=(CC+BI)/2$			
Customer/Community	CC Score	Business Improvement	BI Score
Minimal (E.g. no benefit to customers)	5	Minimal (E.g. It is low priority, nice to have)	5
Minor	10	Minor	10
Moderate	15	Moderate	15
Major	20	Major	20
Significant (E.g. high impact to customer services)	25	Significant (E.g. High priority, critical to be done)	25

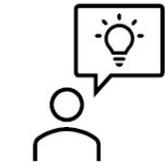


Effort Vs Impact: Matrix

			Impact				
			5	10	15	20	25
			Minimal	Minor	Moderate	Major	Significant
Effort	25	Minimal	Investigate	Consider	Consider	Proceed	Proceed
	20	Minor	Investigate	Investigate	Consider	Proceed	Proceed
	15	Moderate	Impractical	Investigate	Investigate	Consider	Consider
	10	Major	Impractical	Investigate	Investigate	Investigate	Consider
	5	Significant	Impractical	Impractical	Impractical	Investigate	Investigate

In summary...

Benefit Categories



Our People



Our Customer / Communities



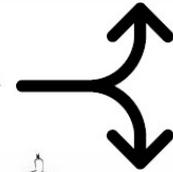
Our Councillors

Innovation & Risk Team & The Improvement Forum

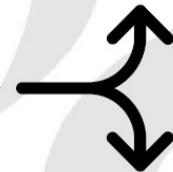


		Impact					
		1	2	3	4	5	6
M	M	Medium	Low	Low	Low	Low	Low
	M	Medium	Low	Low	Low	Low	Low
H	M	High	Medium	Medium	Medium	Medium	Medium
	H	High	Medium	Medium	Medium	Medium	Medium
V	H	Very High	High	High	High	High	High
	V	Very High	High	High	High	High	High

Effort Vs Impact

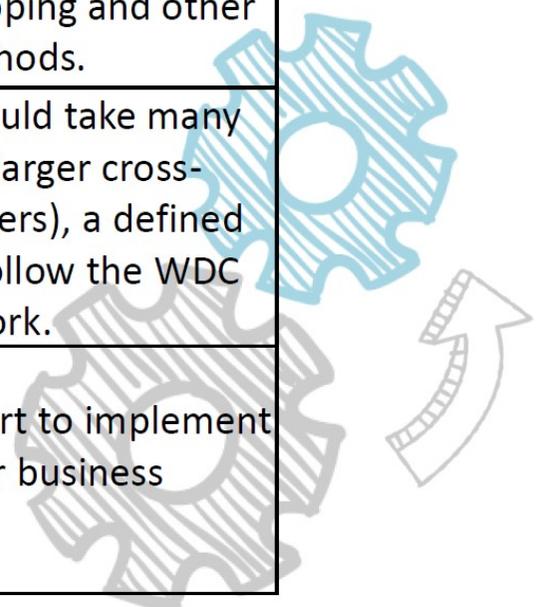


Design Sprint or Process Optimisation



Effort Vs Impact: Guideline Definitions

Proceed	These are the 'quick wins'. These ideas have significant impact but require minimal effort to implement. E.g. they may only involve 1 person or a few individuals within a team to deliver and can be implemented quickly.
Consider	The potential solution to this idea would be considered a high priority. The initiative may take several days or weeks to implement, involve a small virtual team, with little or no cost to move forwards, and could use improve techniques such as design thinking, value stream mapping and other structured problem solving methods.
Investigate	This idea is worth pursuing although it could take many months to deliver the solution, with a larger cross-functional team (including external partners), a defined project-based budget and will typically follow the WDC project management framework.
Impractical	Low to no priority, major or significant effort to implement with minimal impact to customers or business improvement.



Improvement Initiative	Scoring Decision	Status	Result
Cadex System - Have digital id / door swipe cards on phones	Investigate	Closed	Future
An online map that shows where people are sitting in the office	Impractical	Closed	Not progressing
Customers text a word and a link to forms or the website to be automatically sent back	Investigate	Closed	Future
Allow improvement ideas to be logged on phones	Investigate	Closed	implemented
Solid Waste - display waste pickup days on the Website	Consider	Closed	Future
Sponsor a Design Factory NZ Solid Waste Design Sprint	Proceed	Closed	Completed
Review the Delegations policy and strip out those roles where expense management may not be a comfortable task and have a dedicated admin team tied to Procurement, and/or Finance, who could do the leg work for those roles	Proceed	In Progress	Open
Create a report approval template to ensure the relevant information and resolutions are presented and documented at Committee and Council	Proceed	Closed	Completed
Customer Feedback - All 3 Rates Instalment amounts and dates to be included on invoice so customers can pre-load future payments	Proceed	Closed	implemented
Better ECM document/e mail integration	Proceed	Closed	project
Commercial opportunity in Ngaruawahia - move the Ngaruawahia library from a Council owned building to a leased bulding to allow a developer space for his project that will revitalise Ngaruawahia	Proceed	Closed	project
Conservation Covenant Welcome Pack to be created and given to land owners on recently purchased property. This provides the rules and conditions of their covenant.	Proceed	In Progress	Open
Metal single issue dog tags - Several Councils have transitioned to one dog tag for life. When first registering a dog a metal/aluminium dog tag is issued and each year the registration payment is made but no tag is issued.	Proceed	In Progress	Open
Website Documents with contents pages that have links that will jump to the section of the document.	Proceed	Open	project
Field based payment system to allow animal control to accept payment while out in the field.	Investigate	Closed	Not progressing
Acronyms - Include WDC acronyms on the Website and include it in the new starter pack	Proceed	Open	Open
Update NZ Post Logo on Council invoices and notices	Proceed	Closed	implemented

Notification of expiring passwords - Staff to have more than 1 day advance notification their password is expiring	Impractical	Closed	Not progressing
Scooter racks - install scooter racks outside the Te Kauwhata library	Investigate	Closed	implemented
Improve Animal Controls Infringement Process and Forms	Proceed	Closed	Project
Change from a name based system login to a alphanumerical UID for systems	Impractical	Closed	Future
WDC Travel Booking process and data is inefficient and incomplete. There is no good data and costs to collate carbon emission data is high.	Investigate	Closed	Not progressing
Increased payment options to assist low/fixed income customers to pay off animal registration fees	Investigate	Closed	Future
Create an on and offboarding process for contractors for consistency and accuracy	Consider	Closed	Future
Implement a Property Snapshot so customers can search using a map and download a PDF of general property related information	Investigate	Open	Future
Implement TechOne Report Builder to produce a set of GIS maps for all new Building Consent Applications received	Investigate	Open	Future
Enable Connected Content for the Animal Control Team to improve record keeping	Proceed	In Progress	Open
Strategic Property Management systems and processes need to be created including a land and lease database	Investigate	Open	Open
Car Pool / Shuttle Service for staff to save on money and carbon emissions	Proceed	Closed	project
ECM Inductions for the new Red Office project to rolled out to the organisation	Proceed	In Progress	project
Develop a staff professional skills matrix to assist to identify staff who can contribute to projects.	Investigate	Open	project
Add asset information to finance capitalisation form	Proceed	In Progress	Open
Aged Care facilities with incorrect targetted rates	Proceed	In Progress	Open
Arrange a music and rhyme time at the Huntly Library	Proceed	In Progress	Open
Streamlining and bringing Hard Copy processing along on the digital ride	Proceed	In Progress	Open

To	Audit & Risk Committee
Report title	Quality and Governance Assurance – September 2022
Date:	
Report authors:	14 September 2022 Madelina Baena-Escamilla, Continuous Improvement Analyst Bessie Clarke, Corporate Planner
Authorised by:	Lynn Shirley, Zero Harm Manager Tony Whittaker, Chief Operating Officer

1. Purpose of the report

Te Take moo te puurongo

The purpose of this report is to update the Audit and Risk Committee on the status of those activities within the programmes designed to provide quality improvement and assurance at Council. It covers:

- Business Process Improvement Programme;
- Internal Audit activity; and
- Independent Audit New Zealand and other provider reviews.

2. Executive summary

Whakaraapopototanga matua

- There are three major non-conformances outstanding from the completed audits in 2021, all of which are planned to be addressed by the end of the 2022 calendar year. All other non-conformances have been addressed.
 - The Internal Audit Schedule for 2022/2023 has been created, prioritising the processes that impact the strategic risks with low and moderate appetite.
 - No policies have been published in the last three months. 25 policies are currently being reviewed, and 2 policies have been revoked.”
 - There are 189 issues that various audits have raised across the organisation, 169 of which are complete.
-

- The Zero Harm team are due to complete the last action by the end of the calendar year. 28 (97%) of the 29 actions received from the KPMG Health & Safety Governance Audit have been addressed.
- The Quality Manual for Building Quality is currently being developed, this will be assessed by IANZ, and negotiations will be take place to assess the manual once every two years.
- The final report from JAS-ANZ concluded that the Waikato District Council systems and activities associated with food verification under our QMS required no corrective actions

3. Staff recommendations Tuutohu-aa-kaimahi

THAT the Quality and Governance Assurance report be received.

4. Discussion Matapaki

4.1. Business Process Improvement Programme

4.1.1. Internal Audit Schedule (2022)

The Internal Audit Schedule for 2022/2023 has been updated considering the internal auditors' availability. Three internal audits are scheduled to be completed in 2022.

The selection of processes for audit has been prioritised based on the strategic risk appetite. Where Council has a low or moderate appetite for risk, process groups aligned with that risk portfolio have been prioritised for Internal Audit.

Other processes added to the schedule are those included in the Quality Management System (QMS) for verification of food operations that allow Council to be a recognised agency, and the Management of Customer Feedback processes, which comprise the management of customer complaints, compliments, and suggestions.

Internal auditor capacity has reduced significantly due to staff resignations and current staff workload. We currently only have ten trained internal auditors. We are currently working through options for building capacity again.

4.1.2 Internal Audit Schedule (2021)

Only 3 major non-conformances from the internal audit of the Zero Harm management system against ISO45001 are still outstanding. The actions to address those non-conformances are due to be completed by the end of the 2022 calendar year.

A dashboard summary of internal audit outcomes for 2021 is presented in Table 1, including the number of internal audits planned and undertaken, the findings, and the number of outstanding non-conformances.

Table 1 - Outcome of the 2021 Internal Audit schedule

Team	Internal Audits - Planned	Internal Audits - Undertaken	Major Non-Conformances	Minor Non-Conformances	Recommendations	Outstanding Non-conformances
Total			9	5	39	3
Customer Support - Consents	1 Audit 2 Processes	1 Audit 2 Processes	0	2	4	0
Community Safety - Environmental Health	5 Audits 16 Processes	5 Audit 16 Processes	0	0	9	0
Risk Management Processes	1 Audit 5 Processes	1 Audit 5 Processes	2	1	5	0
Zero Harm	1 Audit All ZH Management System	1 Audit All ZH Management System	7	2	5	3
Projects & Initiatives	1 Audits 7 Processes	1 Audits 7 Processes	0	0	16	0
Red	Major Non-conformances haven't been addressed					
Orange	Minor Non - Conformances haven't been addressed					
Green	All Non - Conformances have been addressed / There were no Non - Conformances					

4.1.3 Policy Review

The work programme for reviewing internal and external Council policies is progressing as follows:

Policies published and/or reviewed and updated in the last three months:

n/a

Other policies currently being created or reviewed are:

- Appointments to Community Boards and Other Committees Policy
 - Appointing Directors and Trustees to Council Controlled Organisations Policy
 - Cellular Network Site Policy
 - Conferences and Seminars Policy – Attendance and Payment of Expenses (including Local Government NZ Conferences)
 - District Tree Policy
 - Easements Policy
 - Funding for Road Closures for Community Events Policy
-

- Grass Verge Policy
- Heritage Policy
- Leases to Individuals and Commercial Organisations Policy
- Local Alcohol Policy
- Notable Tree Policy
- Open Spaces Policy
- Plaques, Memorial and Monuments Policy
- Property Management Policy
- Reimbursements for Elected Members Policy
- Relocatable Home Parks and Camping Grounds Policy (scheduled to be revoked at the September Policy and Regulatory Committee meeting)
- Road Closure for Motor Sport Events Policy
- Road Naming Policy
- Second Wheelie Bin Policy
- Sponsorship of and Advertising on Council Properties and Assets Policy
- Strategic Land Acquisition and Disposal Policy
- Street Lighting and Other Security/Amenity Lighting Policy (scheduled to be revoked at the September Policy and Regulatory Committee meeting)
- Te Reo Maaori Policy
- Vehicle Entrance Policy

Policies revoked

- Relocatable Home Parks and Camping Grounds Policy 2009
- Street Lighting and Other Security/Amenity Lighting Policy 1997

Policies scheduled to be reviewed in the following months:

- Development Contributions Policy

4.1.4 Improvement Forum

- The Continuous Improvement Agents continue to promote Continuous Improvement (CI) and help process owners and experts manage and review their business processes. We are working towards our objective for 2022 to keep our processes 'current' to focus on improvement and reduce the number of draft processes to a minimum.
 - Process mapping training continues to be delivered online. In the past three months, 27 new starters have been trained as part of their induction, and four process authors have been trained in process creation training.
-

- The Innovation and Ideas Forum (IIF) is well established and meets monthly to review and select ideas worth pursuing using rigorous criteria detailed in the Improvement and Ideas framework. Below are some updates in the progress of the initiatives:
 - Streamlining the travel booking process is still in progress. This has been hampered due to the lack of quality data and the loss of several Personal and Team Assistants that manually collected the data. Efforts are still underway to try to move this forward.
 - The initiative to proactively contact ratepayers to transition their rates and water invoices to email has been through 2 phases, with 1,221 properties changing and an estimated saving of \$18,315 per year. Proactively contacting customers and asking them to reply to the email with approval had a 37% response rate compared to directing them to the self-service portal that only had a 13% response rate. Customers with multiple properties prefer the ease of email. Phase 3 is due to begin in September.
 - With the self-service portal now being live, we are looking at improving and standardising how we deal with hard copy documents brought into the offices. This will free up time in the records team that do a lot of manual and duplication of tasks.
- The Innovation and Improvement team is working in conjunction with different teams around the organisation:
 - Building Quality in the optimisation of existing processes
 - ePlanning transformation, to define & agree on ePlanning strategy. Investigate options to consolidate three projects into a program of work looking at the end-to-end planning and development system.
 - Solid Waste team, to simplify some of their processes around rubbish and recycling collections. Also, there is an initiative to quality check and clean up the solid waste data in P&R.
 - Zero Harm Team, in creating an Auditing tool based on ASNZS 45001:2018 standard to be used by the internal auditors when conducting the internal audit to our Zero Harm Management System.

4.2 Independent Audit Activities

The table below outlines the areas and status of issues – either completed or in progress since the last report in June 2022.

Table 3 reflects those staff consider are completed or work in progress.

Table 3 - Areas of audit issues- September 2022

	Pending	Work in progress	Complete	Total
Audit New Zealand	0	2	42	44
Cyber security	0	7	36	43
Internal audit	0	0	5	5
Procurement and contract management	0	0	15	15
Risk management	0	0	37	37
Project management	0	0	33	33
Information and Record Management	4	7	1	12
Total	4	16	169	189

There are a total of 189 issues that have been raised by various audits across the organisation, 169 of which are now complete.

Note: Audit delays mean the number of pending, in progress, and complete audit issues remain unchanged. Updated figures will be available in the following Audit and Risk Committee meeting.

4.3. KPMG Health and Safety Governance Audit

The Zero Harm team continues to progress the completion of the actions from the KPMG Health & Safety Governance Audit. Council received 29 improvement actions and to date 97% (28 actions) have been actioned. There has been no further progress on the below activity that is scheduled for completion in December 2022.

Proposed Corrective Action	Timeframe	Current Status	Action Owner
Work with those ELT members who are yet to attend to the internal People Leader Health and Safety training modules. Schedule training for them and their People Leaders.	December 2022	This activity has now been captured as part of the Zero Harm Strategic Improvement Plan for FY22/23.	Lynn Shirley

4.4. External Audits carried out in Customer Support Group

4.4.1. Building Consent Authority IANZ Special Monitoring Audit

At the last meeting the IANZ audit for the Building Quality processes was discussed. A quick update on how the Waikato Building Consent Group (through the CoLab office) is progressing with discussions with IANZ to try and make the audit process more efficient which is a work in progress.

The Quality Manual is currently being developed. Once IANZ have independently assessed our new manual and assessed the implementation with Waikato, we will have more leverage to negotiate assessing the manual once every two years. The manual will be a lot less detailed so it will be less of a requirement for IANZ to review as it won't contain the detailed work instructions. Our group manager has spoken to IANZ about getting this manual assessed as a standalone assessment (which has been budgeted for). They will do an assessment on the manual but have given feedback that it depends on how much has changed as to whether this will trigger an assessment for the BCAs, which could mean an out of cycle assessment. The group is working on a process that will hopefully not trigger an out of cycle assessment and cost BCAs more.

4.4.2. Food Premises verification JAZANZ Audit

An audit of the Councils Quality Management System (QMS) for verification of food operations was carried out by JAS-NZ in May 2022. The audit assesses the delivery of service against the QMS. A positive assessment is required by the Ministry of Primary Industries (MPI) to enable continuation of verification services by WDC. The assessor at the time of audit was very positive and complimentary of our systems and staff when viewed against other providers nationally. The final report from JAS-ANZ concluded that the Waikato District Council systems and activities associated with food verification under our QMS required no corrective actions

5. Attachments

Ngaa taapirihanga

There are no attachments for this report.

To	Audit & Risk Committee
Report title	Future Work Plan
Date:	Wednesday, 21 September 2022
Report Author:	Gaylene Kanawa, Democracy Manager
Authorised by:	Tony Whittaker, Chief Operating Officer

1. Purpose of the report

Te Take moo te puurongo

To provide the Committee’s work programme for information.

2. Staff recommendations

Tuutohu-aa-kaimahi

THAT the Audit and Risk Committee receives the Future Work Plan update for September 2022.

3. Attachments

Ngaa taapirihanga

Attachment 1 – A&R Future Work Plan 2022

Audit & Risk Committee: Future Work Plan

	June 2022	September 2022	December 2022	March 2023	Standing items for all meetings
Risk		Update on Communications risk and mitigations plan	Risk Management Framework review Strategic Risk Register Review (workshop) Annual Risk Appetite Review (workshop)	Health & Safety Framework Review Risk Assessment of Council Controlled Organisations Statements of Intent	<ul style="list-style-type: none"> ▪ Chief Financial Officer Report Update on risks and issues that could impact council and its stakeholders from a financial perspective, including insurance and procurement matters. ▪ Strategic Risk Register and Emerging Risks Update on key strategic risks and associated management actions, including trajectory of risk assessment. Opportunity to discuss emerging risks with potential for strategic impact. ▪ Risk Conversations Opportunity for Committee to dialogue with key staff to obtain assurance that appropriate controls and culture are in place. ▪ Strategic Risk Deep Dive Detailed inspection of a key risk for the purpose of assurance. ▪ Zero Harm Update Health & Safety performance update against agreed targets, systemic issues identified which can be fed into the risk control framework. To include monthly statistics. ▪ Quality Governance and Assurance Progress against audit issues and rolling review of bylaw & policies: <ul style="list-style-type: none"> - Anti-fraud and corruption framework (and related policies) - Health & Safety Policy - Risk Management Policy - Treasury Risk Management Policy ▪ Post Implementation Reviews and/or Incident Debrief Reports Post project appraisals on key investments. ▪ Zero Harm Site Visits Six monthly and separate day to meeting
Internal Audit	Internal Audit Framework Review Internal Audit Work Programme	Internal Audit - Capex Project Delivery		Internal Audit TBC	
Insurance				Insurance Policy / Premium Confirmation	
Annual Report	Annual Report Risk Assessment (Deferred as delays by Audit NZ)	Annual Report Process Review (delayed given audit deferral)	Final Audit Management Report (likely to be delayed given audit timing)	Annual Report Risk Assessment	
Other		Audit & Risk Committee Key Achievements Review of Audit & Risk Committee performance against Terms of Reference Committee Terms of Reference review Innovation & Ideas Forum presentation	Fraud and corruption risk management update KPMG attendance to observe effectiveness of Committee meeting		

Strategic Risk Deep Dives

- People and Culture
- Zero Harm
- Cyber Security
- Community Expectations

- Affordability
- Technical Capability
- Workplace Culture
- Business Resilience

- Project Delivery
- Climate Resilience
- Regional & National Strategic Planning & Legislative Reform

To	Audit & Risk Committee
Report title	Register of Interests – Elected and Appointed Members
Date:	Wednesday, 29 June 2022
Report Author:	Gaylene Kanawa, Democracy Manager
Authorised by:	Gavin Ion, Chief Executive

1. Purpose of the report

Te Take moo te puurongo

The purpose of this report is to provide a summary of interests declared by elected and appointed members of Council's committees and community boards, and the elected members of community committees.

2. Staff recommendations

Tuutohu-aa-kaimahi

THAT the Register of Interests for the Council to September 2022 be received, noting that no changes have been made since the June meeting.

3. Attachments

Ngaa taapirihanga

- A Financial Interests – Statement Reference
 - B Register of Elected Members Interests
-

Financial Interests	
Statement Reference	
1	I am, or my spouse or partner is, a party to a contract with Waikato District Council
2	I, or my spouse or partner, individually or together own(s) 10% or more of the shares in a contracting company or controlling company .
3	I am, or my spouse or partner is, a shareholder in a contracting company or controlling company , AND either I am, or my spouse/partner is, also a shareholder of the controlling company .
4	I am, or my spouse or partner is, a managing director or a general manager of a contracting company AND either I am, or spouse/partner is, also a shareholder of the controlling company .
5	I, or my spouse or partner, individually or together, has/have an indirect concern or interest in a contract with Waikato District Council not already disclosed above.
6	If you answered 'Yes' to any of questions 1 to 5, does the total value of all contracts listed above, exceed \$25,000 (including GST) for the current financial year.

Register of Elected Members Interests												
COUNCIL	Financial Interests			Non - Financial Interests								
	Please refer to Statement Reference here.			Companies		Employment/Paid Positions	Other Organisations		Property	Gifts (received since 21 October 2019)	Payments for activities and services (since 21 October 2019)	Debts
	1 to 6	With the exception of		Director/Manager	Financial Interests		Trustee/Beneficiary	Other Bodies				
Aksel Bech	No	N/A		• Frost Solutions Ltd (Frost protections and HR consultancy)	<ul style="list-style-type: none"> • Synthase Biotech (Enzyme Company) • NDA Engineering (Stainless Steel Manufacturing) • Wing Acoustics (Audio Driver Manufacturing) • Heilala Vanilla (Vanilla Producer) • Rua Biosciences (Medical Cannabis Company - formally Waiapu Investments) • Spoke Network Ltd (Telecom Software) • Mighty River Power (Electricity Generator) • Genesis Energy (Electricity Generator) • James Street Ltd. (Property Investment) • Snell Street Ltd (Property Investment) • Mastaplex (Animal Welfare Co.) • Beany (Accounting Software Co) • Inhibit Coatings Ltd. (Anti-microbial Surface Coating) • Toto Investments LP (Property) • UBCO (Electric Motorcycles - minor holder of convertible note) • EasyCrypto (minor holder of convertible note) • Foundry Lab, Inc (minor holder of convertible note) 	<ul style="list-style-type: none"> • Synthase Biotech (Director) • St. Peters Trust (Board Trustee) 	<ul style="list-style-type: none"> • St. Peters School & Foundation (Trustee/Chair) • Jepsen Family Trust (Trustee) • A.B. Jepsen Trust (Trustee) • Feline Adventure Trust (Trustee) 	<ul style="list-style-type: none"> • Coastguard (Northern) - (Ordinary Member) • Kerikeri Cruising Club (Ordinary Member) • Waikato Lacrosse Association (Chairperson) 	1x Tamahere (Beneficiary of Trust)	<ul style="list-style-type: none"> >Complimentary access to Promoter's Lounge at Sevens tournament with +1 7 (Donor- 37 South Ltd) Waikato Business Awards (13 Nov 2020) \$219.50 >Hospice Bucket-List Dinner (4 May 2021). Value \$160. >Complimentary access to corporate lounge at FMG Stadium for Chiefs rugby game, hosted by Mayor of HCC (9 April 2022) >Big Buddy charity fundraiser 2 June 2022. Host = Montana Food & Events. Value = \$150. 	N/A	• Loan to Individual in Ward.
Carolyn Eyre	No	N/A		• Pepepe Investments (Farming)	• Pepepe Investments (Farming)	• SM Eyre Trust (Office Manager)	• SM Eyre Trust (Beneficiary)	• Waikato Diocesan School for Girls Proprietors Board (Representative)	• Huntly (Beneficiary of Trust)	2 x corporate box tickets (Hamilton City Council) Counties V Waikato Rugby @ the FMCG Hamilton Stadium Clarke Lounge. Estimate \$150. 10 Oct 2020	N/A	N/A
Chris Woolerton	No	N/A		• Middle Ridge Farms Ltd. (Dairy farm)	<ul style="list-style-type: none"> • Fonterra • Balance • LIC 	• Middle Ridge Farms Ltd.	• Woolerton Trust	• Oaks Church (Parish Council/ Building Committee)	• Taupiri (Owner)	N/A	N/A	N/A
Eugene Patterson	No	N/A		• Complete Painting & Decorating (Painting)	N/A	N/A	N/A	Ngaruawahia Bowling Club (Treasurer)	•Ngaruawahia (Owner)	N/A	N/A	N/A
Frank McInally	No	N/A		McInally Truckpainters (Panel-paint)	N/A	N/A	N/A	Huntly RSA (President)	2x Huntly (Owner)	N/A	N/A	N/A
Jacqui Church	No	N/A		• Great Goods Limited (Coffee & Food Service Wholesale Distributor)	N/A	N/A	• Southwest Trust (Trustee)	<ul style="list-style-type: none"> • Pukekohe Lions (Member) • Franklin & Districts Justices of the Peace Association (Member) • BPW Franklin – Business & Professional Women Franklin (Member) • Port Waikato Pink Breakfast (Committee Chair) • Tuakau Cleanup & Planting (Member) • Franklin & North Waikato [FAWN] Trails Forum (Member) • Onewhero Golf Club (Colin Church – Husband – Member & on Match Committee) • Port Waikato Blue Breakfast (Colin Church – Husband – committee member) 	•2xTuakau (Owner)	2 x corporate box tickets (Hamilton City Council) Counties V Waikato Rugby @ the FMCG Hamilton Stadium Clarke Lounge. Estimate \$150. 10 Oct 2020	N/A	N/A
Jan Sedgwick	No	N/A		N/A	<ul style="list-style-type: none"> • Auckland Airport • Contact Energy • AMP • Methven • Cochlear • Telstra • Wherescape • CBA • Bank of Queensland (public shareholder in all above) 	N/A	<ul style="list-style-type: none"> • Holbrook Family Trusy (beneficiary) • Carrara Wharf Trust (Beneficiary) • Harvey S'pore Trust (Beneficiary) • WWF NZ - Trustee (Board Member) • Te Araroa Trail Trustee (Board Member) 	N/A	• Te Kauwhata (Shareholder in company)	N/A	N/A	N/A
Janet Gibb	No	N/A		<ul style="list-style-type: none"> • JMG Ltd (Rental Properties) • Ede Investments Ltd (Farming) 	N/A	• Ede Investments Ltd (Farming)	<ul style="list-style-type: none"> • Janet Gibb Family Trust (Trustee/Settlor/Beneficiary) • Rarangiri Trust (Trustee/Beneficiary) • Mangatokatoka Trust (Trustee/Beneficiary) • Tironui Trust (Trustee/Beneficiary) 	• Business + Professional Women NZ (Advocacy + Education – Member/Past Executive)	<ul style="list-style-type: none"> • 2x Taupiri (Owner) • 4x Taupiri (Trustee or Director) • 2x Taupiri (Trustee/Beneficiary/Director) 	2 Tickets to rugby match from Hamilton City Council value of \$150 5 July & 10 Oct 2020	N/A	<ul style="list-style-type: none"> • ASB (mortgages Rental Properties) • ASB (Farm Mortgages + Overdrafts)

Register of Elected Members Interests												
COUNCIL	Financial Interests			Non - Financial Interests								
	Please refer to Statement Reference here.			Companies		Employment/Paid Positions	Other Organisations		Property	Gifts (received since 21 October 2019)	Payments for activities and services (since 21 October 2019)	Debts
	1 to 6	With the exception of		Director/Manager	Financial Interests		Trustee/Beneficiary	Other Bodies				
Lisa Thompson	No	N/A		N/A	N/A	<ul style="list-style-type: none"> Raglan Area School (Board of Trustees & Administrator) Trade Aide Importer (Retail) 	<ul style="list-style-type: none"> Raglan Event & Multi Sport Trust (Event Coordinator/Trustee) 	<ul style="list-style-type: none"> Whaingaroa Raglan Affordability Project/Affordable Housing/Council Raglan Naturally (Community Organisation) Raglan Business Chamber (Local Business Development) Council & Community Board 	1x Raglan (owner)	N/A	N/A	N/A
Noel Smith	No	N/A		N/A	<ul style="list-style-type: none"> National Australian Bank (Bank) Farmlands Loop Ltd (Farm Supplies) 	<ul style="list-style-type: none"> Self Employed (Farming) 	N/A	<ul style="list-style-type: none"> Waikato JP Assn Inc (JP Duties – Senior Vice President) Huntly JP Assn (JP Support – IPP) 	x2 Ngaruawahia (owner)	N/A	N/A	N/A
Rob McGuire	No	N/A		N/A	<ul style="list-style-type: none"> Fonterra (Shareholder) 	<ul style="list-style-type: none"> Self-employed (Farming) 	<ul style="list-style-type: none"> McGuire Family Trust (Beneficiary) 	N/A	1x Puketaha (Family Trust/Beneficiary)	N/A	N/A	N/A
Mayor Allan Sanson	No	N/A		Sanpat Ltd (Farming)	Sanpat Ltd (Farming)	N/A	<ul style="list-style-type: none"> AM & PA Sanson Family Trust (Trustee) 	N/A	x3 Huntly (owner)	<ul style="list-style-type: none"> January 2020 Return Airfare to Guangzhou (China) from Yashili International Holdings, including 3 nights accommodation. 	N/A	N/A
Stephanie Henderson	No	N/A		N/A	N/A	N/A	N/A	N/A	1x Te Kohanga (owner)	N/A	N/A	N/A
Shelley Lynch	No	6. No answer entered		N/A	N/A	N/A	N/A	<ul style="list-style-type: none"> Huntly Rotary (Charity) – Organisation has received, or applied to receive, funding from Council/Community Board/Community Committee BPW Huntly (Dinner meetings) Huntly & Ngaruawahia RSA (Dinner) 	x3 Huntly (owner)	N/A	N/A	N/A

To	Audit and Risk Committee
Report title	Exclusion of the Public
Date:	22 September 2022
Report Author:	Rosa Leahy, Democracy Advisor
Authorised by:	Gaylene Kanawa, Democracy Manager

1. Staff recommendations Tuutohu-aa-kaimahi

THAT the Audit and Risk Committee:

- a. exclude the public from the following parts of the proceedings of this meeting.

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

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
Item number PEX 2 Confirmation of Minutes Item PEX 3.1 Fraud Declaration Item PEX 3.2 Register of Members' Interests – Senior Staff Item PEX 3.3 Audit NZ Time with Committee Item PEX 3.4 Learnings from Morrison Solutions - Pokeno Tuakau Pipelines Price Escalation	Good reason to withhold exists under Section 6 or Section 7 Local Government Official Information and Meetings Act 1987	Section 48(1)(a)

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

Item No.	Section	Interest
Item PEX 3.1 Fraud Declaration	7(2)(a) 7(2)(c)(ii)	To protect the privacy of natural persons, including that of deceased natural persons. To protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information— (ii) would be likely otherwise to damage the public interest.
Item PEX 3.2 Register of Members' Interests - Senior Staff	7(2)(a)	Protect the privacy of natural persons, including that of deceased natural persons.
Item PEX 3.3 Committee Time with Audit New Zealand	7(2)(c)(ii)	To protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely otherwise to damage the public interest
Item PEX 3.4 Learnings from Morrison Solutions - Pokeno Tuakau Pipelines Price Escalation	7(2)(b)(ii) 7(2)(c)(i) 7(2) (g) 7(2)(h)	To protect information that would otherwise unreasonably prejudice a person's commercial position. To protect information that is subject to an obligation of confidence and to ensure the information avenue remains open, when it is in the public interest for it to do so. To protect legally privileged information. To enable commercial activities to be carried out without prejudice or disadvantage.

	7(2)(i)	To enable negotiations to carry on without prejudice or disadvantage.
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- b. **THAT Ms Macown and Mr Susan from Audit NZ be permitted to remain at this meeting, after the public has been excluded, because of their knowledge of audit requirements for Waikato District Council. This knowledge, which will be of assistance in relation to the matter to be discussed, is relevant to that matter to inform and advise the Committee members.**

Attachments

Ngaa taapirihanga

There are no attachments for this report.
