Audit Committee

Tuesday 19 July 2016

4.00pm

In the

Council Chambers
215 High Street, Rangiora

Members

Cr Neville Atkinson (Chairman)
Cr Jim Gerard
Deputy Mayor Kevin Felstead
Cr Kirstyn Barnett
Cr Peter Farrant
Mayor David Ayers (ex officio)
The Chairman and Members
A U D I T  C O M M I T T E E

A Meeting of the AUDIT COMMITTEE will be held in the WAIMAKARIRI DISTRICT COUNCIL CHAMBERS, 215 HIGH STREET, RANGIORA on TUESDAY 19 JULY 2016 at 4.00PM.

Adrienne Smith
Committee Advisor

Recommendations in reports are not to be construed as Council policy until adopted by the Council

| BUSINESS |

Page No

1. APOLOGIES

2. CONFLICTS OF INTEREST

Conflicts of interest (if any) to be reported for minuting.

3. CONFIRMATION OF MINUTES

3.1 Minutes of a meeting of the Audit Committee held on Tuesday 17 May 2016

RECOMMENDATION

THAT the Audit Committee

(a) Confirms as a true and correct record, the minutes of a meeting of the Audit Committee held on 17 May 2016.

4. MATTERS ARISING

5. PRESENTATION/DEPUTATION
6. REPORTS

6.1 Audit New Zealand’s Interim Audit Report for the year ending 30 June 2016 – Jeff Millward (Manager Finance and Business Support)

RECOMMENDATION

THAT the Audit Committee:

(a) Receives report No. 160708065532

(b) Receives Audit New Zealand’s Second Interim Management Report for the year ending 30 June 2016.

(c) Notes there are no significant matters arising from the interim audit, however there are a number of recommendations made within the report that require improvements to be made and Management have provided comments to each of the findings and recommendations by Audit New Zealand.

(d) Notes there will be a further report to the Audit Committee on the progress of the recommendations.

6.2 Enterprise North Canterbury 2016/17 Statement of Intent and Business Plan and District Promotions Plan – Simon Markham (Manager Strategy and Engagement)

RECOMMENDATION

THAT the Audit Committee:

(a) Receives Report No. 160712066793

Recommends to the Council that it:

(b) Adopts Enterprise North Canterbury’s (ENC) proposed Statement of Intent (SOI) for the 2016/17 year

(c) Receives Enterprise North Canterbury’s 2016/17 Business Plan

(d) Adopts Enterprise North Canterbury’s proposed District Promotions Business Plan for 2016/17

6.3 Health and Safety Update June 2016 – Liz Ashton (Human Resource Manager)

RECOMMENDATION

THAT the Audit Committee:

(a) Receives report No.160712066896.

(b) Notes that there are no significant Health & Safety concerns across the organisation to date.
(c) **Acknowledges** the work which is currently been completed by the Health & Safety Advisor, Managers and Team members.

(d) **Provides feedback** on the content of this report which supports Councillors discharging their legislative duty of care.

### 6.4 Shared Service Business Process Review – Fraud, Conflict of Interest and Sensitive expenditure – Jeff Millward (Manager Finance and Business Support)

**RECOMMENDATION**

THAT the Audit Committee

(a) **Receives** report No. 160708065572

(b) **Receives** Shared Service Business Process Review from Deloittes June 2016 (TRIM 160707065246)

(c) **Supports** the establishment of a Conflicts of Interest Policy, Register and procedures being adopted by Council and noting with a newly elected Council being elected in October, that it recommends through Council to the newly elected Council to adopt of a Conflicts of Interest Policy and Register and requests staff to present this to the newly elected Council for consideration;

(d) **Notes** the other recommendations identified in the report will be incorporated into Council policies and procedures.

### 7. PORTFOLIO UPDATES

7.1 **Audit, Finance, Long Term Plan and Annual Plan** – Councillor Jim Gerard

7.2 **Economic Development** – Councillor Neville Atkinson

### 8. QUESTIONS

### 9. URGENT GENERAL BUSINESS
10. MATTERS TO BE CONSIDERED WITH THE PUBLIC EXCLUDED

Section 48, Local Government Official Information and Meetings Act 1987

RECOMMENDATION

THAT the public be excluded 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:

<table>
<thead>
<tr>
<th>Item No</th>
<th>Minutes/Report of:</th>
<th>General subject of each matter to be considered</th>
<th>Reason for passing this resolution in relation to each matter</th>
<th>Ground(s) under section 48(1) for the passing of this resolution</th>
</tr>
</thead>
<tbody>
<tr>
<td>10.1</td>
<td>Minutes of the public excluded portion of a meeting of the Audit Committee of 17 May 2016</td>
<td>Confirmation of minutes</td>
<td>Good reason to withhold exists under Section 7</td>
<td>Section 48(1)(a)</td>
</tr>
<tr>
<td>10.2</td>
<td>Report of Sarah Nichols (Governance Manager)</td>
<td>Insurance Renewal Update for 2016/17</td>
<td>Good reason to withhold exists under Section 7</td>
<td>Section 48(1)(a)</td>
</tr>
<tr>
<td>10.3</td>
<td>Public Excluded Complete Attachment (i) to report in Public Agenda Item 6.4</td>
<td>Shared Service Business Process Review from Deloittes, June 2016</td>
<td>Good reason to withhold exists under Section 7</td>
<td>Section 48(1)(a)</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Item No</th>
<th>Reason for protection of interests</th>
<th>Ref NZS 9202:2003 Appendix A</th>
</tr>
</thead>
<tbody>
<tr>
<td>10.1, 10.2 and 10.3</td>
<td>Protection of privacy of natural persons To carry out commercial activities without prejudice</td>
<td>A2(a) A2(b)ii</td>
</tr>
</tbody>
</table>

CLOSED MEETING

See In Committee Agenda (blue papers)

OPEN MEETING
Jeff Millward opened the meeting.

**APPOINTMENT OF CHAIRPERSON FOR THIS MEETING**

In the absence of the Committee Chairperson Councillor N Atkinson, nominations were called for a Chairperson for this meeting of the Audit Committee.

Moved Councillor Barnett seconded Councillor Farrant.

**THAT** the Audit Committee

(a) **Appoint** Councillor Gerard as Chairperson of the committee for the duration of this meeting.

CARRIED

Councillor Gerard assumed the Chair at this time.

2. **APOLOGIES**

Apologies were received and sustained from Mayor D Ayers, Deputy Mayor K Felstead and Councillor N Atkinson. Councillor Barnett noted she would need to depart the meeting at 5.45pm.

3. **CONFLICTS OF INTEREST**

There were no conflicts of interest noted.

4. **CONFIRMATION OF MINUTES**

4.1 Minutes of a meeting of the Audit Committee held on Tuesday 15 March 2016

Moved Councillor Farrant seconded Councillor Barnett

**THAT** the Audit Committee

(a) **Confirms** as a true and correct record, the minutes of a meeting of the Audit Committee held on 15 March 2016.

CARRIED
5. **MATTERS ARISING**

There were no matters arising.

6. **PRESENTATION/DEPUTATION**

There were no presentations/deputations.

7. **REPORTS**

7.1 **Council Credit Rating Review – Jeff Millward (Manager Finance and Business Support)**

Mr Millward presented this report, which formally acknowledges the retaining of the AA long term foreign currency and local currency and A-1+ short term issuer credit ratings affirmed of the Council. It is noted that by retaining this rating there is significant savings for the Council on loan funding through the Local Government Funding Agency, for both new debt and refinancing of existing debt.

Moved Councillor Farrant seconded Councillor Barnett

THAT the Audit Committee:

(a) **Receives** report no. 160505040808.

(b) **Notes** that Standard & Poor’s Ratings Services affirmed the Council with a ‘AA’ long-term foreign currency and local currency and ‘A-1+’ short-term issuer credit rating on the 29 April 2016.

CARRIED


Mr Millward presented this report and the Local Government New Zealand (LGNZ) report on the financial health of the Local Government sector. The Report compliments the Council on its infrastructure strategy as being strong, in its connection with the Council’s financial approach and financial strategy. Mr Millward noted that the Council’s 2015-2025 Long Term Plan has also been mentioned at forums as being a stand out from the Canterbury region.

Moved Councillor Gerard seconded Councillor Barnett

THAT the Audit Committee:

(a) **Receives** report No 160404029231.

(b) **Notes** the findings of the report that local government’s finances are in good shape and debt levels are modest. Credit ratings continue to be strong. Councils have shown themselves to be strong and conservative financial managers;
(c) **Notes** the report has made specific mention of the Waimakariri District Council's Infrastructure Strategy.

CARRIED

7.3 **Non-Financial Performance Measures as at 31 March 2016 – Maria Edgar (Policy Analyst)**

Ms Edgar presented this report to update on progress with the non-financial performance measures for the third quarter of the 2015/16 financial year. There were changes noted from that information provided in the agenda document and these adjustments resulted in the percentage of measures that are achieved or on track to now be 95%. The recommendation (b) is adjusted accordingly.

If a measure is falling behind, it was asked what action is taken to rectify this (for example footpath maintenance programme). Mr Millward noted that this report goes before the management team prior to coming to this committee and matters are considered then that require correction.

Councillor Gerard noted a significant number of items in the 3 Waters area that are well behind, particular service requests. Mr Millward said that the work flows and how information has been collected is to be improved and noted that in some cases, services requests having actually been rectified before the request is recorded.

Councillor Allen questioned the timing of receipt of noise complaints and how these are actioned. Mr Simon Markham provided information on how requests are logged into the current service request system, especially following weekends.

Mr Millward said the current service request system allows for "respond" and "resolve" functions and sometimes if there is maintenance required (for instance, in pensioner units), this can involve being logged into a ten day maintenance programme.

Mr Kalley Simpson, responded to questions from Councillor Farrant, with regard to water supply levels of service. Updated figures were supplied to the committee for the water supply and sewerage/sewage treatment and disposal pages of the non-financial performance measure report.

Moved Councillor Farrant seconded Councillor Barnett

**THAT** the Audit Committee:

(a) ** Receives ** report No. 160502039259 Non-Financial Performance Measures as at 31 March 2016.

(b) **Notes** 95 per cent of measures have been achieved or are on track.

CARRIED

Councillor Barnett noted that it would be helpful to have information supplied on any measures that aren't being met and what actions are being taken to remediate these.
7.4 **Section 17A Service Reviews – Veronica Spittal (Policy Analyst)**

Ms Spittal presented this report and the completed S17A Service Review reports on the cost effectiveness of delivery arrangements for certain Council services. There have been eight “light” reviews carried out and a full review was undertaken for Solid Waste Delivery of Refuse and Recyclables – Transfer Service and Kerbside Collection Services.

Mr Simon Collins spoke on the Waste Transfer Station and Kerbside Contract services review. Governance options for the provision of the services were considered in the report, but neither options provided any substantial benefit to the council. Options for the delivery of the service were also considered, including withdrawal of the service. The contracts for the waste transfer station and for the collection services expire in 2018, with this current review a requirement to be carried out two years before expiry. The contracts are for eight years, which will mean the next review will need to be carried out in 2024. Ms Spittal noted this change from what was noted in the review.

Moved Councillor Farrant seconded Councillor Barnett

THAT the Audit Committee

(a) **Receives** Report Trim No: 160429038540.

(b) **Approves** the attached S17A Service Reviews for community safety, community development (including youth development), aquatic facilities, libraries, Council and Boards administrative support, district strategy, plans and corporate policy development, utilities and green space asset management planning, and the delivery of refuse and recyclables – transfer services and kerbside collection services.

(c) **Agrees** no further S17A Service Review is required for up to six years for community safety, community development and youth development, aquatic facilities, libraries, Council and Boards administrative support, district strategy, plans and corporate policy development, utilities asset management planning and green space asset management planning.

(d) **Endorses** the recommendations for consideration by the Utilities and Roading Committee of the full review of the delivery of refuse and recyclables – transfer services and kerbside collection services as follows:

(i) That funding and governance arrangements for these waste services remains unchanged from the status quo, and that the Council’s waste transfer station and kerbside collection services be delivered by Council going to the market with the following packages of work:

- Package 1 - refuse and recycling collection only;
- Package 2 - Transfer Station Services including:
  - Both Southbrook and Oxford Transfer Stations operation – handing all materials delivered to both sites, including compaction of residual waste into Transwaste Containers;
  - Transport and disposal of all recyclables;
  - Transport only of cleanfill;
  - Transport, processing, and disposal of greenwaste;
v. Transport and appropriate disposal of hazardous and electronic waste;
vi. Transport and disposal of tyres.
- Package 3 – combination of package 1 and 2.

CARRIED

7.5 Financial Report for the period ended 31 March 2016 – Paul Christensen (Finance Manager)

Mr Christensen presented this report with the financial result for the period ended 31 March 2016. Variations to the budget figures were highlighted, including earthquake recoveries. To date there has been a total of $7.5 million received, against a budget of $8.3 million. Changes to the timing of the recovery programme has lowered this subsidy revenue for the period.

Operating expenditure is over budget for the period by $0.5 million, with the largest variances from budget being $819,000 in District Development, due to costs incurred in the Residential Red Zone Recovery Plan (partly offset by reimbursement from the government of 60% of external costs incurred); extra maintenance as a result of turbidity issues with the well at Mandeville, plus interest costs over budget due to some capital spending being ahead of projections, have put water $623,000 over budget.

Development contributions - there was one large payment received in April of over $1m, but there is not likely to be any further substantial payments in this financial year.

Moved Councillor Gerard seconded Councillor Farrant

THAT the Audit Committee
(a) Receives report no. 160502038905

CARRIED

7.6 Capital Projects Report for the period ended 31 March 2016 – Paul Christensen (Finance Manager)

Mr Christensen presented this report with the capital expenditure to the end of March 2016. It is expected that by the end of the financial year, 318 projects will be completed or on time (equates to 67%).

Mr Cleary provided some background information on the issue with over estimating with capital expenditure in the Utilities and Roading areas. Developments have slowed down considerably; there is a report coming to the Council Annual Plan meeting tomorrow (18 May) which will show a more refined approach. Mr Cleary explained that the second issue impacting on capital projects has been the earthquake recovery and future use of the red zone land. The approach taken by staff is that the Council will not be in a position to build anything in the coming financial year. The third issue is staff have not been realistic on timeframes for projects, noting there needs to be an improvement in forecasting and on delivery. Mr Cleary advised that $33m has been taken out of next years capital programme and taken to later years and this information will be presented to the Council on May 18 at the annual plan deliberations meeting.
Mr Cleary does not believe there will be a level of service impact with the reduction in the capital programme. Mr Millward noted that it is probable that these alterations will have an impact on rates.

Councillor Barnett questioned the development slow down and Mr Cleary noted the projection of development contributions for this year, which were well off the mark. Mr Cleary believes the completion of the western bypass motorway development will promote future development in the district. Mr Millward said there is still expected to be 500 new dwellings built in 2017, but there is a slowing of developments at present.

Moved Councillor Barnett seconded Councillor Farrant

THAT the Audit Committee:

(a) Receives report No 160502039029;
(b) Circulates report to the Boards

CARRIED

Councillor Barnett noted concern that there may be a “bunching up” of big projects and suggested some planning going forward to prevent this.

7.7 Business and Centres Update – Simon Hart (Business and Centres Manager)

Mr Hart presented this report providing an update on town centre, local business and local economic development activities. Information on the statistics on the parking situation in Rangiora was provided, noting that there has been discussions held with some private property owners who have land that could be available for parking in the future, once The Farmers building is opened, which will generate more people in the town centre.

The Local Economic Development group met with staff in March and it was noted that the majority of the more than 50 individual work tasks or projects had either been completed, or had been superseded by other or new work.

Councillor Barnett asked if it was intended to install security cameras in Trousellot Park, which has been hit by vandals in recent weeks.

Councillor Gerard asked if there would be discussions with the members of the Council delegation who have recently been to China and with Enterprise North Canterbury representatives. It was agreed that feedback will be provided to this Committee at a subsequent meeting.

Moved Councillor Barnett seconded Councillor Gerard

THAT the Audit Committee:

(a) Receives Report No. 160506040950

(b) Notes the Rangiora and Kaiapoi Town Centre updates provided below.

(c) Notes the update information provided on the Local Economic Development Strategy, business friendly systems development, and Promotion Associations secretarial services.
(d) Notes the update provided by Enterprise North Canterbury on their recent business support activities.

(e) Circulates a copy of this report to the Boards for their information.

CARRIED

8. PORTFOLIO UPDATES

8.1 Audit, Finance, Long Term Plan and Annual Plan – Councillor Jim Gerard

Councillor Gerard had nothing to report.

8.2 Economic Development – Councillor Neville Atkinson

Councillor Atkinson was absent.

9. QUESTIONS

There were no questions.

10. URGENT GENERAL BUSINESS

There was no urgent general business.

11. MATTERS TO BE CONSIDERED WITH THE PUBLIC EXCLUDED

Section 48, Local Government Official Information and Meetings Act 1987

Moved Councillor Gerard seconded Councillor Farrant

THAT the public be excluded 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:

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<td>Report of Sarah Nichols (Governance Manager)</td>
<td>Forestry and Riskpool Insurance Update</td>
<td>Good reason to withhold exists under Section 7</td>
<td>Section 48(1)(a)</td>
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This resolution is made in reliance on section 48(1)(a) of the Local Government Official Information and Meetings Act 1987, and the particular interest or interests protected by section 6 or section 7 of that Act which would be prejudiced by the holding of the whole or relevant part of the proceedings of the meeting in public are as follows:
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<tr>
<td>Protection of privacy of natural persons</td>
<td>A2(a)</td>
</tr>
<tr>
<td>To carry out commercial activities without prejudice</td>
<td>A2(b)ii</td>
</tr>
</tbody>
</table>

CARRIED

CLOSED MEETING

Resolution to resume in Open Meeting

Moved Councillor Gerard seconded Councillor Farrant

THAT the open meeting resumes and the business discussed with the public excluded remains public excluded.

CARRIED

OPEN MEETING

There being no further business, the meeting closed at 5.10pm.

CONFIRMED

___________________________
Chairperson

___________________________
Date
1. SUMMARY

1.1. The purpose of this report is to present Audit New Zealand’s interim audit management report of the Council for the year ending 30 June 2016.

1.2. The final audit will be carried out in conjunction with the audit of the Annual Report for the year ended 30 June 2016 and is planned for the week commencing the 29th August 2016. It’s planned to provide the Annual Report for adoption on 4th October. A final management report for the year ended 30 June 2016 will be provided by Audit New Zealand on 31 October and presented to the Audit Committee in November.

1.3. The interim audit undertaken by Audit New Zealand is to assess the council’s control environment and gain a better understanding of the issues facing council and how these are being addressed.

1.4. The Auditors during their audit have identified a number of areas for correction and/or improvement and these are currently being corrected. Management have provided responses to the recommendations made by Audit New Zealand and actions taken.

1.5. John Mackey, Audit New Zealand Director will be in attendance at the meeting to present the Interim Auditors report.

Attachments:
   i. Audit New Zealand Interim Management Report for the Year Ending 30 June 2016

2. RECOMMENDATION

THAT the Audit Committee:

(a) Receives report No. 160708065532

(b) Receives Audit New Zealand’s Second Interim Management Report for the year ending 30 June 2016.

(c) Notes there are no significant matters arising from the interim audit, however there are a number of recommendations made within the report that require improvements to be made and Management have provided comments to each of the findings and recommendations by Audit New Zealand.
3. ISSUES AND OPTIONS

3.1. As part of the annual audit process, Audit New Zealand carries out an interim audits that review the control environment which looks at systems, delegations and internal controls. The interim audit also provides the Auditors an opportunity to update their understanding of the issues facing the Council and how these are being addressed. It also provides the auditors a degree of assurance of what controls are in place and how effective the operating environment and controls are within the Council.

3.2. Audit New Zealand made a number of recommendations in relation to Council’s systems and controls that could be improved and these have been responded to or some have since put in place.

3.3. Although there are no significant matters arising from the interim audit provided. However, there are a number of matters that have been identified that require immediate improvement. The transition to a new Line of Business system has impacted on a number of control areas and the operating environment is not as effective as it must be and there are continued efforts to ensure these are strengthened over the coming months.

3.4. The following are key dates in relation to future audits:

<table>
<thead>
<tr>
<th>Date</th>
<th>Work to be carried out</th>
</tr>
</thead>
<tbody>
<tr>
<td>23 May 2016</td>
<td>Commencement of the interim audit the year ending 30 June 2016.</td>
</tr>
<tr>
<td>29 August 2016</td>
<td>Commencement of the final audit, including audit of the Annual Report for the year ending 30 June 2016</td>
</tr>
<tr>
<td>4 October 2016</td>
<td>Adoption of the Annual Report and Audit Opinion issued</td>
</tr>
<tr>
<td>31 October 2016</td>
<td>Final report to the Council, incorporating management comments, issued</td>
</tr>
</tbody>
</table>

3.5. The Council’s responses have been discussed with Audit New Zealand.

3.6. As an option, the Audit Committee could request alternative or further action be taken on one or a number of items provided within the Auditors report.

3.7. The Management Team has reviewed this report and supports the recommendations.

4. COMMUNITY VIEWS

4.1. The audit process contributes to the community outcome that “Public organisations make information about their plans and activities readily available”.

5. FINANCIAL IMPLICATIONS AND RISKS

5.1. Most of the proposals do not have financial implications although some involve staff time.
5.2. The annual audit carried out by Audit New Zealand provides added assurance in respect of the accuracy of the Council’s financial statements. Implementation of the recommended internal controls on a consistent basis could improve operational performance and/or reduce risk.

6. **CONTEXT**

6.1. Delegation S-DM provides that the Audit Committee has the jurisdiction to:

- Liaise with and manage the Council’s relationship and arrangements with the Council’s external auditors; and
- Review corporate risk assessment and internal risk management practices.

6.2. Audit New Zealand carry out the Auditor functions, required and in relation to section 99 of the Local Government Act 2002 and on behalf of the Controller and Auditor General

Jeff Millward
Manager Finance & Business Support
Report to the Council on the interim audit of

Waimakariri District Council

for the year ending 30 June 2016
Key messages

Summary

We have completed our interim audit of Waimakariri District Council (the Council) for the year ending 30 June 2016.

The primary purpose of our audit was to update our understanding of the Council’s control environment and gain a better understanding of the issues facing the Council and how they are being addressed. We also reviewed the internal control systems and, where appropriate, tested those systems to confirm that the key controls identified, operated effectively throughout the period. We will use this information to plan our final audit.

TechOne system

The Council has made good progress with the issues identified post implementation of the new financial management system. We noted an improvement in the strength of the internal controls over the key financial systems. There are still improvements to be made. We comment further on this matter in section 1.1 of this report.

Service performance reporting

The Council will report against the mandatory measures developed by the Department of Internal Affairs (DIA), for the first time this year. We concluded that the Council has adequate systems in processes to report against most mandatory measures. However, there is a challenge with the accuracy of the reported measures, which rely on data extracted from the Council’s customer service request system. We comment further on this matter in section 2 of this report.

Issues identified during the audit

The following table summarises our recommendations and their priority:

<table>
<thead>
<tr>
<th>Recommendation</th>
<th>Urgent</th>
<th>Necessary</th>
<th>Beneficial</th>
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</thead>
<tbody>
<tr>
<td>Payroll and creditors masterfile changes processes</td>
<td></td>
<td>✓</td>
<td></td>
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<tr>
<td>• Restrict access for reviewers, of payroll and creditors masterfile changes, to read only status to enforce appropriate segregation of</td>
<td></td>
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<tr>
<td>Recommendation</td>
<td>Urgent</td>
<td>Necessary</td>
<td>Beneficial</td>
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<tr>
<td>duties.</td>
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<td>• Revise the report used for creditor masterfile change review, to include changes for existing creditors; and</td>
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<tr>
<td>• Perform independent, one-up review of the creditors’ masterfile report in a timely manner.</td>
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<td></td>
<td></td>
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<tr>
<td>Service performance reporting</td>
<td></td>
<td>✓</td>
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<tr>
<td>• Continue to make improvements to record all required information, and perform post-input reviews to improve the integrity of data used to report on performance measures.</td>
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<tr>
<td>• Determine whether additional disclosure is required, in the annual report, to inform the reader of the limitations of data recorded by the customer service system, and complement the existing disclosures to address any issues with the robustness of the information reported.</td>
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<tr>
<td>Approval of individual employment agreements (IEAs)</td>
<td></td>
<td>✓</td>
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<tr>
<td>All IEAs be signed in compliance with Council delegations.</td>
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<tr>
<td>Approval of credit notes</td>
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<td>✓</td>
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<tr>
<td>All credit notes be approved within delegated authority.</td>
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<tr>
<td>Leave approval recording date in TechOne</td>
<td></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Perform a review of the set-up of leave approvals.</td>
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</tbody>
</table>

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

Thank you

We would like to thank the Council and management for their assistance during the interim audit visit.
John Mackey
Director
23 June 2016
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1 Assessment of your control environment

We performed a high-level assessment of the control environment. This assessment was performed to plan the most effective and efficient audit approach, to enable us to express an audit opinion on the Council’s financial statements and the non-financial information. We considered the overall attitude, awareness, and actions of the Council and management to establish and maintain effective management procedures and internal controls.

In performing this assessment, we considered both the “design effectiveness”\(^1\) and “operational effectiveness”\(^2\) of internal control. The explanation of these terms is outlined below. However, it is not the purpose of our assessment to provide you with assurance on internal control in its own right. As such, we provide no assurance that our assessment will necessarily identify and detect all matters in relation to internal control.

Internal controls

We reviewed the internal controls in place for your key financial and non-financial information systems, as detailed below. Internal controls are the policies and processes that are designed to provide reasonable assurance as to the reliability and accuracy of financial and non-financial reporting, as well as compliance with significant legislative requirements. These internal controls are designed, implemented and maintained by the Council and management. Both “design effective” and “operationally effective” internal control is important to minimise the risk of either fraud or misstatement occurring. The responsibility for the effective design, implementation and maintenance of internal control rests with the governing body.

In performing this assessment, we identified areas where we believe the control environment can be improved. These matters are addressed below and in section 3 of this report.

---

\(^1\) Control is effective to either prevent or detect a material error in either the financial statements and/or non-financial information. The control is “fit for purpose”.

\(^2\) Control has operated effectively throughout the period tested.
1.1 TechOne FMIS

The 2016 financial year is the first full year that the TechOne system has been operational. Since migrating to the new financial management information system (FMIS) last year, management have explored the additional functionality in the FMIS to improve business processes and systems. Overall, we continue to observe improvements in the strength of internal controls in place for the key financial information systems.

We make the following comments:

- payroll reconciliation controls have improved, to enable us to place reliance on payroll controls for the purpose of our audit;
- some prior year control recommendations have been implemented (refer to Appendix 2 of the report); and
- additional control improvements continue to be sought, including the use of automated purchase order and invoice approvals.

We outline areas where further improvements can be made below. Additionally, as part of our information systems work discussed in section 5, we revisited the user access profiles and noted that there are still users with "All_Roles" access. No periodic reviews of the user access have been carried out. This indicated that user access procedures are still not operating effectively.

Management comment

Agreed – The Council has approved a business improvement strategy that incorporates a number of incremental steps and will further develop the Council’s line of business systems and other systems that are beneficial to develop its business processes.

Two of the most significant projects associated with the line of business improvements are automating the procurement process, including the accounts payable. The other is the development of mobility functions and working online out in the field. The on-line service modules are also being progressed.

There is no reason why the All Roles to staff are retained and this will be corrected immediately.
1.2 Payroll and Creditors masterfile change processes

Recommendation – Necessary

We recommend that the Council:

- restricts access, for reviewers of masterfile changes, to read only status, to enforce appropriate segregation of duties;
- revises the report reviewed for creditor masterfile changes, to include changes for existing creditors; and
- enforces independent one-up review of the creditor masterfile changes report.

Findings

From our review of user access profiles, we noted that reviewers have systems access to make changes to the payroll and creditors masterfiles. That is, the profiles, set up within TechOne for these modules, do not directly enforce segregation of duties.

Creditors’ masterfile changes

We identified that the report used to identify the changes to the creditors’ masterfile, for the month, includes only masterfile changes to new creditors. There is a risk that invalid masterfile changes, to an existing creditor, could go undetected.

Management was able to produce an alternative report that does identify these changes. However this is not yet used as part of their periodic review.

In addition, we also identified that the current review process includes review by two of the staff members who make masterfile changes. The current process includes peer review. The review performed is therefore, not independent, nor consistently performed on a one-up basis. Good practice is that the review of masterfile changes is performed by someone independent of the process, on a one-up basis, in a timely manner.
Payroll masterfile

To try to mitigate the risk over segregation of duties, we sought to confirm that the reviewer for the payroll masterfile changes had not performed any masterfile changes.

Management is currently reviewing the audit reports that can be generated in TechOne. One aim is to report who performs all changes made to the payroll masterfile. We will follow up on this during our final audit visit and include our findings in our final report to the Council.

Management comment

Agreed – The Payroll system comes with an audit trail report which takes a long time to run, taking about 10 hours and was not timely to run. A more precise and detailed report was developed to show what changes were made between pays and other crucial control information, but not in the form of an audit trail and did not show the person that changed the field etc. The audit trail report will be run in conjunction with the other report and reviewed. In addition staff will continue to work on achieving a more appropriate and timely report.

Agreed – All Creditors input and information loaded by the Accounts payable role are checked by the Accounts officer. However the accounts officer is sometimes required to undertake creditor functions. In this situation the information is then independently reviewed by another accounts officer. Although there is a degree of independence, one up approval is not undertaken. This process is to be reviewed to provide an additional one up review.

1.3 Recording of leave approval date

Recommendation – Beneficial

Review the setup of leave approval dates, to ensure they are accurately recorded in the system.

Findings

From our review of internal controls over the payroll system, we noted that the leave approval date is recorded incorrectly. The date recorded is one day earlier than the physical approval date.
This matter has little risk to the Council, or impact on our audit approach. However, for data integrity and record keeping purposes it is advisable that this is corrected.

Management comment

Agreed – this appears to be a software issue as it is a system generated date. A service request has been made to the Vendor to understand why the approval reverts to a day earlier than the date of approval and have this corrected.

2 Our areas of focus for this year

The areas audit focus, for this year, are outlined in our audit arrangements letter. Based on our work to date, we are able to comment on the following matter. We will comment, in full, on all unresolved matters in our final report to the Council.

2.1 Service performance reporting

Recommendation – Necessary

We recommend that the Council:

- Continue to make improvements to record all required information, and perform post-input reviews to improve the integrity of data used to report on performance measures.
- Determine whether additional disclosure is required, in the annual report, to inform the reader of the limitations of data recorded by the customer service system, and complement the existing disclosures to address any issues with the robustness of the information reported.

Findings

The 2016 financial year is the first time that the Council is required to report on the mandatory performance measures developed by the Department of Internal Affairs (DIA). We updated our assessment of the Council’s performance framework and underlying systems, to form a view of the appropriateness of the framework and the robustness of the underlying systems.

We selected the following activities as significant for review:
• roading;
• water supply;
• sewerage and the treatment and disposal of sewage;
• stormwater drainage;
• solid waste; and
• community protection – building services.

Overall, we concluded that the Council has appropriate systems in place for most performance measures. However, we did identify areas where improvements are required. These principally relate to weaknesses in the Council’s customer service request system.

**Service request system**

Three of the mandatory performance measures require the Council to record the response time, and the resolution time for jobs initiated through the customer service request system. These times are particularly important for the water supply, stormwater and sewerage activities as mandatory performance measures rely on their accuracy.

Initially, the customer service request system did not have the capability to capture all relevant information required to report on the measures during the year. As a result, staff within the Council’s water unit, customer services team, and an independent consultant carried out a review of the customer service requests received during the year. Data has been reviewed and reclassified where necessary to improve but not necessarily ensure the accuracy of the reported result.

Management has also subsequently setup the required fields in TechOne to record response and resolution types, classification of jobs by urgent/non-urgent and the actions taken by the Council to resolve each service request.

From our discussions with management, we understand that regular reviews of the service requests are being carried out for sewerage, stormwater, and water supply activities only.
The key risk noted from our discussion of the customer services request system is the accuracy of the recorded information. Reasons for this include and are not limited to the following:

- manual input errors and ad hoc post input reviews for activities outside sewerage, stormwater, and water supply activities;
- lack of controls around the input of dates and times which poses a risk of the reported measures being incorrectly recorded;
- incorrect “action codes” used which can result in a request being misclassified;
- recording of a single complaint for an event when there are multiple complaints for the same event. This understates measures which record the number of complaints received; and
- service requests being entered after repair work has been completed, mistating response times.

Management has acknowledged the weaknesses noted above and continue to make improvements to the accuracy of data recorded. We encourage the continuation of the improvements to the data accuracy and reporting.

Management comment
Agreed - We are continuing to work through the issues. Due to the varied nature of the units businesses and the mix of staff and contractor input, we have found that a one-size fits all system did not suit. Most units are now able to get the information out that they require and we are continuing to provide enhancements to processes. System generated reports are being written to replace enquiries that had to be analysed manually.

3 Other matters and internal control findings

3.1 Signing of employment agreements

Recommendation – Necessary

To sign all employment agreements in line with the appropriate delegated authority to ratify the contract.

Findings

From our review of the internal controls over the payroll system, we noted one instance where an employment agreement was not signed. This may cause a risk that the contract is not enforceable by either
party, and employment terms default to the standard terms in the Employment Relations Act 2000.

**Management comment**

*Agreed – The process is to provide a covering letter that is signed with the contract that is required to be signed by the employee. Once this is completed the signed contract is counter-signed by the Chief Executive or delegate. We have reviewed the contracts and this was a manual error where the contract was received and not counter-signed. The process has been reviewed to ensure the contract is signed and copies provided.*

3.2 **Credit note approval**

**Recommendation – Necessary**

All credit notes to be appropriately approved within approved delegation limits.

**Findings**

We noted one instance where a credit note was not approved within the employee’s delegation limit.

Strong internal controls for the authorisation, and processing of credit notes reduce the risk of error in accounts receivable, whether due to error or fraud.

**Management comment**

*Agreed – Credit notes are now not being processed unless signed off within delegations. The Credit Controller check of credit notes issued has been re-introduced and is occurring monthly.*

4 **Information systems**

We undertook a high level review of the Council’s IT control environment. As part of this we assessed whether the Council’s IT general controls are design effective.

Overall, the Council’s activity level control processes continue to be designed effectively except for some security issues. We have reported on improvements to security in previous reports the Council.
followed up on the Council’s progress with implementation of previous recommendations in Appendix 2.

We outline one additional finding to those raised previously below.

4.1 Updated versions of IT policies not published

Recommendation – Necessary

- The latest, approved versions of the Computer Security policies be published on the intranet.
- Council staff be informed of the new policies and reminded of the importance of compliance with them.

Findings

The Council has Computer Security policies published on the intranet. They were recently reviewed and approved for publication. The updated policies are yet to be uploaded to the intranet. Without up to date guidance, Council staff may not be operating IT equipment in the most secure manner and expose the Council systems and data to unnecessary security risks.

Management comment

_The IT Policies review has commenced and will continue to be reviewed in 2016/17 and regularly in subsequent years as per the new IT Strategy. Part of this review will involve communicating the new policies through team meetings and on the Intranet._

5 Summary of recommendations

Summary of action taken against previous years’ recommendations:

<table>
<thead>
<tr>
<th>Number of recommendations from previous years’ audits</th>
<th>Current status</th>
</tr>
</thead>
<tbody>
<tr>
<td>6</td>
<td>Progress is being made, but not yet fully resolved</td>
</tr>
<tr>
<td>6</td>
<td>No progress has been made</td>
</tr>
<tr>
<td>9</td>
<td>Matters that have been resolved</td>
</tr>
</tbody>
</table>
This summary needs to be read in conjunction with the status of recommendations raised in previous years’ management reports as detailed at Appendix 2.
Appendix 1: Explanation of priority rating system

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

<table>
<thead>
<tr>
<th>Rating</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Urgent</strong></td>
<td>Needs to be addressed <em>urgently</em></td>
</tr>
<tr>
<td>Major</td>
<td>improvements required</td>
</tr>
<tr>
<td><strong>Necessary</strong></td>
<td><em>Address at the earliest reasonable opportunity,</em></td>
</tr>
<tr>
<td>Improvements</td>
<td><em>generally within 6 months</em></td>
</tr>
<tr>
<td>necessary</td>
<td>These recommendations relate to deficiencies that need to be addressed to</td>
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<td></td>
<td>meet expected standards of good practice. These include any control weakness</td>
</tr>
<tr>
<td></td>
<td>that could undermine the system of internal control or create operational</td>
</tr>
<tr>
<td></td>
<td>inefficiency.</td>
</tr>
<tr>
<td><strong>Beneficial</strong></td>
<td><em>Address, generally within 6 to 12 months</em></td>
</tr>
<tr>
<td>Some</td>
<td>improvement required</td>
</tr>
<tr>
<td>required</td>
<td>These recommendations relate to deficiencies that result in the Council</td>
</tr>
<tr>
<td></td>
<td>falling short of best practice. These include weakness that do not result in</td>
</tr>
<tr>
<td></td>
<td>internal controls being undermined or create a risk to operational</td>
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<tr>
<td></td>
<td>effectiveness. However, in our view it is beneficial for management to</td>
</tr>
<tr>
<td></td>
<td>address these.</td>
</tr>
</tbody>
</table>

These recommendations relate to a serious deficiency that exposes the Council to significant risk. Risks could include a material error in the financial statements and the non-financial information; a breach of significant legislation; or the risk of reputational harm.
## Appendix 2: Status of recommendations

### Outstanding matters – Financial

<table>
<thead>
<tr>
<th>Recommendation</th>
<th>Current status</th>
<th>Priority</th>
<th>Management’s proposed action</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GST risks from TechOne implementation</strong></td>
<td><strong>In progress</strong></td>
<td><strong>Necessary</strong></td>
<td>The Tax Team (formally a separate entity and within PwC) advised that the information provided has been accepted. The review has provided as reported to Council and refund to the Council. The recommendation of PwC has been implemented. Staff will also be looking at a tax strategy, which will incorporate regular reviews of our tax treatment and obligations.</td>
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<tr>
<td>We encourage the Council to implement the recommendations of the tax compliance review.</td>
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<td></td>
<td>Based on the review carried out by PwC (formally Tax Team) of the various areas of the Council's tax compliance, the Council has filed a voluntary disclosure with the IRD. This is currently being reviewed by the IRD and the Council will be notified if the IRD will be carrying out any further reviews or investigations. We will follow up the progress on this matter at our final audit visit.</td>
</tr>
<tr>
<td>Recommendation</td>
<td>Current status</td>
<td>Priority</td>
<td>Management’s proposed action</td>
</tr>
<tr>
<td>-------------------------------------------------------------------------------</td>
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<td>------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td><strong>Failure to prepare and review Reconciliations</strong></td>
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<td></td>
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<tr>
<td>Prepare and independently review reconciliations on a timely basis.</td>
<td>In progress</td>
<td>Necessary</td>
<td>The new line of business system introduced some issues, and monthly debtors reconciliations have been carried out since November 2015. The independent review has not been done timely enough or missed and this has been corrected.</td>
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<tr>
<td></td>
<td></td>
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</tr>
<tr>
<td><strong>Conflicts of Interest &amp; Related Parties</strong></td>
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<td></td>
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</tr>
<tr>
<td>We recommend that the Council implement an Interests Register to record all conflicts of interest.</td>
<td>In progress</td>
<td>Beneficial</td>
<td>The Council previously has elected not to hold an Interests register. It is likely the Deliotte report due in August will recommend best practice is to have an Interest Register for Council and staff</td>
</tr>
</tbody>
</table>

The Council engaged Deliotte to review its governance management process. The review concluded that the Council should implement an interests’ register and to provide more comprehensive guidance in the candidate handbook which is provided to election candidates. The Council is yet to receive the final report and we will follow up its status at the final audit.
<table>
<thead>
<tr>
<th>Recommendation</th>
<th>Current status</th>
<th>Priority</th>
<th>Management’s proposed action</th>
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</thead>
<tbody>
<tr>
<td><strong>Vested assets</strong></td>
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<td></td>
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<tr>
<td>The Council consider implementing a process whereby the AIM team can access information on completed subdivision projects. This will enable them to compare what projects they have entered into the Hansen database with the projects that should be entered into TechOne.</td>
<td><strong>In progress</strong></td>
<td><strong>Beneficial</strong></td>
<td>An in-house report will be provided to track and prompt processes required, which will require regular reviews by staff. In some instances the development of infrastructure is some way ahead of the as-built plans”, as development is based on the RC 223. The aim of achieving monthly vesting will to some degree be dependent on Developers providing information as well. This process needs a more thorough review to make monthly capitalisation of vested assets achievable.</td>
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<tr>
<td><strong>Capitalisation of Infrastructure assets</strong></td>
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<tr>
<td>The Council, as a matter of good practice capitalises assets in a timely manner.</td>
<td><strong>No progress has been made</strong></td>
<td><strong>Beneficial</strong></td>
<td>As above this will be achieved with the use of an internal report that is prompt, informs and is reviewed by the relevant managers</td>
</tr>
<tr>
<td>Recommendation</td>
<td>Current status</td>
<td>Priority</td>
<td>Management’s proposed action</td>
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<tr>
<td><strong>Contract Register</strong></td>
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</table>
| The Council investigate the implementation of the contract management module in its new FMIS once the implementation of the other modules is complete. | **No progress has been made**
Management has developed a timetable to review the various business areas of the Council particularly IT systems and infrastructure. Currently, the review of the Council’s contract management system is scheduled for the 2017/18 financial year. We will follow up on the progress with this matter as part of next year’s audit. | **Beneficial** | This is a project placed in the 2017/18 year of the business improvement plan. It is noted that the register and administration of the contract is a separate piece of work as opposed to the contract management module, which holds all of the processes including the register and administrative areas. |

### Outstanding matters – IT

<table>
<thead>
<tr>
<th>Recommendation</th>
<th>Current status</th>
<th>Priority</th>
<th>Management’s proposed action</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Business Continuity and IT Disaster Recovery (DR)</strong></td>
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</tbody>
</table>
| The Council develop business continuity plans which would then drive the development of an IT Disaster Recovery Plan (DRP). Plans should be tested to ensure they will work in a disaster | **In progress**
With the assistance of Kestral, a draft BCP document has been prepared. Once finalised this will feed into a formal disaster recovery plan. | **Necessary** | The BCP has been adopted by the Management Team. A BCP system test is to be undertaken. The Crisis recovery plan is being finalised. The DRP will be considered as part of our move to Infrastructure as |
<table>
<thead>
<tr>
<th>Recommendation</th>
<th>Current status</th>
<th>Priority</th>
<th>Management’s proposed action</th>
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<tbody>
<tr>
<td>a Service which Council approved 18 May 2016.</td>
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</tbody>
</table>

**Generic accounts**

A full review of all network accounts be done, and that generic accounts be removed, or if they are required by the business, that they be re-approved, documented, and the password changed.

**In progress**

The generic accounts on the network have been reviewed and unneeded accounts disabled.

TechnologyOne generic accounts should be reviewed and the need for these accounts documented. Where possible, the access rights of generic account should be restricted and activity monitored.

**Necessary**

The generic accounts in TechnologyOne will be reviewed and the reason for the role captured in the description field. We will ensure that these roles have limited access and remove any that are found to be unnecessary.

**Testing restores from backup**

A formal cycle be established for testing restores from backups to ensure that all programs and data are backed up successfully and are able to be recovered.

**No progress has been made**

No formal tests of restores have yet been established.

Ad hoc restores of data are performed when needed.

**Necessary**

This has since been reviewed and all the Council data is backed up on an hourly, daily & weekly schedule based on criticality and importance. We are implementing a backup and restore policy as per the IT Strategy policy. With the move to IaaS the Council will be moved to Back-up as a Service.
<table>
<thead>
<tr>
<th>Recommendation</th>
<th>Current status</th>
<th>Priority</th>
<th>Management’s proposed action</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Network administration passwords</strong></td>
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<td></td>
<td>The generic administrator account is to be reset and access limited to two staff.</td>
</tr>
<tr>
<td>Council regularly review the use of administration passwords. Individual administrator passwords should be created and IT staff should have a day to day password as well as their own individual administrator passwords. Good practice is for administration passwords to be complex, changed regularly and kept secure.</td>
<td>No progress has been made</td>
<td>Necessary</td>
<td>Use of the generic administrator account should be restricted and the password changed. There is no formal process for approving elevated access rights on the network and TechnologyOne system. We have never had a request from users for elevated access, but if they do then they would need to log it into SysAid and would need approval by their line managers. Financial delegations need to be approved by Manager Finance and Business Support. The tradition and practice will be incorporated into the IT policy.</td>
</tr>
<tr>
<td><strong>Password security</strong></td>
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<td></td>
<td>Password complexity is still a work in progress. Our new Systems Administrator has</td>
</tr>
<tr>
<td>The network password length be set to a minimum of eight characters, with password complexity</td>
<td>No progress has been made</td>
<td>Necessary</td>
<td>No change from prior year.</td>
</tr>
<tr>
<td>Recommendation</td>
<td>Current status</td>
<td>Priority</td>
<td>Management’s proposed action</td>
</tr>
<tr>
<td>-------------------------------------------------------------------------------</td>
<td>-------------------------------------------------------------------------------</td>
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<td>----------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Enforced with minimum password age to be set to one day.</td>
<td>Enforced with minimum password age to be set to one day.</td>
<td>Picked this up task to manage. A report will be provided to the Management Team outlining the benefits and issues related to introducing a more complex password routine, with timeouts. As part of the new IT Strategy projects relating to security and policy review have been identified and they will be carried out in 2016/17 and reviewed in subsequent years.</td>
<td></td>
</tr>
<tr>
<td>Council should take this opportunity to review and re-communicate its IS security policies to all staff, and educate staff and contractors in the risks associated with poor security behaviours.</td>
<td>Council should take this opportunity to review and re-communicate its IS security policies to all staff, and educate staff and contractors in the risks associated with poor security behaviours.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Process for removing users from the network and systems when they leave council</th>
</tr>
</thead>
<tbody>
<tr>
<td>All additions, changes and terminations to the network and applications are logged in the servicedesk system, with the approval form linked to it. A formal process for assigning the correct access levels, within TechnologyOne system, also be logged in the servicedesk system.</td>
</tr>
<tr>
<td>Recommendation</td>
</tr>
<tr>
<td>-----------------------------------------------------</td>
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<tr>
<td></td>
</tr>
</tbody>
</table>

### Matters that have been resolved

<table>
<thead>
<tr>
<th>Recommendation</th>
<th>Outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expenditure not approved within delegation</td>
<td>From our review of a sample of invoices, we noted that all invoices were approved within delegated authority. The Council has updated the relevant parts of its Delegations Policy in May 2016.</td>
</tr>
</tbody>
</table>

**The Council:**
- reviews its delegations policy especially whether the limits are appropriate particularly for senior staff; and
- reminds staff of the delegations policy limits and their need to comply with them.

**GST Input tax on land transactions**

The Council confirm whether it can claim a second PwC reviewed whether the
<table>
<thead>
<tr>
<th>Recommendation</th>
<th>Outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td>hand goods input tax for this transaction.</td>
<td>Council can claim second hand goods input tax on certain property purchases dating back to February 2012. The total amount of second hand goods input tax, not claimed, has been identified and included in the voluntary disclosure made to the IRD. Council has amended its processes to ensure the relevant criteria to correctly account for GST on land purchases are considered prospectively.</td>
</tr>
</tbody>
</table>

**Delegation policy**

- Review the Delegation Policy to ensure that all relevant personnel have the required delegated authority within the Delegation Policy.
- Implement a process to ensure that the Delegation Policy is updated when a new employee starts, or an employee is transferred or promoted.

We noted that the relevant sections of the delegations policy have been updated in May 2016. We reviewed a sample of invoices and did not note any expenditure that was not approved within delegated authority.
<table>
<thead>
<tr>
<th>Recommendation</th>
<th>Outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Emergency fault response times</strong></td>
<td>Service requests to Sicon are now managed through TechOne rather than RAMM. The Council has provided Sicon with access to the relevant functionality in the customer services request system. This allows Sicon to record all the relevant times to enable the Council to report on the associated non-financial performance measures.</td>
</tr>
<tr>
<td>The Council request, from Sicon, the inclusion of additional information in their reporting of emergency faults. In particular, the Council has a measure which needs to be reported in hours (i.e. emergency faults are repaired within 48 hours) but the detail provided by Sicon only has time reported in days. As a result, we are currently unable to verify the accuracy of the result reported against this measure.</td>
<td></td>
</tr>
<tr>
<td><strong>Record Service Request Completion Time</strong></td>
<td>Additional fields in the customer service request system have been added which allows the staff to record the time the job was opened and closed along with the relevant dates. We have provided more details in section 3 above.</td>
</tr>
<tr>
<td>To automate the recording of Service Request completion time to ensure that it is an accurate reflection of the service time for the job. <strong>In addition</strong>, with new mediatory measures coming in to effect next year, it is important that the client review all its measures that relay on information in the services request system and ensure that they are capturing the correct information to report on the measures.</td>
<td></td>
</tr>
<tr>
<td><strong>Third party access to councils systems</strong></td>
<td>Vendors have been moved off the VPN environment to Citrix which allows for limitation of what vendors’ staff can access. Accounts for remote users have also been set to expire.</td>
</tr>
<tr>
<td>A review of third party access to Council’s systems be performed and that access only remain open for the duration of the need for that access. Where multiple people, from a third party supplier, are using one login, the password be changed on a regular basis to ensure that staff, who have left, no longer have access.</td>
<td></td>
</tr>
<tr>
<td>Recommendation</td>
<td>Outcome</td>
</tr>
<tr>
<td>----------------</td>
<td>---------</td>
</tr>
<tr>
<td><strong>No evidence of review for Payroll Variation Report</strong></td>
<td>From our review, we noted that the payroll variation reports are signed and dated as evidence of independent review.</td>
</tr>
<tr>
<td>The Finance Manager sign and date the payroll variation report as evidence of his review.</td>
<td></td>
</tr>
<tr>
<td><strong>Lack of evidence of Payroll Masterfile Changes Report review</strong></td>
<td>From our review, we noted that the &quot;employee changes report&quot; are signed and dated as evidence of independent review.</td>
</tr>
<tr>
<td>Independent review of Payroll Masterfile Changes Report (Employee Changes Report) be performed in a timely manner and evidence of the review be retained for verification and accountability purposes.</td>
<td></td>
</tr>
<tr>
<td><strong>Risk Management Processes</strong></td>
<td>Management accepts the risk of this finding on the basis that there are no additional benefits to be gained from implementation of a risk management policy. The risk register is now updated on a six-monthly basis. There are appropriate procedures in place to identify key risks facing the Council and treating those risks with appropriate mitigation actions.</td>
</tr>
</tbody>
</table>
| The Council:  
- follows its internal policy of reporting to the Audit and Risk committee on a six-monthly basis on risk management to update its risk register; and  
- adopts a comprehensive risk management policy that defines the way in which it identifies, evaluates, categorises and mitigates its risks. | |
1. **SUMMARY**

The purpose of this report is to request the Committee to recommend to the Council it adopts Enterprise North Canterbury’s (ENC) proposed Statement of Intent (SOI) for the 2016/17 year, receives its related overall Business Plan and approves the proposed District Promotions Business Plan for 2016/17. A draft SOI has previously been provided to the Committee for comment. The Promotions Plan is subject to the separate promotions contract with the Council and like the SOI requires Council approval.

**Attachments:**

i. Statement of Intent for the Year beginning 1 July 2016 (TRIM No. 160607053199)
ii. Enterprise North Canterbury 2016/17 Business Plan (TRIM No. 160607053216)
iii. Promotion of Waimakariri District 2016/17 Business Plan (TRIM No. 160607053218)

2. **RECOMMENDATION**

**THAT** the Audit Committee:

(a) **Receives** Report No. 160712066793 and recommends to the Council that it:
(b) **Adopts** Enterprise North Canterbury’s (ENC) proposed Statement of Intent (SOI) for the 2016/17 year
(c) **Receives** Enterprise North Canterbury’s 2016/17 Business Plan
(d) **Adopts** Enterprise North Canterbury’s proposed District Promotions Business Plan for 2016/17

3. **ISSUES AND OPTIONS**

3.1. **Attachment i** is the proposed ENC Statement of Intent adopted for submission by the ENC Board to the Council for its consideration through the Audit Committee. It proposes focusing ENC’s activities on two core strategic objectives around, business and (for the Waimakariri District), district promotions.

3.2. Also attached (**Attachments ii and iii**) are ENC’s proposed overall 2016/17 Business Plan, to be received by the Council and its proposed 2016/17 District Promotions Plan to be approved by the Council. These documents reflect a change in focus away from broadband infrastructure development which now has momentum and towards a more strategic and online approach to business attraction.
3.3. The Management Team/CEO has reviewed this report and supports the recommendations.

4. COMMUNITY VIEWS
4.1. Ongoing dialogue ENC has with the local business sector and visitor industry assisted with preparation of the statement of intent and resultant business programmes.

5. FINANCIAL IMPLICATIONS AND RISKS
5.1. During the 2016/17 year ENC will receive from the WDC through the Economic Development grant $193,240 and through the District Promotions Contract $365,720 including $45,000 as an events grant fund for distribution by an Event Fund Advisory Group made up of representatives from town promotions organisations and other local community representatives.

5.2. ENC formally reports at six monthly intervals, and meets regularly with WDC staff to monitor progress and address any issues that arise.

6. CONTEXT
6.1. Community Outcomes that are particularly relevant to this report are:
   - Businesses in the District are diverse, adaptable and growing
   - The Community's cultures, arts and heritage are conserved and celebrated
   - People are friendly and caring, creating a strong sense of community in the District.

6.2. Reporting relationships with ENC are established as result of it being a Council organisation. The District Promotion contract with ENC provides for the contractor to prepare, and for Council and the ENC Board to jointly approve the statement of intent, annual promotions business plan and for an Annual Report to the Council against Plan.

6.3. Relevant policies in the Council's Role in Economic Development Policy (S-CP1405) are:
   "Promotion and Advocacy
   Resource Enterprise North Canterbury and relevant business associations and through its own endeavours, promote the District as a visitor destination and support business development and training opportunities across the District;"

   "Business Incentives and Seed Funding
   Provide through rigorous processes seed funding and other grants to organisations establishing and operating events that promote and draw visitors to the District."

Simon Markham
Manager, Strategy & Engagement
26 May 2016

The Chief Executive  The Chief Executive
Hurunui District Council Waimakariri District Council
P O Box 13 Private Bag 1005
Amberley Rangiora

Dear Hamish & Jim

Approved 2016/17 Statement of Intent

You will recall that a draft Statement of Intent (SOI) was made available to you on the 12th of February, and was subsequently the subject of discussion with the two Councils.

The Waimakariri District Council advised of significant changes in its 2016/17 requirements under the Promotion Contract with ENC. In finalising the SOI the ENC Board has had regard to those requirements, and accordingly made amendments to the draft SOI previously forwarded to you.

The attached SOI was unanimously approved by the ENC Board at its meeting on 25 May. Please note that the Council financial contributions included in the SOI are as per Councils’ Draft Annual Plans - they are subject to Council decisions. The Local Government Act requires that the approved SOI be delivered to you by 30 June.

The SOI requires that you receive a copy of the 2016/17 Annual Business Plan and Budget. These too were approved by the Board at its recent meeting, and are attached for your information.

Thank you for your continuing support of Enterprise North Canterbury.

Yours faithfully

[Signature]

Heather Warwick
Chief Executive
STATEMENT OF INTENT
For the Financial Year Beginning 1 July 2016

INTRODUCTION

North Canterbury Economic Development Trust trading as Enterprise North Canterbury (ENC) is a Council Controlled Organisation (CCO) established by the Waimakariri District & Hurunui District Councils. This Statement of Intent sets out the overall intentions and objectives for the period of 1 July 2016 to 30 June 2019.

NATURE AND SCOPE OF ACTIVITIES

ENC is an Economic Development Agency with a vision:

"To foster an Exceptional North Canterbury by encouraging the development of exceptional infrastructure, businesses and experiences"

THE OBJECTIVES OF THE TRUST

The objects of the Trust as set out in clause 3.1 of the Deed of Trust are to:

a) “Cultivate economic initiatives and foster growth for the benefit of the North Canterbury Community
b) Promote the economic, environmental, cultural and social well being of the North Canterbury Community

c) Foster, develop and assist in the management of best practices and effective use of the resources of North Canterbury

d) Promote and nurture community-based, sustainable economic growth through projects to benefit the people of North Canterbury Community"

In pursuing these objects ENC will:

- Operate with the utmost integrity and highest of ethics
- Be innovative, proactive and professional in all aspects of its operations
- Work collaboratively in all activities it facilitates or undertakes
- Respect the democratic processes of the sponsoring Councils.

ENC's modus operandi is to "stimulate/facilitate/liberate" new projects, as initiatives will only lead the regional economy to a higher level if a project is self-sustaining in the hands of the private sector. ENC does not see itself as "owning" projects in the long term. Accordingly when assessing new initiatives ENC will:

- Promote the sustainability of business
- Have an awareness of the needs of the community within which business operates
- Be a leader and facilitator but not an investor in development projects

THE PERFORMANCE MEASURES

In pursuit of its vision ENC has adopted strategic objectives against which its performance will be monitored.

SOI approved at ENC Board meeting 25.5.16
ENC Strategic Objectives
Performance Measures 2016/17

Vision: To foster an Exceptional North Canterbury by encouraging the development of exceptional infrastructure, businesses and experiences

Strategic Objective 1: Exceptional Businesses (including Agriculture)

<table>
<thead>
<tr>
<th>Performance Measure</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Objective 1.1 Support existing businesses by the provision of training, coaching, and mentoring services and networking opportunities</td>
<td></td>
</tr>
<tr>
<td>Deliver the Regional Business Partner Programme for NZTE</td>
<td>A minimum of 80% satisfaction of services provided by ENC through NZTE annual customer survey.</td>
</tr>
<tr>
<td>Provide training of local business owners and managers</td>
<td>Undertake 61 Capability Assessments and issue a minimum of $68,833 NZTE Vouchers</td>
</tr>
<tr>
<td>Provide networking opportunities to market, share knowledge, exchange information three times a year</td>
<td>A minimum of 24 businesses referred to Business Mentors NZ</td>
</tr>
<tr>
<td>Support local businesses by referring them to the appropriate support agency</td>
<td>Run 20 business training courses with 160 business people attending, with attendees expressing a minimum of 80% satisfaction rate</td>
</tr>
<tr>
<td>Expand ENC's Business Partner Programme to provide increased services to local businesses</td>
<td>Networking functions are well attended (minimum 60) and each event is fully sponsored</td>
</tr>
<tr>
<td>Communicate with businesses so they are well informed</td>
<td>A minimum of 30 businesses referred to external agencies (excluding BMNZ)</td>
</tr>
<tr>
<td></td>
<td>Secure financial commitment of business partners</td>
</tr>
<tr>
<td></td>
<td>A 10% increase in business partners signed up</td>
</tr>
<tr>
<td></td>
<td>A minimum of 10 electronic newsletter distributed</td>
</tr>
<tr>
<td>Objective 1.2</td>
<td></td>
</tr>
<tr>
<td>----------------</td>
<td></td>
</tr>
<tr>
<td><strong>Celebrate and Recognise Business Leaders in the region</strong></td>
<td></td>
</tr>
<tr>
<td>Organise and host the biennial business awards</td>
<td></td>
</tr>
<tr>
<td>Full sponsorship of eight categories is achieved</td>
<td></td>
</tr>
<tr>
<td>An increase of 10% business entries</td>
<td></td>
</tr>
<tr>
<td>An increase of 10% attendance at the Gala Awards Ceremony</td>
<td></td>
</tr>
<tr>
<td>Participating businesses are surveyed with a minimum of 80% satisfaction rate of involvement</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Objective 1.3</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Undertake analysis of regional employment opportunities and trends</strong></td>
</tr>
<tr>
<td>Have a high level of understanding of local labour market conditions and economic confidence in North Canterbury</td>
</tr>
<tr>
<td>ENC complete 2 business confidence surveys with a minimum of 50 businesses participating and results are picked up by newspapers</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Objective 1.4</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assist Hurunui Town Development</strong></td>
</tr>
<tr>
<td>ENC and the Council's fully understand the needs of small businesses in rural townships</td>
</tr>
<tr>
<td>Survey completed and distributed Business initiatives are created following engagement</td>
</tr>
<tr>
<td>ENC to assist in implementing two activities as a result of their engagement</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Objective 1.5</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Manage the ENC Business Centre for local businesses to use</strong></td>
</tr>
<tr>
<td>Achieve revenue targets as included in the Business Case justifying the establishment of the Business Centre</td>
</tr>
<tr>
<td>Marketing plan is written and implemented</td>
</tr>
<tr>
<td>External revenue of $65,391 is generated</td>
</tr>
<tr>
<td>Partner with private sector to fund the rental and running costs of business centre</td>
</tr>
<tr>
<td>Retain current sponsors</td>
</tr>
<tr>
<td>Strategic Objective 2: Promote the Waimakariri District</td>
</tr>
<tr>
<td>-------------------------------------------------------</td>
</tr>
<tr>
<td><strong>Promote the Waimakariri District to businesses and visitors</strong></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td><strong>2.1 Business Promotion</strong></td>
</tr>
<tr>
<td><strong>2.2 Marketing and Coordination</strong></td>
</tr>
<tr>
<td><strong>2.3 Events</strong></td>
</tr>
<tr>
<td><strong>2.4 Kaiapoi i-SITE</strong></td>
</tr>
</tbody>
</table>
THE BOARD'S APPROACH TO GOVERNANCE

The Board of Trustees is responsible for the overall corporate governance of ENC. The Trust Deed sets out the governance responsibilities of the Trustees. The Board guides and monitors management of the business and affairs of the Trust on behalf of the Councils to whom they are accountable. The Mayors of each of the Councils are Trustees, and the two CEO's are Advisory Trustees. The Board meets two monthly.

THE ACCOUNTING POLICIES

The Trust is a not-for-profit organisation. The Trust has adopted accounting policies that are consistent with the Financial Reporting Act 1993 and Financial Reporting Standards issued by the Institute of Chartered Accountants of New Zealand. The Trust has elected to apply the PBE SFR-A (PS) Public Benefit Entity Simple Format Reporting – Accrual (Public Sector) on the basis that the Trust does not have public accountability and has total annual expenses of less than $2m.

THE RATIO OF CONSOLIDATED SHAREHOLDERS FUNDS TO TOTAL ASSETS

As at 30th June 2015 the Trust's Equity comprised 72% of total assets and 100% of net assets. Equity is defined as the sum of the amount of retained earnings and accumulated losses. Total assets are defined as the sum of the net book values of current assets and non-current assets as disclosed in the Trust's annual report.

DISTRIBUTIONS TO SHAREHOLDERS

The Trust's Equity is not distributed, but is held in reserve to fund the Trust's future economic development activities and Waimakariri District promotion activities as appropriate.

INFORMATION TO BE PROVIDED TO SHAREHOLDERS

Annually the Trust reports to the Councils, with the following matters being covered:

- Trust Directory
- Review of the Year's Activities
- Report against the Year's Performance Measures
- Statement of Financial Position
- Statement of Cashflows
- Statement of Financial Performance
- Statement of Movements in Equity
- Notes to the Accounts
- Auditor's Opinion

Half yearly reports are provided to Councils including a statement of income and expenditure for the period, and a report of achievements against the Trust's objectives.

Quarterly reports are required by WDC.

The two Mayors and CEO attend Board meetings and receive bi-monthly management and financial reports. The Trust's Strategic Plan and the Annual
Business Plan and Budget are made available to the two Councils following its approval by the ENC Board

PROCEDURES FOR MEMBERS TO ACQUIRE SHARES

There is no means for Trustees to acquire shares.

COMPENSATION FROM LOCAL AUTHORITIES

The Trust receives seed capital from the two District Councils to enable it to initiate its economic development activities. In addition ENC has a service contract with Waimakariri District for the provision of District Promotion services. The following table sets out the current level of funding and that projected for the next three years (excl. GST).

<table>
<thead>
<tr>
<th>Local Authority</th>
<th>2016/17</th>
<th>2017/18</th>
<th>2018/19</th>
<th>Activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Waimakariri District</td>
<td>$TBA</td>
<td>$TBA</td>
<td>$TBA</td>
<td>Economic Development</td>
</tr>
<tr>
<td>Council</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Waimakariri District</td>
<td>$TBA</td>
<td>$TBA</td>
<td>$TBA</td>
<td>District Promotion</td>
</tr>
<tr>
<td>Council</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hurunui District</td>
<td>$TBA</td>
<td>$TBA</td>
<td>$TBA</td>
<td>Economic Development</td>
</tr>
<tr>
<td>Council</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

TBA = Councils to determine through their Annual Plan processes

If any other contracts are entered into between the Trust and any territorial or regional authority, payment of the contract price will be required from such contracting authority.

COMMERCIAL VALUE OF THE SHAREHOLDERS’ INVESTMENT

The commercial value of the shareholders’ investment is the Trust’s equity is $413,273 at 30 June 2015 as stated in the annual report.

The Trust Deed requires that “the capital and income of the Trust fund shall be applied only within New Zealand to meet the Objects of the Trust”. On winding up all surplus assets are to be applied by the Councils to similar purposes as the Objects of the Trust. No reassessment of the Trust’s commercial value is therefore proposed.

OTHER MATTERS

The Trust has a contract with Waimakariri District Council for the provision of promotion services until 30 June 2018. The contract has a right for the trust to call for renewal of the contract for a further three years. The contract has a minimum annual level of funding specified ($200,000) but provides for the Council to confirm a final level of funding each year as it approves the annual Promotion Business Plan, prior to the commencement of each year.

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Enterprise North Canterbury

2016/17 Business Plan

"To foster an Exceptional North Canterbury by encouraging the development of exceptional infrastructure, businesses and experiences"

Approved at the 25 May 2016 Board Meeting
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1.0 INTRODUCTION .......................................................... 3
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1.0 INTRODUCTION

The ENC Strategic Plan vision is:

*To foster an Exceptional North Canterbury by encouraging the development of exceptional businesses, experiences, land-use and infrastructure."

This Annual Business Plan takes the Objectives from the Statement of Intent, then prescribes the initiatives ENC will take, and the means and resources required, to progress the Strategic Objectives in 2016/17.

2.0 FINANCIAL RESOURCES

Annually the Waimakariri (WDC) and Hurunui District Councils (HDC) provide seed funding for ENC. This year we will receive $196k from WDC and $51k from HDC as capacity funding for economic development activities

This base level of funding is used to undertake specific projects, and is also used as a catalyst with Government departments and agencies, and the business sector, to leverage additional funds. The contracts ENC has with Government agencies are for the regional delivery of national economic development programmes. These Government contracts are negotiated for the delivery of specified services, with payments being made against agreed milestones. For 2016/17 contracted funding is $71k ($63k last year) from NZTE for the Regional Partner Programme.

Our corporate sponsor MainPower has again pledged $30k as capacity funding (same as last year). Other private sector funding for specific projects (i.e. excluding the Business Centre sponsors) is budgeted at $140k ($167k last year) plus VIC sales of $90k (same as last year).

ENC has a service contract with WDC through to June 2018 for the delivery of promotion activities specific to that District, with confirmed funding of $407k for 2016/17. WDC and the ENC Board jointly approve the annual Promotion Business Plan setting out the services to be provided and appropriate performance measures. For the 2016/17 year WDC has given notice of a required change in priorities for the Business Promotion Programme and this is built into relevant plans and budgets.

Establishment of the ENC Business Centre in Kaiapoi was a significant initiative in the previous year. While no comparable initiatives are proposed for the 2016/17 year, there will need to be continued focus on external revenue for the Business Centre to ensure that the target and projections for the Business Centre are met or exceeded. This has now been separated out as an individual project and will be monitored accordingly - revenue is budgeted at $66k (for $35 part of last year).

ENC operates a project based accounting system. To the greatest extent possible, staff and related overhead costs are charged to individual projects so such costs are funded by the project sponsors, and the budget is prepared with this objective in mind. Where individual projects span more than one financial year any pre-payments
received are recorded as "Income in Advance"—some $74k ($32k last year) have therefore been carried forward into 2016/17.

The financial position for ENC remains healthy. A small operating surplus is budgeted this year, but the $30k capex results in a cash deficit, which can be met from the substantial reserves held.

To the greatest extent possible we secure funding before incurring Project expenses (thus minimising financial risk), and anticipate earning $22k in interest as a result.

The 2016/17 budget is attached as an Appendix. It sets out the funding to be attached to each of the programmes.

3.0 STRATEGIC OBJECTIVES

The 2016/17 Statement of Intent sets out the Objectives for the year and relevant Performance Measures, but is necessarily high-level. To more fully describe the wide range of activities to be undertaken by ENC some additional detail on objectives and performance measures and targets is included below.

Developing Exceptional Businesses in North Canterbury

Objective 1.1 Support existing businesses by the provision of training coaching, mentoring services and networking opportunities.

There is considerable scope for the enhancement of business capability through training, coaching and mentoring of the SME sector. A particular focus is on the needs of individual businesses experiencing growth.

Performance Measures – ENC will:

- Deliver the Regional Business Partner Programme for NZTE
- Provide training of local business owners and managers
- Provide networking opportunities at least three times a year to share knowledge, market, and exchange information
- Provide Business Support Programmes:
  o Provide referrals to a wide range of free resources and paid services, from the most appropriate partners to meet business needs.
  o Provide referrals to Business Mentors NZ, to the [www.business.govt.nz](http://www.business.govt.nz) portal and to other relevant advisers
  o Run topical business seminars relevant to changes in business legislation and government grant programmes
- Communicate with businesses:
  o Provide information on business support and services by way of relevant and up to date information on [www.northcanterbury.co.nz](http://www.northcanterbury.co.nz)
  o Provide businesses with information of interest, and share success stories through ENC’s monthly electronic publication newsletter
  o Through ENC’s social media channels to ensure that the number of followers of ENC on these channels continues to grow.
Through ENC's Business Partner Programme with service providers who subsidise website development

- Establish video conferencing, and webinars to provide easier access to training for time poor or remote businesses
- Enhance the online resource library for information accessible to all businesses
- Educate businesses on business tools that are available to be used on broadband facilities
- Website development and maintenance
  - Source and work with a website development company to develop a new website for ENC. Transfer existing content and create new content for the website
  - Train relevant staff on the use of a new Content Management System to ensure efficiency surrounding website content updates
  - Ensure the new website is optimised for search engines and engage in an active optimisation strategy to build visitor numbers to the new site.
- Social Media strategy and implementation
  - Devise, implement, communicate and monitor a social media strategy for ENC
  - Deliver social media marketing campaigns in partnership
  - Develop the ENC Twitter account to the point where it can be used successfully as a marketing tool for ENC.
  - Investigate LinkedIn as a social media marketing platform for ENC and develop a strategy that best suits the organisation's use of the platform

Targets:

- Undertake at least 61 Capability Assessments and issue $71,436 NZTE Vouchers while achieving a minimum of 80% satisfaction of services through NZTE annual customer survey
- Refer a minimum of 24 businesses to Business Mentors NZ
- Run at least 20 workshop/seminars with 160 business people attending, with a minimum of 80% of participants finding the overall standard to be very good or excellent
- Have a minimum of 60 people attending each networking event and have each event fully sponsored
- Refer a minimum of 30 Businesses to external agencies for funding and support
- Maintain a strong communication programme with businesses, business partners and produce at least 10 electronic newsletters and increase Facebook connections
- Secure financial commitments from business partners, 10% over 2015/16 levels
- Run two digital literacy workshops with a minimum 80% satisfaction rate
- New website developed and successfully implemented
- Social media strategy developed and successfully implemented

Funded by:
NZTE $71,436; Businesses $67,820; Sponsors $4,500; Council Capacity Grants $34,559

Approved ENC Business Plan 2016/17
Objective 1.2 Celebrate and recognise business leaders in the region

The recognition and celebration of business achievements within the region is an important stimulus for entrepreneurs and will be leveraged to increase the involvement and overall reputation of North Canterbury businesses.

Performance Measure – ENC will:
- Organise to a high standard the biennial North Canterbury Business Awards to be held in September 2016
- Achieve participation of 5% of the North Canterbury population in the People’s Choice voting process

Targets:
- Maintain or increase the number of businesses entering the awards (49 in 2014).

Funded by sponsors $37,000 and participants $49,660

Objective 1.3 Undertake analyses of regional employment opportunities and trends

ENC will facilitate the establishment of industry groupings where these are sought by the sector, and will undertake analyses of regional economic issues as the need becomes apparent

Performance Measure – ENC will:
- Continue to have a high level of understanding of the local labour market conditions and economic confidence in North Canterbury

Targets:
- Complete two business confidence surveys with a minimum of 50 participating businesses and ensure that the results are picked up by the newspapers
- Informetric reports are included in board reports and widely distributed.

Funded by Council Capacity Grants

Objective 1.4 Assist Hurunui Town Development

ENC can provide support services to clusters of North Canterbury small businesses in rural townships, to further assist their development. Waimakariri District’s requirements are accommodated in the Promotion Contract. ENC will assist Hurunui town development as and when invited.

Performance Measure
- ENC and the Council fully understands the needs of small businesses in rural townships

Targets:
- Business initiatives are created following engagement

Approved ENC Business Plan 2016/17
ENC assists in implementing activities as a result of engagement

Funded by Hurunui Council Capacity Grant

Objective 1.5  ENC Business Centre
The Business Centre is an excellent way of partnering with the private sector to offer meeting and training room facilities for use. It is also an excellent opportunity to tap into some of the many other services that ENC offers to North Canterbury based businesses including free business assessments, funding to assist with business training and coaching, an extensive calendar of business relevant events and free business ‘health checks’.

There are also drop-in workspaces where businesses can tap into the ultrafast Wi-Fi and work productively whilst on the move, and photocopying and printing facilities.

Income

- Maintain engagement with gold sponsor MainPower (3 year contract to June 2018), three silver sponsors Spark, Research First and BDO (2 year contracts to December 2017) and eight bronze sponsors Hellers, Hazeldene Construction, Deans Auto Electric, Ezibreeze, Easy Lawn, PLC, Men At Work, Total Drainage and Excavation (3 year contracts to December 2018). $69k is brought to account in the current year.
- Venue Hire and Catering - $27,486

Marketing the Business Centre

- A Marketing plan will be written and implemented
- A search engine optimisation strategy will be undertaken to drive bookings of ENC facilities.
- Increase external bookings by 10%

Targets
- Achieve at least $27k external income for the Business Centre

Promote the Waimakariri District

ENC will promote Waimakariri District in accordance with the promotion business plan. There are four key objectives in the plan: one is focussed on the business sector, and three are specific to the visitor industry sector as summarised below. The specifics are set out in the 2016/17 Promotion Business Plan approved annually by WDC/ENC.

Objective 2.1  Business Promotion (Business Sector)

Promote the Waimakariri District by developing a marketing plan to attract new businesses; undertaking quantitative analysis to identify business sector gaps; and “cold calling” on target firms to introduce them to Council staff.
Targets:
- Increase the number of businesses attracted to the District
- Retain the number of high growth businesses resident in the District

Objective 2.2 Marketing & Coordination (Visitor Industry)
Promote the District so visitors are attracted to visit and spend time in the District by the special experiences and attractions offered

Targets:
- The number of visitors attracted to the District’s accommodation, attraction and activities is increased as measured by growth in CAM guest nights; visitor spend measured by MBIE; online presence through website page visits and Facebook likes and newsletter uptake

Objective 2.3 Events (Visitor Industry)
Promote and support quality events which reinforce the strengths and brand of the District and are embraced by the community

Targets:
- Number of events promoted increases by 10%
- Events Calendar distribution increases by 10%
- Event fund is widely distributed

Objective 2.4 Kaiapoi i-SITE Visitor Centre (Visitor Industry)
Provide i-SITE services so visitors and residents receive timely, quality information and promotion advice that encourage them to visit and meets their information needs

Targets:
- Meet i-SITE criteria for continued accreditation
- Exceed Qualmark minimum compliance standards

Funded by Waimakariri District Council $440,107 ($420,070 last year), operators and sponsors $87,740 ($75,450 last year) plus VIC sales of $90,000 ($90,500 last year)

4.0 THE SUCCESS MEASURES

4.1 ENC will monitor trends in the region’s economic activity

Measuring economic activity within the region with any accuracy is limited by the quality of available data. Most economic data is collected at a national level then interpolated to the regions. There is only a limited linkage between ENC’s strategic objectives and the available data, and furthermore, ENC does not operate in isolation in the pursuit of economic development with North Canterbury.

The following statistics will be monitored to assess absolute and relative changes in economic activity in the region:

- Changes in the region’s real value-added (GDP) growth relative to that of Canterbury and New Zealand (Source: BERL or Infometrics)
• Changes in the number of businesses in the region by size category and the number of their employees (Source: Statistics NZ & NZ Business Frame)

• The percentage growth rate in the number of businesses and their employees in North Canterbury relative to that of Canterbury and New Zealand (Source: Statistics NZ & NZ Business Frame)

• Changes in the number of full-time equivalent jobs in North Canterbury relative to the region’s population growth rate (Source: Statistics NZ)

• Changes in residents' income levels relative to that of Canterbury and New Zealand (Source: Statistics NZ)
PROMOTION OF WAIMAKARIRI DISTRICT

2016/17 BUSINESS PLAN

NC
enterprise north canterbury

Incorporating

Business Promotion
Visit Waimakariri
Kaiapoi i-SITE

Approved 25 May 2016 Board meeting
EXECUTIVE SUMMARY

Enterprise North Canterbury has been contracted since 2005 by Waimakariri District Council to promote the Waimakariri District as an innovative and progressive place to live, work, stay, play, and prosper by:

- Business Promotion
- Visitor Promotion
- Events Promotion and Funding
- Maintaining services at the Kaiapoi i-SITE for visitors and residents

In March 2015 the WDC/ENC Promotion Contract was extended through to June 2018. In accordance with the terms of the Contract, the Council has given clear directions to ENC for the 2016/17 Business Plan – these directions result in a material change for the business promotion programme in the light of several significant related Councils decisions, but little change to the visitor promotion programme.

The 2016/17 Business Plan and Budget incorporate these changes.

WAIMAKARIRI DISTRICT PROMOTION OBJECTIVES

GOALS

To achieve the Promotion Objectives, the 2016/17 Promotion Plan has four key goals, one of which are focussed generally on the business sector, and three of which are specific to the visitor industry sector.

Goal One: Business Promotion (Business Sector)
Promote the District by developing a marketing plan to attract new businesses; undertaking quantitative analysis to identify business sector gaps; and “cold calling” on target firms to introduce them to Council staff (23% of Council promotion budget, 30% last year)

Goal Two: Visitor Promotion (Visitor Industry)
Promote the District so that visitors are attracted to visit and spend in the District by the special experiences and attractions offered (29% of Council promotion budget, 23% last year)

Goal Three: Events (Visitor Industry)
Promote and support quality events which reinforce the strengths and brand of the District and are embraced by the community (27% of Council promotion budget, 24% last year)

Goal Four: Kaiapoi i-SITE Visitor Centre (Visitor Industry)
Provide i-SITE services so that visitors and residents receive timely, quality information and promotion advice that encourage them to visit and meets their information needs (21% of Council promotion budget, 22% last year)

Approved 25 May 2016 Board meeting
GOAL One: BUSINESS PROMOTION (Business sector)
Funded WDC $102k, private sector $7k

1.1 Broadband

In contrast to previous years, WDC will not be seeking ENC services for any broadband activities other than in the course of the business promotion programme, and in response to providers seeking information based on existing ENC knowledge and networks.

1.2 Business Retention and Promotion

The Council has appointed a Business and Centres Manager who is now their main point of early stage contact for new and expanding businesses in the District. Accordingly ENC business promotion services must be re-focussed. The Council now requires ENC to build a strategic and long range approach to promote market awareness of the District, predominately by using on-line tools and a focus on key sectors and firms by:

1 2 1 Developing a marketing plan to attract new businesses to the District, inclusive of:
   • Developing and maintaining generic marketing collateral
   • Producing via the ENC website, promotional collateral targeted at business opportunities in the District and using the website to advise of land available to build on, existing buildings for lease, connecting external interest with local providers
   • Providing further case studies as part of the marketing profile
   • Improving social media business promotion channels
   • Raising awareness of the District as a business destination via print media campaigns.

1 2 2 Providing technical and statistical information online:
   • Keeping up to date technical information and statistics available online to promote areas/zones of development, including business parks in conjunction with developers and real estate agents
   • Producing check lists relevant to retail, services, light manufacturing, and hospitality that offers up to date relevant information targeting specific sectors rather than one size fits all.

1 2 3 Creating a business profile that aligns with the visitor information profile for the District of “Live, Work, Play”:
   • Developing a new website portal in conjunction with Visit Waimakariri to create a single website that showcases business and visitor interests including lifestyle, job opportunities and schooling needs
   • Ensure there is material on community assets, employment stats, spending, social and schools
   • Opportunities page – compile a listing of businesses that would have a strategic advantage being located in Waimakariri District
   • Work with the WDC Communications team and their online editors to link content on business promotion and Council support

Approved 25 May 2016 Board meeting
1.2.4 Identifying the business sector gaps for the District:

- In conjunction with Research First, ENC and Council will carry out quantitative research and analysis to identify business sector gaps in the District, and then
- Identify possible potential target firms for follow-up consideration to fill those gaps, and then
- ENC will "cold call" on prospective target firms with the objective of introducing them to the WDC Business and Centres Manager for subsequent discussions.

Targets:
- **Develop a business promotion marketing plan acceptable to WDC**
- **Provide online technical and statistical information relevant to new businesses**
- **Integrate online business information with visitor information**
- **Identify business sector gaps with potential for establishment in the Waimakariri**

GOAL Two: **MARKETING & COORDINATION** (Visitor Industry)
*Funded WDC $117,570, private sector $41,075*

Visit Waimakariri aims to position the District in the minds of locals, Christchurch residents, domestic and international travellers as a desirable destination to visit. To achieve this Visit Waimakariri will deliver the following objectives:

2.1 **MARKETING**

2.1.1 Marketing Promotion
Continue to leverage the Visit Waimakariri brand widely by:

- Prepare and implement a $20k Christchurch Marketing campaign targeting Christchurch and Canterbury Residents & Visitors to the Waimakariri showcasing our towns, events and key interest themes relating to this market.
- Showcasing the District at a dedicated stand at the Christchurch A&P show, Auckland Motorhome Show, Aged Concern Expo and large key events within the District.
- Increase our China tourism investment by providing a toolkit for our operators, access China specific online channels, use Christchurch and Canterbury Tourism (CCT) to translate specials for promotion on TNZ website and continue to work closer with operators to tell the stories of the Waimakariri District.
- Greater presence in other target market publications e.g. families, baby boomers and walkers.
- Waimakariri is represented in the Official Visitor Guide and potential other domestic campaigns produced by CCT.

2.1.2 Marketing publications
Coordinate the design, sale (of content) and production of the following marketing collateral:

- Waimakariri District Map with points of interest – paid and unpaid
- Waimakariri Walking & Cycling Guide (in conjunction with Dept. of Conservation)

Approved 25 May 2016 Board meeting
• Town Centre street maps – Rangiora and Kaiapoi
• Itineraries for families, outdoors, retirees and events
• China promotional flyer

2.1.3 Web and online channels
Manage the following online marketing channels:
• www.visitwaimakariri.co.nz which includes business partners, i-SITE and town profiles
• Visit Waimakariri social media channels – Facebook and Instagram
• Itineraries for families, outdoors, retirees and events are profiled and developed
• Continual increase of the profile of the Waimakariri District on the Tourism New Zealand and Christchurch and Canterbury Tourism web portals
• Translated PDF’s of key itineraries available online for identified non-English speaking international visitors, especially in Chinese
• The development of a new website portal to create one website that showcases business and visitor interests.

Targets:
• Official Visitor Guide, District Maps, Walking and Cycling Guide and Street Maps produced and gained full sponsorship
• Attend Christchurch A&P show, Motorhome Show and Aged Concern and report benefits of doing so
• Achieve growth in international visitors to the district measured by Stats NZ
• Achieve growth in visitor spend measured by MBIE
• Showcase the district with a responsive design website on a platform that allows for sustainable grow of pages, applications and referrals to business partners.
• Achieve growth in online presence through website page visits and Facebook likes and newsletter uptake
• A $20k Christchurch Marketing Strategy is completed and is a success

2.2 COORDINATION

2.2.1 Visit Waimakariri Visitor Industry Partnership
Visit Waimakariri maintains Business Partners with key participants in the visitor industry as a means of ensuring collective strength in the sector and to ensure partners are well informed of industry developments.
Visit Waimakariri will:
• Continue to promote and sign up business partners annually
• Communicate with partners by a quarterly newsletter containing relevant industry information
• Coordinate a yearly networking function or topical workshop for Business Partners
• Commercial Accommodation Monitors and Visitor Spend is monitored and communicated to all relevant parties
• Continue to facilitate business partner communications and forums around the key events held in Christchurch and emerging and growing international markets of which the Waimakariri would appeal.
• Work alongside trade ready products to ensure they are represented at TRENZ and, where possible, to Inbound Tour Operators by CCT.

Approved 25 May 2016 Board meeting
• Host annual familiarisation visits by CCT, inviting TNZ, IBO's and Air NZ to also attend.

2.2.2 Town Centre Promotion and Support
ENC’s role is to ensure that individual town organisation promotion programmes are well coordinated and complement one another to achieve a stronger district wide profile.

This will be achieved by:
• Coordinating and hosting regular meetings to maintain effective relationships with the Town Centre Promotion Association’s chairs and staff
• Continuing to market, grow and manage the Rangiora Gift Voucher scheme
• Identify areas we can support and cooperate with Council, Town Community Boards and the Town Centre Association’s.

2.2.3 Other Stakeholders
When undertaking marketing projects, ENC will liaise with other stakeholders where appropriate:
• Town Centre Promotion Associations
• Waimakariri District Council
• Te Kohaka o Tuhaitara Trust
• Department of Conservation
• Canterbury Regional and District Tourism Organisations
• Tourism New Zealand

Targets:
• Achieve growth in business partners to fund website
• Run the Rangiora Gift Voucher Scheme
• Achieve more awareness of the district with other tourism agencies which results in more inbound bookings
• Produce a Walking and Cycling guide in conjunction with Dept. of Conservation
• Greater awareness of the Mt Thomas Conservation Park and Tuhaitara Coastal Park

GOAL Three: EVENTS (Visitor Industry)
Funded WDC $97,200 (plus $22k carried forward from event fund), private sector $7k

Visit Waimakariri will promote and support the district’s quality events, which reinforce the strengths and brand of the Waimakariri District to the local and domestic markets.

3.1 Event Promotion
Manage an Events Marketing and Communications Plan for the promotion of events in the Waimakariri District to residents and visitors, including:
• Produce a monthly Waimakariri Event Guide showcasing key visitor events, including the distribution of the guide and growth of the listings and distribution channels
• Produce an email newsletter showcasing events, walks and business partner promotions – currently fortnightly.

Approved 25 May 2016 Board meeting
• Coordinate collective marketing of visitor attraction events – to gain a much greater reach with joint funding
• Manage event poster display on promotional signboards at the WDC Rangiora Service Centre and the Mega Mtre 10 Sports Centre and look to expand these signboards into other district locations
• Developing a "permanent event signage" plan for the district and look for funding options available.
• Investigate advertising collective events around a common time including school holiday promotional programmes, seasonal and outdoor events.

3.2 Contestable and Non Contestable Event Funding
Provide a contestable and non-contestable events fund for the promotion of events and/or to fund event coordination.

Maintain and adhere to the funding conditions (e.g. allocations, criteria and application forms) of the event fund with the Events Funding Panel, and implement any enhancements to ensure criteria are relevant, realistic and achievable.

The Events Funding Panel\(^1\) will meet twice a year to review applications for visitor and community events applying to the Waimakariri Event Fund Contestable Fund: -
• Manage the contestable event funding process
• Promote the event funding rounds
• Coordinate and analyse the applications
• Coordinate meetings
• Action decisions on funding applications
• Follow up with event organisers to ensure their event meets council and public liability insurance requirements.

The Events Funding Panel\(^2\) will meet once a year when funding is available to review applications for established visitor events applying to the Waimakariri Event Fund Non-Contestable Fund: -
• Manage the non-contestable event funding process
• Identify events that meet the criteria and invite the organiser to apply
• Coordinate the presentations
• Coordinate meetings
• Action decisions on funding applications

Ensure that Visit Waimakariri, Waimakariri District Council and ENC’s logos are promoted on the marketing collateral of funded events.

3.3 Assistance to Event organisers
Add value to the events sector by:

• Providing a support role for event development and planning with existing and new event organisers as required. This may include assisting organisers with

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\(^1\) This Event Funding Panel comprises: Chair RPA, Chair OPAC, Chair KPA, two visitor industry operators, a community events adviser, councillor and Chaired by ENC's CEO

\(^2\) This Event Funding Panel comprises Contestable Funding Panel members that do not have an application for the Non Contestable Fund to be considered.
event management and marketing plans, but does not extend to delivering or managing events.

- Updating the online Waimakariri Event Toolkit, and offer it as a digital resource
- Continuing to work alongside event organisers to promote their events and identify any existing or new events that have the potential to grow and improve the districts attraction to visitors

**Targets:**

- **Number of events promoted increase by 10%**
- **Waimakariri Events Calendar distribution increases by 10%**
- **Event fund receives at least 26 applications to be considered for the Contestable Fund to allow the Panel to allocate all funds.**
- **Event fund receives at least four applications to be considered for the Non-Contestable Fund, when monies are available, to allow the Panel to allocate all funds.**
- **Event Organisers receive templates, advice and are trained to provide professional events**

**GOAL Four: – KAIPOI i-SITE VISITOR CENTRE** (Visitor Industry)

*Funded WDC $90,500, Other grants $10k, private sector $2k, KVIC sales $90k*

### 4.1 Operating and growing the Kaiapo i-SITE

The Kaiapo i-SITE is the official Visitor Centre for Waimakariri District and has national i-SITE accreditation. It provides coordinated, consistent and professional District-wide information to residents and visitors, as set out in i-SITE standards and requirements.

- The i-SITE focus will continue to be the high standard delivery of information services. There will be continued emphasis on staff training and familiarisation of the District tourism business partners for existing and new staff, and attendance at VIN’s Conference for networking opportunities, increased knowledge and product presentations
- External revenues will be maximised and operating costs contained by:
  - Managing and promoting fishing rod hire at the i-SITE
  - Acting as a ticketing agent for Dash and look to include other ticketing agents
  - Raising the awareness of local residents and operators of the services available through the Kaiapo i-SITE to achieve increased sales, bookings and commissions.
  - Developing a funding plan to achieve other funding streams to part fund wages and other expenses
- Strengthen customer and funder relationship by developing a programme of regular contact
- Kaiapo i-SITE also distributes the District’s marketing material including the Official Waimakariri Visitor Guide, Walking and Cycle brochure, Rangiora and Kaiapo street maps, North Canterbury Food and Wine Trail guide, and the new residents’ pamphlet.

**Targets:**

- **Meet i-SITE NZ membership accreditation**
- **Exceed Qualmark minimum standards**

Approved 25 May 2016 Board meeting
• Achieve income from funders, business partners and commissions
• Communications plan with clients and funders is developed and implemented
• Grow business partners by 10%

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WAIMAKARIRI DISTRICT COUNCIL

REPORT

FILE NO and TRIM NO: EXC-34-20 / 160712066896

REPORT TO: Audit Committee

DATE OF MEETING: 19th July 2016

FROM: Liz Ashton, Human Resource Manager

SUBJECT: Health & Safety Update – June 2016

SIGNED BY: (for Reports to Council or Committees)

Department Manager

Chief Executive

1. SUMMARY

1.1. The purpose of this report is to provide Audit Committee with a summary of key Health & Safety activities.

1.2. It provides more commentary in support of the monthly Health & Safety report received by Council on 5th July 2016.

1.3. In order for Council to exercise their “due diligence” in Health & Safety a greater understanding of Health & Safety activity is required across all business areas. This report is not an exhaustive list of work being undertaken; however does highlight some key projects and acknowledges changes in safety culture throughout the organisation.

Attachments:

i. Health & Safety Reporting June 2016

2. RECOMMENDATION

THAT the Audit Committee:

(a) Receives report No.160712066896.

(b) Notes that there are no significant Health & Safety concerns across the organisation to date.

(c) Acknowledges the work which is currently been completed by the Health & Safety Advisor, Managers and Team members.

(d) Provides feedback on the content of this report which supports Councillors discharging their legislative duty of care.

3. ISSUES AND OPTIONS

3.1. The health and safety workplan shows good progress has been made against key activities. June saw the launch of the drug and alcohol policy; the emergency procedures flipchart; health & safety training strategy and the review of worker representation to name a few.
3.2. The collaborative approach adopted by the teams ensures that a best practice is applied and activities are fit for purpose within our organisation.

3.3. The uptake of the health and safety survey in June saw an increase of respondent with 3 times the number who took part in 2015. This demonstrates an increase in safety awareness and communication. Results for this survey will be available in August 2016.

3.4. ACC WSMP accreditation is due for review in September this year. The Health & Safety Advisor reviewed achievements against objectives for the last financial year with the Health & Safety Committee representatives and it was pleasing to see that nearly all objectives had been delivered. A more streamlined approach this year will update our evidence criteria and see better alignment to our organisational development objectives.

4. COMMUNITY VIEWS

4.1. NA

5. FINANCIAL IMPLICATIONS AND RISKS

5.1. The Council has received the first organisational health and safety risk register which is being rolled out across teams. The next time the audit committee reviews this report will be in November 2016.

5.2. At a Unit level we have separated the H&S training budget from other training budget items. The addition of a dedicated health and safety cost code has provided more visibility and traceability of training occurring in this area. This will be reportable effective for the 2016/17 financial year.

6. CONTEXT

6.1. Policy

This matter is not a matter of significance in terms of the Council’s Significance Policy.

6.2. Legislation

Health & Safety at Work Act 2015.

Liz Ashton
Human Resource Manager
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<th>SWAG Values</th>
<th>Focus Area</th>
<th>Due Diligence</th>
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<td>We'll work with you and each other</td>
<td>Leadership</td>
<td>Acquire</td>
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<td>We'll keep you informed</td>
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<td>We'll act with integrity, honesty and trust</td>
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<td>Verify</td>
<td>In order to achieve compliance with the Workplace Health &amp; Safety Act 1995, the Brisbane Water Board intends to review and update the Health &amp; Safety policies and procedures. A comprehensive Health &amp; Safety audit will be conducted annually to ensure compliance with current legislation and standards. The audit will be conducted by a qualified health &amp; safety auditor. The H&amp;S program will be reviewed and updated on a regular basis to ensure compliance with new regulations and best practices. The H&amp;S program will be reviewed and updated on a regular basis to ensure compliance with new regulations and best practices.</td>
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<td>We won't work with you and each other</td>
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<td>We'll do better every day</td>
<td>Culture change</td>
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<td>We'll take responsibility</td>
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<td>The Health &amp; Safety Committee developed an emergency procedures chart and distributed it to all teams across the organisation in June. This was designed as a best practice guide for people to be aware of what to do in an emergency situation. The Health &amp; Safety Committee understands that a full review of the procedures is required and has documented this as part of the action plan for the year. A Health &amp; Safety survey was conducted during June for all managers and team members to understand their perceptions of safety. In order to benchmark improvements in our culture, there were 10% of respondents who would increase the level of health &amp; safety training in their workplace. Results of the survey will be published in August 2016.</td>
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<td>We'll keep you informed</td>
<td>Communication systems</td>
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<td>The Health &amp; Safety Training strategy was presented to management team during June. This is a combination of all the required technical, mandatory and voluntary training across all operational teams. The strategy now provides us with clearly defined roles and responsibilities, and a comprehensive planning document. In support of this document we have also provided our budget estimates to show a separate line for health and safety training so we can track which costs are being incurred in this area.</td>
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<td>We'll keep you informed</td>
<td>Contracts and procurement</td>
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<td>Verify</td>
<td>Contractor management is progressing well and regular communication with contractors is ongoing. We have reviewed the contractors' training and achieved this part of our strategy. The Contractor Management Plan is being reviewed for the next year.</td>
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<td>We'll keep you informed</td>
<td>Risk management, monitoring and assurance</td>
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<td>We'll act with integrity, honesty and trust</td>
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<td>Comply</td>
<td>ACC WDMM assessment dual audit involved and we have held regular inspections as part of our strategy. The Health &amp; Safety Advisor has planned and mapped out key documents in the tool kit to align across our objectives in a more visible and that we are able to test the evidence in a robust way with our committee representatives.</td>
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"From Preconditioning for Success - Review of London Olympics Health and Safety"

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<tr>
<th>What</th>
<th>Now</th>
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<tbody>
<tr>
<td>Acquire – officers are required to not only obtain but to continuously develop up-to-date knowledge of workplace health and safety matters.</td>
<td>Training, Conferences, Briefings</td>
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<tr>
<td>Understand – they are expected to competently understand the nature of the business’ operations as well as the hazards and risks associated.</td>
<td>Monthly reporting, Risk Register</td>
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<tr>
<td>Provide resources and processes – officers are also expected to ensure the company has appropriate resources and processes in place to eliminate or minimise risks.</td>
<td>Budgeting, Project Approval</td>
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<tr>
<td>Monitor – officers must establish and maintain appropriate processes for reporting accidents and hazards and risks as well as investigating and responding in a timely manner.</td>
<td>Monthly reporting, Risk Register</td>
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<td>Comply – they must ensure the company implements processes for complying with any duty or obligation of the WHS laws.</td>
<td>ACC audits, Internal Audits</td>
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<tr>
<td>Verify – officers must verify the provision and use of the resources and processes required.</td>
<td>Monthly reporting, Risk Register</td>
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WAIMAKARIRI DISTRICT COUNCIL

REPORT

FILE NO: FIN-12-02 / 160708065572

REPORT TO: Audit Committee

DATE OF MEETING: 11 July 2016

FROM: Jeff Millward, Manager Finance & Business Support

SUBJECT: Shared Service Business Process Review on Fraud, Conflict of Interest and Sensitive expenditure

SIGNED BY: (for Reports to Council or Committees)

Department Manager

Chief Executive

1. SUMMARY

1.1. The purpose of this report is to present the findings of the shared service business process review of fraud, conflict of interest and sensitive expenditure policies and processes that was undertaken with Deloittes and eleven other South Island local authorities.

1.2. Given recent events in the media related to fraud, conflicts of interest and sensitive expenditure a number of councils were initiating reviews of their policies and processes. An outcome from discussions at the Canterbury Finances Managers forum was it was advantageous taking a collaborative approach to the review and sharing resources.

1.3. Generally the findings of the review indicate our policies and processes are in a relatively good position. The report provided by Deloittes identified a number of learnings and recommendations. The following findings were identified:

1.3.1. Fraud Policy and procedures
Policy and procedures are well placed, meaning that the policy was in place and the processes exist with only minimal gaps or areas where improvement identified. The environment compares favourably to other models.

1.3.2. Sensitive Expenditure Policy and Procedures
Policy and procedures were of a good standard and there are only minor amendments required to be made to the policy.

1.3.3. Conflict of Interest Policy and Procedures
Policy and procedures are informal and inadequate, meaning processes exist but there are important gaps, with certain elements well below good practice or do not compare adequately to other models. The most significant gap is there is no Conflicts of Interest register, together with guidance, training and processes.

Attachments:
i. Shared Service Business Process Review from Deloittes June 2016 (TRIM 160707065246)

2. RECOMMENDATION

THAT the Audit Committee:

(a) Receives report No. 160708065572
3. ISSUES AND OPTIONS

3.1. The topic of Fraud, Conflict of Interest and Sensitive expenditure has been a topic of interest to Councils in the media in recent times. In the past it has also been a key area of investigation from the Office of the Auditor General. Audit New Zealand have identified they will be reviewing Council's shared services and its Conflict of Interest Register and procedures and they are keen to understand how each council is addressing these.

3.2. Given these areas have been identified by Audit New Zealand and a number of Councils were undertaking reviews, it was seen beneficial to undertake a collaborative approach and develop a set of best practice and procedure policies that would also cover the areas of Fraud, Conflict of Interest and Sensitive expenditure. Deloittes and eleven councils signed up to be involved in a shared service business process review on fraud, conflict of interest and sensitive expenditure and develop a set of best practice policies and procedures.

3.3. Those councils that took part in the review were Environment Southland, Mackenzie District Council, Grey District Council, Hurunui District Council; Waitaki District Council, Selwyn District Council, Southland District Council, Timaru District Council, Invercargill City Council, Waimate District Council and the Waimakariri District Council.

3.4. As expected, given the nature of Council business, the requirements of various Acts and the scrutiny Councils have been placed under over recent years most of the Councils policies were generally of a good standard. General observations were that:

- Councils do not compare favourably with the private sector best practice by not identifying, monitoring and providing guidance on Conflict of Interest Policy.
- Policies are reviewed on a six year rotation and this was identified to be too long a period and three years was seen to be the maximum time between reviews, due to the changes that may occur over the three years.
- There was lack of training, guidance and awareness of the policies and this could be improved across Councils.

Key Findings - specific to the Waimakariri District Council

3.5. Fraud

3.5.1. The policy was of a high quality, however not all the staff were aware of its existence.

3.5.2. Training should be provided to understand fraud and how to prevent and detect it.

3.5.3. A detailed fraud response plan needs to be developed and incorporated into the policy

3.6. Conflict of Interest

3.6.1. Process gaps exist in processes. The most significant observation was that the Council does not have a conflict of interest register or policy for Councillors. A
Register is recommended for Councillors and Management that identifies the nature and extent of the conflict and includes a mitigating response.

3.6.2. A conflict of interest policy exists for staff however it does not prescribe a register.

3.6.3. Council should provide guidance; training and processes for dealing with a conflict of interest should one arise.

3.7. Sensitive expenditure

The sensitivity policies were of a good standard and there were limited findings. The main areas that were considered in the review were the Credit card policy, Travel, Accommodation and Meals Policy, Entertainment and Gifts, Communication devices and Fuel card analysis. Those areas that were identified for improvement are as follows:

3.7.1. Travel

There is no clear guidance for staff over international travel insurance, for example where a staff member extends their travel arrangement and who is paying for what while away.

3.7.2. Staff purchasing policy

Council has a staff purchasing policy which enables staff to purchase discounted goods from suppliers. Consideration should be given to whether this discount should be available and whether it should require payment at point of sale. This area was being reviewed prior to the review.

The “Mad” committee, which is a staff group challenged with the objective of enhancing staff morale and “making a difference” initiated and formalised the staff purchasing arrangement. It’s a policy that has now been in existence for a number of years. On investigation it was identified that one of the procurement specialists, N3, promotes a group suppliers staff discount card. The intention is to supply this card as a replacement and remove staff purchasing through the Council system. This will ensure staff pay at point of sale and outside the Council operations for these supplies.

3.8. The findings are likely to be discussed at the next Finance Managers forum in August.

3.9. As an option, the Audit Committee could request alternative or further action be taken on one or a number of items provided within the Auditors report.

3.10. The Management Team has reviewed this report and supports the recommendations.

4. COMMUNITY VIEWS

4.1. N/a

5. FINANCIAL IMPLICATIONS AND RISKS

5.1. Most of the proposals do not have financial implications, although some involve staff time.

5.2. The review and amendment to our policies and procedures ensures our policies reflect best practice. Implementation of the recommended changes could improve operational performance and/or reduce risk.

6. CONTEXT

6.1. Delegation S-DM provides that the Audit Committee has the jurisdiction to review corporate risk assessment and internal risk management practices.

6.2. Audit New Zealand carry out the Auditor functions, required and in relation to section 99 of the Local Government Act 2002 and on behalf of the Controller and Auditor General

Jeff Millward
Manager Finance & Business Support
Waimakariri District Council

Shared Service Business Process Review

June 2016
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1. Executive Summary

1.1. Background

The purpose of the shared service business process review was to provide an affordable and efficient programme where councils are able to learn from each other. Eleven South Island local authorities, including city, district and regional councils were part of the pilot programme.

In undertaking this work, we reviewed policies and processes in respect of:
- Fraud;
- Conflicts of Interest; and
- Sensitive expenditure.

Policies provide the framework and guiding principles for council operations. They are the vehicle that enable Councillors to communicate organisational values and ethical standards to management and staff.

The areas of focus selected for this review are of significant importance. Councils can demonstrate good governance practice by implementing "fit for purpose" policies that provide accountability to the community. Councils will need to assess the findings in this report in light of the organisational risk appetite. For this reason, some councils may choose to adopt all findings whereas others focus on selected areas.

It is important to note that this review was not designed to be a benchmarking exercise and as such, we have not ranked councils against each other in a formal sense. Additionally, we are not suggesting that councils adopt every recommendation. Councillors and management need to make the decisions as to what course of action is to be taken.

1.2. Key Findings

Councils included in the review had areas of strength as well as things which could be improved.

Councillor’s interests, as they relate to managing conflicts, were generally well covered by all councils. With recent high profile frauds, it is perhaps no surprise to find that many fraud policies were good overall. Sensitive expenditure policies demonstrated that councils take this area very seriously, and likely reflects the focus on this from a public perception point of view over the past few years.

In respect of improvements, the key areas are around focussing on management interests and mitigating actions for conflicts. A number of councils should consider developing a fraud response plan and ensuring staff are more aware of what can go wrong.

Whilst not specifically part of our review, we identified that a number of councils did not have a regular review period for key policies. This means policies were often out of date, and had not moved with existing practice. Most councils did not keep track of policies in a policies register.

1.3. Use of Report

We have prepared this report solely for the use of the council. The report contains constructive suggestions to improve some practices which we identified during the course of our review.

Our work was designed to identify weaknesses and process improvements but cannot be relied upon to identify all weaknesses. We would be pleased to discuss any items mentioned in this report and to review the corrective action implemented by management.
Our report is not to be used for any other purpose, recited or referred to in any document, copied or made available (in whole or in part) to any other person, expect that a copy of our report may be available to the Council’s Audit and Risk committee or equivalent, without our prior written consent. We accept and assume no duty, responsibility or liability to any other party in connection with the report or this engagement, including without limitation, liability for negligence in relation to the findings expressed or implied in this report.

1.4. Acknowledgement

We would be pleased to discuss any items mentioned in this report and take this opportunity to thank council teams for their assistance during the course of the review.

Yours sincerely

Brett Tomkins
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2. Shared Service Findings

The findings from the review include an assessment of their risk effect and recommended corrective actions which can be completed by Council.

Findings have been ranked on the basis of the risk perceived to the organisation. The risk ratings are presented in Appendix 5.

We have grouped findings into three separate parts of the scope as set out in Appendix 4:

- Fraud policy and procedures;
- Conflict of Interest; and
- Sensitive Expenditure

2.1. Fraud

Policy

A fraud policy needs to clearly explain council’s position in relation to fraudulent activities. It gives staff a good point of reference if they suspect fraud.

Overall, fraud policies were generally well done and displayed some elements of leading practice. A summary of our key findings are:

- Most councils clearly documented the main contact person for staff to report fraud allegations. However, many did not have a suitable alternative in the event of absence, or where the main contact was potentially implicated.
- Councils often had a brief definition of "Fraud". Fraud is a wide ranging term and definitions could be strengthened. Examples enable staff to better understand what may constitute fraudulent behaviour.
- A number of councils did not address the issue of "Whistle blower protection". Staff need to feel comfortable in coming forward to report fraud allegations. They are more likely to do so if they are clear about the protection provided through the Protected Disclosures Act and other mechanisms.
- Many councils need to develop a detailed fraud response plan. Fraud almost always comes as a surprise and the effects of a disjointed or slow response can be significant. Councils may suffer greater financial loss, or be more open to potential legal risk if proper processes are not followed. A fraud response plan ensures all staff are aware of who is responsible for each immediate action. It also allows staff to be trained and prepared to handle a fraud allegation in a reasonable and appropriate manner.
- Where councils had developed a fraud response plan, it was often brief. Most did not fully include key steps to ensure a coordinated and effective response.

Knowledge / Training

Policies need to be well known in order to be effective. Every council we visited had staff who were either unaware there was a fraud policy, or they did not know where to find it. This potentially exposes councils to additional risk. Investing time and money to create and update policies is rendered much less effective if those policies are not well known throughout the organisation.
At one council, the majority of staff we talked to had a good understanding of the fraud policy. We looked into this further and found the following things they used to ensure the policy was well understood:

- Including the policy in a full policy book that was easy to locate on the intranet;
- Ensuring all staff sign an annual declaration of their understanding of the policies listed; and
- Detailed explanation of the policy and its meaning during induction phase for new employees and Councillors.

These easy steps ensured this council’s knowledge was notably higher than the other 10 Councils visited.

Fraud training has not been undertaken in most of the councils involved. All staff have a role to play in the prevention and detection of fraudulent activities. Fraud training is a good and cost effective tool to ensure staff knowledge in the prevention and detection of fraud is increased.

2.2. Conflict of Interest

Policies

Policies for both Councillors and staff were often in included in respective code of conducts. Two councils had specific policies for Councillors and four Councils had specific policies for staff.

Councils focused on the requirements of the Local Authorities (Members Interest) Act 1968 ("LAMIA") where the key legislative requirements were generally provided. This included the requirements to disclose pecuniary interests for elected members and their spouse/partner.

A conflict can be an actual, potential or perceived conflict. The key test is to consider how an impartial third party would view the conflict and as such, a perceived conflict of interest is just as important as an actual conflict. For this reason, it is important that Councillors and management identify non-pecuniary interests of family members and close associates.

Conflicts of Interests are often not black and white and it can be unclear when a conflict may exist. Councils need to provide definitions that are supported by a range of examples. There are subtle differences from a governance and management perspective on their respective responsibilities to identify, disclose and manage conflicts of interest. This was lacking in a number of Councils. As a result, adopting policies that are specific to both Councillors and staff would assist in providing a more comprehensive view on conflicts of interest.

Interests Register

An interest register provides the mechanism for Councils to identify situations where a conflict of interest could occur so steps can be taken to manage it and ordinarily includes basic information such as the name, entity, interests, nature of interests and the mitigating action.

A summary of our key findings are included below:

- Many councils held interest registers for Elected Members, but far fewer for Management;
- Conflicts for staff were generally overlooked. One Council was in process of setting up an interests register for all staff;
- Not all interest registers were complete. Councils believed the responsibility was on the Councillor to disclose the interest. Councillors who did not complete the register were not followed up in a number of instances;
- Interests were generally only updated once every three years at the beginning of the election term;
Most registers considered the interests of members and their spouse/partner. There was limited disclosure of family members and close associates;

- Registers focused on pecuniary interests with limited disclosure of non-pecuniary interests such as memberships and associations; and
- Mitigating actions were not included on the majority of interest registers.

Managing Conflicts of Interest

Managing conflicts of interest is fundamental to ensuring the overall environment within council stands up to scrutiny. This is an area that was overlooked by the majority of councils. It is important that all identified conflicts have and assessment as to significance, as well as mitigating actions that are discussed at an appropriate level and documented in the Interests register.

We recognise that a conflict may not be necessarily a bad thing. A member may have important knowledge that can be useful to the organisation and shouldn’t automatically rule them out from discussions. What is important is documenting the assessment of the conflict and the resulting mitigating action.

Discussing mitigating actions is critical to ensuring the most appropriate action is selected. We found some councils left the responsibility with the Councillor concerned to select the mitigating action. This places undue reliance on an individual to do the right thing, and potentially exposes both the Councillor and the council to risk.

An area that was generally performed well by councils was the recording of conflicts of interests in the minutes. Councils that did follow leading practice typically did the following:

- Conflicts of interest was a standing agenda item;
- The mitigation and was discussed and documented at the beginning of the meeting; and
- The conflict and mitigating action was again detailed when the agenda item was up for discussion. This demonstrates that in practice Councils are considering mitigating actions where conflicts are identified.

2.3. Sensitive Expenditure

Credit Cards

Council credit card policies were of a high standard. Almost all councils had a policy in place that covered the main areas concerning who has cards, what they are allowed to be used for, and the process for approval of statements. We did note some common exceptions:

- Several council policies did not fully explain the consequences of unauthorised usage. These should link to disciplinary policies or procedures;
- Many councils did not have appropriate documentation kept with credit card statements to support the business purpose of the expenditure. Often there would just be a small comment "meal with [Person]". This could be improved by additional narrative surrounding the purpose of the expenditure enabling explanation of the business rationale; and
- Councils did not detail processes for destroying or cancelling credit cards.

Travel Accommodation and Meals

Councils approached this policy in many different ways with some having separate policies for each topic and others having an overall travel policy or a sensitive expenditure policy.
Clarity around expectations in this area is key to ensuring a consistent approach is taken by Councillors and staff, as well as reminding them that this type of expenditure is often a focus of rate payers.

Key findings noted among several councils included:

- Several councils use the term "reasonable" in regards to types of accommodation and meal expenditure. Council should set guidelines to ensure staff are very clear about what "reasonable" means. This could take the form of dollar value guidelines;

- There was a general lack of guidance with regards to additional expenditure incurred when traveling with spouses, additional stopovers and extensions. This is a grey area and clarity within the policy will help with understanding as to what is appropriate use of rate payer funds. Councils should consider a pragmatic approach in guidance as there can be times where flexibility can save the council money. For example, where an individual is away for two weeks, it may be beneficial to allow a weekend stay if the return costs are higher. Alternatively, an individual may be content to pay the difference, enabling them to have a more sustainable time away from home; and

- Several councils did not require prior approval for travel bookings. Without a consistent process to capture information, there is an increased risk of inappropriate flights or accommodation being booked, creating additional cost to council.

**Entertainment and Gifts**

Entertainment expenditure comes under a high level of scrutiny for councils and is often requested for official information requests. A lack of clear policies increases the risk. Gifts given by contractors may also give rise to issues as regards to the appropriateness.

Key findings in this area include:

- Some councils do not have clear guidance on appropriate times where alcohol can be provided;

- Councils often allow the use of council suppliers for private use. Some councils allow staff to incur expenditure on their account, while others require payment being made at time of purchase. These arrangements potentially enable preferential treatment to suppliers who offer staff discounts. Several councils are currently reviewing these arrangements to ensure they are still appropriate;

- Most Councils had a brief gifts policy but many could be improved by:
  - Explaining the value level up to which staff can accept gifts personally;
  - Explaining that all offers of gifts above a specific level must be turned down and recorded; and
  - Explaining that no gifts will be accepted during procurement stages of contracts.
**Communication Devices**

The way we communicate and the associated pricing plans is changing rapidly. Historically, it was usual to highlight each mobile phone statement for personal calls and pay back the associated cost. Plans are changing quickly with one council noting they had updated their plan 4 times in the last year to get a better deal. More and more plans seem to have "pooling" of data, minutes and texts, meaning allocating costs to personal use becomes more difficult.

Many Council mobile phone policies were out of date and did not reflect current practice. The flexibility of corporate communication devices plans means that personal usage is increasing. Councils need to consider how they address this issue and adjust their policies accordingly.

Key points to be considered in a Communication Devices policy are:

- What amount, if any, personal usage is allowed and in what circumstances;
- How is reimbursement calculated and paid.
- What level of reimbursement is appropriate (e.g. $5 v 20c);
- Guidelines on acceptable usage (e.g. prohibiting browsing of inappropriate material); and
- Ensure they policy is read and signed prior to being issued a communication device.

**Fuel Card Analysis**

We found that councils were managing fuel cards well. We looked at a wide range of potential issues and it was pleasing to find only minor exceptions. We did not become aware of any significant inappropriate use of council fuel cards, with most findings already investigated by management proving to be reasonable. Some Councils are still completing their investigation of exceptions.

Minor Issues noted were:

- Diesel based fuel cards being used to pay for petrol, and petrol based fuel cards being used to pay for diesel;
- Non private use vehicles being filled up during the weekend days and over holiday periods; and
- Several locations where filling up has taken place outside the council's region.

**2.4. Other Findings**

In understanding our work in respect of the policies within scope, we noted that most councils did not maintain a policies register, making it difficult to track who is responsible, and when the policy is due for review. Councils should consider implementing a system to ensure all policies are kept up to date.
Waimakariri District Council Findings

Fraud
Executive Summary

Overall Rating: Well Placed

Council had a high quality Fraud Policy that covered all key elements of best practice. However, staff knowledge of the policy was limited.

Key issues include:
- Council staff were unaware of the Fraud Policy and how to locate it. Adequate procedures /strategies need to be put in place to ensure all key policies are known by staff.
- Fraud training has not been undertaken in the organisation. All staff have a role to play in the prevention and detection of fraudulent activities. Council should consider Fraud awareness training for all staff.
- Council needs to develop a detailed fraud response plan. Fraud almost always comes as a surprise and the effects of a disjointed or slow response can be huge. Council should review and document who is responsible for each immediate response and give the appropriate training where required.

Conflict of Interest
Executive Summary

Overall Rating: Informal/Inadequate

Based on the scope of our engagement and the result of the review we found Council’s conflict of interest processes exist but there are important gaps, with certain elements being below good practice which do not compare adequately to other models.

Key findings include:
- Council needs to adopt an interest register for Councillors and Management. The interests register should identify the nature and extent of the conflict and include a mitigating response. The Council is exposing itself to unnecessary risk by not completing an interest register.
- Council should adopt a conflict of interest policy for Councillors. Policies and procedures provide clear guidance to Councillors and staff on their responsibilities to identify, disclose and manage conflicts of interest.
- Council should identify a main point of contact that can be responsible for training, advice and the handling of complaints or breaches.

We consider the conflict of interest processes should move to an overall well-controlled position when the recommendations identified in this report are embedded into the current processes.
Sensitive Expenditure

Executive Summary

Council Sensitive Expenditure Policies were of good standard and as a result we had limited findings.

Key Findings include:

- Council has no clear guidance for staff over travel insurance. This can create confusion as to who is paying for cover whilst on international travel when personal travel extensions are allowed. We recommend Council make it clear in the policy who is paying for what cover.

- Council has a Staff Purchasing Policy which enables permanent employees to benefit from discounts available to Council employees. The policy enables employees to charge the Council for their own purchases, and then reimburse the Council. Council should consider if this type of discount is appropriate for staff to be using. If allowed Council should require all employees to pay at the point of sale when they are purchasing through Council suppliers.
### 3. Waimakariri District Council - Fraud Findings

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| Council’s Fraud policy does not explain the exact steps to be taken in the event a fraud is discovered, and who is responsible for taking those actions (i.e. a “Fraud Response Plan”). It has a section on actions to be undertaken when there is a suspected fraud, however these are only developed after the CEO has developed an action plan. It is unclear who is responsible to address each of the key steps. The key procedures are not explained in detail. | Fraud almost always comes as a “surprise”. The effects of a slow or an uncertain response may include;  
- further loss of funds;  
- reduced ability to recover funds;  
- errors in process that could lead to employment issues further down the track. | Council should develop a “Fraud Response Plan” to make staff and Management aware of their responsibilities and tasks to ensure a coordinated and effective response.  
Key elements to be included in this plan should include but not be limited to:  
- Procedures staff should follow for reporting a suspected fraud  
- Investigation process including assigning responsibility for initial response  
- Steps to be taken to prevent further loss  
- Securing Evidence  
- Conducting an enquiry or investigation  
- Reporting  
- Communication responsibilities (Including who deals with media)  
- The involvement of law enforcement agencies  
- Follow up action (Ensuring lessons are learnt)  
Refer to Appendix 1 for full examples from our best practice guide. | Required |
| Council staff did not always know what the contents of the Fraud Policy were, nor how to locate it. The policy is not communicated in the induction pack provided to new starters. The policy was difficult to locate on the Intranet and not included in the policies manual (Where most staff members searched) | If staff are unaware of Council policies, compliance with these policies becomes very difficult. Staff may not be aware of the implications of their actions along with any legal risk created. | Council should ensure the policy is clearly communicated to staff, including being added to the policies manual. Council should also request staff to undertake an annual declaration of their understanding and compliance with the policy.  
The fraud policy is not referred to in the staff induction pack as a key policy (Given to new starters). We suggest Council include this to demonstrate the importance of fraud prevention and detection. | Required |
| Fraud training has not been undertaken in the organisation. | All staff have a role to play in the prevention and detection of fraudulent activities. | Council should consider fraud awareness training for all staff. This is a simple and cost effective way of ensuring staff are aware of how fraud occurs and are prepared in the event they suspect or discover fraudulent behaviour. | Recommended |
## 4. Waimakariri District Council - Conflict of Interest Findings

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<tr>
<td>Conflict of interest policies for staff are included in the Disclosure of Interest Policy. The policy was last reviewed in February 2014 and is not due for review until July 2019.</td>
<td>In today's fast changing environment policies need to be updated and regularly reviewed. There is a risk that parts of the policy may not remain relevant if it is reviewed every five years.</td>
<td>Council should review all policies, including the Disclosure of Interest Policy on a regular basis. We suggest this may be annually, or biannually depending on the importance of the policy.</td>
<td>Suggested</td>
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<tr>
<td>Staff are made aware of conflict of interests through the Disclosure of Interests Policy. All Councillors receive a Candidate Handbook. The handbook includes information related to the Local Government (Members Interest) Act 1968 (&quot;LAMIA&quot;). It is important to note that key information from the Act has not been included in the information. There are no regular updates or information provided to the Councillors during their term in office.</td>
<td>There is a risk that Councillors and staff may not be fully aware of their responsibilities to identify, disclose and manage conflicts of interest. This could lead to legal, financial or reputational risks.</td>
<td>Council should implement conflict of interest policies for Councillors.</td>
<td>Required</td>
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<td>The Disclosure of Interest Policy and the Candidate Handbook do not cover the interests of a spouse, family member or close associate. This is particularly relevant for Councillors as the LAMIA states that the interests of a spouse, civil union partner, or de facto partner must be considered. We do note in the first Council meeting of the term Councillors are provided information on the requirements to declare interests of a spouse or close family member.</td>
<td>There is a risk that Councillors and staff are unaware of their responsibilities to disclose interests of a spouse, family members or close associates. Where staff may receive a direct or indirect benefit of an arrangement between Council and a 'close relationship', this may not be notified to Council. As a result, a conflict may not have been appropriately addressed leading to potential reputational, legal or other risks.</td>
<td>Council should include a statement within its Disclosure of Interest Policy that staff may be considered or interested in a matter if their spouse, family member or close associate is. The definitions of these should be clearly described. This should be included in a conflict of interest policy for Councillors.</td>
<td>Required</td>
</tr>
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<td>There are no requirements for contractors to be aware of, and comply with Council’s conflict of interest policies.</td>
<td>Ensuring contractors are made aware of the policy reduces the risk of an unexpected conflict occurring.</td>
<td>Council should include a statement in its Disclosure of Interest policy that significant contractors should be required to follow and abide by the Council’s Disclosure of Interest Policy. Furthermore, a statement could be included within tender documents that requires contractors to be aware of and comply with Council’s conflict of interest policy.</td>
<td>Recommended</td>
</tr>
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<td><strong>The Disclosure of Interest Policy provides a conflict of interest definition that is relevant for staff members. The Candidate Handbook does not include a definition of a conflict of interest.</strong></td>
<td>A conflict can arise in a number of circumstances and is often not black and white. There is a risk that without a clear definition with a range of examples Councillors and staff may not understand what constitutes a conflict.</td>
<td>Council should include a detailed conflict of interest definition supported by a range of examples. This will help Councillors and staff identify when a conflict may occur. The policy should also provide appropriate actions in the event of a conflict being identified.</td>
<td><strong>Required</strong></td>
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<td><strong>The Disclosure of Interest Policy provides commentary that any reference to a conflict is a reference to a real, perceived or potential conflict. It does not provide any further information on the importance of a perceived conflict or what constitutes a perceived conflict of interest.</strong></td>
<td>A perceived conflict is just as important as an actual conflict. Council needs to consider how an impartial third party would consider a situation. There is a risk of reputational damage if a perceived conflict has not been appropriately identified, disclosed and managed.</td>
<td>Councillors and staff should be made aware of the importance of a perceived conflict of interest and what constitutes a conflict of interest.</td>
<td><strong>Recommended</strong></td>
</tr>
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<td><strong>The Disclosure of Interest Policy is clear on the actions an employee must take when a conflict of interest is identified. However, limited guidance on actions that employees must not take.</strong></td>
<td>Certain circumstances may arise whereby a lack of flexibility gives rise to an issue for Council. It may not be practical to entirely avoid a potential conflict of interest, but it is important that they are managed with honesty, integrity and transparency.</td>
<td>Council should consider how to deal with conflicts of interest that can be managed and the mechanisms for doing so. This may be through escalating to an appropriate seniority within Council, or alternatively, with Councillor sign off in certain circumstances. For projects of significant size, Council may also decide to gain external input through the use of a &quot;probit audit&quot;. Council will also need to apply the approach to Councillors.</td>
<td><strong>Recommended</strong></td>
</tr>
<tr>
<td><strong>There are no policies around the regular training and advice or dealing with complaints or breaches for Councillors and staff.</strong></td>
<td>There is a risk that Councillors and staff may not understand their responsibilities around conflict of interests. Additionally, breaches or complaints may not be handled appropriately.</td>
<td>Council implements a policy that identifies a key point of contact within Council who provides relevant input. This could include them being responsible for training, handling breaches and complaints as well as advice in regards to particular situations.</td>
<td><strong>Required</strong></td>
</tr>
<tr>
<td><strong>There is no interests register for Councillors, Management or staff. Council's focus for Councillors is around the requirements of the LAMIA which puts the responsibility on Councillors to identify conflicts.</strong></td>
<td>Conflicts of interests can affect both Management and staff (who are often entering into transactions). Without a complete register there is limited oversight on the relationships across the organisation.</td>
<td>An interest's register should be maintained for Councillors and Management. Council should consider how they address interests for general staff members. Additionally, the register should be regularly reviewed by appropriate personnel (CEO, Mayor, Legal and HR).</td>
<td><strong>Required</strong></td>
</tr>
<tr>
<td><strong>As a result of the Council not having an Interest register there is no documented mitigating responses to potential conflicts for Councillors.</strong></td>
<td>There is no evidence as to how a conflict is to be managed. As a result, the conflict may not be managed appropriately.</td>
<td>Council should include in an interests register a section which details responses and mitigations. This enables all parties to be clear on how a relationship is to be managed. Additionally, a range of mitigating actions can be included within the Disclosure of Interest Policy to provide further guidance on potential courses of action.</td>
<td><strong>Required</strong></td>
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<td><strong>There is no mention how a conflict will be assessed in terms of significance.</strong></td>
<td>There is a risk that the conflict will not be managed at the appropriate level and the correct mitigating action provided.</td>
<td>Using criteria to understand the significance of a conflict will assist in identifying an appropriate course of action. This may take the form of: * likelihood x impact = risk rating. The risk rating provides the basis for mitigating actions and responses required to reduce the potential for conflict to an acceptable level.</td>
<td><strong>Suggested</strong></td>
</tr>
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<td><strong>Conflicts of interest is a standing agenda item. It is the responsibility of the Councillor to identify the conflict. This is documented at the beginning of the minutes. There is no requirements for the Councillors to identify what the conflict specifically relates to. When the matter is discussed there is no commentary in the minutes of what the action was.</strong></td>
<td>Minutes provide clear evidence and transparency in decision making. By not recording decisions in the minutes, there is no evidence on what mitigating action was taken. This could be particularly important if there was a legal challenge over a matter.</td>
<td>Council should clearly record the mitigating action taken in the event of a conflict being raised.</td>
<td><strong>Required</strong></td>
</tr>
<tr>
<td><strong>There is no set process on how transactions with related parties will be handled.</strong></td>
<td>The risk of fraudulent transactions increases when there are no policies or procedures around the payments to external parties who are related. The risk is compounded when there is no interests register for staff members.</td>
<td>The Disclosure of Interest Policy needs to address transactions with related parties. This could include an alert on all payments made to certain suppliers or additional approval within the delegations policy. Council may consider requiring employees to declare when setting up new suppliers that to the best of their knowledge they had no conflict of interest with the supplier.</td>
<td><strong>Required</strong></td>
</tr>
<tr>
<td><strong>Councillors are made aware of their key responsibilities towards the LAMIA through the Candidate Handbook (such as elected members not being concerned or interested in contracts made by the Council over)</strong></td>
<td>With no process in place, there is risk in the future that a Councillor may meet this definition and unintentionally breach the act.</td>
<td>Council should include within its Disclosure of Interest Policy a process which identifies to finance staff any potential interest so this can be monitored against the $25,000 threshold.</td>
<td><strong>Recommended</strong></td>
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</table>
$25,000 in a particular year). Additionally, the first Council meeting of a term provides further information on Councillors responsibilities of the Act. During the election term no further information is provided to Councillors.
There is no information in the Disclosure of Interest Policy around the LAMIA.

A good way to achieve this would be to record the monthly expenditure with related parties. This will identify if any contracts are nearing the $25,000 threshold.
### 5. Waimakariri District Council - Sensitive Expenditure

<table>
<thead>
<tr>
<th>CREDIT CARD</th>
<th>Observation</th>
<th>Implication</th>
<th>Recommendation</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Councils Credit Card Policy states that all goods and services purchased above $50 must be accompanied by a tax invoice.</td>
<td>Allowing transactions below $50 to be processed without invoice could lead to inappropriate usage since details about the transaction is not provided. The lack of a requirement for a tax invoice may encourage staff to spend slightly under $50 to avoid having to provide details, or claim multiple amounts of below the $50 amount.</td>
<td>Council should require all expenses to be accompanied by a tax invoice.</td>
<td>Recommended</td>
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<td></td>
<td>We completed a high level review of two months credit card statements for six staff members. Overall – we found the types of expenditure going through credit card statements was in-line with our expectations (taxi's, accommodation, flights etc.). We identified one example where coffee was purchased totalling $19.10. The Entertainment and Hospitality Policy states that &quot;those responsible for incurring entertainment or hospitality expenditure should record on the invoice the nature of the event, the name of the group or description of the people attending and the number attending&quot;. The comment on the credit card statement only had meet with Padi. There was one explanation on the nature of the event or how it related to Council business.</td>
<td>Where insufficient explanations are provided on sensitive expenditure items there is no evidence that supports the business purpose of the expenditure.</td>
<td>Council ensures sufficient explanations are provided on all sensitive expenditure items that supports the business purpose of the expenditure.</td>
<td>Recommended</td>
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<td></td>
<td>Council has a Staff Purchasing Policy which enables permanent employees to benefit from discounts available to Council</td>
<td>The Council is exposed to unnecessary financial risk where employees have the ability to charge goods and services to the Council. Additionally, this</td>
<td>Council should consider if this type of discount is appropriate for staff to be using. If allowed Council should require all employees to pay at</td>
<td>Recommended</td>
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<tr>
<td>AIR TRAVEL - DOMESTIC &amp; INTERNATIONAL</td>
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<td>Councils policy indicates that any airpoints collected on international travel will be put towards Council related travel. In discussions with admin staff it is noted that no airports are allowed to be collected on travel - this is not consistent with policy.</td>
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<td>The policy does not reflect current practice and may cause confusion to staff when booking travel.</td>
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<td>Council should adjust this policy to reflect the current situation and make it clear airpoints will not be allowed to be accrued personally on Council related travel.</td>
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<tr>
<th>OTHER TRAVEL EXPENDITURE/ISSUES</th>
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<tbody>
<tr>
<td>Council does not have guidance in the Travel Expenditure Policy on whether private travel can be linked to a business trip (Extending time away, or non-standard stop overs).</td>
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<td>This means there is a lack of clarity for staff and Management in terms of what is appropriate and who should be paying any additional costs.</td>
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<tr>
<td>Guidance in the policy should be clear on whether or not private travel can be linked to a business trip and who is responsible for the costs. Council can avoid incurring unnecessary costs by allowing some flexibility. For example, the cost of a return flight for a 2 week trip may be more than the cost of accommodation for a weekend stay and so could be cost neutral to Council if the staff member wanted to stay.</td>
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<tr>
<td>MOBILE PHONE</td>
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|--------------|---------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------
|              | Council has a good Mobile Communications Policy. However, this policy is not required to be signed off as understood as part of the issue of the communication device. | With no clear sign-off of understanding of the policy, there is a risk that staff are unaware of the policy when using the device. | Council staff should be required to sign a form indicating that they have read and understood the communications policy prior to being issued a communications device. |
6. Waimakariri District Council - Fuel Card Analysis

**Fuel Card Analysis**

The analysis of Fuel Card spending was performed using our specialist forensic software. The analysis produces several outputs, some of which we explain below. The ability to read the data using Tableau software has been provided to management to enable them to investigate anomalies and examine the data in their own time. We stress that there are often perfectly acceptable reasons for "unusual" anomalies from data analysis. Management/Council should not jump to any conclusions without fully investigating. The outputs produced by the software include: Fuel type by rego, other purchases by rego, total spend by merchant, total spend by fuel card, date analysis of fills (e.g. weekends, holidays, same day fills) and odometer analysis. We have taken extracts from this software that were of interest to your Council and detailed these below.

### Fuel Type by Rego

The above analysis shows a few minor issues where a diesel based fuel card has been used to pay for petrol. We made Management aware of these incidents and they were left to investigate.
The above analysis shows the total spend by merchant. Councils have used this in a couple of different ways. Firstly it shows the outlets where you spend the most dollars (in some cases this has been used to obtain further discounts). Secondly, this table shows all merchants where the card has been used. We noted several locations where filling up has taken place which warrant further discussion. These relate to Hanmer Springs, Dunedin and Tekapo. Management can select these locations and find out which rego has filled up there and when. Management have informed us they are investigating these instances.
7. Statement of Responsibility

This report has been prepared in accordance with the terms and conditions of the Provision of Shared Service Business Process Review Engagement Letter dated 18 December 2015. The review is subject to the following limitations:

- Our assessments are based on observations from our review undertaken in the time allocated. Assessments made by our team are matched against our expectations and leading practice guidelines.

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

- Because of the Inherent limitations of any internal control structure, it is possible that errors irregularities may occur and not be detected. Our procedures were not designed to detect all weaknesses in control procedures as they were not performed continuously throughout the period and the tests performed are on a sample basis.

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

- The matters raised in this report are only those which came to our attention during the course of performing our procedures and are not necessarily a comprehensive statement of all the weaknesses that exist or improvements that might be made. We cannot, in practice, examine every activity and procedure, nor can we be a substitute for management’s responsibility to detect irregularities, including fraud. Accordingly, management should not rely on our report to identify all weaknesses that may exist in the systems and procedures under examination, or potential instances of non-compliance that may exist.

- This report has been prepared for distribution to the [Client Name]. We disclaim any assumption of responsibility for any reliance on this report to any other persons or users, or for any purpose other than that for which it was prepared.

- Suggestions for improvement should be assessed by management for their full commercial impact before they are implemented.