



Development Contributions

For Audit and Risk

December 2016

1. Executive Summary

1.1 Overall Findings and Conclusions

The objective in the Terms of Reference was met.

Anticipated revenue from Development Contributions to fund capital expenditure already incurred or planned to be funded by the 2015 Development Contributions Policy was \$71.1m (2015 Development Contributions Policy p4). This included \$24.1m back works charges not collected by previous Development Contribution policies. Total revenue is significant and processes to implement the Policy need managing well. The administration of the Development Contributions Policy has a number of significant strengths that included the following:

- ✓ A significant level of expertise in all the areas we reviewed – Customer Services, City Networks, City Future, and City Corporate.
- ✓ Robust defensible policy based on sound engineering principles
- ✓ Sound administrative practices with a concern for continuous improvement.

Concerning internal control

- ✓ Was mainly effective with the following areas for improvement:
 - i. incorrect date used in calculation of applicable Development Contributions
 - ii. a gap in the controls designed for fraud risk mitigation
 - iii. no process for collection at new connection stage
 - iv. two errors in applying the policy
 - v. the costing model used to calculate the charges was insecure and partially undocumented.
- ✓ Management have made corrections or agreed to our recommendations to address these gaps.

Concerning risk management

- ✓ The risks being effectively managed as they were identified, and there was no evidence of a lack of action to secure payments when due.
- ✓ There was a plan to address known issues such as definition of the Integrated Network and clearer methodology to allocate costs of capital works programmes to growth.
- ✓ More resource may be needed to implement the Policy effectively in the future, as the size of contributions for large projects comes into effect and the likelihood of another objection increases.
- ✓ Risk identification was proactive and thoughtful, but there was a need for a risk control plan to manage the possibility that key staff could leave or retire.

Concerning Governance matters

- ✓ Objections to Development Contributions were processed by independent Commissioners.

1.2 Background

This review of Development Contributions was scheduled in the approved Internal Audit Plan for 2016/17.

The ability for Council's to charge developers Development Contributions for the cost of providing assets for growth was introduced by the Local Government Act 2002 and PNCC began charging Development Contributions in 2004. Since then, the Development Contributions Policy has been subject to review and update based on experience of implementation. Our comments here reflect our work and discussions and are reported 'Without Prejudice'.

In this review Internal Audit aims to provide information and independent analysis to assist governance, risk management and control of implementation of the PNCC Development Contributions Policy.

1.3 Objective and Scope

The objective of this review was:

To ensure that revenue transactions are efficient and complete and are recorded appropriately in the Council books.

In Scope

Aspects of the following work areas were in scope:

Internal Control

- ✓ Process to set the Development Contributions charges using models
 - Costing models - input, output, processing controls, access, change and version controls, documentation, process improvements;
- ✓ Process to calculate the Development Contributions
 - Development Contributions estimates, determination of the stage at which to charge, accuracy of calculations, monitoring and review, information and innovation;
- ✓ Process to invoice Development Contributions income
 - Time at which Development Contribution becomes due (can be up to eight years after Subdivision consent) identification of the need to charge, billing, monitoring of payments, information for decision making and follow up, collection and arrears process, write offs, if any, senior management oversight;

Risk Management

- ✓ Risk management
 - Identification, assessment, quantification of significant risks to the Development Contributions Policy and its implementation e.g. assessment and management of legal risk, learnings from objections, continuous improvement initiatives;
 - Assessment and management of financial risks including the risks of non-payment or delayed payment;
 - Management of other significant risks e.g. risk of loss of institutional knowledge;
 - Timeliness, completeness and veracity of risk management reporting to Management Team and Audit and Risk Committee for risk management purposes;

Governance

- ✓ Processes that ensure Development Contributions are complete and applied as intended
 - Criteria, and rationale for inclusion of Programmes in charges, and documentation thereof;
 - Processes and controls to ensure completeness of charging;
 - Process if a Project in the Policy does not proceed;
- ✓ Other Relevant Governance controls and processes
 - Other expected controls are in place e.g. full description and transparency within the Policy, documentation of reasons for decision making, segregation of duties where necessary, Code (s) of Conduct, independent hearing of objections;
 - Documentation and veracity of assumptions re units of demand;
- ✓ Any other matters relating to the objective.

Out of Scope

- ✓ Legislative compliance in drafting the Policy, consultation and engagement

- ✓ Disaster recovery and back up of database, IT general controls
- ✓ Grants to pay Development Contributions to Community Groups
- ✓ Content of the Development Contribution's Policy
- ✓ Process for developing the Policy
- ✓ Extensive compliance or substantive testing beyond that necessary to reasonably meet the objective.

1.4 Approach

Our approach was to:

- Review the systems for implementing the Development Contributions Policy.
- Identify gross risks and constraints to achieving Policy objectives and in implementing the Policy;
- Identify key internal control processes. With management establish criteria for evaluating performance of controls (e.g. authorised, timely, complete, accurate, reliable, transparent, documented, efficient and effective);
- Interview staff and review documentation;
- Complete walk throughs. Review a sample of Subdivision, Building Consents, New Connections to ensure that Development Contributions have been billed, followed up as necessary;
- Review documentation of engineering assumptions for a sample of Projects included in the Policy.

We interviewed the following staff:

Officer

- | | |
|--|--------------------------------------|
| • General Managers - City Future (Sponsor) | • Monitoring and Enforcement Officer |
| • City Planning Manager(City Future) | • Head of Support Services |
| • Policy Planner (City Future) | • Business Support Officer |
| • Head of Planning Services (Customer | • Financial Accountant |
| • Senior Planner (Customer Services) | • Corporate Accountant |
| • Planning Officer x 2 (Customer Services) | • Special Project Manager. |

1.5 Limitations of Approach

We have carried out this audit in compliance with the International Standards for the Professional Practice of Internal Auditing. We relied on the information provided by staff we interviewed, supported where possible by cross checking, observation and documentation. For completeness, all our findings falling within scope are reported and assessed as Low to High risk using professional judgement. Our analysis of controls was based on comparison of the condition of our sample against the criteria, the causes of the condition found and the consequences, if left unaddressed.

We thank staff for their assistance and cooperation during this review.

2. Summary of Issues

Recommendation	High	Medium	Low
<p>1. Incorrect calculation of Development Contribution due to not setting charge at date Resource Consent granted</p> <p>a) Train staff about the date to use to determine applicable Development Contribution Policy.</p> <p>b) Update Development Contribution Calculation Form to use the correct date.</p> <p>c) For unpaid Development Contributions determine the extent of the miscalculations due to incorrect Policy or incorrect base year adjustment and recalculate the charges correctly.</p> <p>d) Refer to issues 13-15 below relating to other aspects of the checking control.</p>		✓	
<p>2. Lessons learned promptly acted on, but further mitigating actions not yet completed</p> <p>a) Complete actions to clarify meaning of the 'Integrated Network'.</p> <p>b) Establish an allocation methodology to inform the growth component of capital works programmes.</p> <p>c) Use the findings in (a) to see if there is merit in using a catchment based approach to allocating Development Contributions for certain types of infrastructure where the benefit is to a discrete area rather than to the whole of the city.</p>		✓	
<p>3. Lack of documentation supporting methodology to allocate costs of capital works programmes to growth</p> <p>a) Identify instances of cost allocations without documentation.</p> <p>b) If reliable documentation of cost allocation decisions is not available the costing should be reworked and documented.</p>		✓	
<p>4. No risk control plan regarding loss of key staff</p> <p>a) Document transparently for all projects in the 2018 Development Contributions Policy both the methodology for costing estimates and the allocation to growth.</p> <p>b) Provide further opportunities for asset Engineers to develop their understanding of the Development Contribution Policy sufficient to present evidence in a hearing or Court case. E.g. by sharing information, shadowing, mentoring, and training.</p>		✓	

<p>5. Costing model – Management Team Policy (MT86) Management of Information Policy not followed, lack of data security or Deskfile</p> <p>a) Complete the Deskfile for the costing model. b) Complete the project to move data from the computer system shared 'U' Drive to Oasis document management system. c) Set security permissions to the model spreadsheets to permit staff access on an as needed basis.</p>		✓	
<p>6. Duplicate systems to monitor payment of Development Contributions</p> <p>a) Add the development of a more efficient process for monitoring the payment of Development Contributions to Customer Services Projects Improvement List and complete the improvement.</p>		✓	
<p>7. Opportunity for innovation prior to move to online services</p> <p>a) Consider introducing early innovations such as an online estimated Development Contribution calculator.</p>		✓	
<p>8. Delegation to approve the postponement of Development Contributions not clear</p> <p>a) Refer this issue to the Delegations Review project and update the Delegations Manual accordingly.</p>	✓		
<p>9. No Process in place for identifying and collecting Development Contributions at new service connection stage</p> <p>a) Put a process in place to ensure that if a Development Contribution is owed a new service connection is not authorised.</p>		✓	
<p>10. Policy update in process in light of experience with implementing Policy for Dependant Dwelling Units</p> <p>a) Complete the District Plan change process that will correct this anomaly.</p>			✓

<p>11. Incorrect interpretation of Development Contributions Policy</p> <p>a) Ensure a review by a second person is made and evidenced of the calculation of Development Charges (See also issue15).</p> <p>b) Include with training (refer issue 1 a).</p> <p>c) In future collect the Development Contributions at the earliest opportunity.</p>			✓
<p>12. Gap in controls relating to fraud mitigation</p> <p>a) Support Services should 'Snip' a copy of the receipt screen showing the direct credit and attach it to the processing sheet similar to the process for cash receipts.</p>			✓
<p>13. Process not being completed to link Development Contribution calculation sheets to Ozone(Council's financial and modular accounting system) record</p> <p>a) Ensure the Metadata links are always entered on completion of the Development Contribution Calculation Sheet.</p> <p>b) The checking and review process should be reviewed to include the linking aspect.</p> <p>c) Make the links for those missing in the sample.</p>			✓
<p>14. Correct policy was on the PNCC website, but there was an error in the Table</p> <p>a) Publish the accurate Table on the PNCC website.</p> <p>b) Review the calculations of Development Contributions for Zone C since the two versions of the Development Contributions Policy were published on the PNCC website in July 2015.</p>			✓
<p>15. Risk of unknown basis and reliability for costing of Projects</p> <p>a) Document transparently in Programme Planning Information (PPIs) as the basis for the costing estimate (such as what the basis is, assumptions made, what kind of estimate, internally generated or consultant).</p> <p>b) In an appropriate form in the PPI, provide an assessment of the reliability of the cost estimate and the factors that could influence it.</p>		✓	

3. Detailed Findings & Recommendations

Audit Issue	Risk	Recommendation	Management Comment
<p>1. Incorrect calculation of Development Contribution due to not setting charge at date Resource Consent granted</p> <p>Criteria</p> <p>The Development Contribution charges should be calculated using the PNCC Development Contributions Policy applicable at the date the consent was granted (s202 1 (b) Local Government Act (LGA02)).</p> <p>Condition</p> <p>There was evidence that staff calculating Development Contributions did not know what year's Development Policy to correctly apply to determine the Development contribution charge. Some staff used the date the application was received and others used the date the calculation was processed. The date to use was the date the consent was granted.</p> <p>Causes</p> <p>A lack of familiarity with the LGA2002 requirement.</p> <p>The checklist used to guide staff through the calculation process did not include the requirement to record the date that the consent was granted it used the processing date. This was potentially confusing.</p> <p>Lack of a robust checking process (recently introduced).</p> <p>Consequences</p>	<p>Medium</p>	<p>Management should:</p> <ul style="list-style-type: none"> a) Train staff about the date to use to determine applicable Development Contribution Policy. b) Update Development Contribution Calculation Form to use the correct date. c) For unpaid Development Contributions determine the extent of the miscalculations due to incorrect Policy or incorrect base year adjustment and recalculate the charges correctly. d) Refer to issues 13-15 below relating to other aspects of the checking control. <p>Responsibility: Head of Planning Services (Customer Services)</p> <p>Timing: Before end of March 2017</p>	<ul style="list-style-type: none"> a) and b) Agree and will implement training and changes to form. c) Agree and will implement. As Development Contributions come up for recalculation this will be factored in. d) Noted.

Audit Issue	Risk	Recommendation	Management Comment
<p>Development Contributions that have been paid cannot be recalculated. There are no remaining Development Contributions from the period of the revisions of the policy in July 2012 or 2015 that are not now paid or recalculated using the increase in the Producers Price Index. The date of the recalculation could be incorrect for those not yet paid, but were processed during the periods the policy was revised.</p>			
<p>2. Lessons learned promptly acted on, but further mitigating actions not yet completed</p> <p>Criteria</p> <p>Lessons learned about the implementation of the Development Contributions Policy 2015 should be acted on.</p> <p>Condition</p> <p>Consideration of the operation of the Policy has indicated a need to provide a clearer definition of the 'Integrated Network', to provide for the 'ring fencing' of growth assets in localities following boundary adjustments (such as Ashurst, Longburn or Bunnythorpe) and to provide clear and consistent business rules (allocation methodology) to use when setting the growth component of capital works programmes.</p> <p>This work has commenced (September 2016).</p> <p>Causes</p> <p>Further mitigating actions are not yet completed.</p> <p>Consequences</p> <p>Fewer objections may be triggered if the Policy is clearer.</p>	Medium	<p>Management should:</p> <ul style="list-style-type: none"> a) Complete actions to clarify meaning of 'Integrated Network'. b) Establish an allocation methodology to inform the growth component of capital works programmes. c) Use the findings in (a) to see if there is merit in using a catchment based approach to allocating development contributions for certain types of infrastructure where the benefit is to a discrete area rather than to the whole of the city. <p>Responsibility: Policy Planner (City Future)</p> <p>Timing Before end of June 2017</p>	<p>a),b),c). Agree and started. A consultant has been employed to complete this task. These actions will be completed in time to incorporate in the review of asset management plans due to be completed end of August 2017.</p>

Audit Issue	Risk	Recommendation	Management Comment
<p>3. Lack of documentation supporting methodology to allocate costs of capital works programmes to growth</p> <p>Criteria</p> <p>There should be work papers of the methodology to allocate costs of capital works programmes to growth used in the Development Contributions Policy.</p> <p>Not all the cost of an asset will be growth related some may be for an increased level of service to existing users.</p> <p>Condition</p> <p>We interviewed representative asset managers concerning documentation of the share of the cost of growth assets. The quality of supporting information for decisions was varied. The issues were:</p> <ul style="list-style-type: none"> ○ In some examples there was no written record of the reasons for the size of the share. ○ For some there were historically determined shares that were coarser than current methods. ○ In complex situations engineering judgement was used supported by relevant data such as peak flows. The methods used were not necessarily consistent. ○ Not all staff who needed to be aware of the applicable requirements were fully aware. <p>Causes</p> <p>There were no documented business rules.</p> <p>Consequences</p> <p>Staff could leave without documenting decisions making recalculation</p>	Medium	<p>Management should:</p> <ul style="list-style-type: none"> a) Identify instances of cost allocations without documentation. b) If reliable documentation of cost allocation decisions is not available the costing should be reworked and documented. <p>Responsibility: General Manager City Networks</p> <p>Timing: Before end of August 2017</p>	<ul style="list-style-type: none"> a) and b) Agree and will implement This will be carried out when the methodology is completed (refer to issue 2).

Audit Issue	Risk	Recommendation	Management Comment
necessary.			
<p>4. No risk control plan regarding loss of key staff</p> <p>Criteria</p> <p>There should be sufficient expertise to complete the Development Contribution processes and to be able to present evidence effectively at objections or in court.</p> <p>Condition</p> <p>Information about the detailed operation of the Integrated Network and understanding of the Development Contributions Policy in depth was possessed by a limited number of hard to replace staff. Senior staff had identified this risk, and noted it was not yet fully addressed e.g. initiatives to share knowledge may not be taken up.</p> <p>Causes</p> <p>There were limited opportunities for staff engagement with the Policy, especially engineers. Sometimes external consultants advised on the Policy as internal staff could lack the expertise or available time to complete the required work. Busy staff might not see the significance of initiatives such as information circulated for educational purposes.</p> <p>Consequences</p> <p>Expertise may be lost making it harder to administer the Development Contributions Policy and to defend objections or in court.</p>	Medium	<p>Management should:</p> <p>a) Document transparently both the methodology for costing estimates and the allocation to growth.</p> <p>b) Provide further opportunities for asset Engineers to develop their understanding of the Development Contribution Policy sufficient to present evidence in a hearing or Court case. E.g. by sharing information, shadowing, mentoring, and training.</p> <p>Responsibility: General Manager City Networks</p> <p>Timing Ongoing</p>	<p>a) Agree and will implement. Good documentation of methodologies in costing and allocation of costs to growth will lower the risk of loss of institutional knowledge. This will be included in the newly introduced Planning Programme Template (PPI) by City Networks. Accordingly there is not a reliance on the loss of key staff. (Refer also to issues 2, 3 & 6).</p> <p>b) Partially agree. While there is a reliance on key staff for evidence in Court if not available or not experienced we will seek external support.</p>

Audit Issue	Risk	Recommendation	Management Comment
<p>5. Costing model – MT86 Management of Information Policy not followed, lack of data security or Deskfile</p> <p>Criteria</p> <p>Complex processes should normally be documented for new staff in a Desk file. Management of Information Policy (MT86) should be followed. Staff not required to update the costing model should not have permissions to change data or formula supporting the Development Contribution calculations.</p> <p>Condition</p> <p>The costing model was stored on the computer system shared 'U' Drive not in Oasis document management system, as required by the Management of Information Policy (MT86). Aspects of the costing model were not documented in a Deskfile.</p> <p>Cause</p> <p>The costing model was stored historically on the shared 'U' drive. This was because the links in the spreadsheet to the Data Warehouse broke if the spreadsheet was moved to Oasis document management system. This is no longer the case (except for some spreadsheets that may be linked to external data sources).</p> <p>Consequence</p> <p>Costing data may be changed (by accident or intentionally) affecting the integrity of the Development Contributions Policy by those with access to the shared 'U' Drive (Finance staff). Knowledge of how the costing model works may be lost if staff change or if other staff or managers unfamiliar with it wish to use or review it. It may be hard to locate the model.</p>	Medium	<p>Management should:</p> <p>a) Complete a Desk file for the costing model.</p> <p>b) Complete the project to move data from the computer system shared, 'U' Drive to Oasis document management system.</p> <p>c) Set security permissions to permit staff access on an as needed basis.</p> <p>Responsibility: Corporate Accountant</p> <p>Timing Before end of April 2017</p>	<p>a) Agree and will implement. The model requires an analyst with sufficient Excel and maths logic skills to self-follow the source of each calculation, but some notes will be added to the spreadsheet.</p> <p>b) Agree and will implement. Model could be moved to OASIS however it does contain links to the Backworks Register. We will test testing prior to finalising the move.</p> <p>c) Agree and will implement. We will test first.</p>

Audit Issue	Risk	Recommendation	Management Comment
<p>6. Duplicate systems to monitor payment of Development Contributions</p> <p>Criteria</p> <p>A single Database solution is preferable to spreadsheet systems.</p> <p>Condition</p> <p>A spreadsheet system was used to monitor the payment of Development Contributions in order that a Code Compliance Certificate for a Building Consent or a (s224) certificate for a Subdivision consent was not issued before the Development Contribution was paid. All the data in the spreadsheet system is also being entered in fields in the Ozone Financial Database.</p> <p>Causes</p> <p>Staff were not able to get the required reporting easily from Ozone and so a work around was used.</p> <p>Consequence</p> <p>The process is inefficient because the data is being entered into two systems. Data integrity is less in a spreadsheet than a database.</p>	Medium	<p>Management should:</p> <p>a) Add the development of a more efficient process for monitoring the payment of Development Contributions to Customer Services Projects Improvement List.</p> <p>Responsibility: Head of Support Services</p> <p>Timing: Before end May 2017</p>	<p>a) Agree and will implement.</p>
<p>7. Opportunity for innovation prior to move to online services</p> <p>Criteria</p> <p>Provide innovative services to meet public expectations in accordance with the Council's values statement.</p> <p>Condition</p>	Medium	<p>Management should:</p> <p>a) Consider introducing early innovations such as an online estimated Development Contribution calculator.</p> <p>Responsibility: General Manager Customer Services</p>	<p>a) Agree to consider the options. The calculation of Development Contributions is more complex for Industrial Zones, but could be set up. There is a risk that the data input is incorrect rendering the</p>

Audit Issue	Risk	Recommendation	Management Comment
<p>There is a project in Customer Services Unit to provide customers an option for online Building Consent applications. There could be a future project for online Planning applications including Development Contributions. Some Councils provide an online calculator for Development Contributions.</p> <p>Causes</p> <p>Staff believed that a calculator would pose unacceptable risks.</p> <p>Consequence</p> <p>Development opportunities are not facilitated.</p>		Timing: Before end of June 2018	calculation unreliable, so appropriate caveats will be stated concerning the reliability to be placed on the result.
<p>8. Delegation to approve the postponement of Development Contributions not clear</p> <p>Criteria</p> <p>Delegations manual and other Council Policies should be consistent and clear. Officers should follow delegations and Council Policies and refer any difficulties in relation to the facts of the case to the Council for decision. (Council 23rd November 2015).</p> <p>Condition</p> <p>An Officer is delegated in the Development Contributions Policy 2015 to authorise the postponement of a Development Contribution in accordance with the criteria in the Policy, but no such delegation was set specifically in the Delegations Manual. For clarity, the Delegations manual should follow the policy.</p> <p>Causes</p> <p>The Policy itself had limited circumstances where a postponement could be granted, so this authority had not yet been required.</p>	High	<p>Management should:</p> <p>b) Refer this issue to the Delegations Review project and update the Delegations Manual accordingly.</p> <p>Responsibility: Business Development Executive.</p> <p>Timing: Before end of March 2017</p>	a) Agree and will implement.

Audit Issue	Risk	Recommendation	Management Comment
<p>Consequence</p> <p>Authority for making decisions concerning postponement could be unclear. A delegation could be inadvertently exceeded.</p>			
<p>9. No Process in place for identifying and collecting Development Contributions at new connection stage</p> <p>Criteria</p> <p>S198 1 (c) LGA02 states that a Development Contribution can be collected: when a Resource Consent is granted; when a building consent is granted; or authorisation for a new service connection is made.</p> <p>Condition</p> <p>The organisation did not have a process to check if a Development Contribution was payable at the new service connection stage. An example of when this scenario could occur would be if a Subdivision Consent was granted and Building Consent was granted and the Development Contributions was paid, but there is an existing septic tank. If there is no process at new connection stage it could be harder to enforce the payment of the Development Contribution when upgrading from a septic tank to the wastewater network.</p> <p>Causes</p> <p>Historically there was a decision concerning the problematic authority to collect Development Contributions at the new connection stage. However the Development Contributions Policy had since been reviewed to close the loop hole. The service connection process had not been updated to reflect the new situation.</p>	<p>Medium</p>	<p>Management should:</p> <p>a) Put a process in place to ensure that if a Development Contribution is owed a new service connection is not authorised.</p> <p>Responsibility: Head of Support Services</p> <p>Timing: Completed.</p>	<p>a) Completed and the Asset Engineer advised of the Revised Policy. The number of situations with no resource consent or Building consent is very rare.</p>

Audit Issue	Risk	Recommendation	Management Comment
<p>Consequence</p> <p>There could be situations where it was necessary to impose a Statutory Land Change to enforce a Development Contribution at a small extra cost and delay.</p>			
<p>10. Policy update in process in light of experience with implementing Policy for Dependant Dwelling Units</p> <p>Criteria</p> <p>Development contributions Policy should collect Development Contributions for additional units of demand.</p> <p>Condition</p> <p>Under the Development Contributions Policy 2015, a Dependant Dwelling unit 'Granny Flat' is exempt from a Development Contribution while the flat was occupied. A Development Contribution only becomes payable on the death of the occupant unless the Granny Flat was absorbed back into the original property or demolished, or the Granny flat was sub divided off.</p> <p>Causes</p> <p>The 2015 Development Contributions Policy granted a concession for Dependant Dwelling Units, which is being amended by a District Plan change relating to Minor Dwelling Units.</p> <p>Consequence</p> <p>Although Granny flats can create a unit of demand, on occasions no Development Contribution was collected under the existing Policy.</p>	Low	<p>Management should:</p> <p>a) Complete the District Plan change process that will correct this anomaly.</p> <p>Responsibility: City Planning Manager</p> <p>Timing: Before end of June 2016</p>	<p>a) This is underway.</p>

Audit Issue	Risk	Recommendation	Management Comment
<p>11. Incorrect interpretation of Development Contributions Policy</p> <p>Criteria</p> <p>When making decisions about the application of the Development Contributions Policy care should be taken to apply the policy as intended.</p> <p>Condition</p> <ul style="list-style-type: none"> ○ We found that a property with two new lots and two new waste water connections was only charged for one Development Contribution in respect of those connections. ○ We found a decision to grant a Code Compliance Certificate for a Building Consent without collecting a Development Contribution. <p>Causes</p> <p>The two new connections fed only one lateral connection to the reticulated system and the applicant, 'had been given the benefit of the doubt.'</p> <p>Regarding ii the development occurred in the reverse order to that usually encountered. Staff believed that the Development Contribution could not be collected pending the resolution of the objection. Further the Development Contribution will be collected at (s224).</p> <p>Consequences</p> <p>Revenue could be lost to the Council. A charge once paid cannot be recalculated.</p> <p>The opportunity to collect a Development Contribution at Building Consent stage was lost with a risk that the (s224) application does not proceed making recovery action difficult.</p>	Low	<p>Management should:</p> <ul style="list-style-type: none"> a) Ensure a review by a second person is made and evidenced of the calculation of Development Charges <p>(See also issue15).</p> <ul style="list-style-type: none"> b) Include with training (refer issue 1 a). c) In future collect the Development Contributions at the earliest opportunity. <p>Responsibility: Head of Planning Services</p> <p>Timing: Before end of March 2017</p>	<ul style="list-style-type: none"> a) Completed. b) See comments above. c) Agree.

Audit Issue	Risk	Recommendation	Management Comment
<p>12. Gap in controls relating to fraud mitigation</p> <p>Criteria</p> <p>There should be no opportunity for a s224 Subdivision Certificate to be approved without the Development Contribution being paid at the correct invoiced amount. Opportunities for a staff to show favouritism in administering the Policy should be minimised.</p> <p>Condition</p> <p>When granting a Code Compliance Certificate for a Building Consent, the Development Contribution calculation sheet was checked against the payment receipt, using Ozone financial system (receipting module), by at least two people. However, in the case of the approval of a s224 Subdivision certificate the check of the payment receipt by a second person only applied where a receipt could be printed and put on the file. There was no second check if the receipt was from a payment by a direct credit. In this situation, the receipt number was entered on the supporting paper work provided to the reviewer, but the payment receipt was not routinely confirmed.</p> <p>Causes</p> <p>A lack of fraud awareness at the time of process design.</p> <p>Consequence.</p> <p>Consequences</p> <p>A s224 Subdivision Certificate could be issued on assurance the payment had been received when in fact it had not been or the payment was made for a lesser amount. We completed random checking to gain assurance that this was not the case.</p>	Low	<p>Management should:</p> <p>a) Support Services should 'Snip' a copy of the receipt screen showing the direct credit and attach it to the processing sheet similar to the process for cash receipts.</p> <p>Responsibility: Head of Support Services</p> <p>Timing: Completed.</p>	<p>a) Completed.</p>

Audit Issue	Risk	Recommendation	Management Comment
<p>13. Process not being completed to link Development Contribution calculation sheets to Ozone record</p> <p>Criteria</p> <p>When filing the Development Contribution Calculation Sheet the metadata must be correctly entered in Oasis or the link to the master Ozone (financial and modular system) consent record will not be made.</p> <p>Condition</p> <p>We found more than 3 unlinked calculation sheets in our sample of 20 Development Contributions.</p> <p>Causes</p> <p>Staff were not following the correct process to link the calculation sheets. The process was manual. The checking and review process was new.</p> <p>Consequences</p> <p>Users waste time searching for documents. Management review is harder than necessary. Records are in multiple files.</p>	Low	<p>Management should:</p> <p>a) Ensure staff always enters the Metadata links on completion of the Development Contribution calculation Sheet.</p> <p>b) The checking and review process should be reviewed to include the linking aspect.</p> <p>c) Make the links to those missing in our sample.</p> <p>a),b) Responsibility: Head of Planning Services</p> <p>Timing Before end of March 2017</p> <p>c) Responsibility: Head of Support Services</p> <p>Timing: Completed</p>	<p>a) and b), Agree and will implement through training with staff on above (refer issue 1).</p> <p>c) Completed.</p>
<p>14. Correct policy was on the PNCC website, but there was an error in the Table</p> <p>Criteria</p> <p>Information on the PNCC website should be accurate.</p> <p>The two Development Contributions Policies 2015 published on the PNCC website had two different Tables (noted December 2016 page 24 2015 Development Contributions Policy refers). One had a Wastewater</p>	Low	<p>Management should:</p> <p>a) Publish the accurate Table PNCC website.</p> <p>Responsibility: Policy Planner (City Future)</p> <p>b) Review the calculations of Development Contributions for Zone C since the two versions of the Development</p>	<p>a) Completed.</p> <p>b) Agree this should be completed for the applicable properties in Ashhurst if any.</p>

Audit Issue	Risk	Recommendation	Management Comment
<p>Development Contributions charge for Zone C, but the other (2015 Base Fees) did not. Two copies are published to distinguish the 2015 Development contributions policy from the sequencing of each year's Producers Prices Index adjustments that includes the 2015 policy as a base year.</p> <p>The Planning staff, who calculate Development Contributions charges, use the Policy on the website to calculate the charges.</p> <p>Causes</p> <p>This was an administrative oversight. The staff who were responsible for publication were aware that this had occurred, but mistakenly thought that action had been taken to replace the inaccurate Table.</p> <p>Consequences</p> <p>There is a risk that some charges were made for Zone C during the period in question.</p>		<p>Contributions Policy were published on the PNCC website in July 2015.</p> <p>Responsibility: General Manager Customer Services</p> <p>Timing: Before end of March 2017</p>	

Audit issue affecting both Asset Management Planning and Development Contributions Policy

Audit Issue	Risk	Recommendation	Management Comment
<p>15. Risk of unknown basis and reliability for costing of Projects</p> <p>Criteria</p> <p>It was important to setting and defending the Development Contributions Policy against objections to know the reliability of the cost estimate. Costing methods to determine the cost of projects in the asset management plans that feed the 10 Year Plan and Development Contribution Policy should be</p>	Medium	<p>Management should:</p> <p>a) Document transparently the basis for the costing estimate (such as what the basis is, assumptions made, what kind of estimate, internally generated or consultant).</p>	<p>a) Agree and will implement. The basis of estimating for capital projects should be well documented as a part of the Programme Planning Information (PPI). It is important to know if the</p>

Audit Issue	Risk	Recommendation	Management Comment
<p>transparent.</p> <p>Condition</p> <p>Different costing methods could be used depending on the type of project, the type of costs, the level of previous experience with the type of asset, and how far into the future the project was. If professional methodologies could vary it was important that the methods are documented transparently e.g. NZ Transport Authority provided a manual for guidance in estimating roading project costs.</p> <p>Causes</p> <p>There was a lack of documentation of techniques and assumptions for cost estimates.</p> <p>Consequences</p> <p>If staff leave the method to arrive at the cost and the reliability of the estimate would be unknown.</p>		<p>b) In an appropriate form, provide an assessment of the reliability of the cost estimate and the factors that could influence it.</p> <p>Responsibility: Special Projects Manager</p> <p>Timing Ongoing</p>	<p>costing is: conceptual estimate; a preliminary estimate; or a detailed design estimate.</p> <p>b) This information is to be provided in the PPI sheet for each programme.</p>