



PALMERSTON NORTH CITY COUNCIL

AGENDA

AUDIT AND RISK COMMITTEE

9AM, MONDAY 19 AUGUST 2019
COUNCIL CHAMBER, FIRST FLOOR, CIVIC ADMINISTRATION BUILDING
32 THE SQUARE, PALMERSTON NORTH



MEMBERSHIP

Vaughan Dennison (Chairperson)
Bruno Petrenas (Deputy Chairperson)
Grant Smith (The Mayor)

Susan Baty
Adrian Broad
Gabrielle Bundy-Cooke

Lew Findlay QSM
Jim Jefferies
Lorna Johnson

Agenda items, if not attached, can be viewed at:

pncc.govt.nz | Civic Administration Building, 32 The Square
City Library | Ashhurst Community Library | Linton Library

Heather Shotter
Chief Executive, Palmerston North City Council

Palmerston North City Council

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Private Bag 11034, 32 The Square, Palmerston North



AUDIT AND RISK COMMITTEE MEETING

19 August 2019

ORDER OF BUSINESS

NOTE: The Audit and Risk Committee meeting coincides with the ordinary meeting of the Finance and Performance Committee. The Committees will conduct business in the following order:

- Finance and Performance Committee
- Audit and Risk Committee

1. Apologies

2. Notification of Additional Items

Pursuant to Sections 46A(7) and 46A(7A) of the Local Government Official Information and Meetings Act 1987, to receive the Chairperson's explanation that specified item(s), which do not appear on the Agenda of this meeting and/or the meeting to be held with the public excluded, will be discussed.

Any additions in accordance with Section 46A(7) must be approved by resolution with an explanation as to why they cannot be delayed until a future meeting.

Any additions in accordance with Section 46A(7A) may be received or referred to a subsequent meeting for further discussion. No resolution, decision or recommendation can be made in respect of a minor item.

3. Declarations of Interest (if any)

Members are reminded of their duty to give a general notice of any interest of items to be considered on this agenda and the need to declare these interests.

4. Public Comment

To receive comments from members of the public on matters specified on this Agenda or, if time permits, on other Committee matters.

(NOTE: If the Committee wishes to consider or discuss any issue raised that is not specified on the Agenda, other than to receive the comment made or refer it to the Chief Executive, then a resolution will need to be made in accordance with clause 2 above.)

5. Confirmation of Minutes

Page 7

“That the minutes of the Audit and Risk Committee meeting of 6 May 2019 Part I Public be confirmed as a true and correct record.”

6. Business Assurance Framework and Business Assurance 2019/20 Plan

Page 13

Memorandum, presented by Vivian Watene - Senior Internal Auditor.

7. Internal Audit Annual Report 2018/19

Page 39

Memorandum, presented by Vivian Watene - Senior Internal Auditor.

8. New Audit - Fixed Assets Management Process

Page 83

Memorandum, presented by Vivian Watene - Senior Internal Auditor.

9. Business Assurance Charter

Page 89

Memorandum, presented by Vivian Watene - Senior Internal Auditor.

10. Health and Safety – April – June 2019

Page 99

Memorandum, presented by Wayne Wilson - Human Resources Manager.

11. Surveillance in Public Space in the City

Page 107

Memorandum, presented by John Annabell - Legal Counsel.

12. Risk Report Q1 2019-20 Page 109

Memorandum, presented by Miles Crawford - Risk Manager.

13. Business Continuity Report Q1 2019-20 Page 115

Memorandum, presented by Miles Crawford - Risk Manager.

14. AMP Update - Water Asset Management Planning Page 119

Memorandum, presented by Robert van Bentum, Manager - Transport & Infrastructure.

15. Committee Work Schedule Page 135

16. Exclusion of Public

To be moved:

“That the public be excluded from the following parts of the proceedings of this meeting listed in the table below.

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

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under Section 48(1) for passing this resolution

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 the relevant part of the proceedings of the meeting in public as stated in the above table.

Also that the persons listed below be permitted to remain after the public has been excluded for the reasons stated.

Chief Executive (Heather Shotter), Chief Financial Officer (Grant Elliott), Chief Infrastructure Officer (Tom Williams), Acting General Manager – Strategy and Planning (David Murphy), General Manager - Community (Debbie Duncan), Chief Customer and Operating Officer (Chris Dyhrberg), General Manager - Marketing and Communications (Sacha Haskell), Sandra King (Executive Officer) because of their knowledge and ability to provide the meeting with advice on matters both from an organisation-wide context (being members of the Council's Executive Leadership Team) and also from their specific role within the Council.

Legal Counsel (John Annabell), because of his knowledge and ability to provide the meeting with legal and procedural advice.

Committee Administrators (Penny Odell, Carly Chang and Natalya Kushnirenko), because of their knowledge and ability to provide the meeting with procedural advice and record the proceedings of the meeting.

[Add Council Officers], because of their knowledge and ability to assist the meeting in speaking to their report and answering questions, noting that such officer will be present at the meeting only for the item that relate to their respective report.

[Add Third Parties], because of their knowledge and ability to assist the meeting in speaking to their report/s [or other matters as specified] and answering questions, noting that such person/s will be present at the meeting only for the items that relate to their respective report/s [or matters as specified].

PALMERSTON NORTH CITY COUNCIL

Minutes of the Audit and Risk Committee Meeting Part I Public, held in the Council Chamber, First Floor, Civic Administration Building, 32 The Square, Palmerston North on 06 May 2019, commencing at 9.00am

- Members Present:** Councillor Vaughan Dennison (in the Chair), The Mayor (Grant Smith) and Councillors Susan Baty, Adrian Broad, Lew Findlay QSM, Jim Jefferies, Lorna Johnson and Bruno Petrenas.
- Non Members:** Councillors Brent Barrett, Rachel Bowen, Leonie Hapeta, Duncan McCann, Karen Naylor and Tangi Utikere.
- Apologies:** Councillor Gabrielle Bundy-Cooke and The Mayor (Grant Smith) (early departure on Council Business)

The Mayor was not present when the meeting resumed at 2.45pm. He was not present for clauses 10 to 18 inclusive.

Councillor Tangi Utikere entered the meeting at 2.58pm during consideration of clause 12. He was not present for clauses 10 to 11 inclusive.

Councillor Duncan McCann left the meeting at 2.47pm during consideration of clause 11. He entered the meeting again at 3.00pm after the consideration of clause 11. He was not present for clause 11.

Councillor Duncan McCann left the meeting at 3.45pm during consideration of clause 16. He entered the meeting again at 3.48pm after the consideration of clause 16. He was not present for clause 16.

9-19 Apologies

Moved Vaughan Dennison, seconded Duncan McCann.

The COMMITTEE RESOLVED

1. That the Committee receive the apologies.

Clause 9-19 above was carried 14 votes to 0, the voting being as follows:

For:

The Mayor (Grant Smith) and Councillors Brent Barrett, Susan Baty, Rachel Bowen, Adrian Broad, Vaughan Dennison, Lew Findlay QSM, Leonie Hapeta, Jim Jefferies, Lorna Johnson, Duncan McCann, Karen Naylor, Bruno Petrenas and Tangi Utikere.

The meeting adjourned at 9.02am
The meeting resumed at 2.45pm

When the meeting resumed The Mayor (Grant Smith) and Councillor Tangi Utikere were not present

10-19 Confirmation of Minutes

Moved Vaughan Dennison, seconded Bruno Petrenas.

The COMMITTEE RESOLVED

1. That the minutes of the Audit and Risk Committee meeting of 18 February 2019 Part I Public be confirmed as a true and correct record.

Clause 10-19 above was carried 12 votes to 0, the voting being as follows:

For:

Councillors Brent Barrett, Susan Baty, Rachel Bowen, Adrian Broad, Vaughan Dennison, Lew Findlay QSM, Leonie Hapeta, Jim Jefferies, Lorna Johnson, Duncan McCann, Karen Naylor and Bruno Petrenas.

Councillor Duncan McCann left the meeting at 2.47pm

11-19 Health and Safety Report Jan - Mar 2019

Memorandum, dated 29 April 2019 presented by the Human Resources Manager, Wayne Wilson.

Moved Vaughan Dennison, seconded Leonie Hapeta.

The COMMITTEE RESOLVED

1. That the Audit and Risk Committee note the information contained within the memorandum titled 'Health and Safety Report Jan – Mar 2019' dated 29 April 2019.

Clause 11-19 above was carried 11 votes to 0, the voting being as follows:

For:

Councillors Brent Barrett, Susan Baty, Rachel Bowen, Adrian Broad, Vaughan Dennison, Lew Findlay QSM, Leonie Hapeta, Jim Jefferies, Lorna Johnson, Karen Naylor and Bruno Petrenas.

Councillor Tangi Utikere entered the meeting at 2.58pm
Councillor Duncan McCann entered the meeting at 3.00pm

12-19 Surveillance in Public Space in the City

Report, dated 5 April 2019 presented by the Legal Counsel, John Annabell.

Moved Vaughan Dennison, seconded Leonie Hapeta.

The COMMITTEE RESOLVED

1. That the memorandum titled "Surveillance in Public Space in the City"

dated 5 April 2019, be noted and be received for information.

Clause 12-19 above was carried 13 votes to 0, the voting being as follows:

For:

Councillors Brent Barrett, Susan Baty, Rachel Bowen, Adrian Broad, Vaughan Dennison, Lew Findlay QSM, Leonie Hapeta, Jim Jefferies, Lorna Johnson, Duncan McCann, Karen Naylor, Bruno Petrenas and Tangi Utikere.

13-19

Risk Management Progress YTD March 2019

Memorandum, dated 12 April 2019 presented by the Risk Manager, Miles Crawford.

Moved Vaughan Dennison, seconded Bruno Petrenas.

The **COMMITTEE RESOLVED**

1. That the Committee note developments for risk reporting to the Audit and Risk Committee and Management's progress made to the strategic and operational risk profiles.

Clause 13-19 above was carried 13 votes to 0, the voting being as follows:

For:

Councillors Brent Barrett, Susan Baty, Rachel Bowen, Adrian Broad, Vaughan Dennison, Lew Findlay QSM, Leonie Hapeta, Jim Jefferies, Lorna Johnson, Duncan McCann, Karen Naylor, Bruno Petrenas and Tangi Utikere.

14-19

AMP Update - Property Asset Management Planning

Memorandum, dated 29 March 2019 presented by the Property Manager, Bryce Hosking and the Asset and Planning Manager, Jono Ferguson-Pye.

Moved Vaughan Dennison, seconded Leonie Hapeta.

The **COMMITTEE RESOLVED**

1. That the Audit and Risk Committee receives the memorandum titled "AMP Update – Property Asset Management Planning" dated 29 March 2019.

Clause 14-19 above was carried 13 votes to 0, the voting being as follows:

For:

Councillors Brent Barrett, Susan Baty, Rachel Bowen, Adrian Broad, Vaughan Dennison, Lew Findlay QSM, Leonie Hapeta, Jim Jefferies, Lorna Johnson, Duncan McCann, Karen Naylor, Bruno Petrenas and Tangi Utikere.

15-19

AMP Update - Wastewater Asset Management Planning

Memorandum, dated 29 April 2019 presented by the Transport & Infrastructure Manager, Robert van Bentum.

Moved Vaughan Dennison, seconded Bruno Petrenas.

The **COMMITTEE RESOLVED**

1. That the Audit and Risk Committee receives the memorandum titled “AMP Update – Wastewater Asset Management Planning” dated 29 April 2019.

Clause 15-19 above was carried 13 votes to 0, the voting being as follows:

For:

Councillors Brent Barrett, Susan Baty, Rachel Bowen, Adrian Broad, Vaughan Dennison, Lew Findlay QSM, Leonie Hapeta, Jim Jefferies, Lorna Johnson, Duncan McCann, Karen Naylor, Bruno Petrenas and Tangi Utikere.

Councillor Duncan McCann left the meeting at 3.45pm

16-19 New Audit - Fixed Assets Management Process

Memorandum, dated 9 April 2019 presented by the General Manager - Strategy and Planning, Sheryl Bryant.

Due to the absence of the report author, Elected Members referred the report to the following meeting.

Moved Vaughan Dennison, seconded Leonie Hapeta.

The **COMMITTEE RESOLVED**

1. That the item be referred to the Audit and Risk Committee meeting on 19 August 2019.

Clause 16-19 above was carried 12 votes to 0, the voting being as follows:

For:

Councillors Brent Barrett, Susan Baty, Rachel Bowen, Adrian Broad, Vaughan Dennison, Lew Findlay QSM, Leonie Hapeta, Jim Jefferies, Lorna Johnson, Karen Naylor, Bruno Petrenas and Tangi Utikere.

Councillor Duncan McCann entered the meeting at 3.48pm

17-19 Management Agreed Corrective Actions Implementation Progress March 2019

Memorandum, dated 2 April 2019 presented by the General Manager - Strategy and Planning, Sheryl Bryant.

Due to the absence of the report author, Elected Members resolved to include discussion of the report at the following meeting.

Moved Vaughan Dennison, seconded Bruno Petrenas.

The **COMMITTEE RESOLVED**

1. That the Committee receive the Memorandum titled ‘Management Agreed Corrective Action Implementation Progress March 2019’ dated 2 April

2019 and its two Appendixes for information.

2. That discussion of the quarterly report is held at the 19 August 2019 meeting.

Clause 17-19 above was carried 13 votes to 0, the voting being as follows:

For:

Councillors Brent Barrett, Susan Baty, Rachel Bowen, Adrian Broad, Vaughan Dennison, Lew Findlay QSM, Leonie Hapeta, Jim Jefferies, Lorna Johnson, Duncan McCann, Karen Naylor, Bruno Petrenas and Tangi Utikere.

18-19 Committee Work Schedule

Moved Vaughan Dennison, seconded Leonie Hapeta.

The **COMMITTEE RESOLVED**

1. That the Audit and Risk Committee receive its Work Schedule dated May 2019.

Clause 18-19 above was carried 13 votes to 0, the voting being as follows:

For:

Councillors Brent Barrett, Susan Baty, Rachel Bowen, Adrian Broad, Vaughan Dennison, Lew Findlay QSM, Leonie Hapeta, Jim Jefferies, Lorna Johnson, Duncan McCann, Karen Naylor, Bruno Petrenas and Tangi Utikere.

The meeting finished at 3.51pm

Confirmed 19 August 2019

Chairperson

MEMORANDUM

TO: Audit and Risk Committee

MEETING DATE: 19 August 2019

TITLE: Business Assurance Framework and Business Assurance 2019/20 Plan

PRESENTED BY: Vivian Watene, Senior Internal Auditor

APPROVED BY: Sheryl Bryant, General Manager - Strategy & Planning

RECOMMENDATION(S) TO COUNCIL

1. That the Council endorse the Business Assurance Framework and Business Assurance 2019/20 Plan prepared by PwC New Zealand, (Appendix A).
2. That the Business Assurance 2019/20 Plan supersede the previously approved Internal Audit 2019/20 Plan (Appendix B), except for 3 audits, and their reason for exclusion, in paragraph 2 of this Memorandum.

ISSUE

1. PwC New Zealand were engaged to prepare a Business Assurance Framework and 2019/20 Business Assurance Plan, which is the subject of this Memorandum.
2. The Previously approved Internal Audit 2019/20 Plan will be superseded by the Business Assurance 2019/20 Plan, except for the following projects:
 - Arena Manawatu (Central Energy Trust Arena) Revenue Process (audit started)
 - Convention Centre Revenue Process (audit completed)
 - Customer Service Centre Cash Collection (audit completed)

BACKGROUND

3. Though the Internal Audit Division is renamed Business Assurance Division, it is the intention of the organisation that the Business Assurance function will continue to adhere to the International Standards for the Professional Practice of Internal Auditing (the Standards).
4. The Standards stipulate that a Business Assurance Plan needs to be approved by the Audit and Risk Committee, or its equivalent.
5. Management has agreed that the routine audit projects in the Internal Audit 2019/20 Plan will be transitioned to the relevant units.



NEXT STEPS

6. The Business Assurance Division will carry out the Business Assurance Plan, and report back to this Committee in due course.

COMPLIANCE AND ADMINISTRATION

Does the Committee have delegated authority to decide? If Yes quote relevant clause(s) from Delegations Manual <Enter clause>	No
Are the decisions significant?	No
If they are significant do they affect land or a body of water?	No
Can this decision only be made through a 10 Year Plan?	No
Does this decision require consultation through the Special Consultative procedure?	No
Is there funding in the current Annual Plan for these actions?	Yes
Are the recommendations inconsistent with any of Council's policies or plans?	No
The recommendations contribute to Goal 5: A Driven and Enabling Council	
The recommendations contribute to the outcomes of the Driven and Enabling Council Strategy	
The recommendations contribute to the achievement of action/actions in Not Applicable	
Contribution to strategic direction	Business Assurance aims to help the Council succeed by building trust and confidence in the core controls relied on by management.

ATTACHMENTS

- Appendix A Business Assurance Framework and 2019/20 Business Assurance Plan [!\[\]\(8d139a66f540002704b5c70b7fe6cc7a_img.jpg\)](#) 
- Appendix B Previously Approved 2019/20 Internal Audit Plan [!\[\]\(8fd54d112e752061b5361c5bdf346185_img.jpg\)](#) 

Palmerston North City Council

Business Assurance framework and
plan for FY20

Audit & Risk Committee – August 2019



What is Business Assurance?

PNCC is a complex organisation with a range of accountabilities, services and functions. These are delivered through operational units, related entities, contracted service providers and key change projects.

Within PNCC's operations and wider business environment are a range of risks. These risks pose a threat to the achievement of objectives as set out in the Council's Long Term Plan and supporting Annual Plan.

PNCC has established an approach to the identification and management of risk and rely on a range of internal controls embedded within the core business operating model.

Why have Business Assurance?

The Council require assurance that the key controls relied on to mitigate risk are in place and working effectively.

Business Assurance will:



- Provide independent and objective assurance and advice on PNCC's organisational governance, risk management and internal control processes.



- Help PNCC better understand and manage risk and to provide confidence that key elements of the business relied on to manage risk are in place and working effectively.

Business Assurance Framework and Plan for FY20
PwC

Business Assurance design decisions

The Business Assurance framework set out in this document addresses the following design decisions for Business Assurance:

- **Purpose:** why do we need Business Assurance?
 - **Coverage:** what assurance do we need?
 - **Drivers:** what determines the specific programme of Business Assurance activity?
 - **Scope:** What is the right balance between a compliance focus vs an effectiveness focus? ... between breadth of coverage vs depth of review? ... between business-as-usual vs change? ... between after-the-fact checking vs upfront advice?
 - **Accountability:** where should this assurance come from? (management self review vs Business Assurance vs External Audit)
 - **Extent:** how much assurance do we need?
 - **Horizon:** how far forward do we plan?
 - **Positioning:** how do we want Business Assurance to engage with the Council?
- The above decision decisions have all been considered when developing the Business Assurance framework and plan for FY20.

Included within this document:

- **Appendix 1** sets out the accountability of key functions, operational areas and risks (Control Universe).
- **Appendix 2** sets out the proposed FY20 Business Assurance plan.
- **Appendix 3** provides more details on how data can be used to identify areas of risk within the Council.

Relationship between Business Assurance and Risk

As described within...

Objectives

The Council's **vision** is for every resident to be able to enjoy the benefits of living in a small city, with the advantages of a big city.

This vision is brought to life through an ambitious set of **strategic priorities** and **goals** that underpin the 10 Year Plan.

This is achieved through a complex mix of **functions, activities, systems, processes** and **controls** spread across a diverse operational organisation.

Risks

Like any organisation, there are many areas of uncertainty (i.e **risk**) that could impact on the work of the Council.

Controls

These risks are mitigated through **controls** – i.e the system of management practices, processes, activities, reporting and oversight arrangements, underlying IT systems, roles and accountabilities that feeds onto the core work of the Council.

Assurance

The purpose therefore of **Business Assurance** is to provide independent objective assurance and advice.

It is designed to provide a systematic disciplined approach to evaluate and improve the effectiveness of risk management, control, compliance and governance processes within the Council.

Business Assurance: helping the Council effectively manage risk by building trust and confidence in the core controls relied on by management

PNCC's accountability documents and Long Term Plan

PNCC's Top 10 Risks and supporting risk management approach

PNCC's day to day operational activities and internal control environment

This document: the Business Assurance framework and FY20 Plan

Business Assurance Framework

Vision: helping the Council effectively manage risk by building trust and confidence in the core controls relied on by management

Principles:

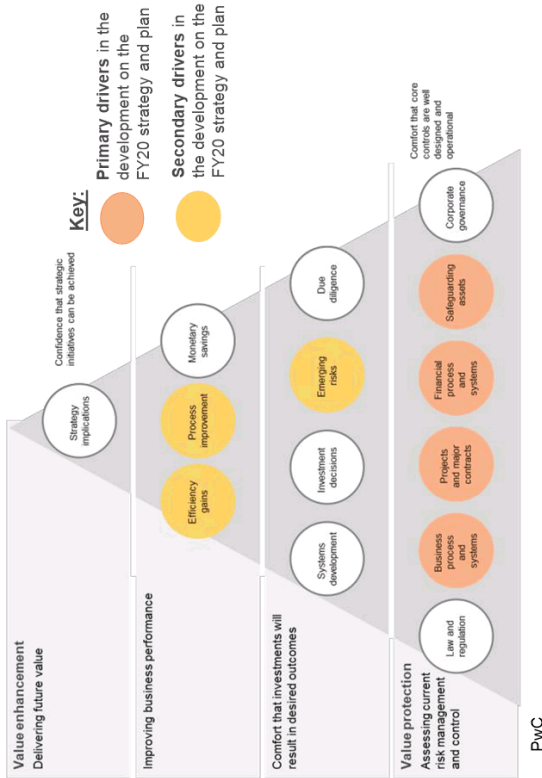
Using the diagram below, a modern Business Assurance function looks to cover both **value protection** and **value enhancement**. The mix of engagements against the triangle is dependent upon the needs of the Council at the time.

Value protection- providing point in time confidence that core elements of your control environment are in place and working effectively.

Value enhancement- providing forward looking assurance and advice on areas of business improvement and change that directly contribute to PNCC's achievement of the 10 Year Plan.

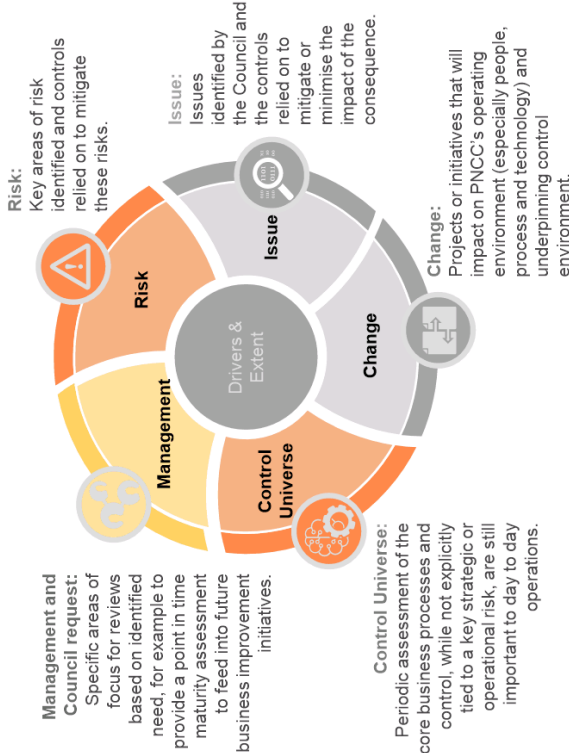
Our planning discussions indicated that **more confidence is needed on current processes** so a predominantly **value protection approach** is proposed when prioritising reviews.

Once confidence in the core control environment of PNCC is established, the bias should move towards a more value enhancement focus.



Drivers:

In developing the specific areas of Business Assurance focus, there are a number of drivers that influenced the shape of the programme:



The primary drivers for the FY20 plan are risks (i.e. key controls relied on to mitigate risks) and the Control Universe (i.e. building confidence over the core components of the Council's internal control environment).

Based on identified risks, review activity should be balanced to cover:

- **Compliance** focused reviews: i.e. a past looking focus on ensuring that controls are operating as expected.
- **Effectiveness** focused reviews: i.e. a forward looking focus on the effectiveness of the design and maturity of business activities that mitigate risk.



August 2019
4

Business Assurance Framework

Vision: helping the Council effectively manage risk by building trust and confidence in the core controls relied on by management

Considerations:

The initial focus for Business Assurance will be on **getting the basics right** – i.e. confidence that core controls are in place and working effectively.



Over time, it is expected that the mix above will change more toward the middle and right hand side of the spectrum.

Technology enablement:

Incorporating the use of data into Business Assurance is an effective way to highlight areas of risk and provide deeper management insights.

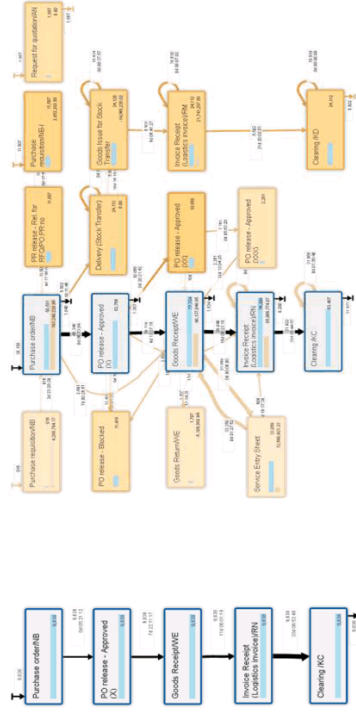
Data can be used to provide point in time information or enable continuous/real time monitoring of controls.



Process Intelligence analytics

Expectation

Reality



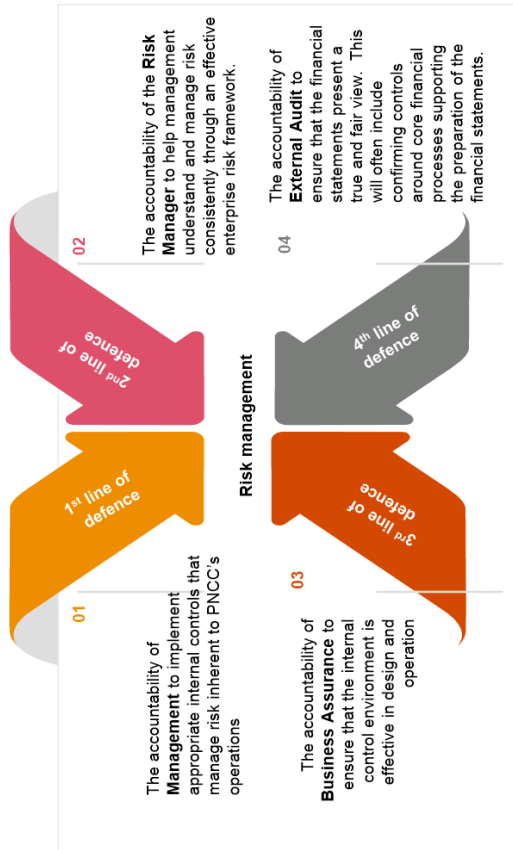
Business Assurance Framework

Vision: helping the Council effectively manage risk by building trust and confidence in the core controls relied on by management

Risk management accountability

Accountability for identifying risks and implementing controls lies with management. The role of the Risk Manager is to ensure that there is an effective and consistent basis by which PNCC identified, assesses, reports and manages risk. The role of Business Assurance is to confirm that key controls relied on to manage risk are effective in design and operation.

A 'lines of defence' model provides a good basis for delineating the respective roles and accountabilities for providing assurance within PNCC. It is recommended that the following accountabilities be confirmed based on a lines of defence model.



A Control Universe identifying risks to key functions and operational areas can be found in Appendix 1.

Positioning:

The relationship between Business Assurance and the Council should be a constructive one with a mutual goal of helping PNCC better understand and manage risk within the business through an effective internal control environment.

Business Assurance will balance the need to:

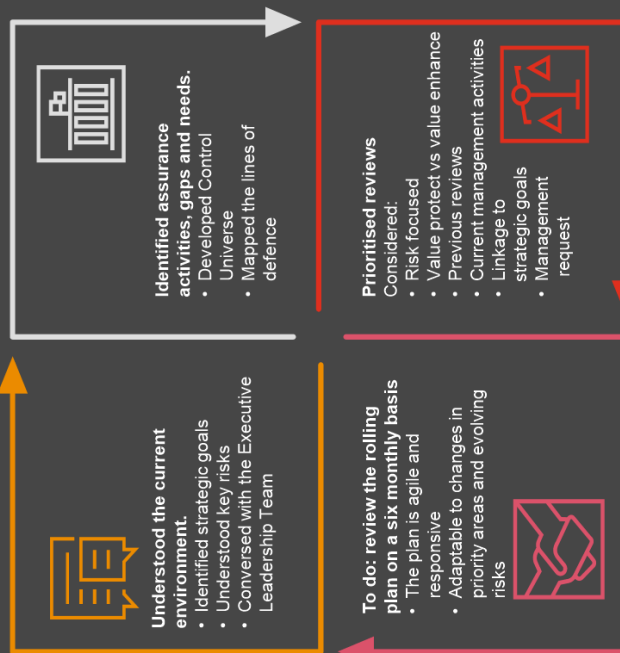
- Work **collaboratively** with management to provide advice and support.
- Provide an **independent** and objective assessment of management's performance in maintaining an appropriate control environment.



Business Assurance FY20 plan on a page

PNCC Vision: small city benefits, big city ambition

How the plan was developed:



The plan has been prepared to incorporate both full reviews and "health checks". This enables the plan to deliver a wider range of reviews and give broader coverage.

"Health checks" are 3-4 days of fieldwork reviews performed at a high level to determine the effectiveness of controls to provide context to management in determining whether a further deep dive is needed.

Reporting of observations identified in reviews performed will be to the Audit and Risk Committee on a quarterly basis. The Head of Internal Audit shall attend the Committee meetings and verbally share observations and a formal written report.

Business Assurance Framework and Plan for FY20

Consultation process

In developing the suggested focus for Business Assurance for the next 18 months, significant time was spent gaining an understanding of the core objectives, operations, strategic priorities, areas of change and potential risk faced by PNCC for the period ahead.

In determining the suggested FY20 and beyond plan, we:

1. Meet with the **General Manager Strategy & Planning** to agree the overall purpose and role of Business Assurance
2. Meet with the **Internal Audit Manager** and, together, agreed the overall approach taken to develop the Business Assurance Framework and Plan
3. Reviewed the Council's **key accountability documents** including the strategic direction, 10 Year Plan and business plans
4. Meet with the **Risk Manager** to understand the risk profile of the Council and the overall approach to risk identification, management through controls and reporting
5. Individually meet with each member of the **Executive Leadership Team** to gain their perspective on priority operations, risks, controls and assurance needs, including:
 - Chief Customer and Operating Officer
 - Chief Financial Officer
 - General Manager Marketing and Communications
 - Executive Officer
 - Chief Infrastructure Officer
 - General Manager Strategy & Planning
 - General Manager Community
6. Attended the **Leadership Team meeting for the Infrastructure Group** and provided an overview of the relationship between operations, risks, controls and assurance, management accountability for risk management and controls, and the purpose of Business Assurance
7. Presented the draft Business Assurance Framework and Plan to **Council** as part of the workshop during the 5 August Council meeting for discussion and feedback

July 2019

7

Business Assurance Framework

Vision: helping the Council effectively manage risk by building trust and confidence in the core controls relied on by management

Alignment of Business Assurance reviews for FY20 to PNCC's strategic priorities

Themes in the FY20 plan:

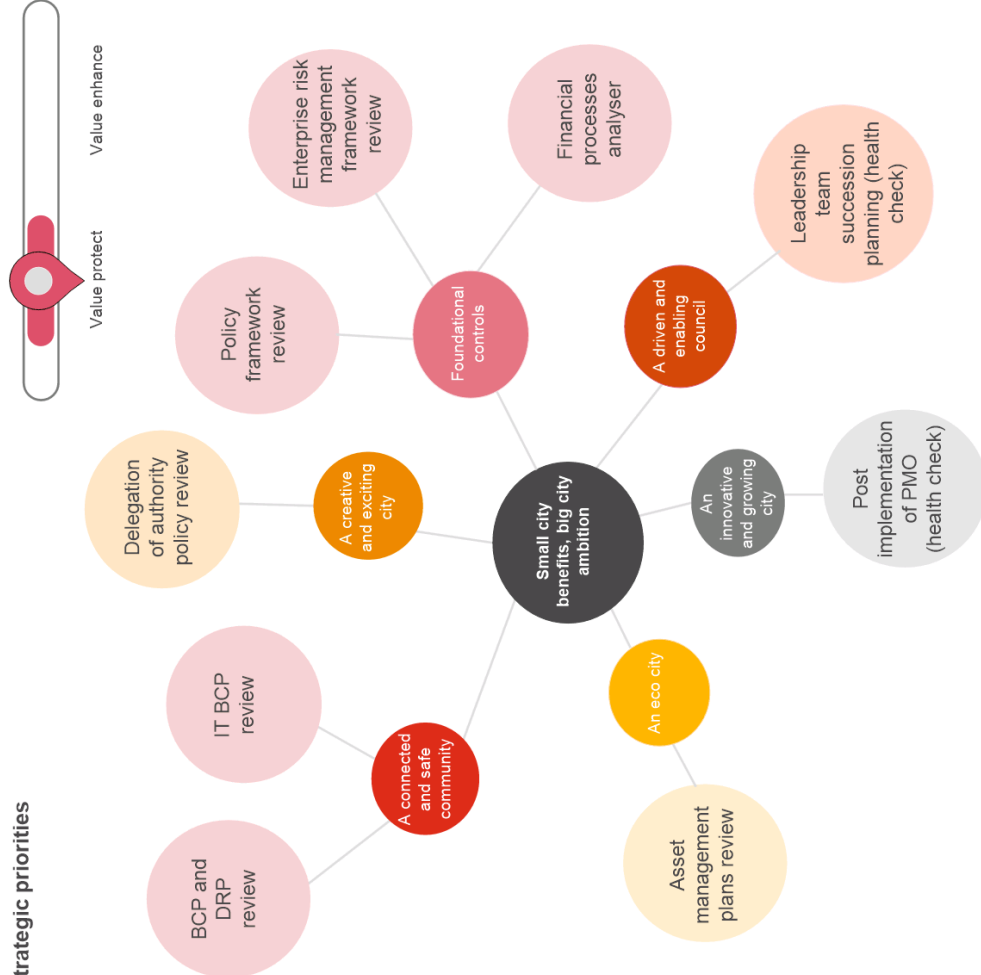
'An innovative and growing city' 'a creative and exciting city' and 'an eco city' – reviewing the core project management function delivering over \$60m of capex projects a year and associated asset management plans and delegations of authority. Where these are effective, it can help the Council build a

sustainable future and a reduced ecological footprint through effective planning of infrastructure and the protection, maintenance and enhancement of its natural and built environment. A growing city with innovative infrastructure can then help attract clever and creative people to the city and to build a vibrant urban environment.

'A connected and safe community' – considering the continuity and recovery plans in place to allow the Council to continue operating and keep the community connected in the event of a major event.

'A driven and enabling Council' – reviewing leadership team succession planning to identify improvement opportunities. Addressing these can help build the leadership, culture, capability and capacity to efficiently and effectively deliver the Council's vision.

"Foundational controls" – although not a strategic goal of the Council, foundational controls are the framework upon which other policies and processes throughout the Council are built. Strong foundational frameworks help enable the Council to achieve their strategic goals if these frameworks are designed effectively.





Appendix 1

Accountability and risks associated
with key functional areas and key
enabling operational areas (Control
Universe)

Business Assurance Framework and Plan for FY20

August 2019 10

Accountability and risks associated with key enabling operational areas

Key enabling operational areas (supporting front line delivery)

Activity areas	GM Strategy and Planning	CFO	Chief Customer and Operating Officer	Chief Infrastructure Officer	Chief Customer and Operating Officer	Chief Marketing and Communications	CFO
	GM Strategy and Planning	CFO	Chief Customer and Operating Officer	Chief Infrastructure Officer	Chief Customer and Operating Officer	Chief Marketing and Communications	CFO
	Leadership	Finance	Legal	Human resources	Project management	Information Technology	Commercial & Strategic Investments
	<ul style="list-style-type: none"> Council meetings in administration Direction setting (Strategy & City development) Iwi partnership & Maori engagement 	<ul style="list-style-type: none"> Treasury and insurance Key financial processes Budgeting, costing and reporting BCPs Rates calculation Procurement 	<ul style="list-style-type: none"> Data privacy compliance Regulatory compliance (incl. consents and bylaws) 	<ul style="list-style-type: none"> Payroll Culture transformation Health, safety and wellbeing Capability & capacity Contractor H&S management 	<ul style="list-style-type: none"> Benefits realisation Project risk management Contractor management Strategic prioritisation Budget management 	<ul style="list-style-type: none"> Data protection and privacy Cyber security IT governance IT BCP IT DRP Digital transformation 	<ul style="list-style-type: none"> Investment property External contracts Investment in companies Other investments
Risks (identified by the council)	<ul style="list-style-type: none"> The strategies and plans to support the current 10 Year Plan are not achieved Lack of organisational buy-in for strategic direction Planning for growth does not match reality Strategic direction is ill-informed Unaffordable & unachievable non strategic 10 Year Plan Compromised Iwi relationships Over/under consultation with community 	<ul style="list-style-type: none"> Non-provision of financial solutions Incorrect planning and budget assumptions Councils rating base can't support Council's aspirations Unrealistic expectations for external funding Significant business disruption 	<ul style="list-style-type: none"> Not meeting legal requirements for statutory consultation Council policies and bylaws are not followed or enforced 	<ul style="list-style-type: none"> Unhealthy or unsafe work conditions/practices Attraction and retention of talent People capacity/capability Lone worker risk Lack of staff engagement Difficult staff engagement with community 	<ul style="list-style-type: none"> Unclear allocation/ understanding of project management responsibility between PMO and organisation Unclear allocation/ understanding of project management responsibility between PMO and infrastructure Slow project management Council doesn't deliver its capex budget 	<ul style="list-style-type: none"> Lack of future focus/ IM systems and processes are not fit for purpose Lack of capacity/ capability for IM Missing data strategy/ requirements Ill-defined data architecture/ framework Unstructured approach to resolving information issues Dispersed information/ data Poor operational policies/ structure for managing information 	<ul style="list-style-type: none"> Business interpretation, liability (contact centre failed to provide services) Failed investments

August, 2019
11

Appendix 2

FY20 Business Assurance plan



Business Assurance delivery plan for next 18 months

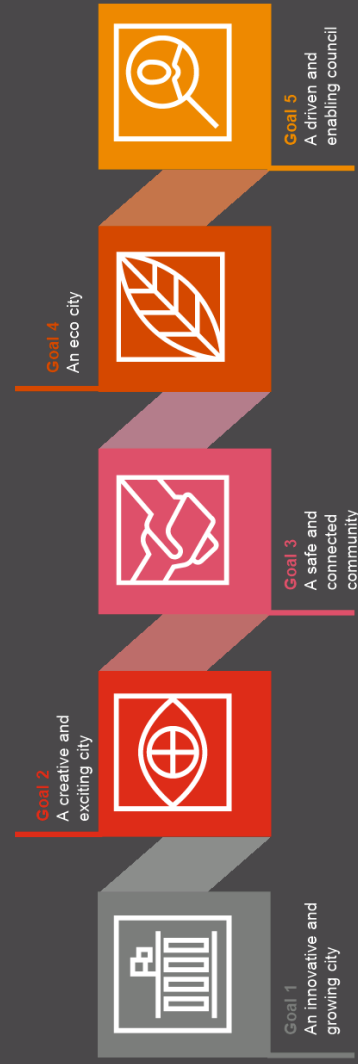
From the consultation process outlined on page 7, a 'long list' of 22 priority review areas were identified. This long list is set out in **Appendix 3** and describes:

- The areas of **focus**, with an indicative scope and sponsor (i.e the executive level person within the Council who would be accountable for the review performed)
- Indicative **timing**, both in term of priority (immediate, near term, mid term) and estimated person-days allocated to undertake this review

From this 'long list' a '**short list**' of 9 reviews were selected based on the criteria outlined on page 4 – i.e an initial focus on building trust and confidence on the core elements of PNCC's internal control environment, linked to risk and covering the most fundamental business process, financial management control and safeguarding of assets. The short list was also determined taking into account the historic programme of internal audit previously undertaken.

The following pages outlines the suggested **18 month review programme**. It is intended that this programme be reconfirm or refined each 6 months to reflect changes in the Council's operating environment, risk profile and assurance needs. A short overview of the intended focus of each review is provided together with why it is important that this review occur.

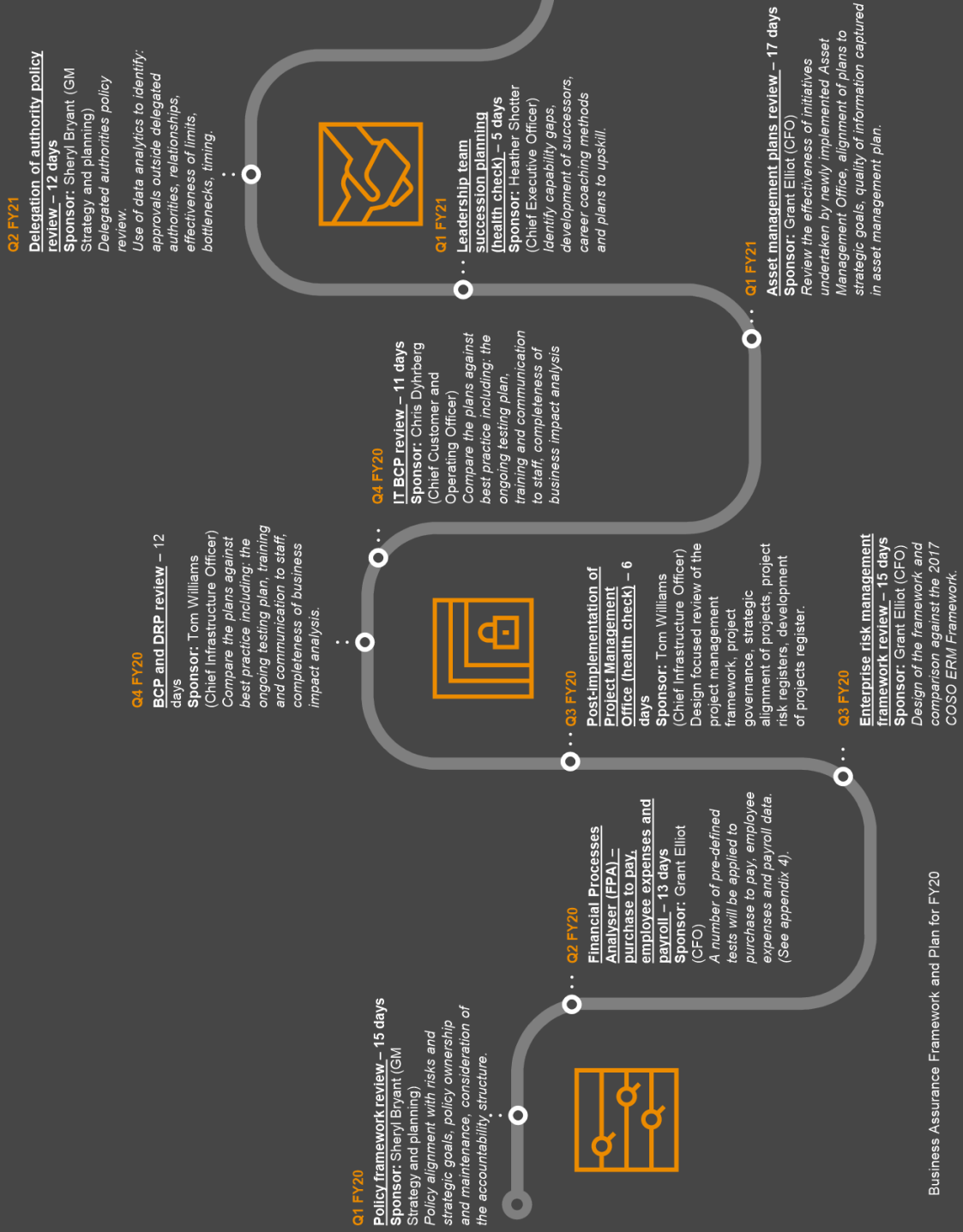
Prior to each review taking place, a detailed **Terms of Reference** will be prepared and agreed with the named sponsor. This document will described the objective, scope, approach, team and timing associated with the activity planned.



Business Assurance Framework and Plan for FY20

August 2019
13

An 18 month timeline of Business Assurance reviews



Suggested Business Assurance Review for the next 18 month

Policy framework review	
Indicative focus	<p>Comment on the fitness for purpose of the Council's internal management policy framework:</p> <ul style="list-style-type: none"> • Framework design – the current policy framework, including accountabilities and how the Council identifies the need for new policies. • Framework content – guidance on the content of the policies included in the policy framework and how this guidance is applied in practice. • Framework implementation – communication and awareness of policy requirements across the Council.
Rationale for review and linkage to risk	The policy framework is a core foundation stone of any internal control environment. It ensure there is a clear non-ambiguous statement of expectation for all staff within the Council.
ELT sponsor	Sheryl Bryant (GM Strategy and planning)
Suggested timing and extent of effort	Q1 FY20 15 person-days

Financial Processes Analytics (FPA)	
Indicative focus	<p>Use of sophisticated data analytics to analyse 100% of financial transactions and Masterfile information from the Council's FMIS environment. This will seek to identify unusual pattern.</p> <p>The initial focus of FPA analytics will be on:</p> <ul style="list-style-type: none"> • Purchases to payables • Employee expenses • Payroll <p>Further detail on the FPA tool set is outlined in Appendix 4.</p>
Rationale for review and linkage to risk	Takes a 'follow the money' approach to identifying circumstances where fundamental financial internal controls may not have been effective.
ELT sponsor	Grant Elliot (CFO)
Suggested timing and extent of effort	Q2 FY20 13 person-days

Business Assurance Framework and Plan for FY20
PwC

August 2019
15

Suggested Business Assurance Review for the next 18 month

Enterprise risk management framework review	
Indicative focus	Assessment of the design and operation of the Council wide approach to identifying, assessing, managing and monitoring risk and uncertainty inherent in the Council's operations and environment.
Rationale for review and linkage to risk	Considering the link between strategy, planning, risk identification, risk mitigation and associated accountabilities. Core element of good governance and internal control. Recent appointment of dedicated Risk Manager gives an opportunity to undertake a point in time review of maturity, development and rollout of the risk framework and opportunities to further embed this into day to day decision making.
ELT sponsor	Grant Elliot (CFO)
Suggested timing and extent of effort	Q3 FY20 15 person-days

Post-implementation of Project Management Office	
Indicative focus	A short assessment considering the design of the Council's approach to project management framework, project governance, strategic alignment of projects and dependency management, project risk management and the related project delivery approach.
Rationale for review and linkage to risk	Effective execution of change – both organisational and operational – is key to the Council successfully delivering on the strategic and long term plan commitments. Aligns with PNCC Goal 1 - as can identify areas for process improvement in the PMO that can help build an innovative and growing city
ELT sponsor	Tom Williams (Chief Infrastructure Officer)
Suggested timing and extent of effort	Q3 FY20 8 person-days

Suggested Business Assurance Review for the next 18 month

Business Continuity and Disaster Recovery planning review	
Indicative focus	<p>Assessment of:</p> <ul style="list-style-type: none"> The current state of Business Continuity Management (BCM) arrangements, including BCM policies, frameworks and management plans within the Council Additional initiatives in place and planned to improve the current BCM framework Where accountability and responsibility sits for BCM and the plan for ongoing management throughout the organisation Processes in place to demonstrate how BCM expectations are to be put into practice and embedded within operations and activities. BCM arrangements in place to manage or mitigate risks associated with key service providers
Rationale for review and linkage to risk	Relates to PNCC Goal 3 - to build a safe and connected community as can identify improvement areas regarding continuity and recovery of the council in the event of a significant event.
ELT sponsor	Grant Elliot (CFO)
Suggested timing and extent of effort	Q4 FY20 12 person-days

Information Technology Disaster Recovery Plan review	
Indicative focus	<p>Understand the approach to anticipating, preparing for and recovering from an unexpected interruption to IT services enabling core Council operations</p> <p>Consideration will be made of:</p> <ul style="list-style-type: none"> Preparedness planning Ongoing testing and rehearsal of plans Training and communication of staff
Rationale for review and linkage to risk	<p>Core operations fundamentally relies on enabling IT infrastructure including financial and operational application systems, network and communication services and office automation.</p> <p>Also aligns with Goal 3 (a safe and connected community) - as can identify improvement areas regarding continuity and recovery of the council in the event of a significant event.</p>
ELT sponsor	Chris Dyhrberg (Chief Customer and Operating Officer)
Suggested timing and extent of effort	Q4 FY20 11 person-days

Suggested Business Assurance Review for the next 18 month

Asset Management Planning review	
Indicative focus	Review the effectiveness of initiatives undertaken by newly implemented Asset Management Office, alignment of plans to strategic goals, quality of information captured in asset management plan.
Rationale for review and linkage to risk	Aligns to PNCC Goal 4 (and eco city) - whether assets are being managed effectively to deliver a growing city that uses its resources sustainably.
ELT sponsor	Tom Williams (Chief Infrastructure Officer)
Suggested timing and extent of effort	Q1 FY21 17 person-days
Leadership team succession planning	
Indicative focus	Assessment of the process undertaken by the Council to identify capability gaps, development of future leadership capability, succession options, career coaching methods and plans to upskill where required.
Rationale for review and linkage to risk	Aligns with PNCC's Goal 5 (a driven and enabling Council) - to identify succession gaps where planning could be improved.
ELT sponsor	Heather Shotter (Chief Executive Officer)
Suggested timing and extent of effort	Q1 FY21 6 person-days
Delegation of authority policy review	
Indicative focus	Assessment of the basis by which authority to act if define, delegated and monitored. Will consider use of data analytics to identify: approvals outside delegated authorities, relationships, effectiveness of limits, bottlenecks and areas for improvement.
Rationale for review and linkage to risk	Goal 2- as finances need to be used efficiently to deliver the capital projects proposed and build the perception of Palmerston North as a creative and exciting city.
ELT sponsor	Sheryl Bryant (GM Strategy and planning)
Suggested timing and extent of effort	Q2 FY21 12 person-days



Appendix 3

Business Assurance reviews
considered

Prioritisation	Review title	Indicative scope	Effort (days)	Rationale and link to risk	Sponsor
Immediate	Policy framework review	Policy alignment with risks and strategic goals, policy ownership and maintenance, consideration of the accountability structure.	15	Can assist with identifying if current policy frameworks do not support the achievement of the five strategic goals. 'Poor information management' listed as a top 10 risk by the Risk Manager.	Sheryl Bryant (GM Strategy and planning)
Immediate	Enterprise risk management framework review	Design of the framework and comparison against the 2017 COSO ERM Framework.	15	Can identify whether the current processes and policies in place to manage risk are effective in supporting the Council achieve their strategic goals.	Grant Elliot (CFO)
Immediate	Financial Processes Analyser (FPA) – purchase to pay, employee expenses and payroll	A number of pre-defined tests will be applied to purchase to pay, employee expenses and payroll data. (See appendix 4).	13	Observations identified from testing 100% of data can indicate areas of risk in the Council that require a deep dive by Business Assurance.	Grant Elliot (CFO)
Immediate	BCP and DRP review	Compare the plans against best practice including: the ongoing testing plan, training and communication to staff, completeness of business impact analysis	12	'Business disruption' identified as a top 10 risk by the Risk Manager. Supports the achievement of goal 3, to build a safe and connected community as can identify improvement areas regarding continuity and recovery of the council in the event of a significant event.	Tom Williams (Chief Infrastructure Officer)
Immediate	IT BCP review	Compare the plans against best practice including: the ongoing testing plan, training and communication to staff, completeness of business impact analysis	11		Chris Dyhrberg (Chief Customer and Operating Officer)
Immediate	Post-Implementation of Project Management Office (health check)	Design focused review of the project management framework, project governance, strategic alignment of projects, project risk registers, development of projects register.	6	Office recently implemented as a result of Infrastructure team restructure. Supports the achievement of goal 1 as can identify areas for process improvement in the PMO that can help build an innovative and growing city.	Tom Williams (Chief Infrastructure Officer)
Near term	Asset management plans review	Review the effectiveness of initiatives undertaken by newly implemented Asset Management Office, alignment of plans to strategic goals, quality of information captured in asset management plan.	17	Significant forecast capital renewal expenditure of \$160m over the next 10 years. Supports the achievement of goal 4 as can identify whether assets are being managed effectively to deliver a growing city that uses its resources sustainably.	Grant Elliot (CFO)
Near term	Delegation of authority policy review	Delegated authorities policy review. Use of data analytics to identify, approvals outside delegated authorities, relationships, effectiveness of limits, bottlenecks, timing.	12	Suggested by Business Assurance based on significant capital and operational spend by the Council. Supports the achievement of goal 2 as finances need to be used efficiently to deliver the capital projects proposed and build the perception of Palmerston North as a creative and exciting city.	Sheryl Bryant (GM Strategy and planning)
Near term	Procurement review	Review of the procurement manual. Design and operational effectiveness testing of controls to cover one-time vendors, purchase orders, 3 way matching.	12	Suggested by Business Assurance based on significant capital and operational spend by the Council and recent development of procurement manual. Supports the achievement of goals 1 and 2 as procurement need to be efficient to deliver the capital projects proposed within budget.	Grant Elliot (CFO)
Near term	Leadership team succession planning (health check)	Identify capability gaps, development of successors, career coaching methods and plans to upskill.	5	'Maintaining in-house talent' was identified as a top 10 risk by the Risk Manager. Supports the achievement of goal 5, to build a driven and enabling council as can identify succession gaps where planning could be improved.	Heather Shotter (Chief Executive Officer)
Near term	Benefits realisation framework and strategic prioritisation review	Compare the framework against best practice including the PwC Benefits Realisation Management Approach model. Compare prioritisation of projects against strategic goals.	20	Suggested by Business Assurance based on significant number of projects undertaken by the Council and recent introduction of the Project Management Office. Effective strategic prioritisation of projects can help mitigate the risk that the Council's finances are overstretched.	Tom Williams (Chief Infrastructure Officer)
Near term	Project planning and budgeting	Review the design and operation of controls in place to prepare accurate project plans and project budgets. Review how budget versus actual monitoring is performed.	16	'Council does not deliver its capital budget' identified as a top 10 risk by Risk Manager. Supports the achievement of goals 1 and 2 as projects need to be planned and budgeted accurately so capital projects can be undertaken to help build a growing and exciting city.	Tom Williams (Chief Infrastructure Officer)
					20

Prioritisation	Review title	Indicative scope	Effort (days)	Rationale and link to risk	Sponsor
Near term	Property asset renewals	Assess the design effectiveness of controls in place covering: the preparation of the renewals plan, renewal activity prioritisation, preparation of the renewals forecast and monitoring of budget versus actual.	12	Suggested as there are significant renewal expenses forecast in the 10 Year Plan. It was identified in the 10 Year Plan that there is the risk that the Council's finances are overstretched.	Tom Williams (Chief Infrastructure Officer)
Near term	Cyber security and data privacy	Understand the cyber and data privacy strategies in place and compare the design of these against best practice. Review how these have been implemented across the council.	12	'Business disruption' identified as a top 10 risk by the Risk Manager. Suggested by Business Assurance as a 'hot topic' across Assurance plans for FY20. Effective cyber security and data privacy processes can mitigate the likelihood of an attack and therefore help protect the image and reputation of the council.	Chris Dyrhberg (Chief Customer and Operating Officer)
Near term	Sustainable practices review	Review progress in achieving goals set in the Sustainable Practices Plan and assist with developing a roadmap for progression. Deep dive on effectiveness of activities within selected programmes.	10	Suggested by Business Assurance as aligned with the eco city strategic goal and is a 'hot topic' across Assurance plans for FY20. It was identified in the 10 Year Plan that there is the risk that the environment is not properly protected.	Sheryl Bryant (GM Strategy and Planning)
Mid term	Wastewater treatment plant upgrade project (health check)	Review of design options and how options are prioritised for the upgrade. Alignment of options with strategic goals.	6	This is the largest single investment in the 10 Year Plan and there is still a level of uncertainty over forecast costs. It was identified in the 10 Year Plan that there is the risk that the Council's finances are overstretched, particularly by the Wastewater plant project.	Tom Williams (Chief Infrastructure Officer)
Mid term	Monitoring of 10 Year Plan execution (health check)	Compare progress in achieving the 5 strategic goals set out in the 10 Year Plan against target progress and assist with developing a roadmap for progression.	5	'The strategies and plans to support the 10 Year Plan are not achieved' was identified as a top 10 risk by the Risk Manager. Suggested by Business Assurance to identify blockers to the achievement of the plan.	Sheryl Bryant (GM Strategy and Planning)
Mid term	Culture alignment with strategic goals (health check)	Perform a current state assessment of culture compared to strategic goals and the development of a road map to help achieve alignment.	6	Alignment of culture is a key element of achieving goal 5 in the 10 Year Plan as employee behaviour and actions should all work towards the achievement of Council goals.	Chris Dyrhberg (Chief Customer and Operating Officer)
Mid term	Employee performance management	Review alignment of employee performance assessment framework to strategic goals. Communication of performance and behavior expectations including objective setting. Management of the performance evaluation process.	10	'Maintaining in-house talent' identified as a top 10 risk by the Risk Manager. Supports the delivery of strategic goal 5 to create a driven and enabling council as effective employee performance management can build motivated staff and a skilled workforce.	Chris Dyrhberg (Chief Customer and Operating Officer)
Mid term	Rates management	Calculation and approval of forecast annual rates increase. Approval process for rate changes and communication to the community.	11	Funding for forecast capital investment will be partly sourced from rates increases. Suggested by Business Assurance as a 'hot topic' across Council specific Assurance plans for FY20. It was identified in the 10 Year Plan that there is the risk that the Council's finances are overstretched.	Grant Elliot (CFO)
Mid term	Risk culture review (health check)	Compare culture towards risk against the enterprise risk management framework.	4	Can identify whether the current culture towards risk is effective in supporting the Council achieve their strategic goals.	Grant Elliot (CFO)
Mid term	Health and safety management	Use of data analytics to identify 'near misses' and incidents. Compare performance against health and safety policies.	10	'Unhealthy or unsafe work conditions' was identified as a top 10 risk by the Risk Manager. A review over the effectiveness of health and safety management can identify whether current processes effectively mitigate risks. Detecting these and taking follow up actions can help protect the reputation of the Council.	Chris Dyrhberg (Chief Customer and Operating Officer)

PwC

21

Appendix 4

Financial Process Analyser:
Focused data analytics for financial
process risk and control



Financial Process Analyser

Financial Performance Analyser (FPA) allows for the **profiling and analysis of 100% of the financial data** you provide us in one integrated dashboard application. It aims to provide insight and value to you by enabling timely access to organised and relevant data to enable you to spend time where it matters to you.

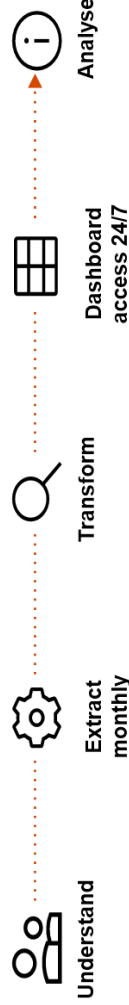
The cloud-based **interactive visualisation tools within the dashboard** allow you to explore your data using personally defined views, aimed at helping support clearer and more insightful decision-making at the appropriate levels.

FPA used on an ongoing basis (e.g. monthly) will help form the foundation for the implementation of a continuous controls monitoring (CCM) solution over your ERP environment. **Once configured, FPA is efficiently repeatable, allowing you to continuously monitor 100% of your transactions and the impact of any change.**

Our solutions deliver 24/7 access to your enterprise datasets and monthly refreshed targeted analytics.



- Once configured, the “apps” are efficiently repeatable, you can monitor the impact of any change and quantify the benefits realised.
- Deployed to any device: laptop, tablet, phone
- Data discovery tools introduce BI techniques to drive process optimisation alongside capture and correction of non compliance.
- Analysing 100% of data allows a user to explore, visualise and quantify problems and understand the full extent of issues and opportunities.



FPA scope items are modular, and can be combined to build a comprehensive overview of your business operations. Examples of available modules are:

Purchase to Pay

The purchase to pay analyser enables you to explore invoice, payment, purchase order, and vendor master data. The tool allows you to identify unusual spending patterns, monitor compliance with purchasing guidelines and explore individual transactions.

Expenses

Through a variety of insights and tests, the Employee Expenses tool allows users to discover trends and patterns within the population that otherwise would not be apparent.

Expenses can be viewed in a variety of ways, such as by department, merchant and individual employee.

Payroll

Gain greater visibility over the controls around you payroll system, make better informed business decisions and help identify and retain valuable staff with FPA Payroll.

By combining traditional rules based testing with advanced analytics and machine learning, FPA Payroll helps organisations uncover previously undiscovered insights and anomalies.

Internal Audit 2019/20 Plan (Year 3 of 3 Year plan)

New Audit Project 2019/20

1	Arena Manawatu Revenue Collection Process Revenue Review of the processes to calculate, collect and record revenue.
2	Capital Expenditure Plan Review of the capital expenditure programme to ensure that projects are conducted in accordance with the Capital Expenditure plan and Council project management guidelines.
3	Commercial property Rental Revenue Process Review of the commercial properties rental agreement, billing and collection processes.
4	Convention Centre Revenue Collection Process Review of the processes to calculate, collect and record revenue.
5	Councillor Payments Review of the processes that ensure accurate, complete and compliance with the policies when payments are made to Councillors.
6	Customer Service Centre Cash Collections Review of the customer service centre cash collection processes to ensure appropriate processes are in place and meeting the relevant policy requirements.
7	External Quality Assessment (EQA) This is to gauge the PNCC's internal audit activity the degree of conformance with the Definition of Internal Auditing, the Code of Ethics and the International Internal Auditing Standards. This assessment needs to be performed at a minimum of once in every five year.

Routine Audit Project 2019/20

1	Accounts Payable and Receivables Data Analysis Using Benford's Law to analyse data for potential fraud, manipulative biases or other irregularities.
2	Cash Spot Checks Carry out spot checks on the Council's cash handling sites for the compliance of the cash handling policies and guidelines.
3	Credit Card Usage Review of credit card transactions for their compliance with the council policies and guidelines.
4	Internal Audit Reviews Follow-Up Follow up on the past internal audit review recommendations and the management agreed corrective actions plan.
5	Journal Authorisation and Supporting Documents Sample check of appropriateness of authorisation and supporting documents guidelines.
6	Miscellaneous Sample Checks Any other sample/spot check on areas that may have brought to our attention.
7	Payroll Master File Changes Audit Review of weekly payroll master file changes and their authorisations.
8	Staff Disbursements Review of staff disbursements via the Accounts Payable system and cash reimbursements for their compliance with the council policies and guidelines.

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MEMORANDUM

TO: Audit and Risk Committee

MEETING DATE: 19 August 2019

TITLE: Internal Audit Annual Report 2018/19

PRESENTED BY: Vivian Watene, Senior Internal Auditor

APPROVED BY: Sheryl Bryant, General Manager - Strategy & Planning

RECOMMENDATION(S) TO AUDIT AND RISK COMMITTEE

1. That the Committee note the completion of the 2018/19 Internal Audit Plan.

ISSUE

1. In accordance with the Internal Audit Charter, this Memorandum informs this Committee on the Internal Audit activities for the year ended 30 June 2019.

BACKGROUND

2. The Internal Audit Division embarked on its transformation journey prompted by the Chief Executive's restructuring exercise started in June 2018.
3. Business Assurance is the new name for the Internal Audit Division. It excludes the Risk Management coordination function which is now managed by a newly created position entitled Risk Manager.
4. Though the Business Assurance methodology will continue to be based on the International Internal Auditing Standards (the Standards), its approach is collaborative in that the auditor and the business unit co-develop a practical solution to the weaknesses identified from the audit.
5. The relevant Managers and staff surveyed post audit expressed 92% satisfaction feedback on the auditor's approach, technical proficiency, professionalism, and how the audit results were communicated.

INDEPENDENCE

6. In 2018/19, an internal instruction ended a long-standing practice of quarterly informal direct communication and interaction between the Senior Internal Auditor and the Chairperson of the Audit and Risk Committee without senior management present. However, it has since been clarified that the Senior Internal Auditor is able to

have direct access to the Chairperson of the Audit and Risk Committee as per the Internal Audit Charter.

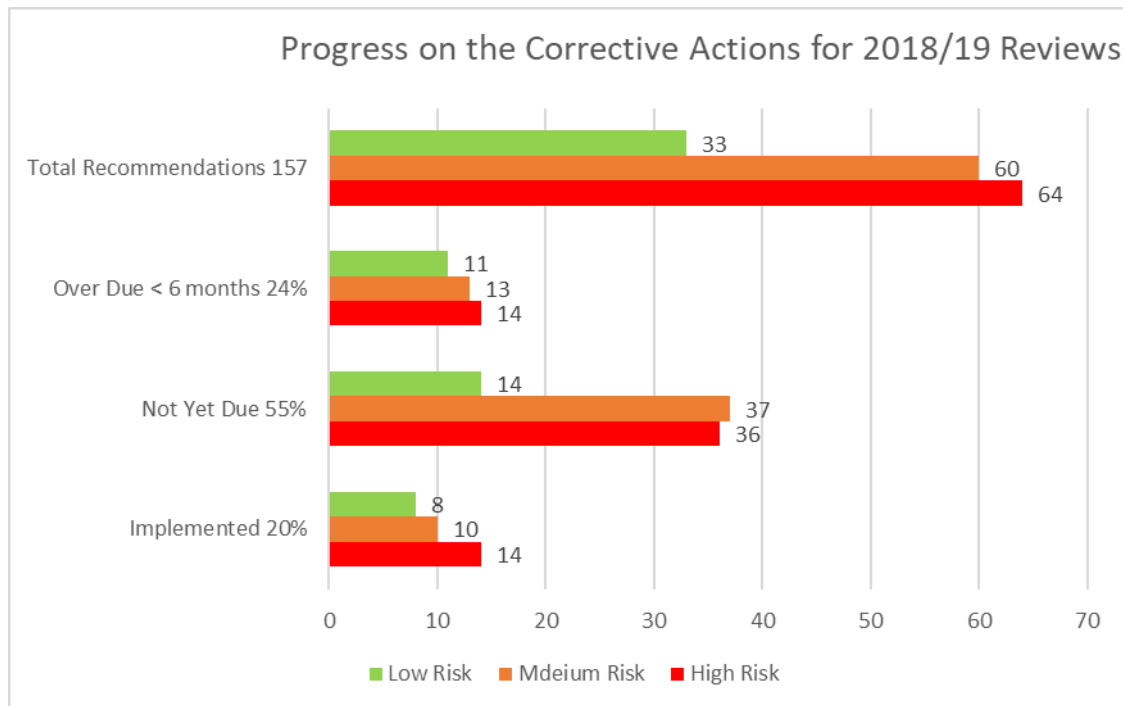
YEAR END STATUS

7. Appendix A is a schedule of the approved 2018/19 Internal Audit Plan and its projects' year-end status.

New Audits

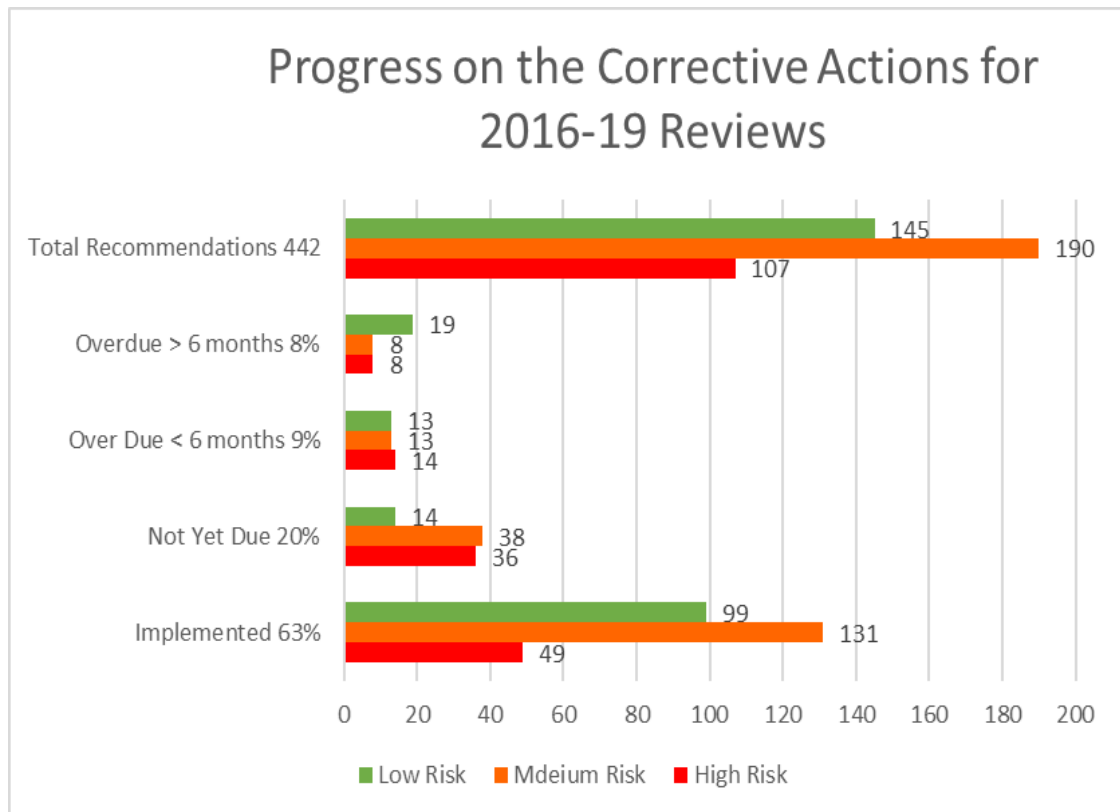
8. All planned Internal Audit reviews have been completed, except for one, entitled Grant/Subsidy Revenue review, which has been deferred to the next financial year.
9. The reason for deferring the Grant/Subsidy Revenue review was due to the departure of the staff, in March 2019, who was responsible for the Council's grant and subsidy fund raising activities. The vacant position was filled in July 2019.
10. The Conference and Function Centre Revenue Process audit, a 2019/20 project, was brought forward to 2018/19.
11. **Conference and Function Centre Revenue Process**
 - The objective of Conference and Function Centre Revenue Process audit was to provide assurance over the adequacy, effectiveness & sustainability of the processes and controls over the Conference and Function Centre's revenue generating activities by ensuring the reported revenues are complete, accurate and in compliance with the agreed terms & conditions, Council policy and any other relevant regulatory requirements.
 - Audit was able to give a Substantial Assurance rating. It identified that there is a sound system of controls to achieve the system objectives. There are, however, some minor weaknesses of non-compliance with good practices.
 - A high-level Executive Summary report is in Appendix B for information.
12. **Animal Control Revenue Process**
 - The overall objective of the audit was to provide assurance over the adequacy and effectiveness of current internal controls and processes put in place over the Council's Animals control revenue processes.
 - Audit gave a Limited Assurance rating to Management on this review mainly due to the areas of non-compliance with the Dog Control Acts and the Council's own Policies. There are also areas of inefficiencies in the processes.
 - A high-level Executive Summary report of this review is in Appendix C for information.
13. In 2018/19 Internal Audit in conjunction with management, made a total of 157 recommendations. Of which: 20% have been implemented, 55% not yet due, and 24% have past the due date, as illustrated below in Table 1:

Table1: 2018/19



14. Table 2 below shows over the last 4 years since 2015/16, Management has implemented 63% of the recommendations. Through which, the internal control environment would have been strengthened.
15. The 35 (or 8%) recommendations, overdue by longer than 6 months, require attention are represented in Appendix D.
16. Management also needs to implement the recommendations (9%) less than 6 months overdue, especially those that have been ranked high (14) and medium (13) risks in Table 2 below.

Table 2: 2015/16 –2018/19



Routine Reviews

17. The following paragraphs summarised the activities for the year on the Internal Audit routine reviews:
18. **Accounts Payable and Accounts Receivable Data Analysis**
 - a. The irregularities in the Accounts Payable noted were investigated and satisfactory resolved.
 - b. Incorrect treatment of Goods and Services Tax for some rental properties were brought to the business attention and corrected during the year.
19. **Cash Spot Checks**
 - a. All issues identified from the Cash Spot Checks by Management were resolved.
 - b. Internal Audit conducted two spot checks during the year. The issues identified were resolved.

20. Credit Card Transactions:

- a. The situation where several credit card holders had not accounted for their expenses in a timely manner in the first half of the year has improved.

The business purpose for some expenses not clearly stated has also been an area that requires continuous attention.c. Credit card transactions though not necessarily being classified as sensitive expenditure, they have attracted much public interest in the past. Keeping a good record and proper audit trail is prudent and advisable.

21. Journal Transactions

- a. Some journals lack source documentations. The journals and their appropriate supporting documents are part of the Council records to inform both current and the future users/readers why the journals were required and how the figures were derived.
- b. Internal Audit intends to continue this routine check in the future.

22. Miscellaneous Sample Check

- a. Employee Leave reconciliations between the Time Recording module and Payroll system were consistently not being carried out, nor the issues identified being followed up, in a timely manner. A timely leave reconciliation is particularly critical during the salary/wage increases which were generally back-dated. Annual Leave utilised by the staff but have not being deducted from the Payroll records in a timely manner could result in an overpayment to the staff concerned.

23. Payroll Master File Weekly Audit

- a. Previously reported cash pay-outs to staff, in lieu of their annual leave which exceeded what was permitted by the Holidays Act 2003, have not been repeated. This is prudent.

24. Staff Expense Disbursements

- a. Some expenses should have been authorised by the General Manager, as stipulated by the Management Team's Expense Policy (MT18), were instead authorised by the Divisional Heads. This issue was brought to Management's attention.

- b. Some Invoices/Receipts were either not enclosed for reimbursement or were not being submitted in a timely manner. This is not a good business practice.
- c. The tardiness reported above were not evidenced in the 4th quarter's sample check. This is commendable.

25. Internal Audit Reviews Follow Up

- a. This is a routine update (rather than by exception) in response to the Audit and Risk Committee's request. There are two different schedules:
- b. One schedule (Appendix D) is called Timeline Missed. This is a schedule of the suggested improvements by Internal Audit from the prior audit reviews where Management has now missed the agreed implementation timeline by 6 months or longer.
- c. Another schedule (Appendix E) lists issues raised by Audit New Zealand and were detailed in their final management report to the Council received in October 2018. This Schedule contains management's agreed actions and the implementation progress status updated by management on the agreed actions, among other details. The Schedule also includes pending corrective actions from the prior years' audit.






NEXT STEPS

- 26. To deliver the Business Assurance Plan to be approved by this Committee.
- 27. To report the progress made in the delivery of the Business Assurance Plan.

1. COMPLIANCE AND ADMINISTRATION

Does the Committee have delegated authority to decide? If Yes quote relevant clause(s) from Delegations Manual <Enter clause>	Yes
Are the decisions significant?	No
If they are significant do they affect land or a body of water?	No
Can this decision only be made through a 10 Year Plan?	No
Does this decision require consultation through the Special Consultative procedure?	No
Is there funding in the current Annual Plan for these actions?	Yes
Are the recommendations inconsistent with any of Council's policies or plans?	No
The recommendations contribute to Goal 5: A Driven and Enabling Council	
The recommendations contribute to the outcomes of the Driven and Enabling Council Strategy	
The recommendations contribute to the achievement of action/actions in Not Applicable	
Contribution to strategic direction	This activity assists the organisation working towards more efficient and effective in its systems and processes; especially those functions reviewed as outlined in Appendix A; the 2018/19 Internal Audit Plan.

ATTACHMENTS

1. Appendix A 2018/19 Internal Audit Plan Projects Year End Status [↓](#) 
2. Appendix B Conference and Function Centre Revenue Process Audit [↓](#) 
3. Appendix C Animal Control Revenue Process Audit [↓](#) 
4. Appendix D Internal Audit Recommendations Time Line Missed [↓](#) 
5. Appendix E External Audit Recommendations Implementation Progress [↓](#) 

Appendix A1 of 2

2018/19 INTERNAL AUDIT PLAN – YEAR END STATUS

	New Review 2018/19	Project Status
1	Animal Control Revenue Collection Process Review of the processes to calculate, collect, record and report revenue. This review will also include some analytical reviews associated with the impounded dogs.	Final report is in this Committee's August 2019 Agenda
2	Fixed Assets Review of fixed assets practices against Council processes including acquisitions, disposals, depreciation and capitalisation and ensure the completeness of the PNCC fixed assets.	Deferred from May 2019 Audit and Risk Committee Agenda to August 2019
3	Grant/Subsidy Revenue Review of processes for claiming grants and/or subsidies revenue due to the Council to ensure all revenue due are claimed and recorded appropriately.	Defer to 2019/20 due to staff vacancy. Replaced by a project from 2019/20 Internal Audit Plan. See below.
4	IT Disaster Recovery Plan Review of the processes in place to ensure back-up and recovery of key information systems are in place.	Reported to the Audit and Risk Committee in November 2018
5	IT Security Review of IT security practices, including internet, email and network security.	Reported to the Audit and Risk Committee in February 2019
6	Leased Carparks Revenue Review of the leased carpark rental agreement, billing and collection processes. This will include some analytical reviews between the revenue and the carpark vacancies.	Reported to the Audit and Risk Committee February 2019
	New Review 2019/20	
	Conference (and Function) Centre Revenue Process Review of the processes to calculate, collect and record revenue.	From 2019/20 Internal Audit Plan; to replace item 3 above. Final report is in this Committee's August 2019 Agenda

Appendix A2 of 2

	Routine Review 2018/19	Project Status
1	Accounts Payable and Receivables Data Analysis Using Benford's Law to analyse data for potential fraud, manipulative biases or other irregularities.	Refer paragraph 18 in the Memorandum
2	Cash Spot Checks Carry out spot checks on the Council's cash handling sites for the compliance of the cash handling policies and guidelines.	Refer paragraph 19 in the Memorandum
3	Credit Card Usage Review of credit card transactions for their compliance with the council policies and guidelines.	Refer paragraph 20 in the Memorandum
4	Internal Audit Reviews Follow-Up Follow up on the past internal audit review recommendations and the management agreed corrective actions plan.	Refer paragraph 25 in the Memorandum
5	Journal Authorisation and Supporting Documents Sample check of appropriateness of authorisation and supporting documents guidelines.	Refer paragraph 21 in the Memorandum
6	Miscellaneous Sample Checks Any other sample/spot check on areas that may have brought to our attention.	Refer paragraph 22 in the Memorandum
7	Payroll Master File Changes Audit Review of weekly payroll master file changes and their authorisations.	Refer paragraph 23 in the Memorandum
8	Staff Disbursements Review of staff disbursements via the Accounts Payable system and cash reimbursements for their compliance with the council policies and guidelines.	Refer paragraph 24 in the Memorandum



Conference & Function Centre Revenue Process Review

Summary report

For Audit & Risk Committee Meeting

May 2019

1. Executive Summary

INTERNAL AUDIT OBJECTIVE:	CONTROL AUDIT OBJECTIVES <i>Whether</i>	Audit Recommendations BY PRIORITY		
		High ¹	Medium ²	Low ³
<p>The overall objective of the audit is to provide assurance over the adequacy and effectiveness of current internal controls and processes over the Conference and Function center's revenue generating activities.</p> <p>COUNCIL GOAL THIS REVIEW CONTRIBUTES TO: GOAL 1: Innovative & Growing City.</p>	1. Adequate appropriate policies and procedures exists and that all the financial information is appropriately recorded, analyzed and reported on?	3	2	3
	2. Booking fees & charges invoiced are accurate, complete and timely as per the pricing schedule	3	8	-
	3. Whether the existing strategic plans are being implemented as planned and /or being monitored.	-	3	3
	<i>Collaborative actions according to Risk Ranking</i>	6	13	6

REVIEW OPINION

Our review identified the following areas of good practise:

- ✓ Reasonable operating procedures / work instructions are in place to ensure that the process objectives are met.
- ✓ An efficient event management tool allows for adequate planning, administration, efficient booking and paperless retention of documents (i.e. contracts, policies, emails etc.).
- ✓ Control standards around preparation of accurate and timely billings, disallowance of duplicate reservations, periodic review of schedule of fees and charges, preparation of monthly reports for management oversight etc. were reasonable to strong.
- ✓ Substantial actions have been implemented over the years based on the recommendation raised because of the external operational and financial reviews conducted in year 2015.
- ✓ Conference & Function centre (C&FC) staff members were professional and provided all documentation as requested.

Business Assurance could provide '**Substantial Assurance**⁴ to Management on the effectiveness of the operation and design of existing internal controls. **We have raised 11 audit issues (with 2 high, 5 medium and 4 low risk audit issues)** and an action plan has been developed in collaboration with the business to address these issues. If the agreed action plan is implemented, the assurance level may be alleviated to '**Full Assurance**'⁵.

Improvements to be implemented as per below:

- × Better operating policies and procedures which includes event scheduling policies that address hiring facilities to non-profit organizations or regular customers, fees & charges setting methodology, fee negotiation guideline, roles and responsibilities etc. should be developed.

¹ High - Observations refer to issues that are fundamental to the system of internal control. These issues have or will cause a system objective not to be met or relate to a serious weakness which exposes the Council to a material extent. These require management action as a matter of urgency to avoid risk of major error, financial loss, fraud or damage to reputation and legislative compliance

² Medium - Observations refer mainly to issues that have an important effect on the system of internal control but do not require immediate management action. These recommendations relate to deficiencies that need to be addressed to meet expected standards of good practice or operational procedures. These include any control weakness which could undermine the system of internal control or operational efficiency.

³ Low - Observations refer to issues that would if corrected, improve internal control in general and ensure good practice, but are not vital to the overall system of internal control.

⁴ Substantial Assurance: While there is basically a sound system of control to achieve the system objectives, there are some minor weaknesses in the design and/or evidence of non-compliance which may put this achievement at risk. Between 2 to 4 High risk audit issues and majority Medium & Low risk audit issues.

⁵ Full Assurance: There is a sound system of control designed to achieve the system objectives and the control are consistently applied

- × Processes and mechanisms to capture and monitor actual event spend monitoring which further allows for a detailed post event breakeven analysis, especially for big ticket events could be setup.
- × Processes needs to be established which ensures that the reporting requirements as set out in the Delegation made by the Chief Executive manual regarding reporting of the set Fees & Charges is complied with.
- × Process to monitor and track business KPIs (distinct from organisation KPIs) and status of the action plans as stated in the Strategic Sales & Marketing Plan 2018-20 could be developed.

OVERVIEW of Conference and Function Centre

Conference & Function Centre (C&FC) Revenue process was identified as part of the approved Internal Audit Plan 2019/20.

Palmerston North City Council (PNCC) manages, operates and maintains C&FC through a wide range of services and facilities for events, conferences, meetings etc. for both internal (PNCC related events) and external customers. Services include catering, event coordination, venue theming, accommodation booking, audio visual services. However, it is not directly responsible for marketing the facility, but Marketing team is. The C&FC has a revenue of \$0.95m for 2018-19 and expended \$1.71m leading to a 44% expense coverage from general rates and 56% from user fees & charges. The Council's Revenue and Financing policy set a funding target of up to 39% from general rates and up to 79% from fees & charges. This was due to depreciation expenses being higher than budget and revenue being lower than budget. However, the same policy targets were met in the year 2017-18.

2. Next Steps

The implementation of the collaborative action plan is the responsibility of the relevant General Manager who will monitor and manage the process.

The audit will continue the follow-up process as usual. On completion or full implementation of the collaboratively agreed action plan, the assurance level may be elevated from the initially **Substantial Assurance** to **Full Assurance**.

Review Animal Control Revenue process

Appendix C



Animal Control Revenue Process Review

Summary Business Assurance report

For Audit & Risk Committee Meeting

March 2019

1. Executive Summary

INTERNAL AUDIT OBJECTIVE:	CONTROL AUDIT OBJECTIVES <i>Whether</i>	Audit Recommendations BY PRIORITY		
		High ¹	Medium ²	Low ³
<p>The overall objective of the audit is to provide assurance over the adequacy and effectiveness of current internal controls and processes put in place over the Council's Animals control revenue processes.</p> <p>COUNCIL GOAL THIS REVIEW CONTRIBUTES TO: GOAL 3: A connected and safe community.</p>	1. Registration fees & charges applied are complete, accurate and are being consistently as per the dog classification?	4	5	1
	2. Fees for various compliance and enforcement activities incl. pounding are being accurately charged, reported and effectively monitored?	2	5	2
	3. Fee waivers and/or refunds are being authorized and sufficient documentation exist to evidence compliance?	5	1	2
	Collaborative actions according to Risk Ranking	12	11	5

REVIEW OPINION

Our review identified the following areas of good practise:

- ✓ Corrective actions were taken promptly at the time of audit to rectify the audit issues identified.
- ✓ Detailed operational procedures exist for all the end to end processes and which clearly defines the responsibilities of the roles involved in the process.
- ✓ Enforcement strategy adopted by Animal Control Officers (ACO) to reduce the number of unregistered dogs is being effectively managed. This has resulted in issue of infringement tickets to 60 % of the unregistered dog owners.
- ✓ It was concluded from the resulting sample checks that the annual registration fees were accurately charged consistent with the dog classification.
- ✓ Dog tag were inventoried on a periodic basis to ensure that all are accounted for.
- ✓ Cash handling duties were kept separate from those of issuing infringement tickets, between those who can accept fees and authorise refunds.

However, Business Assurance could only provide '**Limited Assurance**'⁴ to Management, mainly due to estimated potential loss of revenue and non-compliance to regulatory & policy requirements that puts achieving the system objectives at risk. As a result, **we raised 15 audit issues (with 4 high risk, 7 medium and 4 low risk⁵ audit issues)** and an action plan has been developed in collaboration with the business to address these issues. If the agreed action plan is implemented, the assurance level may be alleviated to '**Full Assurance**'⁶.

Notable issues were as per below:

¹ High - Observations refer to issues that are fundamental to the system of internal control. These issues have or will cause a system objective not to be met or relate to a serious weakness which exposes the Council to a material extent. These require management action as a matter of urgency to avoid risk of major error, financial loss, fraud or damage to reputation and legislative compliance.

² Medium - Observations refer mainly to issues that have an important effect on the system of internal control but do not require immediate management action. These recommendations relate to deficiencies that need to be addressed to meet expected standards of good practice or operational procedures. These include any control weakness which could undermine the system of internal control or operational efficiency.

³ Low - Observations refer to issues that would if corrected, improve internal control in general and ensure good practice, but are not vital to the overall system of internal control.

⁴ Limited Assurance: There is a system of control in place designed to achieve system objectives. However, there are significant weaknesses in application of controls in several areas and/or evidence of significant non-compliance, that puts achieving the system objectives at risk. Between 2 to 4 High risk audit issues and (usually) several Medium risk audit issues.

⁵ For the purposes of this summary report, the low risk audit issues have not been summarised.

⁶ Full Assurance: There is a sound system of control designed to achieve the system objectives and the control are consistently applied.

Review Animal Control Revenue process

- × The existing preferred dog owners that were incorrectly granted the status need to be re-examined and corrected accordingly.
- × Memorandum of Understanding (MOU) agreement with NZTA to invoice them the driving and other costs incurred by PNCC to control wandering stock on NZTA highways needs to be implemented.
- × Process needs to be established to ensure that Council approved fees for destroying dogs gets charged to the former Dog owners.
- × Better system of controls and criteria need to be established to govern the waiver of impound and sustenance fees.
- × Process needs to be established to ensure that the registration fee refund requests and written statement regarding dead dog is obtained and processed appropriately.

OVERVIEW of Animal Control Revenue Process

Animal control revenue process review was identified as part of the approved Internal Audit Plan 2018/19. The process reviewed contributes to meeting the Goal 3 objectives – A connected and safe community.

The main purpose of PNCC's Animal Control Team is to ensure that Animals i.e. Dogs and other animals (poultry, stock, cat or pig) are sufficiently controlled to prevent harm to the public or public amenity and that the Animal owners and residents are aware of safety, and protection requirements and etiquette around animals. This includes providing dog registration, microchipping, other animal permit and other services as well as responding to issues in relation to stray dogs, barking dogs and/or concerns about unwanted dog or another animal's behaviour.

Animal control activities in Palmerston North City are almost fully funded (almost 97% in 2017/18) from dog registration fees and impoundment fees and charges. Below are the financial results to date (July 2018 to March 2019):

2018/19 (FYTD – to March 2019)	Budget (\$000's) (FYTD – to March 2019)	Actual(\$000's) (FYTD – to March 2019)	Budget (\$000's) 2017-18	Actual (\$000's) 2017-18
Revenue	675	628 ⁷	633	682
Expenses	698	400 ⁸	683	702

Below are some statistics to note which shows the extent of Animal Control activity:

Work type	Total of number of DOGS (FYTD – to March 2019)	Percentage of Total
Registered Dog owners	8,478	100%
General Dog registrations	4,683	55%
Preferred Dog Registrations	3,795	45%
Impounded	369	4.4%
Micro-chipped	7,162	84.5%
Unregistered Dog Owners (known)	81	

⁷ Includes the annual registration fees collected which is not accrued over 12 months.

⁸ Covers only 9 months of expenditure

Review Animal Control Revenue process

Enforcement Work Type activities	Total of number of Dogs (FYTD – to March 2019)	Percentage of Total
Infringement notices issued	85	100.0%
Filed with Court	42	49.4%
Waived / Cancelled Infringement notices	20	23.5%
Paid / To be paid	23	27.1%

2. Next Steps

The implementation of the collaborative action plan is the responsibility of the relevant General Manager who will monitor and manage the process.

The audit will continue the follow-up process as usual. On completion or full implementation of the collaboratively agreed action plan, the assurance level may be elevated from the initially 'Limited Assurance' to 'Full Assurance'.

Internal Audit Management Agreed Corrective Action - Timeline Missed Schedule

Recent follow-up on the Management Agreed Corrective Actions recommended by the Internal Audit - Progress Status as at June 2019)
(Agreed Timeline missed by 6 months or longer)

MT	Original Timeline	Unit	Audit Issue	Agreed Corrective Act ions	Significance of each action	Updated Timeline	Management Comments (at the time of Audit)	Progress at YTD June 2019 toward full implementation
	Non-Financial Performance Measures <i>(Final Report1166089 Follow Up 5425578)</i>							
	Feb 2015	Infrastructure	4a)	Provide more staff training on the requirement to enter the actual response timings from the job sheets not the data entry time.	Data may not be accurately captured and report.	Dec-2018 June-2019 June 2020	This is in hand and we should have some data by January 2015 to enable any necessary tweaks to be made before formal reporting is required.	<u>YTD June 2019 Update</u> As previously indicated the handheld mobile solution has been fully rolled out for scheduled maintenance job assignments. Relevant staff have been trained on the use of handheld mobile. The unscheduled maintenance job assignments have been rolled out for sewer and storm. The unscheduled maintenance job assignments for Water has been put on hold until staffing issues are addressed.
			4b)	Provide a system to verify the recorded response times.		Dec-2018 June-2019 June 2020	Provision of handhelds for field staff would assist enormously in ensuring that accurate time data is recorded. Discussions about roll out of handheld equipment for field staff have begun with Council's IT department.	<u>YTD June 2019 Update</u> Recommendation 4b is embraced into the handheld mobile solution.
	Parking Collection Contract Management <i>(Final Report 893010 Follow Up 6032564)</i>							
	June 2015	Finance	1 a)	Improve its guidance for its staff on contract management by explaining when a Contract Management Plan is expected to be prepared, how it will be authorised and what it should contain.	Staff may not have the appropriate tool to carry out their tasks.	March-2019 August 2019	Agreed that a standalone Guide for Service Contracts will be prepared.	<u>YTD June 2019 Update</u> Detailed instruction and guidance on Contract Management Plans has been incorporated in the new Contract Management Manual. This manual is currently under review with a cross-functional group of internal stakeholders. Finalisation is estimated to be completed by 31 August 2019.
	Budget Setting <i>(Final Report 6774311, Follow up8191226)</i>							
	June 2016	Customer	2b	Complete the review of the IM Strategy	PNCC Information technology not meeting the business needs	February-2019 TBD <i>(Subject to ELT approval)</i>	a) Agree and will implement. The IM Strategy review will be completed by 30 th June with the draft document ready to distribute to Management Team.	<u>YTD June 2019 Update</u> It is expected that this work will be incorporated as a part of the Digital Transformation and will be a contributor to the emerging digital roadmap. A draft roadmap is being completed; it is also subject to the ELT approval.
	June 2018	Finance	5a	Request vendors to consider integration and easy access to supporting budgeting data issues in the future development of their systems for Councils	Lack of interfaces is inefficient and potentially could lead to errors in data input.	December 2020	a) Asset Management Planning occurs at the same time as annual planning for the following year so	<u>YTD June 2019 Update</u> As part of the Financial System replacement project. The timeframe for this is 12 – 18 months.

Appendix D 2 of 9

MT	Original Timeline	Unit	Audit Issue	Agreed Corrective Actions	Significance of each action	Updated Timeline	Management Comments (at the time of Audit)	Progress at YTD June 2019 toward full implementation
							Corporate Planning can't run two plans at the same time. Datacom are looking to redesign the corporate planning module, so we will wait and see what comes out of that.	
	June 2018	Finance	5b	Consider ways to integrate or simplify the spreadsheet tools provided to the Budget Managers	Using spreadsheets to distribute previous year's information adds complexity.	December 2020	b) An Asset Management Planning (AMP) tool was developed for programme entry only. For Maintain Service Level (MSL) budgets, a spreadsheet was designed. Ideally the user would use the same AMP tool for both programmes and MSL budgets and the Corporate Accountant will have this conversation with Information Management for the next round of Asset Management Planning.	<u>YTD June 2019 Update</u> As part of the Financial System replacement project. The timeframe for this is 12 – 18 months.
Procurement Planning (Final Report 6343537 Follow up 10117351)								
	June 2016	Finance	2b)	Include in the Life Cycle Procurement Manual the criteria when a Business/justification case (s) should be prepared, further details on needs and the preparation of options analysis.	If Policy and Procedures do not cover the whole Procurement Lifecycle there may be gaps, such as the omission of criteria for how and when to complete a Business/justification case, details of how to complete Procurement Planning, and how to manage different types of contract.	March 2019 August 2019	Agree and will implement.	<u>YTD June 2019 Update</u> The new Procurement Manager has added business case justification into the initial draft of a new Procurement Process and Procedures guide. This manual is currently under review with a cross-functional group of internal stakeholders. Finalisation is estimated to be completed by 31 August 2019. The Procurement Manager is also working with the Asset Management team on developing processes for Asset Management Planning that links and aligns with Procurement Planning.
Accounts Receivables & Aged Debtors (Final Report 9820008, Follow-up Report 10446849)								
	June 2018	Finance	8	Whilst considering the cost-benefit analysis and the security of our financial information processed over the Internet, we recommend reviewing the possibility of extending the Credit Card Payment option to the Front of House and via Customer Contact Centre for all types of invoices.	By not providing citizens with the option to pay using Credit Card at all Customer Contact points may potentially contribute to slower collections and requiring staff to perform significant	Dec-2018 June-2019 July 2019	Acceptable methods of payment are reviewed from time to time taking account of changing commercial practice, customer behaviour & cost – a further review will be completed by 30 June 2018	<u>YTD June 2019 Update</u> Implementation proposals are currently being evaluated. If proposals are practical expect to implement by 30 July 2019.

MT	Original Timeline	Unit	Audit Issue	Agreed Corrective Act ions	Significance of each action	Updated Timeline	Management Comments (at the time of Audit)	Progress at YTD June 2019 toward full implementation
					amounts of payment processing activities.			
Earthquake Strengthening (Final report 9814823, Follow up report 10533013)								
	October 2017	Infrastructure	1b	Communicate with the CAB (Civic Administration Building) staff about building risk.	The Programme is not completed effectively.	Oct-2018 March-2019 April-2019 September 2019	Agree and will implement.	<u>YTD June 2019 Update</u> Council is to set its policy on strengthening earthquake prone buildings in August 2019 for the process, plans and actions for addressing the extent of works required. This will inform a review of Programme 902. This will inform the communications to staff, so this will wait until after policy is determined.
	November 2017	Infrastructure	1c	Prepare a Project Execution Plan (PEP; including programme governance matters).		Dec-2018 Feb-2019 April-2019 September 2019	Agree and will implement.	<u>YTD June 2019 Update</u> Council is to set its policy on strengthening earthquake prone buildings in August 2019 for the process, plans and actions for addressing the extent of works required. This will inform a review of Programme 902-Seismic Strengthening of Council Owned Buildings.
	December 2017	Infrastructure	3a	Present an updated analysis of the options for levels of strengthening of Council Buildings for Councillors in light of the new Act.	Council did not have an opportunity to reconsider its decisions in light of the new legislation. This may lead to a sub-optimal outcome.	November 2018 March-2019 April-2019 September 2019	Agree and will implement.	<u>YTD June 2019 Update</u> Council is to set its policy on strengthening earthquake prone buildings in August 2019 for the process, plans and actions for addressing the extent of works required. This will inform a review of Programme 902 -Seismic Strengthening of Council Owned Buildings.
	December 2017	Infrastructure	4a	Ensure that decisions are documented regarding early strengthening of the external stairs to the CAB.	If the strength of the stairs is not assessed the organisation cannot be confident there would be a means of egress if the Central Core building collapsed in a ultimate state earthquake	December 2018 March-2019 April-2019 September 2019	Agree and will implement.	<u>YTD June 2019 Update</u> Council is to set its policy on strengthening earthquake prone buildings in August 2019 quarter for the process, plans and actions for addressing the extent of works required. This will inform a review of Programme 902 - Seismic Strengthening of Council Owned Buildings.
	December 2017	Infrastructure	4b	Complete an assessment of the external stairs.		December 2018 February-2019 April-2019 December 2019	Agree and will implement.	<u>YTD June 2019 Update</u> Detailed Design is scheduled for the Seismic works to be completed in the CAB in the 2019/20. This assessment will form part of this. Physical works to follow in following year.

Appendix D 4 of 9

MT	Original Timeline	Unit	Audit Issue	Agreed Corrective Actions	Significance of each action	Updated Timeline	Management Comments (at the time of Audit)	Progress at YTD June 2019 toward full implementation
Contract Tendering <i>(Final Report 9916076, Follow up report 10244701)</i>								
	December 2017	Customer	17a	Ensure that MT 86 Policy requirement around Record Disposal is reminded to all staff members.	Non-compliance policy requirement could lead to potential violation of Public Records Act 2005 as the policy is based on the Public Records Act requirements	Dec-2018 March-2019 April-2019 July 2019	Agree and will implement.	<u>YTD June 2019 Update</u> MT86 policy has been reviewed and is awaiting Management Team Approval.
	March 2018	Finance	5a	Build a formal guidance & standard template on what level of information is required when planning for individual procurement.	May result in ineffective decision making and/or to non-identification and subsequent mitigation strategies of potential procurement risks.	March-2019 August 2019	Agree and will implement	<u>YTD June 2019 Update</u> Protocols and procedures related to Procurement Plans and the associated templates have been created. Procurement Planning guidance and instruction is included in the initial draft of a new Procurement Process and Procedures guide and the new Tender Management Manual. Drafts of these guides are currently under review with a cross-functional group of internal stakeholders. Finalisation is estimated to be completed by 31 August 2019.
	March 2018	Finance	6a	Include a Policy guidance on how and when to use a multistage competitive procurement process and any relevant records to be maintained	Lack of following the correct procurement progression especially in a multi-stage process can lead to potential risks of not being open, fair and transparent.	March-2019 August 2019	Agree and will implement	<u>YTD June 2019 Update</u> Protocols and procedures related to Procurement Plans and the associated templates have been created. Procurement Planning guidance and instruction is included in the initial draft of a new Procurement Process and Procedures guide and the new Tender Management Manual. The draft of these guides is currently under review with a cross-functional group of internal stakeholders. Finalisation is estimated to be completed by 31 August 2019.
	March 2018	Finance	6b	Ensure the policy requirement is communicated to staff.	Lack of following the correct procurement progression especially in a multi-stage process can lead to potential risks of not being open, fair and transparent.	March-2019 August 2019	Agree and will implement	<u>YTD June 2019 Update</u> Training documentation, along with a training programme, related to the entire Procurement Framework will be implemented after appropriate approvals to new policies and procedures have been confirmed. Framework and extensive corresponding documentation are anticipated to be finalised and approved by 31 August 2019 with formal training to begin in September 2019.
	March 2018	Finance	9a	Include guidance in its Contract Administration Manual on when to carry out due diligence (high value high risk contract types) and the type of record to be maintained which documents the outcome of the check conducted.	Lack of a formal process could lead to potential risk of fraud, corruption or financial loss.	March-2019 August 2019	Agree and will implement	<u>YTD June 2019 Update</u> Protocols related to due diligence checks are part of the new Tender Management Manual. This manual is currently under review with a cross-functional group of internal stakeholders. Finalisation is estimated to be completed by 31 August 2019.
	March 2018	Finance	9b	Develop a list of Suppliers that have had a Due Diligence Check so as to avoid duplication of due diligence checks	Lack of a formal process could lead to potential risk of fraud, corruption or financial loss.	March-2019 August 2019 December 2019	Agree and will implement	<u>YTD June 2019 Update</u> Supplier Management protocols and procedures are currently being incorporated into the new PNCC Procurement Framework. Due diligence criteria/checks are one component of several supplier management metrics that will be tracked and measured in the future. Additional procurement resources are needed to accomplish this in relation to confirming and recording current status of over 2,500 suppliers and then

Appendix D 5 of 9

MT	Original Timeline	Unit	Audit Issue	Agreed Corrective Actions	Significance of each action	Updated Timeline	Management Comments (at the time of Audit)	Progress at YTD June 2019 toward full implementation
								maintaining appropriate updates on an ongoing basis in the future.
	March 2018	Finance	9c	Participants should be advised of the due diligence process in the tender or proposal documents.	Lack of a formal process could lead to potential risk of fraud, corruption or financial loss.	March 2019 August 2019	Agree and will implement	<u>YTD June 2019 Update</u> Protocols related to due diligence checks will be included in future tender/RFx documents e.g. Request for Proposal etc. and are part of the new Tender Management Manual. This manual is currently under review with a cross-functional group of internal stakeholders. Finalization is estimated to be completed by 31 August 2019.
	March 2018	Finance	12b	Setup a process that ensures any policy amendments are published and timely communicated to staff.	Approved Management Team Policy but not communicated or published may not be enforceable when challenged.	March 2019 August 2019	The procurement policy is currently published on City Port. However, policy communication process has not been clarified yet	<u>YTD June 2019 Update</u> The new Procurement Manager has begun work on a communications and training plan related to a new Procurement Framework and the associated policies, protocols, templates and resources. In addition to communications outreach when new policy changes go into effect via email, City Port, and a new "Procurement Portal" for procurement records and information, there will be training of key staff and procurement will become a component of new staff induction processes.
	March 2018	Finance	16a	Include in the proposed Contract Administration Manual for Service Delivery units, a standardised performance evaluation form on contract completion or Develop a Unit Specific Template that allows for the documenting of reasons why the tender has been extended	Non- availability of a documented Performance review can affect not only the transparency but also it can take away the opportunities for improvements or renegotiation identified as part of the vendor performance review process.	March 2019 August 2019	Support and will address	<u>YTD June 2019 Update</u> The new Procurement Manager is currently working on standardising templates for the entire procurement cycle with differentiation in these for Infrastructure and "Non-Infrastructure" business unit needs and requirements. Core evaluation criteria has been developed and evaluation of tenders is addressed in-depth in the new Procurement Process and Procedures guide and the new Tender Management Manual. Drafts of these guides are currently under review with a cross-functional group of internal stakeholders. Finalisation is estimated to be completed by 31 August 2019.
	March 2018	Finance	16b	Develop a Unit Specific Template that allows for the documenting of reasons why the tender has been extended	Non- availability of a documented Performance review can affect not only the transparency but also it can take away the opportunities for improvements or renegotiation identified as part of the vendor performance review process.	March 2019 August 2019	Support and will address	<u>YTD June 2019 Update</u> Supplier Management protocols and procedures are currently being incorporated into the new PNCC Procurement Framework. Key Performance Indicators (KPI's), Supplier Scorecards and Performance reviews are all components of the new Procurement Framework being established. The new Procurement Manager has completed an analysis of the current state of PNCC's procurement practises and various initiatives have commenced. Protocols for the associated records retention of supplier management processes are incorporated in the new Procurement Process and Procedures guide. This guide is currently under review with a cross-functional group of internal stakeholders. Finalisation is estimated to be completed by 31 August 2019.

Appendix D 6 of 9

MT	Original Timeline	Unit	Audit Issue	Agreed Corrective Actions	Significance of each action	Updated Timeline	Management Comments (at the time of Audit)	Progress at YTD June 2019 toward full implementation
	April 2018	Finance	18b	Establish a Routine check which involves a periodic review of files (e.g. quarterly) to ensure compliance with the policies and procedures for Tendered Contracts (high risk high value)	Non-compliance to policies and procedure.	March 2019 August 2019 December 2019	A six-monthly review of compliance with the Contract Administration Manual (CAM) tendering procedures for contracts issued for tender by Infrastructure Unit within the previous six-month period. It is not possible for the Infrastructure Unit to perform this review on contracts issued for tender outside of the Unit's control.	<u>YTD June 2019 Update</u> The new Procurement Manager has completed an analysis of the current state of the Procurement practises and various initiatives have commenced. Additional procurement resources will be needed to fulfil the need for periodic reviews/audits of high risk/high value contracts.
	March 2018	Finance	19b	Seek legal advice to clarify if both parties should be required to initial each page of the Contract Documentation.	The risk of not having a signed contract documentation in place is that it might lead to legal enforcing issues should the contract be legally challenged.	March 2019 August 2019	Agree and will implement	<u>YTD June 2019 Update</u> Cooper Radley has been consulted on for legal advice on this topic and their advice is being incorporated into the new Contract Management Manual. In addition, tools for electronic signature of contracts are being reviewed/considered for future implementation.
	August 2018	Finance	1a	To formalize and develop a Contract Administration Operating Manual along with standardised templates and forms for Service delivery units or project works outside of the construction & civil engineering scope of work.	Besides the operational inconsistencies, absence of an approved procedural framework can lead to potential legal risk implications where by the staff without being aware of the risks can attempt to alter or omit the Legal term & conditions or the information that is to be disclosed to or to be requested from potential suppliers.	August 2019	Recommendations 1a) and b) require consideration by the Executive Leadership Team as to how contract administration is to occur for non-building or civil engineering works.	<u>YTD June 2019 Update</u> A new Contract Management Manual has been written and the draft is currently under review with a cross-functional group of internal stakeholders. Finalisation is estimated to be completed by 31 August 2019. This manual will be used in conjunction with the NZTA Procurement Manual for Infrastructure related contracts and the updates to this manual, along with review of the Building and Civil Engineering Manual are being collaborated on by the Procurement Manager and staff within Infrastructure (but timeframes are in flux due to pending decisions related to roles/responsibilities impacted by the restructure).
	August 2018	Finance	1b	Once completed, Council-wide communication and training are also recommended to ensure that employees have a good understanding of the processes		August 2019		<u>YTD June 2019 Update</u> Training documentation, along with a training programme, related to the entire Procurement Framework will be implemented after appropriate approvals to new policies and procedures have been confirmed. Framework and extensive corresponding documentation are anticipated to be finalised and approved by 30 August 2019 with formal training to begin in September 2019.
	August 2018	Finance	3a	Develop a training programme of Council's B&CE CAM to all relevant staff, including any external Consultant that the Council uses to tender on its behalf.	Can potentially lead to inconsistent contract tendering / proposal processes being followed.	August 2019	Relevant Infrastructure Unit staff will undergo refresher training once the review of the Contract Administration Manual (CAM) has been completed. Use of CAM will be incorporated into the induction processes. External consultants engaged to assist Council	<u>YTD June 2019 Update</u> A new Contract Management Manual has been written and the draft is currently under review with a cross-functional group of internal stakeholders. Finalisation is estimated to be completed by 31 August 2019. This manual will be used in conjunction with the NZTA Procurement Manual for Infrastructure related contracts and the updates to this manual, along with review of the vibrant Building and Civil Engineering Manual are being collaborated on by the Procurement Manager and staff within Infrastructure (but timeframes are in flux due to

MT	Original Timeline	Unit	Audit Issue	Agreed Corrective Actions	Significance of each action	Updated Timeline	Management Comments (at the time of Audit)	Progress at YTD June 2019 toward full implementation
							with contract management including tendering need to demonstrate competency in the discipline. Accordingly, there should not be a need for training of their personnel. However, as part of their engagement, the brief needs to outline Council's procurement requirements as this impact on the consultancy service being sought.	pending decisions related to roles/responsibilities impacted by the restructure).
	August 2018	Finance	3b	Ensure Training records are appropriately saved for operational & audit trail purposes.		August 2019	Relevant Infrastructure Unit staff attendance at training will be noted on their personnel files.	<u>YTD June 2019 Update</u> The new Procurement Manager is working on the implementation of new records management protocols and procedures which will include the retention of training documentation, as well as records of who has participated/completed components of a future Procurement Training programme. Training documentation, along with a training programme, related to the entire Procurement Framework will be implemented after appropriate approvals to new policies and procedures have been confirmed. Framework and extensive corresponding documentation is anticipated to be finalised and approved by 31 July 2019 with formal training to be implemented August 2019
	June 2018	Finance	4c	Ensure there is ownership of the Register of Contracts & Agreement so that each unit is reminded to manage their accuracy of their listings.	Non-compliance to MT70 Policy relevant requirement which was setup on the pretext of the Public Records Act 2005 requirements around record keeping.	August 2019 July 2019	The cost/benefit of a centralised procurement position will be undertaken by 30 June 2018	<u>YTD June 2019 Update</u> The new Procurement Manager is working on the implementation of new records management protocols and procedures which will include an improved Contract Register and new protocols and procedures which have been incorporated in to the draft of a new Procurement Process and Procedures guide. This guide is under review with a cross-functional group of internal stakeholders with finalisation anticipated by 31 July 2019. New software tools for contract records management under being reviewed.
	June 2018	Finance	4d	Setup a monitoring / reporting process to produce a snapshot report that can further enable management in making any business or strategic decisions.		August 2019 September 2019		<u>YTD June 2019 Update</u> The new Procurement Manager's analysis of the current state of the Procurement has resulted in the creation of an initial "current state snapshot" in relation to PNCC Procurement. Additional procurement resources are needed to implement a process/system for future monitoring and proper compliance. The new Procurement Manager is working with the Information Manager on creating a Procurement Portal on the intranet with some initial dashboard tools related to Procurement as a short-term solution. New reporting tools will come from the proposed future implementation of robust, modern Procure-to-Pay and Contract Management software.

Appendix D 8 of 9

MT	Original Timeline	Unit	Audit Issue	Agreed Corrective Actions	Significance of each action	Updated Timeline	Management Comments (at the time of Audit)	Progress at YTD June 2019 toward full implementation
	March 2018	Finance	15a	Setup a default contract file folder system which also includes mandatory list of documentation templates required when a new Contract request form is sent to the Records Team	Possibility of transparency issues, risk of loss of information and records in event of theft, Council intellectual property being misused.	August 2019	Agreed and will endeavour to implement	<u>YTD June 2019 Update</u> The new Procurement Manager is working on the implementation of new records management protocols and procedures for tenders and contracts. This will include standardised templates and an improved Contract Register with associated training guidance, reference materials protocols and procedures. This has been incorporated in to the draft of a new Procurement Process and Procedures guide. This guide is currently under review with a cross-functional group of internal stakeholders. Finalisation is estimated to be completed by 31 August 2019.
	March 2018	Finance	15c	Files should be subject to regular, independent review to ensure that standards are met	Possibility of transparency issues, risk of loss of information and records in event of theft, Council intellectual property being misused.	August 2019	Agreed: - We will endeavour to monitor content of contracts to ensure requirements are met	<u>YTD June 2019 Update</u> The new Procurement Manager is working on the implementation of new records management protocols and procedures for tenders and contracts. This will include standardised templates and an improved Contract Register with associated training guidance, reference materials protocols and procedures. This has been incorporated in to the draft of a new Procurement Process and Procedures guide. This guide is currently under review with a cross-functional group of internal stakeholders. Finalisation is estimated to be completed by 31 August 2019.
Landfill Revenue Collection (Final Report 9864244, Follow up report 10529803)								
	March 2018	Finance	2b	Complete the Review of MT81 currently underway.	The organisation violates its own Policy and the Council's assets may be at risk	Sept-2018 Feb-2019 April-2019 July 2019	Awaiting Finance Manager to review MT81 Cash Policy.	<u>YTD June 2019 Update</u> MT81 has been reviewed and no changes have been proposed. It is awaiting approval from Executive Leadership Team and to be published on City Port.
	March 2018	Finance	1c	Better communicate MT81, such as by including in MT81 an explanation of the purpose of following transactions.	Lack of assurance that income accurately and completely recorded	Sept-2018 Feb-2019 April-2019 July 2019	Awaiting Finance Manager to review MT81 Cash Policy. Policy will be communicated after the revised policy has been approved by Management.	<u>YTD June 2019 Update</u> MT81 has been reviewed and no changes have been proposed. It's awaits approval from the Executive Leadership Team and to be published on City Port. The policy will be communicated to all staff once it has been approved and published online.
Development Contributions (Final report_8337085)								
	June 2018	Customer	7	Consider introducing early innovations such as an online estimated Development Contribution calculator	Development opportunities are not facilitated.	April-2019 October 2019	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 calculation unreliable, so appropriate caveats will be stated concerning the reliability to be placed on the result.	<u>YTD June 2019 Update</u> This project currently on hold whilst waiting for Development resources to complete outstanding work.

Appendix D 9 of 9

MT	Original Timeline	Unit	Audit Issue	Agreed Corrective Act ions	Significance of each action	Updated Timeline	Management Comments (at the time of Audit)	Progress at YTD June 2019 toward full implementation
	Rating Processes Review <i>(Final report 10582163)</i>							
	June 2018	Customer	2a	Customer Services shares the Food & Hairdressing License database with City Corporate on a periodic basis as agreed or as required between the two teams.	It leads to non-compliance to Council's Rating Policy which requires correct categorisation of all rating units based on the type of land use.	April 2019	Agree to implement: The proposal will be implemented for new and renewed registrations once the Privacy Act 1993 requirements have been addressed.	<u>YTD June 2019 Update</u> The Premise registration license now includes a privacy disclaimer which informs the user that the information collected might be used by other Council departments. This will be the last time this audit issue is reported.
	June 2018	Finance	2b	Rates team updates the Residential Unit Category code to Miscellaneous / Commercial based on the information received from the Customer Services Team.		April 2019.	Agree to implement	<u>YTD June 2019 Update</u> Form will include the 'Privacy disclaimer' and Rates team will assess if the code needs to be changed or not. This will be the last time this audit issue is reported.
	Trade Waste Review <i>(Final report 10924523)</i>							
	September 2018	Infrastructure	12b	Frequency of conducting spot checks of manually generated invoices should be clearly agreed to, so as to ensure continuous spot-checking practice is followed.	If reconciliations are not performed there is a risk that not all consent holders are invoiced timely and accurately which can potentially result in monetary loss for the Council.	August 2019	Agree to implement	<u>YTD June 2019 Update</u> A new system (Fujitsu and Salesforce) is being implemented which allows for capturing all fixed charges and revenue automatically on a timely basis. This recommended action: to conduct spot checks, will be implemented once the new system goes live, expected to be at the end of July.

(Note: Track changes on the Timeline included as requested by the A&R Committee at its November 2018 meeting)

**Audit New Zealand Final 2018 Management Report to Council
Implementation Progress Status – June 2019**

The following table is a summary of issues raised by Audit New Zealand in their final management report to the Council received October 2018, together with management comment, responsibility and status of any implementation where implementation is required. All quarterly updates include updated progress in achieving the agreed action. It includes from the report only those items requiring action.

The “Agreed Action” is a summary from the report. That report should be referred to for the full recommendation and basis for that recommendation.

Audit reference	Agreed Action	Person responsible	Target date	Status
4.1	Financial management information systems - Review the adequacy and reliability of the financial management information system (FMIS) given current issues.	Finance Manager Information Manager	No target dates July 2020	Management comment We plan to undertake some independent analysis shortly, and the outcome may determine our next steps, whether that be a system replacement or some other outcome. Update December 2018 An independent consultant has been employed to undertake the work described above. Update March 2019 This review work continues. Update June 2019 The review work concluded that a full replacement of Ozone should be sought, not just the financial components of the system. An expression of Interest for an ERP system replacement was issued in May and response are currently being evaluated. This will involve replacing both financials and regulatory functionality of

Document Number: 11934610

Appendix E 2 of 9

Audit reference	Agreed Action	Person responsible	Target date	Status
Appendix 1	<p>Actual renewals and capital expenditure below forecasts -</p> <ul style="list-style-type: none"> continue to implement the action plan, internal audit's findings from 2015/16, our review recommendations on procurement, contract management, and project management. review the capital budgets of projects going into the next LTP to ensure these have realistic timeframes. 	<p>Chief Infrastructure Officer</p> <p>Transport and Infrastructure Manager</p>	Ongoing	<p>Ozone. An RFP will be issued to shortlisted suppliers in August.</p> <p>Update September 2018 Continuing implementation of the action plan has enabled increased performance compared to budget. Total capital expenditure for the 2017/18 year has been \$48.8m compared to \$33.1m in 2016/17, an increase of \$15.7m, with 70.6% of budget completed compared to 63% in 2016/17. These improvements are a significant achievement.</p> <p>Update December 2018 A major re-structure of the Infrastructure Unit has been initiated and will be progressively implemented during 2019. This will see the establishment of a dedicated Project Management Office (PMO) to deliver major and complex projects, drive standard project management processes and monitor and report on project delivery for the entire unit.</p> <p>In addition, a Development Planning Division will be formed to better plan and scope programmes of work and major projects to facilitate more streamlined project delivery.</p> <p>The restructure will support the separation of the project management role from programme and activity functions. Additional in-house project managers are being recruited to strength specific divisions e.g. Transport and Infrastructure.</p>

Document Number: 11934610

Appendix E 3 of 9

Audit reference	Agreed Action	Person responsible	Target date	Status
				<p>These initiatives will drive a step change in project delivery performance.</p> <p>Update March 2019 One of the key objectives of the restructure is to lift performance in this area. Work is in process to establish a Project Management Office and a Planning and Asset Division within Infrastructure.</p> <p>Already the focus on this area has contributed to a step change in delivery performance. The work of the two new divisions will further enhance and secure this change in performance.</p> <p>Update June 2019 The re-structure has been confirmed following a period of consultation and following decisions on redeployment of affected staff, recruitment to fill the new roles will commence. A further step change increase in the percentage of capital new and renewals programmes delivered for the year has been achieved.</p> <p>The focus will now shift to operationalising the new structure and establishment of the Project Management Office and the Asset and Planning Division.</p>
Appendix 1	<p>Business Continuity Plan - Business Continuity Plan should be finalised and re-tested. Plans be regularly updated and tested.</p>	<p>Head of Emergency Services</p> <p>CFO and Chief</p>	TBA	<p>Management comment BCPs have been completed. Training for all units will be completed by year end 2018. This training will be repeated in 2019 with a different scenario.</p>

Document Number: 11934610

Appendix E 4 of 9

Audit reference	Agreed Action	Person responsible	Target date	Status
		Infrastructure Officer		<p>Update December 2018 Training was completed for three Units of Council by this date. It is anticipated that the training for the other remaining 3 Units will be completed early 2019. The delay in completing training by the end of the year was due to the restructure of Council which has now been completed.</p> <p>Update March 2019 Training for the new Infrastructure Unit was carried out on 21 March 2019. It is planned to have the two remaining Units, Marketing and Communications, and Community, first round of training completed by end of April 2019.</p> <p>Update June 2019 The Infrastructure Unit has reviewed and updated the Business Continuity Plans following the training event in March 2019. The emergency operations team was mobilised successfully for a localised stormwater flooding event following the failure of a stormwater pump station during a significant rain event.</p> <p>Following the organisational restructure, existing business continuity management provisions are being reviewed for how they fit with Council's operations. Work is underway to grow awareness of business continuity provisions and embed business continuity into how Council operates on a day-to-day basis.</p>

Appendix E 5 of 9

Audit reference	Agreed Action	Person responsible	Target date	Status
Appendix 1	<p>Financial statement reconciliations All financial statements reconciliations should be prepared in a timely manner and independently reviewed.</p> <p>In progress. Audit found that there had been improvements in timeliness of preparation and review and sign-off of reconciliations. However, some reconciliations are not being prepared and signed off in a timely manner.</p>	Finance Manager	Ongoing	<p>Management comment All reconciliations were prepared at year end. Some of these, and earlier reconciliations, contained some differences due to system faults as referred to in 4.1 above.</p> <p>Update December 2018 Not all reconciliations were completed and reviewed during this quarter. However, the high priority ones were.</p> <p>Update March 2019 All reconciliations have been prepared on time.</p> <p>Update June 2019 All reconciliations have been prepared on time.</p>
Appendix 1	<p>Contract management The City Council consider whether a whole of Council contract management system would be useful. Audit are of the view that it would be.</p> <p>The City Council continues to utilise the Oasis system as a contract management register for the whole of the Council. All contracts are required to be added to the Oasis system. The system however is still being modified to ensure its functionality is appropriate for all types of contracts.</p>	<p>Chief Infrastructure Officer</p> <p>Transport and Infrastructure Manager</p> <p>Information Manager</p>	<p>Completed and Ongoing</p>	<p>Update September 2018 Contract Administration Manual update was signed on 3 August 2018. New updated construction contract templates have been prepared by Simpson Grierson and are intended to be incorporated into the Contract Administration Manual by 26 October 2018.</p> <p>Update December 2018 The establishment of a PMO as part of the Infrastructure Unit re-structure will include development of process</p>

Document Number: 11934610

Appendix E 6 of 9

Audit reference	Agreed Action	Person responsible	Target date	Status
	Audit decided to follow this up in their next audit to ensure that new positions were filled and systems and processes are embedded within the City Council.			<p>mapping and standard templates for key project delivery phases including contract documentation.</p> <p>New contract templates for NZ3910 and a standard alone minor works contracts have been adopted and are in use. Further work is underway to develop simple multi-year contract models for a range of preferred supplier and sub-contractor relationships.</p> <p>All professional services and physical works engagements are captured within the contract register and supported by a dedicated folder in the document management system (Oasis).</p> <p>Update March 2019 The creation of a unique contract number for each internal and external contract for services or goods is now standard operating procedure. For each new contract created a matching Oasis folder is also created to enable capture of key documents generated in the implementation of a contract.</p> <p>This action is now completed and is ongoing operational matter.</p> <p>Update June 2019 As advised this action is completed.</p>
Appendix 1	Mandatory performance measures <ul style="list-style-type: none"> Continue to review the effectiveness of current reporting and systems to accurately capture the underlying data and to ensure 	Chief Infrastructure Officer	June 2018	<p>Update September 2018 Work is continuing to resolve this issue (K-base efficiency, data extraction).</p>

Document Number: 11934610

Appendix E 7 of 9

Audit reference	Agreed Action	Person responsible	Target date	Status
	<p>the data is complete. Systems and processes should be formally documented and regular training provided to all staff involved.</p> <p>Perform a regular weekly quality review of data entered into the Request for Service (RFS) system in relation to complaints, service requests and response times to ensure it is complete, accurate and supportable. Reviews should focus on following up unclosed jobs, ensuring all data fields are updated and reviewing any unusual response times. Audit would expect that these reviews are formally evidenced by way of a date and signature.</p> <ul style="list-style-type: none"> • Ensure data fields include information to clearly show why data has been amended or re categorised with a clear audit trail of any changes made and who authorised these. • Document any calls that are excluded as Department of Internal Affairs (DIA) service requests or complaints. This may require additional fields to be added to the existing RFS if this information is not already captured. • Continue to review DIA's guidance to ensure that the data being captured and reported meets the mandatory reporting requirements. Audit expect that there will be further clarification around these measures as they become embedded into the annual reporting. 	<p>Transport and Infrastructure Manager</p> <p>Head of Community Planning</p>		<p>Update December 2018</p> <p>Requests for service (RFS) logged in Council's KBase system are reviewed on a quarterly basis prior to completing non-financial reporting to Council. KBase resolution and outstanding RFSs are reviewed weekly to ensure compliance with Councils performance targets.</p> <p>Staff assigned to respond to RFSs have been trained and are familiar with the processes and systems, reducing the likelihood of error.</p> <p>The current KBase software system does not provide the functionality or usability required to meet the levels of accuracy and detail sought by Audit NZ. Council is undertaking a review of its corporate systems and implementing a new Customer Response System is a high priority. No major changes or upgrades to the current system are contemplated to address known deficiencies.</p> <p>Staff will continue to extract data and amend and re-categorise information to insure KPI reporting, including mandatory DIA measures, is as accurate and detailed as possible.</p> <p>Update March 2019</p> <p>The limitations of the KBase customer response system remain an obstacle to extracting and reporting on robust and reliable information is still problematic.</p> <p>At an organisational level, a review of replacement customer response software systems is underway.</p>

Document Number: 11934610

Appendix E 8 of 9

Audit reference	Agreed Action	Person responsible	Target date	Status
	<ul style="list-style-type: none"> Ensure there is a system in place to check contractor times recorded are accurate instead of relying solely on the time that the contractor/staff noted. This is important to ensure accurate monitoring of performance by contractors against the City Council's key performance targets. <p>In progress. During Audit review of the City Council's systems they did not find any changes to systems. At the final audit with the change of staff responsible for pulling together the report on the performance measures Audit found that there were errors in the data presented. These were corrected.</p>			<p>Update June 2019 The constraints of the KBase customer response system remains an obstacle to robust reporting.</p> <p>A review of the existing Roading Maintenance Contract with Higgins has identified significant opportunities to improve outcomes for customers through streamlined processes. These actions will be included in an improvement plan to be agreed with the contractor at a governance level meeting in mid-July. Development of standardised triage systems and responses are being developed for significant KBase categories e.g. stormwater flooding and parking complaints to improve response and resolution times.</p>
Appendix 1	<p>Performance measure rules Continue to make improvements to the collection and reporting of data. This is an on-going issue and should be able to be cleared when the City Council reports against the 2018-28 LTP.</p>	Head of Community Planning	March 2019 Completed	<p>Update March 2018 Business Rules are being developed to ensure KPIs are reported properly.</p> <p>Update December 2018 Majority of the Business Rules have been developed. The rest will be completed during the next quarter.</p> <p>Update March 2019 Business rules have been completed.</p> <p>Update June 2019 Completed</p>

Document Number: 11934610

Appendix E 9 of 9

Audit reference	Agreed Action	Person responsible	Target date	Status
Appendix 1	<p>Presentation of the financial overview in the annual report</p> <p>Ensure what is reported in the financial overview section of the annual report is a balanced summary for the year and that it does not take away from the results in the financial statements.</p> <p>Improvements have been made, however Audit believe it is not ideal having a non-generally accepted accounting practice (GAAP) table in financial overview, even if it is reconciled to the GAAP statements.</p> <p>The financial overview section of the annual report remained largely unchanged in the 2018 annual report.</p>	Finance Manager	June 2019	<p>Management comment</p> <p>Disclosures were reviewed and updated. Those made are considered appropriate to report against the annual budget and particularly how rates are determined.</p> <p>Update December 2018</p> <p>Will be reviewed in planning for the 2019 annual report however 2018 disclosures are likely to be considered appropriate and in accordance with the 10 Year Plan.</p> <p>Update March 2019</p> <p>Will be reviewed in planning for the 2019 annual report, however 2018 disclosures are likely to be considered appropriate and in accordance with the 10 Year Plan.</p> <p>Update June 2019</p> <p>As per March comments</p>

Document Number: 11934610

MEMORANDUM

TO: Audit and Risk Committee

MEETING DATE: 19 August 2019

TITLE: New Audit - Fixed Assets Management Process

PRESENTED BY: Vivian Watene, Senior Internal Auditor

APPROVED BY: Sheryl Bryant, General Manager - Strategy & Planning

RECOMMENDATION(S) TO AUDIT AND RISK COMMITTEE

1. That the Committee receive the Memorandum dated 9 April 2019 titled "New Audit – Fixed Assets Management Process Review" and its Appendix.
-

1. ISSUE

In keeping with the Internal Audit Charter, this Memorandum keeps the Committee informed of the recently completed audit on the Council's Fixed Assets Management Process.

2. BACKGROUND

This project is one of six new internal audit projects in the 2018/19 Internal Audit plan approved by this Committee.

The audit highlighted several good practices, and identified a series of issues to be addressed. The corrective actions and their implementation timeframe to the audit issues have been collaboratively developed and agreed to between the business and the auditor.

A summary report of this audit is appended to this Memorandum.

3. NEXT STEPS

Internal Audit will follow up the agreed corrective actions in due course.

4. COMPLIANCE AND ADMINISTRATION

Does the Committee have delegated authority to decide? If Yes quote relevant clause(s) from Delegations Manual <Enter clause>	Yes
Are the decisions significant?	No
If they are significant do they affect land or a body of water?	
Can this decision only be made through a 10 Year Plan?	No
Does this decision require consultation through the Special Consultative procedure?	No
Is there funding in the current Annual Plan for these actions?	Yes
Are the recommendations inconsistent with any of Council's policies or plans?	No
The recommendations contribute to Goal 5: A Driven and Enabling Council	
The recommendations contribute to the outcomes of the Driven and Enabling Council Strategy	
The recommendations contribute to the achievement of action/actions in a plan under the Driven and Enabling Council Strategy The action is: to ensure a fixed assets system that is: fit-for-purpose, complied with the Accounting Policy, and managed effectively and efficiently. As such, the Governance and Management can have the assurance and confidence that the system is able to contribute to Council's Goal 5 stated above.	
Contribution to strategic direction	As above.

ATTACHMENTS

1. Appendix A: Fixed Assets Process Review [📄](#)

Appendix A



Fixed Assets Management Process Review

Business Assurance Summary Report

For Audit & Risk Committee meeting

January 2019

1. Executive Summary

INTERNAL AUDIT OBJECTIVE:	CONTROL AUDIT OBJECTIVES <i>Whether</i>	Audit Recommendations <i>By Priority</i>		
		High ¹	Medium ²	Low ³
<p>To provide assurance about the adequacy and effectiveness of design and operations of end to end processes and controls surrounding the Fixed Assets Management Process.</p> <p>Recommendations from this review contribute to GOAL 5: A driven and enabling Council.</p>	1. Fixed Assets Management activities comply with the relevant policy & procedural requirements related to asset management?	-	5	-
	2. Fixed Assets are correctly and accurately identified, and reflected in the accounts?	-	7	3
	3. Depreciation is appropriate and in accord with the PNCC Accounting policy?	8	-	-
	4. Fixed Assets are regularly verified and details reconciled between Asset Systems Database (ASD) ⁴ and Financial Asset Management system (AMS) ⁵ ?	-	1	-
	5. All Fixed Assets disposals and write offs are valid, authorised and correctly reflected in the accounts?	1	2	-
	<i>Collaborative actions according to Risk Ranking</i>	9	15	3

REVIEW OPINION

Our review identified the following areas of good practice:

- ✓ Adequate high-level accounting policies exist that defined type of fixed assets capitalised, capitalisation limits, revaluation criteria, depreciation and other requirements.
- ✓ Periodic reviews of unusual transactions or peculiar operational expenditures occur to identify and / or reassign any distinctly identifiable expenses which should have been initially capitalised.
- ✓ Authorisation of Capex⁶ forms in terms of correct authorisation by Asset Manager including a review of the cost centre, cost element, Capex number, asset value and description of the item is kept on file for assets classified as Operational assets.
- ✓ Asset disposal process and controls are adequately designed and operating effectively for Plant and Vehicles.
- ✓ The reconciliation between the AMS and General Ledger is approved by an individual independent of the upkeep / maintenance of the AMS.
- ✓ Recent process improvement to check asset data quality issues in Rooding Asset Management systems (RAMM) has enabled more accurate Rooding Asset data which in turn will facilitate more accurate Rooding Asset valuation.

However, at the time of this audit, Internal Audit could only provide **'Limited Assurance'**⁷ to Management on the effectiveness of the operation and design of existing internal controls. We raised **13 audit issues** and an action plan with **27 recommendations** has been developed in collaboration with the business to address these issues. If the agreed action plan is implemented fully and effectively, the assurance level may be elevated to **'Full Assurance'**⁸.

¹ High - These recommendations relate to a serious weakness which exposes the Council to a material extent in terms of achievement of Council's objectives, financial results, operational efficiencies, and legislative compliance or otherwise impair the Council's reputation.

² Medium - These recommendations relate to deficiencies that need to be addressed to meet expected standards of good practice. These include any control weakness which could undermine the system of internal control or operational efficiency.

³ Low - A weakness which detract from the system of internal control or operational efficiency but will be beneficial to management to address.

⁴ ASD- for maintaining various asset details such RAMM for Rooding assets, IPS for Three Waters etc.

⁵ AMS - Financial Asset accounting record system in OZONE (Council's Financial Management system).

⁶ CAPEX - Capital Expenditure

⁷ Limited Assurance: There are significant weaknesses in key areas of system controls and/or non-compliance that puts achieving the system objectives at risk.

⁸ Full Assurance: There is a sound system of control designed to achieve the system objectives and the control are consistently applied

Notable audit issues were as follows:

- × Clear administrative/ operational procedures need to be documented which clearly define all Fixed Assets accounting processes and activities involved including well defined and roles and responsibilities.
- × Asset category type and description need to be aligned between the Council's accounting policy and the AMS in Ozone.
- × A process needs to be established to capture, tag, record and reconcile some of the Fixed Asset items (especially operational assets which are portable & attractive in nature and below the capitalisation threshold limit.)
- × A systematic process of how changes to the asset details in both the systems (ASD and AMS) needs to be established, so that both systems work with the same dataset and to avoid associated risks of manual entry when making changes to the asset details.
- × There needs to be annual reconciliation of asset valuation details in the ASD to the AMS in Ozone.
- × There needs to be a review of the depreciation methodology and the rates applied to all the existing asset items to ensure that the computed depreciation rates fall within the estimated useful lives of the assets.
- × Organisation wide procedure and controls around Fixed Asset disposal and transfer (except for Plant & Vehicle asset type) needs to be established and monitored accordingly.
- × Process to manage the assets held for sale needs to be established to comply with the PNCC Accounting Policy requirements.

OVERVIEW of Fixed Assets Management Process

Fixed Assets Management process review was identified as part of the approved Internal Audit Plan 2018/19.

Fixed Assets in PNCC are typically defined as long term assets with value greater than the capitalizing limit (capitalisation threshold limit is assets greater than \$2000 excl. GST). Fixed Assets are broadly classified as Tangible Fixed Assets and Intangible Assets (non-physical assets). For PNCC, Tangible Assets (Property, Plant and Equipment) consist of Operational Assets, Restricted Assets and Infrastructure Assets and Intangible assets consists of Software acquisitions & development, goodwill and carpark leases. Our audit review was limited to the Fixed Asset Management processes of the Tangible assets (as per agreed terms of reference).

PNCC's Operational, Infrastructural and Restricted assets are the largest part of the Fixed Assets in the Council's balance sheet. They have a total carrying balance of \$1.6 billion as at 30 June 2018 made up of:

- Operational Assets (*Land, Buildings, Improvements, Office equipment & furniture, Library Materials, Plant and Vehicles*) - \$312 million
- Infrastructural (*Three waters, Roading network and Land under roads*) - \$1228 million
- Restricted (*Land*) - \$17.6 million

PNCC's Accounting Policy stipulates the rules concerning capitalisation of Fixed Assets management. Financial valuation details are maintained in the AMS in OZONE (and the details asset related information is maintained in the various relevant ASD maintained for Roading, Three Waters, Parks & Property, Plant and Vehicle.

2. Next Steps

The implementation of the collaborative action plan is the responsibility of the relevant General Manager who will monitor and manage the process.

The audit will continue the follow-up process as usual. On completion or full & effective implementation of the collaboratively agreed action plan, the assurance level may be elevated from the initially 'Limited Assurance' to 'Full Assurance'.

MEMORANDUM

TO: Audit and Risk Committee

MEETING DATE: 19 August 2019

TITLE: Business Assurance Charter

PRESENTED BY: Vivian Watene, Senior Internal Auditor

APPROVED BY: Sheryl Bryant, General Manager - Strategy & Planning

RECOMMENDATION(S) TO COUNCIL

1. That Council endorse the Business Assurance Charter (the Charter) as attached in Appendix B.

ISSUE

1. The International Standards for the Professional Practice of the Internal Auditing requires that an Internal Audit Charter must be reviewed periodically and be presented to Management and the Audit and Risk Committee (or their equivalent) for approval.

BACKGROUND

2. The Chief Executive's restructuring exercise in 2018 designated the Internal Audit Division as Business Assurance Division. The need to review the existing Internal Audit Charter arises due mainly to this change.
3. For ease of reading, the Charter's marked-up version and the final version are appended to this Memorandum.



NEXT STEP

4. The Business Assurance Division will rely on this Charter to carry out its engagements and reports to this Committee accordingly.

COMPLIANCE AND ADMINISTRATION

Does the Committee have delegated authority to decide? If Yes quote relevant clause(s) from Delegations Manual <Enter clause>	No
Are the decisions significant?	No
If they are significant do they affect land or a body of water?	
Can this decision only be made through a 10 Year Plan?	No
Does this decision require consultation through the Special Consultative procedure?	No
Is there funding in the current Annual Plan for these actions?	Yes
Are the recommendations inconsistent with any of Council's policies or plans?	No
The recommendations contribute to Goal 5: A Driven and Enabling Council	
The recommendations contribute to the outcomes of the Driven and Enabling Council Strategy	
The recommendations contribute to the achievement of action/actions in Not Applicable	
Contribution to strategic direction	The Business Assurance Charter enables the Business Assurance Division to provide independent and objective assurance to Management and the Audit and Risk Committee that the organisation's systems and processes have proper controls in place and are working as intended.

ATTACHMENTS

1. Appendix A Business Assurance Charter Changes Tracked [!\[\]\(444b1eae2189e5cd8d096594c07a0a6e_img.jpg\)](#) 
2. Appendix B Business Assurance Charter August 2019 FINAL [!\[\]\(94faa64fb42ea7f60c43d916dda9de51_img.jpg\)](#) 

Palmerston North City Council

INTERNAL AUDIT BUSINESS ASSURANCE CHARTER~~Updated in December 2016 (to insert date)~~**Context**

The Palmerston North City Council's Business Assurance is a Division under the Strategy and Planning Unit. It aims to support the organisation to achieve its goals and objectives.

Purpose

This Charter sets out the objective, authority, scope and responsibility of ~~internal audit~~Business Assurance at the Palmerston North City Council.

Objective

Internal Audit Business Assurance aims to support the organisation to achieve its goals and objectives and meets its accountabilities by providing is an independent and objective assurance (such as financial, operational and compliance engagements) and advisory services (such as advice on the internal controls on the system designs). , consulting and risk advisory activity, which aims to assist management to accomplish their objectives and meet their accountabilities.—This is done by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes.

Access Authorisation

~~Internal Audit~~Business Assurance is granted full and complete access to records (manual or electronic), physical property and personnel related to a review. Documents and information given to ~~internal auditors~~Business Assurance will be handled with the same standard of confidentiality and prudence as that exercised by normally accountable employees.

Business Assurance may obtain and oversee the specialised assistance internally and/or externally to complete the engagement.

Independence

~~Internal Audit will be independent of the activities it audits. This independence is necessary to maintain audit objectivity and integrity. Internal Audit should be given the opportunity to provide input into the development of new key systems and processes. However, designing, installing and operating such systems and processes are not Internal Audit functions. Such activities are generally presumed to impair audit objectivity.~~

To preserve its independence, Business Assurance will neither have management and direct responsibility over the activities it reviews nor engage in any activity that may impair its judgement.

Signed Original Document: 763190; Revised Document 13473618

The ~~Senior Internal Auditor~~Business Assurance Manager has direct access to the Chief Executive and maintains line management relationship with the ~~Chief Financial Officer-Line Manager~~ on a day-to-day basis. The ~~Senior Internal Auditor~~Business Assurance Manager also has direct access to the Chairperson of the Audit & Risk Committee and vice versa for any matters that they deem are the responsibility of, and relevant to, the elected Council.

The Audit and Risk Committee shall approve the ~~Internal Audit~~Business Assurance Charter and the ~~Internal Audit~~Business Assurance Plan.

~~Internal Audit~~Business Assurance Scope and Responsibility

~~Internal Audit~~Business Assurance examines and evaluates the adequacy, efficiency and effectiveness of the Council's management control structure, including review of the:

- Reliability, timeliness and integrity of financial and operating information, and the processes used to identify, measure and report such information;
- Systems established to ensure compliance with policies, plans, procedures, laws and regulations;
- Means of safeguarding assets and verifying the existence of these assets;
- Effectiveness and efficiency with which operational, financial and administrative procedures are performed;
- Operational results and whether these are consistent with established objectives and standards; and
- Quality of internal systems, policies and procedures.

~~Internal Audit~~Business Assurance will undertake the following in fulfilling its responsibilities:

- Adopt a risk-based audit approach.
- Be proactive and forward thinking in approach.
- Design and execute ~~audit~~assurance plans that reflect both risk and cost effectiveness.
- Provide reports to management that identify control issues and collaborate with the business units to make practical, cost effective recommendations for improvement.
- Follow up on audit issues to assure that identified problems have been resolved.
- ~~Ensure the effectiveness and quality of the internal auditing effort.~~

Reporting

~~Internal Audit~~Business Assurance will issue a written report on completion of each audit review. The report will outline audit findings, recommendations, implementation plans and will include an opinion on management controls.

~~Prior to issuance of any draft audit report, meetings will be held with relevant management to obtain agreement on the substance and tone of the report. On issuance of the draft audit report the relevant Manager will respond in writing within an agreed timeframe indicating what actions are being taken in support of the recommendations included in the report. A timetable with individual accountabilities will be an integral part of the response.~~

~~A final copy of the final report, including management responses, with differing degrees of detail will be provided to the relevant Management Team member, the Chief Executive, the Management Team Project Sponsor, the Executive Leadership Team and the Audit and Risk Committee.~~

~~The Internal AuditorBusiness Assurance Manager will submit a six-monthlysix-monthly summary report to the Management Executive Leadership Team and the Audit and Risk Committee outlining activities, outcomes and findings of the Internal AuditBusiness Assurance function.~~

~~The Internal AuditorBusiness Assurance Manager will submit an annual report to the Management Executive Leadership Team and the Audit & Risk Committee outlining the activities, outcomes and findings of the Internal AuditBusiness Assurance function in order to provide assurance of the adequacy of internal controls.~~

Follow Up

~~The Internal AuditorBusiness Assurance will routinely follow up on agreed corrective actions based on recommendations made during the preceding year. The Internal AuditorBusiness Assurance Manager will submit a quarterly report to the Management Executive Leadership Team and Audit and Risk Committee outlining any recommendations made that have not been satisfactorily resolved.~~

Relationship ~~Withwith~~ The External Auditor

~~The Council is subject to an independent external audit, which aims to provide an opinion on the fairness of information included in the Council's financial statements. The objectives of Internal AuditBusiness Assurance are different and focus on the effectiveness of systems and the accuracy of management information rather than offering an opinion on the statutory financial statements. However, there is some overlap of work and therefore Internal AuditBusiness Assurance will coordinate its activities with External Audit to ensure that optimum audit coverage and effectiveness is obtained at an optimal cost.~~

~~Internal AuditBusiness Assurance will also make Internal Auditits staff, and any relevant workpapers or reports, available to the External Auditor on request.~~

Quality Assurance and Professional Standards

~~Internal AuditBusiness Assurance will comply with the Standards for the Professional Practice of Internal Auditing set out by the Institute of Internal Auditors.~~

~~Internal AuditBusiness Assurance will establish and maintain a quality assurance programme to evaluate the operations of Internal AuditBusiness Assurance. The purpose of this programme is to provide reasonable assurance that audit work conforms to the Standards for~~

the Professional Practice of Internal Auditing. The quality assurance programme will include training, supervision and internal and external reviews.

Signed for and on behalf of Palmerston North City Council by:		
Chairman Audit & Risk Committee (Vaughan Dennison)		Date
Chief Executive (Paddy Clifford <u>Heather Shotter</u>)		Date
Senior Internal Auditor <u>Business</u> <u>Assurance Manager</u> (Vivian Watene <u>to insert</u>)		Date

Palmerston North City Council

BUSINESS ASSURANCE CHARTER

(to insert date)

Context

The Palmerston North City Council's Business Assurance is a Division under the Strategy and Planning Unit. It aims to support the organisation to achieve its goals and objectives.

Purpose

This Charter sets out the objective, authority, scope and responsibility of Business Assurance at the Palmerston North City Council.

Objective

Business Assurance aims to support the organisation to achieve its goals and objectives and meets its accountabilities by providing independent and objective assurance (such as financial, operational and compliance engagements) and advisory services (such as advice on the internal controls on the system designs). This is done by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes.

Access Authorisation

Business Assurance is granted full and complete access to records (manual or electronic), physical property and personnel related to a review. Documents and information given to Business Assurance will be handled with the same standard of confidentiality and prudence as that exercised by normally accountable employees.

Business Assurance may obtain and oversee the specialised assistance internally and/or externally to complete the engagement.

Independence

To preserve its independence, Business Assurance will neither have management and direct responsibility over the activities it reviews nor engage in any activity that may impair its judgement.

The Business Assurance Manager has direct access to the Chief Executive and maintains line management relationship with the Line Manager on a day-to-day basis. The Business Assurance Manager also has direct access to the Chairperson of the Audit & Risk Committee and vice versa for any matters that they deem are the responsibility of, and relevant to, the elected Council.

The Audit and Risk Committee shall approve the Business Assurance Charter and the Business Assurance Plan.

Signed Original Document: 763190; Revised Document 13473618

Business Assurance Scope and Responsibility

Business Assurance examines and evaluates the adequacy, efficiency and effectiveness of the Council's management control structure, including review of the:

- Reliability, timeliness and integrity of financial and operating information, and the processes used to identify, measure and report such information;
- Systems established to ensure compliance with policies, plans, procedures, laws and regulations;
- Means of safeguarding assets and verifying the existence of these assets;
- Effectiveness and efficiency with which operational, financial and administrative procedures are performed;
- Operational results and whether these are consistent with established objectives and standards; and
- Quality of internal systems, policies and procedures.

Business Assurance will undertake the following in fulfilling its responsibilities:

- Adopt a risk-based audit approach.
- Be proactive and forward thinking in approach.
- Design and execute assurance plans that reflect both risk and cost effectiveness.
- Provide reports to management that identify control issues and collaborate with the business units to make practical, cost effective recommendations for improvement.
- Follow up on audit issues to assure that identified problems have been resolved.

Reporting

Business Assurance will issue a written report on completion of each audit review. The report will outline audit findings, recommendations, implementation plans and will include an opinion on management controls.

A copy of the final report, but with differing degrees of detail will be provided to the Project Sponsor, the Executive Leadership Team and the Audit and Risk Committee.

The Business Assurance Manager will submit a six-monthly summary report to the Executive Leadership Team and the Audit and Risk Committee outlining activities, outcomes and findings of the Business Assurance function.

The Business Assurance Manager will submit an annual report to the Executive Leadership Team and the Audit & Risk Committee outlining the activities, outcomes and findings of the Business Assurance function in order to provide assurance of the adequacy of internal controls.

Follow Up

Business Assurance will routinely follow up on agreed corrective actions based on recommendations made during the preceding year. The Business Assurance Manager will submit a quarterly report to the Executive Leadership Team and Audit and Risk Committee outlining any recommendations made that have not been satisfactorily resolved.

Relationship with The External Auditor

The Council is subject to an independent external audit, which aims to provide an opinion on the fairness of information included in the Council's financial statements. The objectives of Business Assurance are different and focus on the effectiveness of systems and the accuracy of management information rather than offering an opinion on the statutory financial statements. However, there is some overlap of work and therefore Business Assurance will coordinate its activities with External Audit to ensure that optimum audit coverage and effectiveness is obtained at an optimal cost.

Business Assurance will also make its staff, and any relevant workpapers or reports, available to the External Auditor on request.

Quality Assurance and Professional Standards

Business Assurance will comply with the Standards for the Professional Practice of Internal Auditing set out by the Institute of Internal Auditors.

Business Assurance will establish and maintain a quality assurance programme to evaluate the operations of Business Assurance. The purpose of this programme is to provide reasonable assurance that audit work conforms to the Standards for the Professional Practice of Internal Auditing. The quality assurance programme will include training, supervision and internal and external reviews.

Signed for and on behalf of Palmerston North City Council by:

Chairman Audit & Risk	Date
Committee (Vaughan	
Dennison)	

Chief Executive (Heather	Date
Shotter)	

Business Assurance Manager	Date
(to insert)	

MEMORANDUM

TO: Audit and Risk Committee

MEETING DATE: 19 August 2019

TITLE: Health and Safety – April – June 2019

PRESENTED BY: Wayne Wilson - Human Resources Manager

APPROVED BY: Heather Shotter, Chief Executive

RECOMMENDATION(S) TO AUDIT AND RISK COMMITTEE

1. That the Committee note the information contained within the Health & Safety report.

This report covers the period 1 April to 30 June 2019. The information included in this report is discussed at the appropriate H&S Committee, the Main H&S Committee and the Executive Leadership Team.

Hazards, Incidents and Near Misses Reported

Quarter	Sep 17	Dec 17	Mar 18	Jun 18	Sep 18	Dec 18	Mar 19	Jun 19
Hazards	4	3	3	6	31	2	4	1
Incidents	58	12	33	37	21	36	24	27
Near Misses	27	8	23	18	25	20	26	53
Lost Time (days)	129.15	133.06	93.8	39.1	45.08	49	118.46	87.6
L.T. Injuries	17	9	12	8	8	6	12	9

Lost Time Injuries were lower in the quarter with 1 back and 1 knee injury accounting for 60% of the lost time.

Manual Handling

The last report commented on the steps Council was taking to reduce manual handling incidents. In this quarter 233 staff attended a Move at Work session. Feedback was very positive. Further sessions have been arranged for Library staff. The effectiveness of this programme will be monitored by the number of manual handling incidents.

Investigations

No investigations required this quarter.

Previous Investigations

Number of Recommendations	24
Number of Recommendations Completed	24

External Review

The formal external review of our H&S processes and procedures was completed by Safe On Site in April 2018. A programme of work has been developed, involving 47 actions to address the issues.

Status of Actions	High	Medium	Low
Completed	5	11	1
On-going action (completed but continues)	6	9	
In Progress	5	3	
Awaiting completion of a prerequisite action	5	1	
On Hold (Timing)		1	

All of the actions that are awaiting completion of a prerequisite action relate to standardised standard operating procedures. A consultant has been engaged to assist with this work.

Training

Attachment one shows the details of H&S specific training undertaken this calendar year. This captures most of the training provided but not all, as H&S can be a component of other courses and it does not capture the on-the-job instruction type learning. The highlighted courses are those that new employees undertake. Not included is the H&S induction that all new staff receive.

Wellness

The **Activate Wellness Gym** was used 1198 times during the quarter or an average of 92 times per week by 116 individual staff members during the period.

Annual leave.

Dec 17	Mar 18	Jun 18	Sep 18	Dec 18	Mar 19	Jun 19
2277	2433	1556	1660	3287	2051	1884

Total days of annual leave taken over the quarter.

The average annual leave balance per staff member is 24.9 days (entitled plus accrued leave).

Turnover for the quarter of permanent staff was 16 or 2.8%. The annual turnover rate was 13.7%. Normally we measure employee initiated turnover only which is 10.3%. Employee initiated turnover are resignations and retirements. Our benchmark is 12% which ensures that we have enough turnover to refresh the organisation.

Date	Dec 17	Mar 18	Jun 18	Sep 18	Dec 18	Mar 19	Jun 19
Employee Initiated	14	20	11	12	20	15	11
Other	2	3	0	0	11	3	5

Attachment Two is the H&S report for the quarter that is discussed at H&S committees.

Wayne Wilson

HUMAN RESOURCES MANAGER

PALMERSTON NORTH CITY COUNCIL

Attachment One: Details of H&S specific training undertaken this calendar year.

Event	Sep 18	Dec 18	Mar 19	Jun 19
Accident and Event Investigation			14	
Arboriculture Workplace Assessor	1			
Breathing Apparatus				8
Chainsaws Use and Safety	6			
Chemical Handling & Spill Management		1		
Chemical- Cleaners				6
Concrete Saw	20			
Confined Space Entry	11			2
Customer Conflict Awareness				31
Dealing with Critical Incidents	11			
Dealing with Difficult People				
Dealing with Mental Health		23		
Defibrillator Training		8		
Drainlaying	2			
Driver Assessment Training			28	18
Driver's License – Class 1R (Restricted)		1		
Driver's License – Class 3L (Learners)				1
Driver's License – Class 5L (Learners)				1
Driver's License – Class 4L (Learners)				
Driver's License – Class 1 (Car License)	1		1	4
Driver's License – Class 2 (Medium Rigid Vehicle)	1	1	2	2
Driver's License – Class 3 (Medium Combination)		1		
Driver's License – Class 4 (Heavy Rigid)		1	1	3
Driver's License – Class 5 (Heavy Combination)		1		
Driver's License – Class 6 (Motorcycle)		1		1
Drug Awareness Training for Managers			8	
Electric Glass Truck	7			
Electric Rearpacker Truck	7			
Elevated Working Platform (Scissor Lift and Boom)	4			
Embracing Change	74			
Endorsement (D) Dangerous Goods				
Endorsement (F) Forklift				3



Endorsement (R) Roller	1	1	1	2
Endorsement (T) Tracks	1	1	1	2
Endorsement (W) Wheeled Special Type	1	1	1	3
First Aid Certificate	30	9	5	15
Forklift OSH Certificate	1	4		
Growsafe				
Harassment Prevention and Awareness		26	35	
Height Safety Advanced				
Height Safety Intro		1		
H&S Rep Stage 1	3			
H&S Rep Stage 2				
How To: Tell Your Story				
ID Plant & Trees	3			
Managing Mental Health	30			
Managing Performance Masterclass				
Move at Work (Manual Handling)				233
Other PCBU's – Dealing with Sub/Contractors		36		
Playground Safety Inspections Level 2				
Quad Bike Training	14			
Resilience	11	10		
Site Induction Training: Collections				2
STMS Level 1 – Site Traffic Management	6	2		6
TC1 – Basic Traffic Controller Level 1	5	2	1	
Truck Loader Crane/Hi Ab				4
WCTL (Waste Collection Traffic Leader)			4	
Workplace Physical Discomfort Seminar				27
Total Number of Events	24	20	13	21
Total Number of Staff Attending	253	131	102	374

Highlighted Courses are for new staff, in addition all new staff complete a H&S induction.

1. COMPLIANCE AND ADMINISTRATION

Does the Committee have delegated authority to decide?		Yes
If Yes quote relevant clause(s) from Delegations Manual <Enter clause>		
Are the decisions significant?		No
If they are significant do they affect land or a body of water?		No
Can this decision only be made through a 10 Year Plan?		No
Does this decision require consultation through the Special Consultative procedure?		No
Is there funding in the current Annual Plan for these actions?		No
Are the recommendations inconsistent with any of Council's policies or plans?		No
The recommendations contribute to Goal 5: A Driven and Enabling Council		
The recommendations contribute to the outcomes of the Driven and Enabling Council Strategy		
The recommendations contribute to the achievement of action/actions in The action is: Providing a safe and healthy workplace		
Contribution to strategic direction	Proving a safe and healthy workplace.	

ATTACHMENTS

- Quarterly Dashboard Apr - Jun  



Health and Safety Quarterly Dashboard Report – April -June

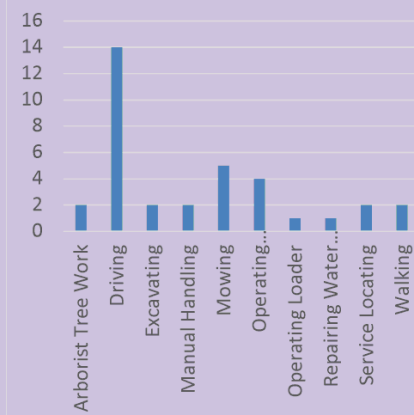


Near Misses

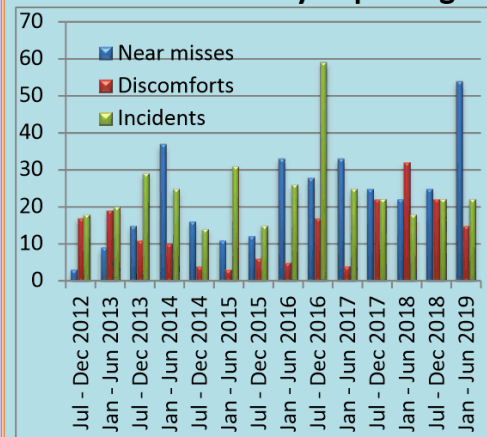
Incidents

Infrastructure Works

Near Misses by Activity



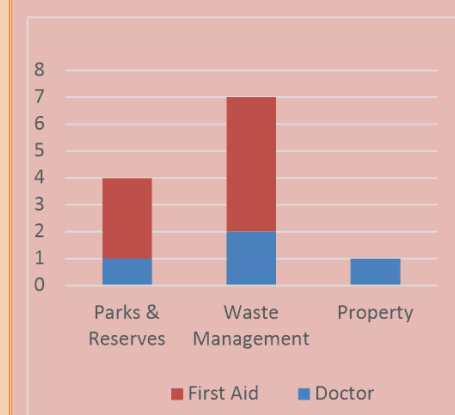
Health and Safety Reporting



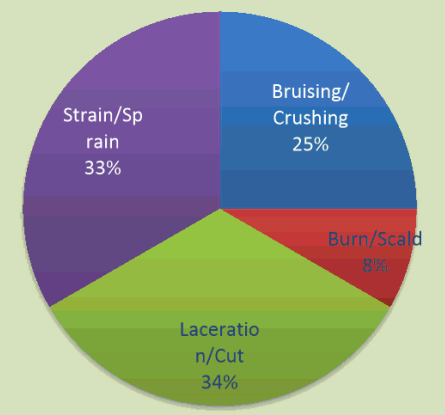
Incidents by Cause



Treatment by Area (where recorded)

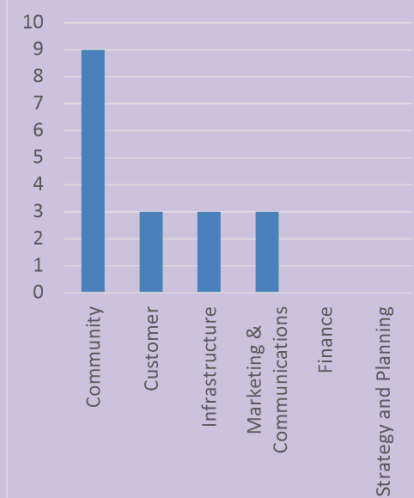


Nature of Injury

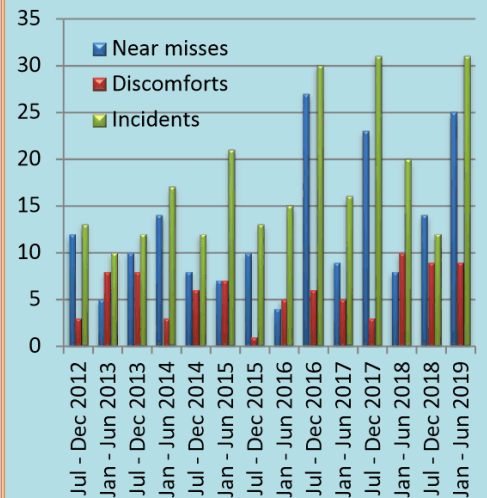


Rest of PNCC

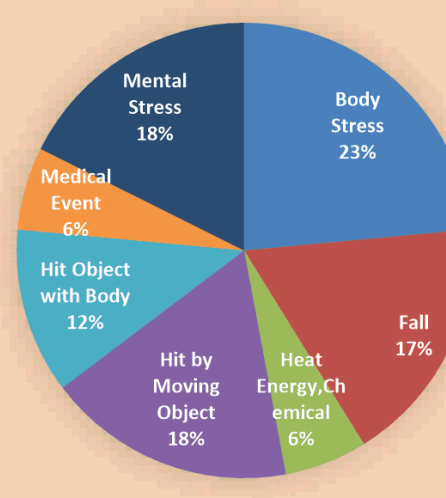
Near Misses by Unit



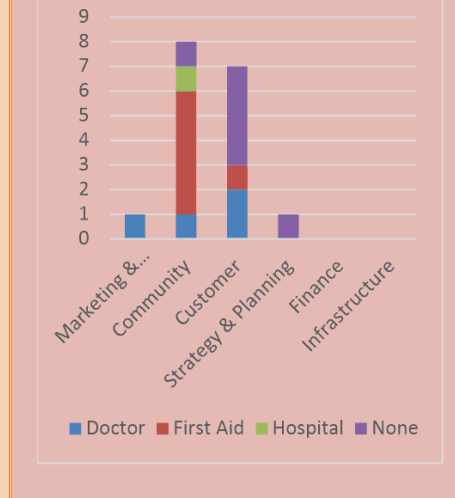
Health and Safety Reporting



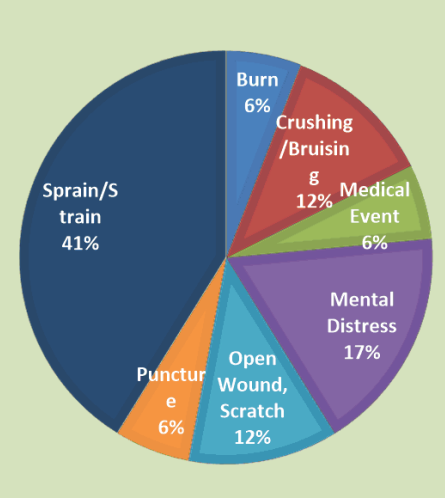
Incidents by Cause



Treatment by Area



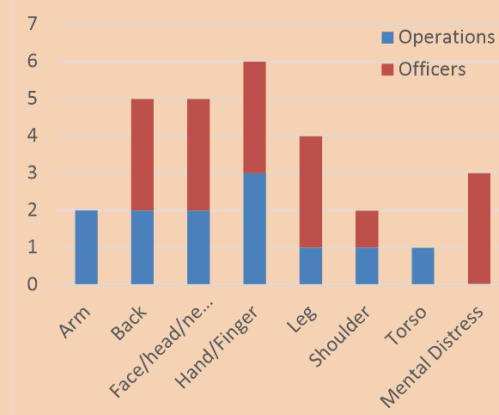
Nature of Injury



Critical Risks:

- There have been several near misses and an incident related to PNCC's critical risks in the last quarter.
 - One incident related to hazardous substances where petrol caught fire at the Awapuni Resource Recovery Facility. This resulted in burns to a contractor
 - There have been several near misses and incidents reported related to mental health, mostly associated with threatening customer behaviour
 - One incident related to tree felling (arborist tree work)

Affected Body Part



Summary:

- Throughout Council there have been the most near misses in the last quarter relating to driving and threatening behaviour
 - Manual handling continues to make up the largest portion of incidents both in the Infrastructure Works area and the rest of Council (labelled as body stress for the rest of PNCC)
 - Mental Distress has been added as an affected body part to record non-physical impacts of injuries where reported
 - The majority of injuries across PNCC are treated by first-aid only
- *Please note the difference in reporting info above is due to the two different reporting systems currently in use

Combined

MEMORANDUM

TO: Audit and Risk Committee

MEETING DATE: 19 August 2019

TITLE: Surveillance in Public Space in the City

PRESENTED BY: John Annabell - Legal Counsel

APPROVED BY: David Murphy, Acting General Manager - Strategy & Planning

RECOMMENDATION(S) TO AUDIT AND RISK COMMITTEE

1. That this memorandum titled "Surveillance in Public Space in the City" be noted and be received for information.

1. ISSUE

This is an update to my previous memorandum considered by the Audit and Risk Committee at its meeting held on 6 May 2019.

2. BACKGROUND

Since the presentation of the last memorandum on 6 May 2019, a more comprehensive Audit and Review of the CCTV Surveillance systems in place across Council sites has been undertaken. This has identified the true number of PNCC owned CCTV cameras. In the last memorandum, 202 CCTV cameras were reported to be in operation across various locations, however, the Audit and Review has established 291 CCTV cameras are in operation today.

We have also identified the sites where either the existing signage advising that surveillance cameras are operating fall short of compliance with the Privacy Act or the site has no signage present at all. The Council Project team has urgently progressed and received sign-off on the signage wording that complies with the Privacy Act and urgent steps are being taken to get the new signs designed and printed with the intention to have the compliant signage installed at all relevant locations over the coming 6 to 8 weeks once the signs are available. The extended time now required to erect the new compliant signage is a direct result of identifying an increased number of sites with CCTV Cameras in operation.

Additionally, the PNCC CCTV Policy has been prepared and endorsed by the Council's Executive Leadership team on 23 July 2019. This policy covers matters such as the need for and the purpose of CCTV systems, how cameras may be located, raising awareness of cameras, and managing access to and disclosure of CCTV footage.

PALMERSTON NORTH CITY COUNCIL

The CCTV Policy will now be used as the basis for preparing the operational Guidelines and Procedures that will clearly detail how compliance with the Privacy Act will be enforced and continue to be maintained. Work has already commenced on the operational guidelines and it is anticipated to take a further 3 months before presenting these to the Executive Leadership team for endorsement and then subsequent implementation and publishing.

3. NEXT STEPS

A Council Project Manager has been assigned to progress all activity required and the current projected completion date for all priority compliance work is by December 2019.

4. COMPLIANCE AND ADMINISTRATION

Does the Committee have delegated authority to decide?	Yes
Are the decisions significant?	No
If they are significant do they affect land or a body of water?	No
Can this decision only be made through a 10 Year Plan?	No
Does this decision require consultation through the Special Consultative procedure?	No
Is there funding in the current Annual Plan for these actions?	Yes
Are the recommendations inconsistent with any of Council's policies or plans?	No
The recommendations contribute to Goal 3: A Connected and Safe Community	
The recommendations contribute to the outcomes of the Connected Community Strategy	
The recommendations contribute to the achievement of action/actions in the Safe Community Plan	
The action is: To be a city where people feel safe and are safe.	
Contribution to strategic direction	Surveillance systems contribute to a safe urban environment and crime prevention initiative.

ATTACHMENTS

Nil

MEMORANDUM

TO: Audit and Risk Committee

MEETING DATE: 19 August 2019

TITLE: Risk Report Q1 2019-20

PRESENTED BY: Miles Crawford - Risk Manager

APPROVED BY: Grant Elliott, Chief Financial Officer

RECOMMENDATION(S) TO TO AUDIT AND RISK COMMITTEE

1. That the Committee note the organisational risk profile for Q1 2019-20.
-

ISSUE

For the Committee to note:

1. developments in risk management processes and reporting.
2. To inform the Committee on risk management profile for the 1st Quarter, 2019-20.

BACKGROUND

3. Risk management work is ongoing with workshops applied across the organisation to further clarify Council's risk profile. Workshop focus has recently moved from identifying risks to identifying risk controls and determining their effectiveness.
4. While further work is required to collate risk management information, the organisation has been proactive in contributing that risk information and adopting risk management as a new process.
5. Along with working to collate information, risk management continues to lead and support a risk-based approach across Council for how it achieves its work objectives. Current work includes:
 - Leading a review of standard operations procedures (SOP) to help control Health and Safety risk.
 - Leading a review of lone worker risk for Council staff.
 - Leading a review of security risk review for Councils physical assets and personnel.
 - Leading a review of business continuity arrangements to further develop the organisations engagement with plans and processes.

- Supporting Infrastructure project risk management via the Project Review Board.
 - Supporting a risk-based approach to asset management via Asset Management Plan development.
 - Supporting the delivery of Council plans under Goals 1-4 via the Strategic Forum.
 - Supporting the development of Business Assurance Strategy and Plan FY20, which will ensure risk controls are in place and working effectively.
6. Work is ongoing to adopt a risk information management system to better achieve communication and oversight of Council's risks. A preferred system has been identified and a project for its eventual application within Council has been initiated.
 7. An updated risk management policy has recently been finalised and submitted for Executive Leadership Team approval. The purpose of this policy is to define how the Council will behave with regard to risk management. The policy will be applied through a risk management framework, which is under development.

RISK PROFILE

8. Appendix 1 is the Risk Management Dashboard - Q1 2019-20. The purpose of the dashboard is to succinctly provide an overview of councils risk profile, which can then support Council decision-making in conditions of uncertainty.
9. The dashboard presents information on the distribution of Councils risks by business unit, risk category, link with Council's Strategic Goals, risk severity, and control effectiveness.
10. The dashboard also focusses on the top organisational risks which Council faces. These are defined by whether their impact would result in Council's 'loss of mandate and social licence to operate'. The Council currently has six top risks as detailed in the dashboard.
11. Many of the risks have been rated as an extreme or high threat. These ratings may be artificially high - risk assessment is an unfamiliar process for many managers and they may be over-rating them, the organisation hasn't yet consolidated its risk attitude towards what qualifies an extreme or high threat, and many of the controls that reduce risk severity have not yet been identified.
12. Even where controls are identified, many of them are fresh and may not yet provide clear benefit. Further work over the next quarter will provide Council with a better understanding of its risk controls and their effectiveness.

NEXT STEPS

13. Risk Management continues to run workshops and meet with managers on an ongoing basis to gather and refine risk information. The next risk dashboard will have smaller grey areas of information that has not yet been assessed.

14. Councils risk attitude needs to be set to accurately reflect the organisation's combined risk appetite, risk capacity and risk tolerance. Once this is set, further progress will be made towards ensuring uniformity of risk perception when assessing risk severity with managers.
15. The risk management framework is in development. This document will be designed to tie in with plans and strategies across the organisation to promote and apply a risk-based approach to achieving organisational objectives.

16. COMPLIANCE AND ADMINISTRATION

Does the Committee have delegated authority to decide? If Yes quote relevant clause(s) from Delegations Manual <Enter clause>	Yes
Are the decisions significant?	Yes
If they are significant do they affect land or a body of water?	No
Can this decision only be made through a 10 Year Plan?	No
Does this decision require consultation through the Special Consultative procedure?	No
Is there funding in the current Annual Plan for these actions?	No
Are the recommendations inconsistent with any of Council's policies or plans?	No
<Enter text>	
The recommendations contribute to Goal 5: A Driven and Enabling Council	
The recommendations contribute to the outcomes of the Driven and Enabling Council Strategy	
The recommendations contribute to the achievement of action/actions in a plan under the Driven and Enabling Council Strategy The action is: <Enter text>	
Contribution to strategic direction	<Enter text>

ATTACHMENTS

1. Risk Management Dashboard Q1 2019-20 [↓](#) 

Risk Management Dashboard - Q1 2019-20



MEMORANDUM

TO: Audit and Risk Committee

MEETING DATE: 19 August 2019

TITLE: Business Continuity Report Q1 2019-20

PRESENTED BY: Miles Crawford - Risk Manager

APPROVED BY: Grant Elliott, Chief Financial Officer

RECOMMENDATION(S) TO AUDIT AND RISK COMMITTEE

1. That the Committee note Management's progress made towards developing Council business continuity and emergency management functionality.

ISSUE

1. Significant business disruption has been recognised as a 'Top 10' risk for the Council achieving its operational and strategic objectives. Audit reviews of the function continue to recommend that the Council complete its training of the business continuity plans and develop a testing programme.
2. Civil Defence Emergency Management (CDEM) functionality has been recognised as a 'Top 10' risk. A Ministry of Civil Defence assessment of CDEM has noted many areas for improvement, including documentation, systems, processes, and capacity and capability.

BACKGROUND

Business continuity

3. Following the Councils organisational restructure, there is a need to lift the awareness of business continuity arrangements across the organisation and further work is required to embed business continuity into how Council operates on a day-to-day basis.
4. Expressions of Interest (EOIs) have been sent to business continuity consultants for review of Councils business continuity arrangements. Consultants have been asked to build upon the Councils existing plans; ensuring plans are progressive, agile and fit for purpose; and to use their consultation process to grow Council awareness and engagement.

Emergency management

5. 'Team Tiger' has been assembled to review Councils CDEM arrangements and identify what is required for it to become exemplary in its delivery of CDEM services across the key activities of Reduction, Readiness, Response and Recovery (4Rs).
6. The objectives of the review are to:
 - Conduct a qualitative assessment of PNCC's CDEM delivery including a review of the MCDEM EOC Capability Assessment completed in 2018
 - Identify priority risk areas
 - Research and observe what others are doing well
 - Prepare a 2-year CDEM development plan with high level recommendations towards achieving exemplary status. Among other things, the plan will include recommendations for CDEM structure, systems and capability.

NEXT STEPS

Business continuity

7. The business continuity review is proposed to be implemented across four stages (with delivery dates):

Stage 1 (in August 19) - A review of business unit BCPs to understand the current state of BCP arrangements and opportunities for improvement, including integration with parallel change/transformation processes.

Stage 2 (in October 19) - Establish resilience champions from across the organisation and provide tools and resources to enable them to enhance existing BCPs in their respective work areas.

Stage 3 (in December 19) - Building the capacity of staff to adapt in the face of disruption and having organisational processes that allow agile responses to disruption is key to getting through unexpected events. This will be measured with an organisational resilience benchmark survey.

Stage 4 - Engage the Executive Leadership Team via a presentation and short interactive activity to help gain support for ongoing risk and resilience management efforts at the senior level.
8. Two out of three proposals for consultant work have been tendered to Council. The most suitable proposal will be approved once the third has arrived.

Emergency management

9. Starting on the end of July, Team Tiger is engaging emergency management professionals that have been identified to us as delivering best practice CDEM services. The team will be looking for information on:
 - CDEM structure and resourcing
 - Organisational commitment
 - Executive / Governance support
 - CDEM capability (including EOC)
 - Systems / technology
10. The team will collate the information gathered from engaging emergency management professionals and compile high level recommendations (the development plan) for the project sponsor - Tom Williams on Friday 6 September.

11. COMPLIANCE AND ADMINISTRATION

Does the Committee have delegated authority to decide? If Yes quote relevant clause(s) from Delegations Manual <Enter clause>	Yes
Are the decisions significant?	No
If they are significant do they affect land or a body of water?	No
Can this decision only be made through a 10 Year Plan?	No
Does this decision require consultation through the Special Consultative procedure?	No
Is there funding in the current Annual Plan for these actions?	No
Are the recommendations inconsistent with any of Council's policies or plans?	No
The recommendations contribute to Goal 5: A Driven and Enabling Council	
The recommendations contribute to the outcomes of the Driven and Enabling Council Strategy	
The recommendations contribute to the achievement of action/actions in a plan under the Driven and Enabling Council Strategy	

ATTACHMENTS

Nil

MEMORANDUM

TO: Audit and Risk Committee

MEETING DATE: 19 August 2019

TITLE: AMP Update - Water Asset Management Planning

PRESENTED BY: Robert van Bentum, Manager - Transport & Infrastructure

APPROVED BY: Tom Williams, Chief Infrastructure Officer

RECOMMENDATION(S) TO AUDIT AND RISK COMMITTEE

1. That the Audit and Risk Committee receives the memorandum titled “AMP Update – Water Asset Management Planning”.
-

1. ISSUE

- 1.1 Council’s Audit & Risk Committee of 20 August 2018 resolved “that a rolling audit of the Asset Management Plans be established and that this item remain on the Committee’s work schedule until they are completed”. A reporting schedule has been established and to date the following have been presented to the Audit and Risk Committee:
 - A general overview of AM planning has been presented the Committee - 20 August 2018.
 - An update on the condition and performance of the footpaths - 19 November 2018.
 - An AMP update on Wastewater Asset Management Planning – 6 May 2019
 - An AMP update on Property Asset Management Planning – 6 May 2019
- 1.2 The reporting schedule for the committee included a report on the condition and performance of each of the three water assets. Given the scope of the three waters area and the significant value and complexity of the assets being managed, separate reports for each of the three water’s activities were proposed. Following presentation of the update for Wastewater, this report provides an update for water assets. This report deals with the condition and performance of the water assets under the following headings:

- Overview of the water network assets
- Current asset condition and performance understanding
- Current renewal strategy and priorities
- Improvement to the renewal strategy
- Summary

2. OVERVIEW OF THE WATER ASSETS

2.1 The water system comprises the following key asset components:

- Two Large Dams in Turitea Catchment
- Water supply systems serving Palmerston North, Ashhurst, Longburn and Bunnythorpe
- 566 km of pipeline and 27,800 service connections
- 14 impoundment reservoirs storing 21,000 m³
- One 4 log water treatment facility at Turitea
- Nine bores at 7 bore stations

2.2 The replacement value of the water assets is \$233M (2017 valuation).

2.3 Figure 1 below illustrates the extent of the network, water sources, reservoirs and treatment infrastructure.

2.4 The water supply network dates from 1888 however around 90% of the network has been installed since 1950 with one third of network made up of Asbestos Cement (AC) pipes with smaller lengths of cast iron and more modern PVC and PE pipes (refer figures 2 and 3).

2.5 The life expectancy of water pipes, buildings and civil structures is typically 60 – 175 years in normal conditions. However mechanical and electrical asset components at the treatment plant, bore stations and pump stations have much shorter expected lives of between 10-35 years. Council has been undertaking routine inspections particularly of treatment plant and bore station mechanical and electrical assets to assess their condition to determine the urgency and level of renewals.

2.6 Asset condition is graded on a scale of 1 to 5 (excellent to poor) based on guidelines from the International Infrastructure Management Manual. The condition inspections undertaken to date indicate most of the assets are in good physical condition with some deterioration impacting on performance. This reflects the fact that the bulk of the assets are in the early to middle part of their asset lifecycle.

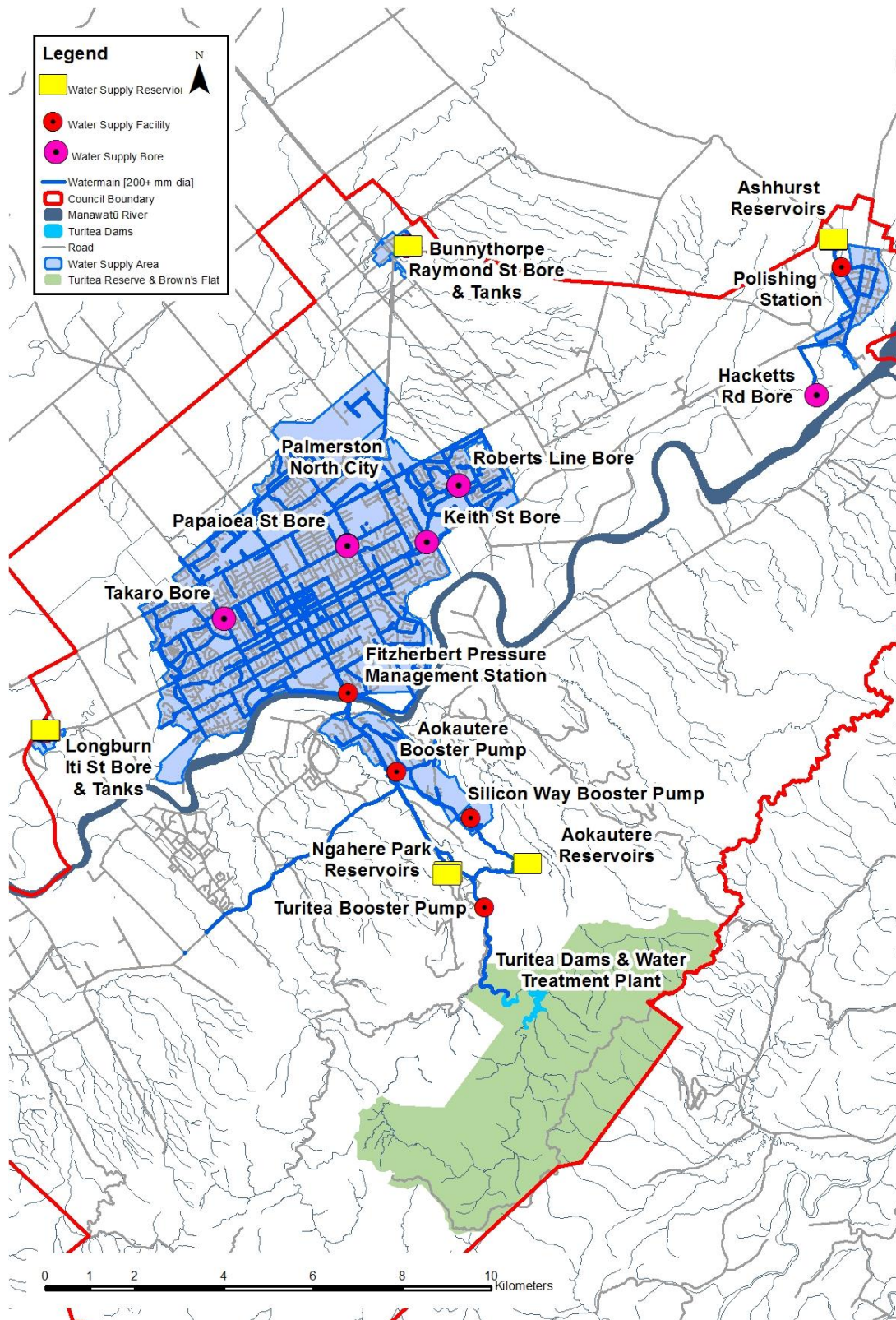


Figure 1 Overview of Palmerston North Water Supplies & Sources

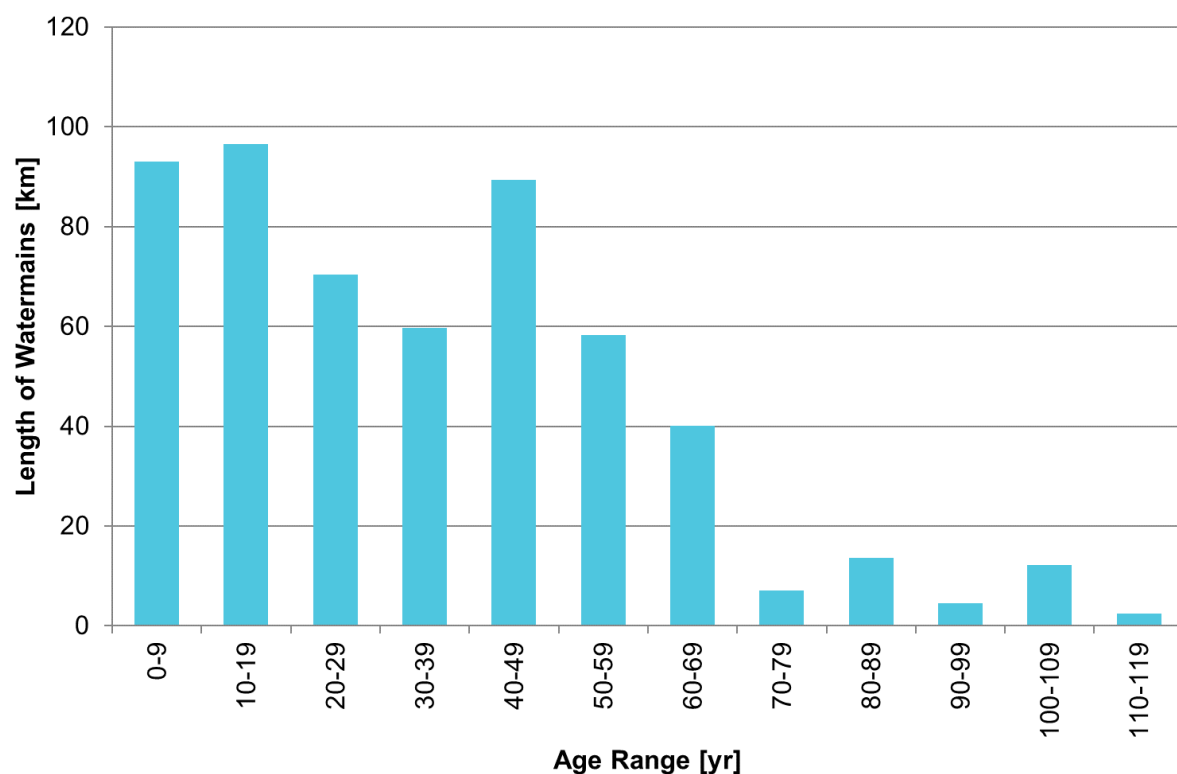


Figure 2 Age Profile of the Water Network

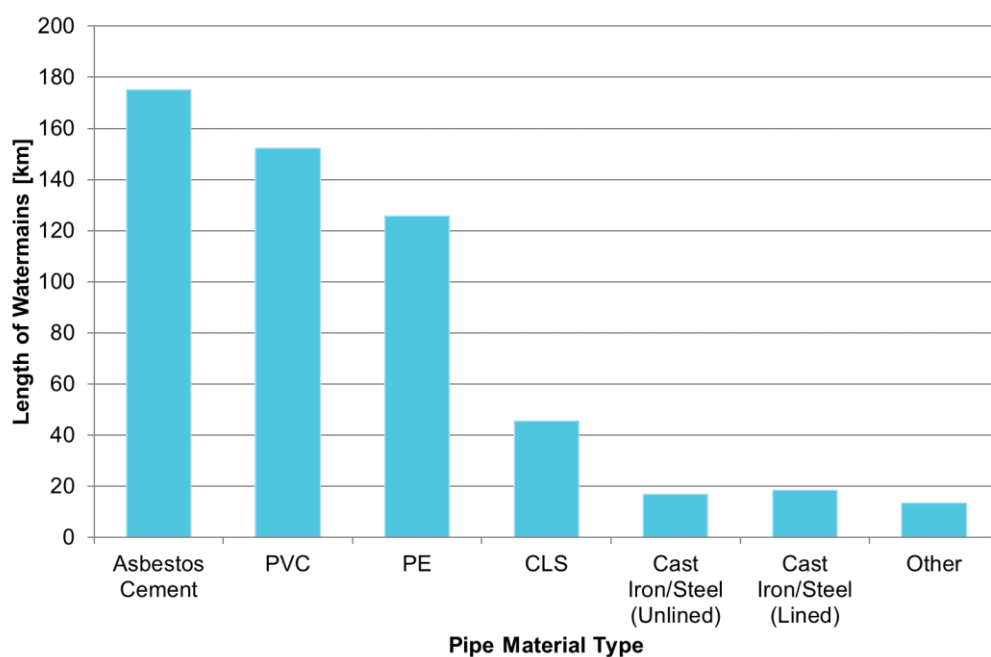


Figure 3 Material Composition of the Pipe Network

3. UNDERSTANDING OF CURRENT ASSET CONDITION AND PERFORMANCE

- 3.1 The collection of asset condition information is critical to the management of the assets and the prediction of the likely renewal requirements.
- 3.2 The largest portion of the non-trunk watermain are AC pipe which most being install in the 1960s and 1970s. They are prone to failure due to the gradual softening of the pipe walls. Most of the pipe bursts in recent years are AC pipes which can lead to loss of service during the repair period as well as discoloured water complaints due to high water flows disturbing sediment which has settled in the pipes. There is evidence that the rate of deterioration in AC pipe accelerates close to the end of the pipe's life when compared to other pipe materials. Given the quantity of AC pipe in the network and the assessment that much of the pipe is close to end of life, it is critical that there is adequate investment in renewal of the AC pipe network before there is widespread failure and a significant impact on level of service.
- 3.3 Some limited in-house investigations have been carried out to try to model the predicted timing of AC pipe failure based on various attributes. However, due to the limited pipe condition information, the model parameters have not been able to be sufficiently "calibrated" to predict with any confidence the likely rate and locations of pipe failure in the network.
- 3.4 A comprehensive AC pipe condition life assessment is costly due to the cost of isolating, excavating, sampling and testing of the pipes as well as the reinstatement and the AC material disposal costs. Typical costs per sample are in the range of \$10k to \$12k.
- 3.5 Current generic approaches to modelling of AC pipe failure, based on New Zealand wide data, calculates an expected pipe life based on the rate of pipe deterioration to achieve a residual wall thickness at which a pipe will fail given the normal network operating pressures. The AC pipe manual presents predicted deterioration rates in terms of mm of wall thickness per year. The data is presented in terms of percentiles as shown in Figure 4.

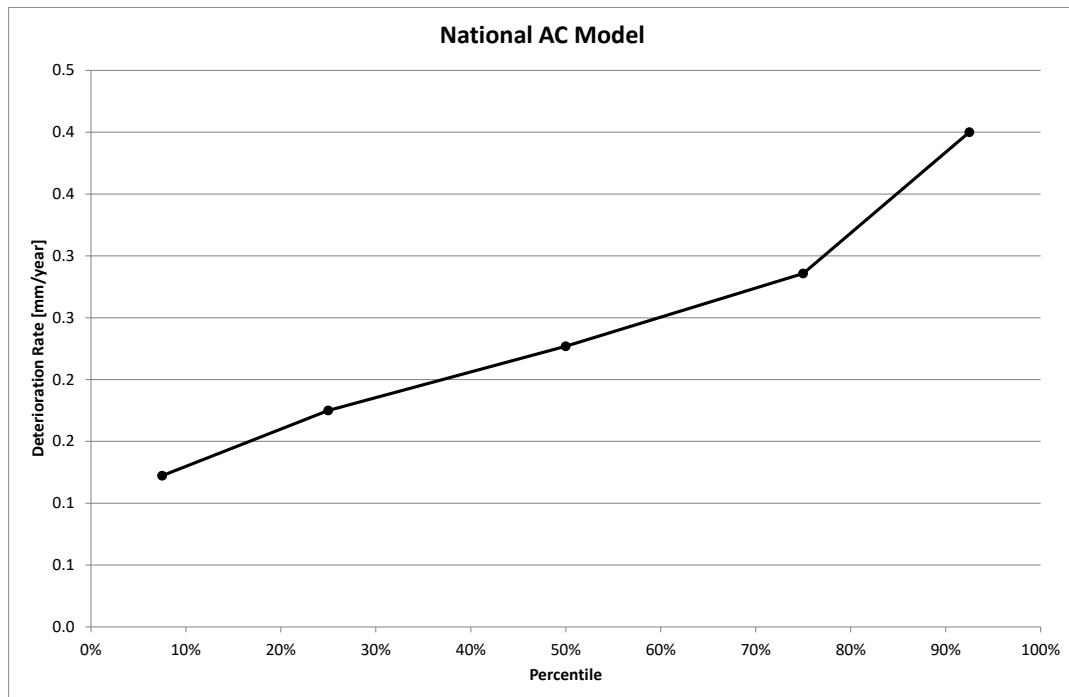


Figure 4 National AC Deterioration Rate

- 3.6 Small numbers of samples collected and tested in the city have been used to determine the typical deterioration rate compared with the National Model. PNCC AC pipes appear to be performing at around the 50th percentile level, i.e. they appear to align with the model rates.
- 3.7 Based on this comparison the National AC Model deterioration rates have been used to determine the pipe lives for different AC pipe diameters based on their wall thickness and operating pressures. The yellow bar in Figure 5 represents the PNCC adopted pipe lives, which are typically assessed to be longer than the national average lives and the 50% percentile band for any pipe size. That is, it is assumed that AC pipes will last longer than the national average. While the pipe life modelling has been used to calculate the long run annual renewal budget requirement, pipe burst data has been used to prioritise the locations of renewal work within the city.
- 3.8 The data in Figure 5 indicates that 100mm pipe has the shortest expected life (average 60 years) due to their thinner wall, with progressively longer lives for pipes of larger diameters e.g. 150mm pipe – 70 years and 225mm pipe – 80 years. Council has been prioritising the renewal of 100mm pipes in the network. While the average pipe lives are a guide, some pipes can be expected to last significantly longer under ideal conditions.

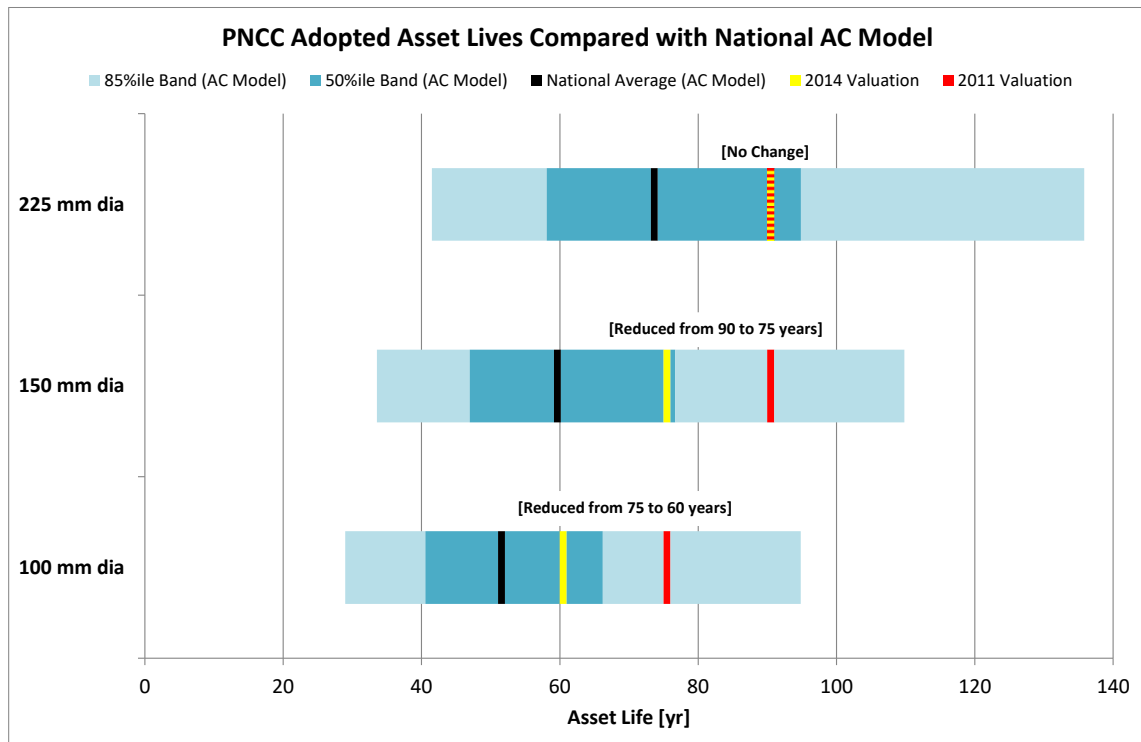


Figure 5 PNCC AC Pipe Lives Related to the National AC Model

- 3.9 As other pipe materials, excepting cast iron, are reasonably young and currently perform well they do not feature in the renewal programme. Cast iron pipe while not prone to burst does contribute to discoloured water events so is also being replaced at a steady rate.
- 3.10 An annual budget of \$1.3 M for pipe renewal was adopted in the 2011 AMP. This was subsequently increased to \$2M in 2014, based on the evidence of rising pipe burst rates and the modelling of AC pipe life outlined in this section. The level of pipe renewals was reviewed in 2017 and assessed to be adequate. Over the last 6 years around 0.4% to 0.6% per annum of the network has been renewed at a rate of 4 km per year with three quarters of the pipes being AC and the balance cast iron.
- 3.11 The last ten years of pipe burst history has been plotted in Figure 6. The significant reduction in 2006-07 was attributed to the implementation of a significant pressure reduction in the network from 80 metres to 45 metres implemented in 2004. The graph also highlighted the timeliness of the renewal funding increase in 2014, as shown by the sharp increase in pipe bursts which occurred 2014-2016 and the levelling off in bursts which has occurred since that date.

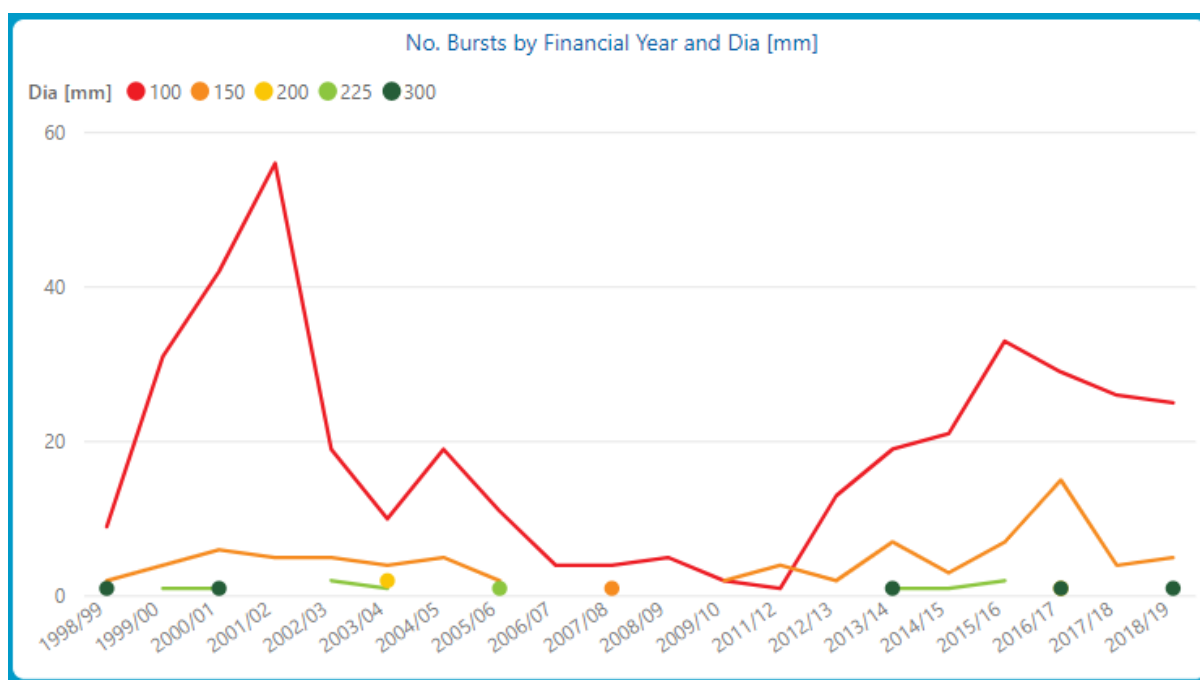


Figure 6 No. of Pipe Bursts by Financial Year and Pipe Size

- 3.12 While the pipe burst rate has stabilised it is entirely possible that the rate of deterioration may increase again in the future and on-going monitoring is required. Table 1 summarises the remaining lengths of AC pipe in the network and the period in years required to renew each pipe size based on the current renewal budget of \$2m per annum. Currently Council is replacing around 4 km of 100 and 150 AC pipe per year.

Table 1 AC Pipe Renewal Rates and Costs

Pipe Diameter (mm)	Length of pipe (m)	Estimated Cost (\$000)	Period to replace (years)
100	96,300	48,000	24
150	59,500	36,000	18
200	2,300	1,600	0.8
225	6,200	4,600	2.3
250	300	225	0.1
300	2,000	1,600	0.8
375	1,500	1,350	0.7
Total	168,100	93,375	46.7

- 3.13 It is estimated that it will take more than 46 years to replace all of the AC pipe in the network, based on current renewal budgets. While the deterioration modelling suggests that the larger diameter pipes (>225mm) may last a further 30 to 40 years beyond their current life of 50 to 70 years, it is likely that the smaller 100 and 150mm pipes will need to be replaced within the next 10 to 20 years, and certainly more quickly than the current renewals budget allows. Officers will be developing a more optimised renewal profile based on condition assessment and modelling to identify more accurately funding requirements.
- 3.14 Separately Council has approved programme funding to investigate, design and implement pressure reduction within the network. Reduction of pressures in areas of the network currently subject to very high pressures can extend the remaining life of the AC pipe in those areas, by allowing for greater deterioration of the pipe before failure occurs.
- 3.15 Apart from the water pipes, there are other parts of the reticulation network that are critical to the safe and reliable supply of water. Officers have highlighted increasing rates of failure of assets such as tobies and water meters. The practice to date has been to replace meters and tobies as they fail, however it has become clear that the remaining tobies and meters have started to approach the end of their life and are failing in larger numbers each year. Officers believe that pro-active programmes to renew all aged tobies and meters are required, both to avoid the costly incremental failure currently occurring but also provide the necessary backflow protection to the network. Additional renewal funding over 4 to 5 years of \$500k/annum will be required to renew these assets.
- 3.16 For the water source asset groups such as the water treatment plant and bore stations, while renewal funding has been set to match the expected asset life, there has been some significant under-budgeting in the last couple of years due to:
- Rapid changes in technology particularly for electrical and mechanical components which results in the requirement to replace the asset prior to its end of life due to obsolescence and the inability to reliably operate and maintain the assets
 - Improved asset condition assessment and a more risk averse approach to renewal which prioritises early replacement to avoid reactive replacement following the failure of a component and the risk of supply disruption or technical non-compliance
- 3.17 Effective management of water assets is designed to ensure the assets are maintained and renewed to meet the required levels of service committed to by Council. The levels of service are confirmed and adopted by Council through the Long Term Plan every 3 years. The current 2018-28 LTP includes the following specific KPIs relevant to the asset management of the water activity:

- The Council provides a good quality, safe water supply (the target is no more than 40 complaints received relating to clarity, taste or odour per 1000 connections per year) and comply with criteria of the Public Health Act 1956 (as amended by the Health (Drinking Water) Amendment Act 2007).
 - The Council provides adequate water supply for firefighting in residential areas and industrial/commercial areas (the target is 25l/s for residential areas and 50 l/s for industrial and commercial area)
 - The Council's water supply assets are maintained and developed to meet current and future needs.
 - The Council manages its Water Activity in a financially sustainable way
- 3.18 For the 2018-19 year, Public Health Act 1956 (as amended by the Health (Drinking Water) Amendment Act 2007) and Drinking Water Standards for New Zealand have been achieved. However, the Council KPI for complaints relating to clarity, taste and odour target was not achieved due to a major mains burst on the Ashhurst rising main event resulting in loss of supply for nearly 6 hours to the Ashhurst community.
- 3.19 While compliance with the LTP performance indicators indicates effective asset management, there has been evidence of issues with the performance and reliability of some water assets which highlight the need for the development of an optimised asset management strategy. Specific areas of concern include:
- 3.20 **Changes to Drinking Water Standards:** It is considered very likely that new Drinking Water Standards will mandate the achievement of a minimum chlorine residual in the reticulation network and multi-barrier treatment for all sources. To enable this to be achieved without significant impacts on water aesthetic quality, requires the provision of storage for any new source development and provision of UV treatment for protozoa. All the existing water sources will need to be upgraded to provide for the additional treatment and storage, which will require investment in additional land and related infrastructure and therefore an increased capital investment will be required.
- 3.21 **Source Capacity and Resilience:** Palmerston North urban supply relies on a single surface water source (Turitea dams) supplemented by 6 bores at 4 bore stations. Longburn, Bunnythorpe and Ashhurst are supplied from single groundwater bores. Council has identified the need to expand the number of sources and provide source resilience for the township supplies. Investment in additional bore sites and connections from the city to Longburn and Bunnythorpe supplies are programmed in the current LTP.
- 3.22 **Network Resilience.** Currently there is a single trunk main from the Turitea WTP to Ngahere Park reservoirs and then dual mains across the Fitzherbert Avenue bridge supplying most of the city. The consequences of failure of this pipeline or bridge

crossing include significant reductions in peak water supply availability and service pressures for large parts of the city. Construction of a second (duplicate) trunk main from Turitea WTP to the Ngahere Park Reservoirs is about to begin and Council is continuing discussions with Massey University regarding a connection between the Ngahere Park reservoirs and the Massey bore supply and network. Work is continuing with identifying an alternative option to deliver a second water crossing of the Manawatu River.

4. WATER RENEWAL STRATEGY AND PRIORITIES

4.1 The key objective of the current renewal strategy is to maintain the overall condition and service potential of the network and treatment plant. This is achieved by renewing the assets which have either reached the end of their functional life (non-critical) or before the end of the asset's life where failure would result in unacceptable consequences (critical).

4.2 The approach to renewals is divided into non-critical and critical assets based on the following distinction and definition:

- Non-critical assets are those which can be allowed to fail before they are renewed on the basis that the consequences of failure are localised, and repairs can be undertaken in a cost-effective and timely manner with little impact on the community served
- Critical assets are those which cannot be allowed to fail based on the significant consequences of failure (e.g. consent non-compliance or public health) impacting large numbers of customers and repairs require specialist external resources which cannot be completed without significant delay

4.3 Based on this objective the key elements of the current renewal programme include:

- Non-critical: Pipe network renewals driven by condition inspection or operational information which identify problems such as root ingress, pipe blockages, pipe collapse resulting in overflows, loss of service and/or high levels of maintenance
- Non-critical: Minor pump station mechanical, electrical and control equipment renewal in response to unscheduled outages requiring unscheduled repairs and maintenance
- Critical: Pro-active scheduled renewal of large diameter supply mains where condition inspections identify severe pipe deterioration or defects
- Critical: Pro-active renewal of Turitea WTP and the bore stations mechanical, electrical and control equipment renewals based on regular condition assessments with renewal timing scheduled prior to end of life

- Critical: Renewal of back-up generation and electrical power supply to ensure continuity of services during power outages.

4.4 In respect of the critical assets the understanding of asset condition is continuously developing as better information is obtained on the condition of the entire asset portfolio. With respect to the bore stations, recent detailed condition assessments have identified a number of deficiencies associated with meeting current hazardous chemical handling legal requirements and addressing health and safety risks for operations staff and contractors.

4.5 Renewal funding for the Turitea WTP and bore stations has been largely focussed on renewal of the major mechanical components such as Backwater Pumps and concrete channel repairs and sealing including replacing feed pipe to channel and temporary bypass pipework system. Condition information on the large number of smaller mechanical and electrical components has been more limited. However, this has been improved over the last year and a considerable backlog in respect of renewals has been identified. Council has approved additional funding to begin to address this backlog.

4.6 It has become clear that levels of investment in critical plant and equipment renewal must increase significantly for the next few years. The scoping of the extent and detail of the additional renewal work required is on-going.

5. IMPROVEMENTS TO THE RENEWAL STRATEGY

5.1 It is acknowledged that the current approach to renewal planning for the water activity cannot provide the necessary certainty around renewal funding requirements nor the assurance that renewals have been optimised. The strategy for improvement is based around two key elements namely:

- Implement an organisational focus on asset management planning through the proposed establishment of the Asset and Planning Division within the Infrastructure Unit
- Invest in enhanced condition assessment and performance modelling to inform optimised renewal planning

5.2 Organisational Focus on Asset Management Planning

5.2.1 In reviewing the organisation wide approach to asset management and how this has been given effect to through the Infrastructure Unit, it became apparent to Council Officers that there has historically been a lack of resourcing and focus on asset management planning across the Council. While the whole of the asset management approach is not broken, the maturity of the asset management approach varies across the different asset groups. For example, the maturity of the asset

management approach for water assets is well advanced compared to property assets.

5.2.2 The proposed new Asset and Planning Division (APD) will take a whole of organisation approach to asset management and separate the operational (present day focus) from the planning function (forward looking focus). This approach will ensure asset management is given appropriate priority and is not crowded out by operational demands. The APD will seek to make asset management an organisational responsibility, not just the responsibility of those managing the core business of assets daily and avoid a siloed approach.

5.2.3 The proposed APD is in the process of being resourced and once operational will seek to refocus the organisation's approach to asset management, including the approach to developing the renewals programme for water associated with AMPs.

5.3 Condition Assessment and Performance Modelling

5.3.1 Recent unexpected plant and equipment asset failures has identified the on-going need for investment in a continuous process of asset condition assessment. Early work started on developing 5 year rolling plant and equipment renewal plans will be extended to all water asset groups. Council staff as well as contractors will be required to record and update asset condition as part of normal operation providing updated estimates of optimised remaining life.

5.3.2 A greater focus will be given to planning for renewal of critical assets to ensure that renewals are undertaken in a timely manner to limit the risk of major failure in any part of the system. The planning will extend to back-up systems such as generators and standby plant and equipment to ensure these are reliable and can operated when required.

5.3.3 Carry on AC pipe sampling, closely monitor the pipe burst rate and use this information to optimise the pipe renewal fund and re-prioritise the renewals

5.3.4 Use improved asset condition information and network and treatment plant modelling to identify the priorities for renewal funding so that Council can make choices about the level of renewal funding with the knowledge of the risks associated with not renewing specific infrastructure in a timely manner.

6. SUMMARY

6.1 Over the past 10 years around \$8m has been spent on renewal of water assets, representing most of the budgeted funding collected by Council. While most of the water network and facilities have been assessed as being in good physical condition, operational events and more detailed asset condition inspection information have identified some asset groups for which the risk of failure and the likelihood of significant negative impacts on levels of service compliance is high.

- 6.2 With more AC pipes approaching the latter part of their life cycle, increased failure rates of tobies and meters in the network and the identified deficit in respect of plant and equipment renewals, an increase in renewal investment requirements is certain. A significant increase in the next 2 to 3 years to address a renewal deficit in the plant and equipment assets and to address failing meters and tobies is urgently required. The extent of future renewal funding increases particularly for pipeline assets is more uncertain and depends on improved asset condition data, modelling of AC failure rates, modelling of network capacity constraints and the success of investment in reducing network pressures in district metering areas.
- 6.3 The establishment of the Asset and Planning Division will enable appropriate priority and focus to be given to asset management. This will be essential if Council is to move from the current largely descriptive Asset Management Plans to optimised asset management planning which consider lifecycle operation and maintenance costs as well as appropriate risk assessments to develop a range of alternative renewal investment profiles for consideration by Council.

7. NEXT STEPS

- 7.1 Establish Asset Planning Division.
- 7.2 Develop a more optimised renewal based on profile condition assessment and modelling to identify more accurately requirements.
- 7.3 Incorporate findings into next draft of AMP for consideration by Council.

8. COMPLIANCE AND ADMINISTRATION

Does the Committee have delegated authority to decide?	Yes
If Yes quote relevant clause(s) from Delegations Manual <Enter clause>	
Are the decisions significant?	No
If they are significant do they affect land or a body of water?	No
Can this decision only be made through a 10 Year Plan?	No
Does this decision require consultation through the Special Consultative procedure?	No
Is there funding in the current Annual Plan for these actions?	Yes
Are the recommendations inconsistent with any of Council's policies or plans?	No
The recommendations contribute to Goal 4: An Eco City	
The recommendations contribute to the outcomes of the Eco City Strategy	
The recommendations contribute to the achievement of action/actions in the Three Waters	

Plan	
The action is: Provide safe and adequate water supply to the city.	
Contribution to strategic direction	Asset management planning that better informs the approach to asset renewals, asset condition and monitoring of water assets will enable the provision of on-going safe water supply for the city and its residents.

ATTACHMENTS

Nil

COMMITTEE WORK SCHEDULE

TO: Audit and Risk Committee

MEETING DATE: 19 August 2019

TITLE: Committee Work Schedule

RECOMMENDATION(S) TO AUDIT AND RISK COMMITTEE

1. That the Audit and Risk Committee receive its Work Schedule dated August 2019.

ATTACHMENTS

1. Work Schedule [↓](#) 

AUDIT AND RISK COMMITTEE

COMMITTEE WORK SCHEDULE – AUGUST 2019

Item No.	Estimated Report Date	Subject	Officer Responsible	Current Position	Date of Instruction/ Point of Origin
1.	May August 2019	AMP Update: The condition and performance of the three waters assets	Chief Infrastructure Officer	To report on classes of water assets separately – first one in May 2019	21 May 2018 Clause 15-18
2.	May 2019	AMP Update: Asset Management planning in the property area/proposed 2019/20 AMP update schedule for members consideration	Chief Infrastructure Officer	On track	
3.	TBA May August 2019	PNCC Compliance with the Privacy Act 1993 with regards to the use of surveillance in public space in the city	General Manager – Strategy and Planning		19 November 2018 Clause 29.2
4.	May 2019 August 2019	Health and Safety quarterly update	Human Resources Manager		
5.	August 2019	Business Continuity Planning PNCC update	Chief Infrastructure Officer, Chief Financial Officer	Will be looked at by new Risk Manager role	19 February 2018 Clause 4.2 (Audit & Risk)
6.	August 2019	New Audit – Fixed Assets Management Process	General Manager – Strategy and Planning	Referred from May meeting	6 May 2019 Clause 16.1
7.	August 2019	Management Agreed Corrective Actions Implementation Progress	General Manager – Strategy and Planning		6 May 2019 Clause 17.2