



PALMERSTON NORTH CITY COUNCIL

AGENDA

AUDIT AND RISK COMMITTEE

9AM, MONDAY 15 MAY 2017

CONVENTION CENTRE, 354 MAIN STREET
PALMERSTON NORTH



MEMBERSHIP

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

Brent Barrett
Susan Baty
Rachel Bowen
Adrian Broad
Gabrielle Bundy-Cooke
Lew Findlay QSM
Leonie Hapeta

Jim Jefferies
Lorna Johnson
Duncan McCann
Karen Naylor
Aleisha Rutherford
Tangi Utikere

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

Paddy Clifford
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

15 May 2017

ORDER OF BUSINESS

(NOTE: The commencement time for this meeting coincides with the commencement time for the Finance and Performance Committee meeting. The format for the meeting will be that the Audit and Risk Committee meeting will open, take apologies and adjourn immediately to allow the Finance and Performance Committee to consider its business. At the conclusion of the Finance and Performance Committee meeting the Audit and Risk Committee meeting will resume to consider its business.)

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. 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.)

4. Confirmation of Minutes

Page 7

“That the minutes of the Audit and Risk Committee meeting of 20 February 2017 Part I Public be confirmed as a true and correct record.”

5. Health and Safety Report Jan - Mar 2017

Page 13

Memorandum, dated 4 May 2017 from the Human Resources Manager, Wayne Wilson.

6. Management Agreed Audit Corrective Actions - March 2017 Progress Status

Page 21

Memorandum, dated 20 April 2017 from the Senior Internal Auditor, Vivian Watene.

7. Two New Audit Reviews - Development Contributions and Fuel Card Management

Page 35

Memorandum, dated 20 April 2017 from the Senior Internal Auditor, Vivian Watene and the Internal Auditor, David Osborne.

8. Committee Work Schedule

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Report, dated 3 May 2017 from the Committee Administrator, Rachel Corser.

9. 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 (Paddy Clifford), Chief Financial Officer (Grant Elliott), General Manager, City Enterprises (Ray McIndoe), General Manager, City Future (Sheryl Bryant), General Manager, City Networks (Ray Swadel), General Manager, Customer Services (Peter Eathorne), General Manager, Libraries and Community Services (Debbie Duncan), Human Resources Manager (Wayne Wilson) and Strategic Communications Manager (Mark Torley) 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 Management 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.

Governance and Support Team Leader (Kyle Whitfield) and Committee Administrators (Penny Odell and Rachel Corser), because of their knowledge and ability to provide the meeting with procedural advice and record the proceedings of the meeting.

< add officers who are authors of reports or their substitutes > 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, e.g. authors of third party reports being considered>, 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 20 February 2017, commencing at 9.00am

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

Councillor Tangi Utikere entered the meeting at 12.04pm during consideration of clause 3. He was not present for clauses 1 and 2 inclusive.

The Mayor (Grant Smith) left the meeting at 12.30pm during consideration of clause 5. He entered the meeting again at 12.38pm during consideration of clause 6. He was not present for clause 5.

Councillor Lew Findlay was not present when the meeting resumed at 2.00pm. He entered the meeting at 2.19pm during the conclusion of clause 7. He was not present for clause 7.

Councillor Rachel Bowen left the meeting at 3.04pm during consideration of clause 10. She was not present for clause 10.

1-17 Apologies

Moved Vaughan Dennison, seconded Bruno Petrenas.

The COMMITTEE RESOLVED

1. That the Committee receive the apologies.

The meeting adjourned at 9.01am
The meeting resumed at 12.03pm

2-17 Confirmation of Minutes

Moved Bruno Petrenas, seconded Vaughan Dennison.

The COMMITTEE RESOLVED

1. That the minutes of the Audit and Risk Committee meeting of 28 November 2016 Part I Public be confirmed as a true and correct record.

Clause 2.1 above was carried 13 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, Karen Naylor, Bruno Petrenas and Aleisha Rutherford.

3-17

Health and Safety - October - December 2016

Memorandum, dated 7 February 2017 from the Human Resources Manager, Wayne Wilson.

Councillor Tangi Utikere entered the meeting at 12.04pm

Moved Vaughan Dennison, seconded Leonie Hapeta.

The COMMITTEE RESOLVED

1. That the Audit and Risk Committee note the information contained within the report entitled 'Health and Safety – October – December 2016' dated 7 February 2017.

Clause 3.1 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, Karen Naylor, Bruno Petrenas, Aleisha Rutherford and Tangi Utikere.

4-17

Planning Service Revenue Process - Uninvoiced Monitoring

Memorandum, dated 20 January 2017 from the Head of Planning Services, Simon Mori.

Moved Vaughan Dennison, seconded Leonie Hapeta.

The COMMITTEE RESOLVED

1. That the Audit and Risk Committee receive the information.

Clause 4.1 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, Karen Naylor, Bruno Petrenas, Aleisha Rutherford and Tangi Utikere.

5-17

Revised Internal Audit Charter - 2017

Memorandum, dated 5 December 2016 from the Senior Internal Auditor, Vivian Watene.

The Mayor (Grant Smith) left the meeting at 12.30pm

Moved Vaughan Dennison, seconded Tangi Utikere.

The COMMITTEE RESOLVED

1. That the Committee endorse the revised Internal Audit Charter enclosed in Appendix A of the memorandum entitled 'Revised Internal Audit Charter –

2017' dated 5 December 2016.

2. That the Chairperson of the Committee sign the Internal Audit Charter on behalf of the Committee.

Clause 5-17 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, Karen Naylor, Bruno Petrenas, Aleisha Rutherford and Tangi Utikere.

6-17

Internal Audit 3 Year Plan 2017/18 to 2019/20

Memorandum, dated 24 January 2017 from the Senior Internal Auditor, Vivian Watene.

The Mayor (Grant Smith) entered the meeting at 12.38pm

Moved Vaughan Dennison, seconded Leonie Hapeta.

The COMMITTEE RESOLVED

1. That the Internal Audit 3 Year Plan 2017/18 to 2019/20 as described in paragraphs 11, 12, 13 and 15 of the memorandum entitled 'Internal Audit 3 Year Plan 2017/18 to 2019/20' dated 24 January 2017 be endorsed, subject to the following amendments:

- (a) Contract tendering be elevated to year 1, animal control collection processes drop to year 2 and IT security drop down to year 3.

Clause 6.1a above was carried 10 votes to 4, the voting being as follows:

For:

The Mayor (Grant Smith) and Councillors Brent Barrett, Susan Baty, Adrian Broad, Vaughan Dennison, Lew Findlay QSM, Leonie Hapeta, Jim Jefferies, Bruno Petrenas and Tangi Utikere.

Against:

Councillors Rachel Bowen, Lorna Johnson, Karen Naylor and Aleisha Rutherford.

Moved Vaughan Dennison, seconded Bruno Petrenas.

- (b) Include external quality assurance review in year 3.

Clause 6.2b above was carried 11 votes to 3, the voting being as follows:

For:

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

Against:

Councillors Rachel Bowen, Lorna Johnson and Aleisha Rutherford.

Moved Karen Naylor, seconded Leonie Hapeta.

On a motion that: 'Elevate capital expenditure plan to year 1' the motion was lost 3 votes to 11, the voting being as follows:

For:

Councillors Lew Findlay QSM, Leonie Hapeta and Karen Naylor.

Against:

The Mayor (Grant Smith) and Councillors Brent Barrett, Susan Baty, Rachel Bowen, Adrian Broad, Vaughan Dennison, Jim Jefferies, Lorna Johnson, Bruno Petrenas, Aleisha Rutherford and Tangi Utikere.

Moved Vaughan Dennison, seconded Leonie Hapeta.

Clause 6.1 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, Karen Naylor, Bruno Petrenas, Aleisha Rutherford and Tangi Utikere.

The meeting adjourned at 1.02pm

The meeting resumed at 2.00pm

Note: when the meeting resumed Councillor Lew Findlay was not present.

7-17

Risk Management Progress YTD December 2016

Memorandum, dated 25 January 2017 from the Senior Internal Auditor, Vivian Watene.

Councillor Lew Findlay entered the meeting at 2.19pm

Moved Vaughan Dennison, seconded Bruno Petrenas.

The **COMMITTEE RESOLVED**

1. That the Committee note the risk management progress made to the Strategic and Operational Risk Profiles.
2. That the Committee note the residual risk for Operational Risk 15 is forecasted as 'High' rather than previously predicted 'Medium'.

Clause 7-17 above was carried 13 votes to 0, with 1 abstention, the voting being as follows:

For:

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

Abstained:

Councillor Lew Findlay QSM.

8-17

Internal Audit Plan 2016/17 Progress Report

Memorandum, dated 25 January 2017 from the Senior Internal Auditor, Vivian Watene.

Moved Vaughan Dennison, seconded Leonie Hapeta.

The **COMMITTEE RESOLVED**

1. That the Committee receive the Memorandum entitled 'Internal Audit Plan 2016/17 Progress Report' dated 25 January 2017 and note the progress made to the 2016/17 Internal Audit Plan.

Clause 8.1 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, Karen Naylor, Bruno Petrenas, Aleisha Rutherford and Tangi Utikere.

9-17

Delegations Project

Memorandum, dated 3 February 2017 from the Business Development Executive, Fiona Dredge.

Moved Vaughan Dennison, seconded Tangi Utikere.

The **COMMITTEE RECOMMENDS**

1. That the new Delegations Manual as set out in Appendix 2 of the memorandum entitled 'Delegations Project' dated 3 February 2017 be adopted.

Clause 9.1 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, Karen Naylor, Bruno Petrenas, Aleisha Rutherford and Tangi Utikere.

10-17

Committee Work Schedule

Committee Work Schedule dated February 2017.

Councillor Rachel Bowen left the meeting at 3.04pm

Moved Vaughan Dennison, seconded Bruno Petrenas.

The **COMMITTEE RESOLVED**

1. That the Audit and Risk Committee receive its Work Schedule dated February 2017.

Clause 10.1 above was carried 13 votes to 0, the voting being as follows:

For:

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

The meeting finished at 3.05pm

Confirmed 15 May 2017

Chairperson

MEMORANDUM

TO: Audit and Risk Committee

MEETING DATE: 15 May 2017

TITLE: Health and Safety Report Jan - Mar 2017

DATE: 4 May 2017

AUTHOR/S: Wayne Wilson, Human Resources Manager, Headquarters

ITEM 5

RECOMMENDATION(S) TO AUDIT AND RISK COMMITTEE

1. That the Audit and Risk Committee note the information contained within this report.

1. Report

This report covers the period 1 January to 31 March 2017. The information included in this report is discussed at the appropriate H&S Committee, the Main H&S Committee and Management Team.

1.1 Risks and Control Plans

A new Health and Safety Policy (Attached) has been adopted and a strategic plan has been presented to Management Team for adoption. Work has continued with identifying and assessing the significance of the risks present at Council worksites and updating our Health and Safety Manual.

1.2 Hazards, Incidents and Near Misses Reported

Quarter	Jun 15	Sep 15	Dec 15	Mar 16	Jun 16	Sep 16	Dec 16	Mar 17
Hazards		6	3	12*	15	21	15	10
Incidents		10	14	12*	40	45	31	56
Near Misses		7	5	5*	21	67	24	24
Lost Time (days)	122.2	102.7	52.5	32.6	67.3	154.6	215.0	215.6

L.T. Injuries	6	8	2	5	10	11	14	13

*Introduction of new system.

In the first quarter of 2016 we transitioned from a paper system to an electronic one. Reporting increased after this.

The top 10 injuries accounted for 70% of the lost time. Six injuries relate to shoulders, 2 back, 1 knee and 1 bird bite. City Enterprises Operations accounted for all but 2 of the injuries that were in the Library.

None of the hazards or incidents in the quarter were identified as requiring notification to Worksafe.

1.3 Investigations

None completed this quarter. The two improvement notices from Worksafe relating to the Asbestos incident have been lifted as the Council has met all of the requirements of the notices.

1.4 Previous Investigations

Number of Recommendations 24

Number of Recommendations Completed 22

The 2 outstanding recommendations relate to a formal external review of our H&S processes and procedures which is planned for next financial year.

2. General

Experience Rating: When comparing the Council's performance to other organisations in the same ACC categories, the Council is charged an additional 12.91% loading in experience rating. To mitigate this, the Council receives a 20% discount for our WSMP rating.

H&S Training: All new staff receive induction training when they commence. The percentage of staff that have completed H&S induction training is currently 99%.

ATTACHMENT



Management Team Policy

ITEM 5

Health and Safety	Policy No: MT24
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Introduction

People are our most valuable asset. Supporting an environment where the safety, wellbeing, and health of employees, volunteers, contractors, and visitors to Council places of work are of paramount importance to the Palmerston North City Council.

The effective delivery of this policy requires everyone to accept a personal responsibility for health and safety. The Council will provide professional and competent support and advice where needed.

The Palmerston North City Council is committed to complying with the Health and Safety at Work Act 2015, government regulations, NZ Standards and Approved Codes of Practice and Safe Work Instruments.

Definitions

PCBU – Person Conducting Business or Undertaking. In terms of Council, Palmerston North City Council as an entity is the PCBU.

Officer – in regards to the Council this includes members of the elected Council and the Chief Executive.

Worker – a person who carries out work in any capacity for the Council, including Council staff; contractors; subcontractors and their employees; and others as stipulated in the Health and Safety at Work Act 2015.

Workplace – any physical location in which work-related activities are performed under the control of, influenced by, or where overlapping duties exist with the Council.

Policy Statement

The Council as the Person Conducting a Business or Undertaking (PCBU) will:

- Demonstrate commitment and excellent health and safety practice with legal compliance as a minimum
- Implement policy and procedural requirements within a system of continuous review of performance and improvement
- Implement effective consultation and communication systems for health and safety
- Consult and actively promote participation with staff and contractors to ensure they have the commitment, training, skills, knowledge and resources to maintain a healthy and safe environment
- Engage with workers (including union and worker representatives) and maintain strong work participation processes and structures, including several health and safety committees that meet regularly
- Ensure that emergency plans and procedures are in place and all staff, visitors and contractors are made aware of these and how to respond to all emergencies and critical incidents
- Work together with other PCBUs to consult, coordinate and cooperate to ensure optimum health and safety results
- Have mechanisms in place to accurately record, report, investigate (where necessary) and continuously improve health and safety performance and learn from any reported injury, work-related illness or incidents
- In the event that an employee is injured or becomes ill and cannot assume their full duties, the Council will proactively work with the employee, their health care professional, and ACC Case Manager (where applicable) to ensure that the employee is able to return to work in a managed and safe manner as soon as possible.
- Ensure all plant, substances and equipment are managed and maintained to ensure they pose no risk to health and safety of workers or the public with a system in place to monitor and assess these items;
- Ensure all staff have the required training to safely carry out their roles, with particular attention given to training and competency in the use of plant, substances and equipment.
- Monitor the health of workers and the conditions at the workplace for the purpose of preventing injury or illness of workers arising from the conduct of the business or undertaking

Legal Duties, Duty Holders, Roles and Responsibilities

The Health & Safety at Work Act 2015 installs legal Duties throughout a Business or Undertaking:

PCBU:	Primary Duty of Care
Officer:	Due Diligence
Worker:	Comply and Co-operate

Every person associated with the Council in a work capacity has a responsibility to maintain excellent health and safety practices; this responsibility increases incrementally through the levels of the line management structure.

Person Conducting or Undertaking Business (PCBU) Responsibilities

Palmerston North City Council, the entity, has the following Duties under the Act:

- Providing and maintaining a work environment that is without risks to health and safety
- Providing and maintaining safe plant and structures
- Providing and maintaining safe systems of work
- Ensuring the safe use, handling and storage of plant, structures and substances
- Providing adequate facilities for the welfare of workers when they are doing work for your business, including ensuring access to those facilities
- Providing any information, training (including H&S induction), instruction, or supervision that is necessary to protect all persons from risks to their health and safety arising from the work of the business
- Monitoring the health of workers and the conditions at the workplace for the purpose of preventing injury or illness of workers arising from the conduct of the business or undertaking
- Providing healthy and safe worker accommodation.

Officers' Responsibilities

The Chief Executive has the following Duties as an Officer under the Act:

- Acquire and keep up-to-date knowledge of health and safety matters for the Council
- Understand the nature of the Council's operations and of the associated hazards and risks
- Ensure the Council has appropriate resources and processes to eliminate so far as is reasonably practicable, or minimise so far as is reasonably practicable, risks to health and safety
- Ensure that the Council has appropriate processes for receiving and considering information regarding incidents, near misses, hazards, and risks and for responding in a timely way to that information

- Ensure the Council has, and implements, processes for complying with any duty or obligation
- Verify the provision and use of the above resources and processes through reviews and audits

Managers / Supervisors Responsibilities

Managers/Supervisors are responsible for the safety and health of all workers under their control and will:

- Provide information on safety and health matters to employees through education and training. This includes ensuring that employees are made aware of the hazards and risks in their work areas and are adequately trained so they can carry out their duties in a safe manner. This will be reflected in the annual staff competency reviews
- Follow up all matters concerning health and safety in a prompt manner (e.g. where issues have been raised at Toolbox Meetings)
- Analyse and mitigate work hazards and risk as they are observed or reported through elimination or minimisation
- Investigate all reported injuries, work-related illness and incidents to identify all contributing factors and, where appropriate, formulate plans for corrective actions with the required timeframes
- Actively encourage the early reporting of any pain or discomfort
- Encourage employee consultation and participation in all health and safety matters
- Ensure that all health and safety documentation is completed accurately and in a timely manner
- Monitor and review through regular audits and formal observations with corrective actions applied where deficiencies have been identified

Workers' Responsibilities

Council staff and contractors (including sub-contractors and volunteer workers) have the following responsibilities:

- Take reasonable care for his or her own health and safety
- Take reasonable care that his or her acts or omissions do not adversely affect the health and safety of other persons
- Comply as far as he or she is reasonably able with reasonable instructions given by the Council in relation to health and safety
- Cooperate with the Council's policies and procedures relating to health and safety
- Observe and practice safe work methods

- Wear or use Council issued PPE (such as sunblock, hi-vis etc.) and safety equipment in a correct manner at the required times. Council issued gear needs to be used rather than non-Council equipment / safety wear. Employees have a responsibility to ensure that their issued gear is fit for purpose. Employees are required to report faulty or damaged gear to their supervisor / manager so that it can be replaced
- Report pain or discomfort as early as possible
- Take an active role in treatment and rehabilitation plans to ensure an early and sustainable return to work
- Accurately report all incidents (including near misses), injuries, and hazards to the appropriate person within the required time frames, particularly in relation to any plant, substances or equipment.

Health and Safety Committees include representatives from senior management, Human Resources, unions, and elected health and safety representatives as nominated by their worker groups. The Committees support the ongoing improvement of health and safety by discussing and working together to ensure worker health and safety. Part of this process will be the implementing, monitoring, reviewing and planning health and safety policies, systems and practices.

Duties of other persons at workplace

Other people at the workplace must:

- Take reasonable care for his or her own health and safety
- Take reasonable care that his or her acts or omissions do not adversely affect the health and safety of other persons
- Comply, as far as he or she is reasonably able, with any reasonable instruction that is given by the Council in relation to health and safety

References:

Applicable legislation and Regulations:

- Health and Safety at Work Act 2015
 - Health & Safety at Work (General Risk and Workplace Management) Regulations 2016
 - Health and Safety at Work (Worker Engagement, Participation and Representation) Regulations 2016
 - Health & Safety in Employment Act 1992
 - Hazardous Substances and New Organisms Act 1996
 - Accident Compensation Act 2001
- Policies, Guidelines, and Procedures:*

ITEM 5

- Employee Code of Conduct
- Drug and Alcohol Policy (MT85)
- PNCC Health and Safety Manual
- City Enterprises Safe Systems of Working (SSW)
- Various Standard Operating Procedures (SOPs), Industry Regulations, and Codes of Practice as they relate to the type of work being performed

For further information contact

- Health and Safety Representatives / Health and Safety Committee members
- Supervisor / Manager
- Human Resources

This Policy will be reviewed biennially.

ATTACHMENTS

Nil

Wayne Wilson
Human Resources Manager

MEMORANDUM

TO: Audit and Risk Committee

MEETING DATE: 15 May 2017

TITLE: Management Agreed Audit Corrective Actions - March 2017 Progress Status

DATE: 20 April 2017

AUTHOR/S: Vivian Watene, Senior Internal Auditor, City Corporate

RECOMMENDATION(S) TO AUDIT AND RISK COMMITTEE

1. That the Committee receive this Memorandum for information.

ISSUE

1. In accordance with the Internal Audit Charter, this Committee receives a quarterly update on the management agreed audit corrective actions from the internal audit reviews that have not been satisfactorily resolved past the agreed timeline.
2. This Memorandum also includes the follow up on the external auditors' recommendations from their audit of the Council's 2015/16 Annual Report.

BACKGROUND

External Audit

3. The corrective actions recommended by the Audit New Zealand in Appendix A were those from the final Management Report received in November 2016 for the final audit of the Palmerston North City Council 2015/16 Annual Report.
4. Any agreed corrective actions not yet implemented will reappear in Audit New Zealand's next Management Report to the Council following their upcoming audit in July/August 2017 on the Council's 2016/17 Annual Report.

ITEM 6



Internal Audit

5. The timeline missed schedule on the management agreed corrective actions based on the recent follow-up is attached in Appendix B. Items listed on this schedules are items that management has missed the agreed to action deadline by more than 6 months.
6. A few items from this schedule have been implemented and removed since last reported. Several items have been added onto the schedule from the recent follow-up.

NEXT STEPS

7. Internal Audit will continue to report to this Committee quarterly on this subject.

ATTACHMENTS

1. Appendix A - External Audit Management Agreed Corrective Actions Progress Status [!\[\]\(661ad2fdbe8fa1392f2b194cfa45d124_img.jpg\)](#) 
2. Appendix B - Internal Audit Management Agreed Corrective Actions Timeline Missed Schedule [!\[\]\(4caf182c2ec1a7bf8758f380863453a1_img.jpg\)](#) 

Vivian Watene
Senior Internal Auditor

Audit New Zealand Final Management Report - 2015/16

Implementation Progress Status - March 2017

The following table is a summary of issues raised by Audit New Zealand in their final management report received November 2016, together with management comment, responsibility and status of any implementation. Future quarterly updates will include updated progress in achieving the agreed action. It includes from the report only those items requiring action. Some of the issues raised this year were also the issues raised in the previous year's audit and updates implementation.

Audit reference	Agreed action	Person responsible	Target date	Status
2.1	Actual renewals and capital expenditure below forecasts - Continue to implement the action plan along with internal audit's recommendations around procurement, contract management, and project management.	General Manager, City Networks Waste & Water Services Manager Roading Manager Parks & Property Manager	Ongoing	Management comment Implementation and development of systems, planning and completion of programmes is essential for improvement. Continued review and development of the action plan together with implementation remain a priority with improvements limited by resources available. Update March 2017 Improvements and enhancements to the with-in house software tool 'Project Status' enabling more accurate and robust project progress monitoring and reporting are in progress. Project Implementation and Planning reports have been completed for all major renewal and capital projects for the 2017/18 and the first 3 years of the 2018/28 10 Year Plan. Further work on improvement initiatives is continuing.
2.2.2	Mandatory performance measures - Continue to review the effectiveness of current reporting and systems to accurately capture the underlying data and to ensure the data is complete.	Roading Manager Waste &	Exploration continuing	Management comment Consideration will be given to the recommendations and practicality within existing resources. Additional review will also occur in preparation of the 2018

Document Number: 8772394

Appendix A 2 of 5

Audit reference	Agreed action	Person responsible	Target date	Status
	<p>This includes:</p> <ul style="list-style-type: none"> perform a regular weekly quality review of data entered into the Request for Service system that there is a system in place to check contractor times recorded are accurate. ensure data fields include information to clearly show why data has been amended, re-categorised or excluded. 	<p>Water Services Manager</p> <p>Head of Community Planning</p>		<p>long-term plan performance measures and planned implementation of a new non-financial reporting system.</p> <p>Update March 2017</p> <p>The mobile solution is operational for water and waste scheduled maintenance (around 30% of workload). Extending the mobile solution to reactive maintenance is in process but final rollout will await the availability of a new GIS capable version of the software to enable staff to view assets in the field. Extending the mobile platform to capture and schedule routine maintenance at the Water and Wastewater Treatment Plants will be advanced ahead of the reactive maintenance. Further enhancements will depend on a major upgrade to the KBase software platform.</p>
2.6	<p>Wastewater resource consent - The Council is due to apply for a new consent by June 2022. The current cost estimates for a new wastewater discharge consent in present day terms range between \$30 million – \$100 million. This will impact on affordability and will be the key point in the Council's next LTP.</p>	<p>Waste & Water Services Manager</p> <p>Special Projects Manager</p>	Ongoing	<p>Management comment</p> <p>Consent requirements will continue to be monitored as part of the annual plan and long-term plan processes with any requirements and constraints incorporated into those plans and reported to Council.</p> <p>This will involve establishment of a project team to conduct a Best Practicable Option review. Options will be identified and engagement take place with Iwi and the community before Council decides by June 2021 on the Best Practicable Option to seek consents for.</p> <p>Update March 2017</p> <p>The Wastewater Project has been initiated with</p>

Audit reference	Agreed action	Person responsible	Target date	Status
2.7	Presentation of the Financial Overview in the annual report - 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.	Financial Accountant	30 June 2017	approval of the overall project structure and appointment of Technical Advisers by Council. Initial Project Steering Group meetings and workshops with Council to agree project objectives and terms of reference are scheduled for April and May. The appointment of a dedicated Council Project Manager has still to occur pending identification of a suitable candidate for the position. The first tasks of the Best Practicable Options Review will be initiated following completion of contract formalities with the successful consultant.
2.8	Payment dates for targeted rates for water supply - Review rates resolution and, if appropriate, seek independent advice over whether its resolution meets the requirements of section 24 of the Local Government (Rating) Act 2002 in relation to payment dates for targeted water rates.	Strategy Manager Finance	June 2017	<p>Management comment GAAP prepared financial statements do not evidence how rates are calculated and applied. The financial overview illustrates the rates actually received and application with this considered an essential accountability requirement. A reconciliation is provided between that, the information in the service provision statements and financial statements. Each year this is reviewed to ensure accountability.</p> <p>Update March 2017 To be reviewed in conjunction with annual report planning.</p> <p>Management comment The Council is aware of the interim judgment of the High Court. When preparing the rates resolution for 2017/18 this will be considered.</p> <p>Update March 2017 Updated information regarding invoicing and due</p>

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Audit reference	Agreed action	Person responsible	Target date	Status
2.9	No post input review of journals - Implement an independent post input review of journal entries.	Finance Manager	Not deemed necessary	<p>dates for metered water targeted rates has been included in the draft Funding Impact Statement adopted as part of the supporting information for the proposed 2017/18 Annual Budget/(Plan). Similar information will be included in the rates resolution.</p> <p>Management comment Within any system there are processing risks. It is believed these are adequately compensated for through budget manager review of reports, management accountant review and reconciliation of all balance sheet accounts. These are considered sufficient with the additional staffing cost requirement of any review not warranted.</p>

The following are outstanding items raised from 2014/15 final and the 2015/16 interim management reports requiring further implementation:

Audit reference	Agreed action	Person responsible	Target date	Status
Appendix 4, 2016 final report	Contract management register - The City Council is utilising the Oasis system as a contract management register for the whole of the Council. All contracts are now required to be added to the Oasis system. The system is being modified to ensure its functionality is appropriate for all types of contracts.	Information Manager	Completed	<p>Management comment The existing contract process used in Oasis (EDRMS) has been modified to incorporate additional information. Once the existing data has been cleaned then the enhancements will be implemented.</p> <p>Update December 2016 The data cleansing was completed and the</p>

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Audit reference	Agreed action	Person responsible	Target date	Status
				enhancements to the contracts register were implemented early October.
Appendix 4, 2016 final report	Business Continuity/Disaster Recovery Business Continuity and IT Disaster Recovery plans should be finalised and re-tested. Plans be regularly updated and tested.	Information Manager	Ongoing	<p>Management comment The IM BCP plan has been finalised and is reviewed three monthly. The plan will be tested as part of the annual Council BCP test exercise – date to be confirmed for later this year. The IM Disaster Recovery plan will be finalised following the implementation of new backup software scheduled for Q2 2016/17 – following the implementation a DR test will be scheduled.</p> <p>Update March 2017 The completed IM BCP plan is with management team for review and sign off. The update to the DR plan has been completed and IM has carried out a successful BCP test of the data centre.</p>
Appendix 4, 2016 final report	Balance sheet reconciliations All reconciliations should be prepared in a timely manner, and independently reviewed.	Finance Manager	On going	<p>Management comment We will continue to monitor the timeliness of monthly financial statements reconciliations going forward.</p> <p>Update March 2017 The reconciliations were not all done in a timely manner in the reporting period. They were, however, all completed in April. Management is confident that with the suitable resource in place now, timeliness should no longer be a problem from now on.</p>

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Audit reference	Agreed action	Person responsible	Target date	Status

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 March 2017)
(Agreed Timeline missed by 6 months or longer)

MT	Original Timeline	Unit		Agreed Corrective Actions	Significance of each action	Updated Timeline	Management Comments	Progress at March 2017 toward full implementation
	IT Disaster Recovery and Backups Review (Oasis1136787)							
	Dec 2014	City Corporate	3c	Obtain Management Team confirmation on an acceptable Recovery Point Objective (RPO) for offsite storage Note: The recovery point objective (RPO) is the maximum acceptable level of data loss following an unplanned "event", like a disaster, crime, or any other business or technical disruption that causes data loss. The RPO represents the point in time, prior to such an event or incident, to which lost data can be recovered (given the most recent backup copy of the data).	Management expectations may not be met	Dec 2016	Agree to action.	A new backup solution was implemented in October. For critical servers there will be four backup snapshots of each server per day, for non-critical servers there will be two backup snapshots of each server per day. These backups will not impact users of the systems. The backups will be stored online allowing for quicker recovery than currently possible with the tape solution. In addition, critical data (e.g. Council website, Ozone) will also be held in the cloud using Microsoft Azure which adds another layer of data protection. The backup solution as detailed above has been implemented along with the recovery point objective (RPO) as outlined. This has been documented as part of the IM BCP plan that has been given to the management team for review and sign off.
	Dec 2014	City Corporate	8a	Update Disaster Recovery Plan (DRP) documentation to be consistent with the Business Continuity Plan (BCP)	Management expectations may not be met	Feb 2016	Once BCP plans are developed/ finalised and brought together this will be possible. When last sighted by IT the plans varied significantly in completeness and validity so IT has undertaken a best guess at this stage.	The Information Management (IM) DRP update has been completed. This comment applies to 8a to 8c.
			8b	Validate the DR Plan with the business to ensure consistency			Agree once BCPs are meaningful.	
			8c	Include an escalation decision tree in the plan			Agree to action.	

MT	Original Timeline	Unit		Agreed Corrective Actions	Significance of each action	Updated Timeline	Management Comments	Progress at March 2017 toward full implementation
			8d	Obtain Management Team sign off for the priority restores order of applications.			There is a logical system order that servers have to come up in in order to work. However, MT should validate the business BCPs which will determine the order of priority for applications. This can be summarised for MT in a report once meaningful BCPs are completed.	The priority restore order is included in the IM BCP plan that has been given to the management team for review and sign off.
	Non-Financial Performance Measures (Oasis 1166089)							
	June 2015	City Future Libraries City Future	1a)	Develop written business rules for all Key Performance Indicators (KPIs) in the LTP to remove ambiguity in the determination of met or not met.	It may be unclear how to measure KPIs, what data to collect and whether the KPI is met or not.	June 2017	Agee with need to document business rules and will implement, but the key is to have measures that can actually be assessed. Agree with the need to write business rules for KPIs. This can be done before June 2015 for the 2015/25 Long Term Plan KPIs.	Business rules are in place for all except two KPIs. One of these two KPIs is for Economic Development because a Council Controlled Organisation called Central Economic Development Agency (CEDA) started operating in September 2016. KPIs have been set, and business rules written. (This will be the last time it appears on this schedule) “The second is for the Community Centres. Preliminary work for the review of the Community Centres has commenced and will be considered by councillors in a workshop on 15 May 2017. The KPI's for the Community Centres and related business rules will be prepared following the workshop, for consideration through the upcoming 10 Year Plan process.” Refer to above comments.
	Feb 2015	City Networks	5a) b)	Provide more staff training on the requirement to enter the actual response timings from the job sheets not the data entry time. Provide a system to verify the recorded response times.	Data may not be accurately captured and reported	July 2017 Feb 2017	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. Provision of handhelds for field staff would assist enormously in ensuring that accurate time data is recorded. Discussions with	The hardware to implement a mobile solution to be more accurately capturing the response time and the actual problems (for Stormwater/ Wastewater/ Water) has arrived and customisation of software has now been completed for roll out to various City Enterprises staff over the 2016/17 and 2017/18 financial years. Training for scheduled maintenance has been completed. The test environment has been developed for responding to and resolving of Request For Services but requires piloting prior

MT	Original Timeline	Unit		Agreed Corrective Actions	Significance of each action	Updated Timeline	Management Comments	Progress at March 2017 toward full implementation
							regard to roll out of handheld equipment for field staff have begun with Council's IT department.	to roll out to staff who will capture the data for the KPI purposes. Due to a major software update release by the provider due in mid-2017 and the staged rollout and concurrent KBase category improvements, the pilot is scheduled for August 2017.
	Building Services Revenue Process (Oasis 801390)							
	Feb 2015	HR	2b)	Attend training in Procurement before staff carry out the activity.	Procurement process may not be followed leading to lack of transparency, poor value for money, ethical or probity issues or legal challenge.	Feb 2017 May 2017	Agree and will implement	A training provider is sourced. Two procurement training sessions are scheduled for 24-25 May 2017.
	Feb 2015	City Corporate	2c)	Flag the issue of the policy approach when employing former staff members for inclusion in the next review of the Purchasing Policy.	Managers maybe unclear when a procurement issue arises and how to manage it.	Feb 2017 May 2017	Agree and will implement.	This issue will be addressed in the review of the Purchasing Policy (MT70). A Draft revised Purchasing Policy is now expected to be presented to the Management Team in May 2017.
	June 2015	Customer Services	4a)	Finalise the plan to comply with the Revenue and Finance Policy (refer page 216, 10 Year Plan 2012 22) or change the Policy. This may involve: Reducing duplication and increase effectiveness of time recording and reporting systems.	Council Policy (Guideline) may not be met.	June 2017	Agree and will implement	Project underway with a deadline of June 2017 to implement the online system.
	Reconciliations (Oasis 1079836)							
	May 2014	City Corporate	2f)	Implement desk files for other more complicated reconciliations e.g. Sundry Debtors (1120), Rates (1100), Payroll (2111-2118).	Business continuity may not be effective	March 2017 June 2017	Agree and will action	Some desk files for a more complicated reconciliations have not been completed though progress has been made on others.
	Parking Collection Contract Management (Oasis 893010)							
	June 2015	City corporate	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	June 2017	Agreed that a standalone Guide for Service Contracts will be prepared.	A standalone Guide for Service Contracts will be prepared.

MT	Original Timeline	Unit		Agreed Corrective Actions	Significance of each action	Updated Timeline	Management Comments	Progress at March 2017 toward full implementation
	Contract Management (Oasis 5482338)							
	March 2016	City Networks	2	a) Require contract managers to have an adequate approved plan up front for how they are going to monitor contractor performance of the contract. b) Review the guidance in the Contract Administration Manual – Administration of the Contract. c) Add a step to the Quality Plan to ensure this effective planning for contract management is completed.	Contract planning and monitoring lack vigour		a) Agreed and will implement. We will include a monitoring requirement in the Contract Administration Manual embracing Recommendations 2 (a),(b) and (c) and brief staff on this requirement.	a) b) and c) are all partially completed. Arrangements are in place to have staff briefed in May 2017 on the changes made to the Contract Administrative Manual.
	Before end of December 2015	City Networks	5	a) Ensure that there is a formal performance review during the life of the contract e.g. annually, at extension time and at the end of each contract. b) Involve more than one staff in the process and evidence as such. c) Reference supporting evidence to the review.	Contracts being extended to a non - performance Contractor	February 2017	Agreed and will implement. Process for Recommendations (a), (b) and (c) will be introduced for future contracts	Technical Services Manager will liaise with City Networks Divisional Managers to attend to this action by 31 May 2017.
	July 2015 Nov 2015 March 2016	City Corporate City Networks	6	a) Maintain an up to date Contracts Register for all Contracts. b) Set up appropriate sub folders where necessary. c) Select a sample of newly created documents each month and feedback to the creators if the Departmental naming convention has not been followed. d) i. Ensure that contract file documentation is complete by ensuring all tenders are electronic, ii. H&S contractor approved list documentation is supplied in electronic format and as resources permit iii. consider back scanning of current contracts	Risk Contract lapsed and not renewed and the consequences thereof		a), b), c) and d) Agreed and will implement.	a) Contract Register not yet fully implemented as it is awaiting the review of the Purchasing Policy (MT70) to ensure clarity on what constitutes a contract for registration. Once accepted there will be a backlog of contracts to be registered. b) Implemented c) Naming convention adds no value and therefore not pursue. Risk accepted. d)(This will be the last time d) is presented here) i. All contract files documentation are electronic, ii. An electronic document has been established (Re Oasis file 8648245 titled Approved Contractor List PNCC 2017. ii. Completed.

File: 8776338

MT	Original Timeline	Unit		Agreed Corrective Actions	Significance of each action	Updated Timeline	Management Comments	Progress at March 2017 toward full implementation
	Before end of March 2016	City Networks	7	Prepare a policy to determine when contracts should be subject to a legal sign off. The options for consideration could be: i. All contracts ii. All contracts over \$1m. iii. Contracts with unique aspects. iv. Contracts for Services.	An inferiorly written contract may embarrass the Council	Feb 2017 May 2017	Agree and will implement. GM City Networks to engage with Legal Counsel and Senior Management to address Recommendation 7 (a).	To seek the in house Legal Counsel's input by 12 May 2017.
	March 2016	City Networks	11 a)	Review the Health and Safety (H&S) Manual on External Contractors under Section 12	Council may breach the H&S legislations	May 2017	Agreed and will implement. Review of Charter 12 of the H&S Manual will be undertaken.	Chapter 12 of the H&S Manual on External Contractors has been reviewed. It will be presented for adoption along with the full H&S Manual. A draft of the H&S Manual is expected to be completed by 30 June 2017 and then put through for an external Peer review.

MEMORANDUM

TO: Audit and Risk Committee

MEETING DATE: 15 May 2017

TITLE: Two New Audit Reviews - Development Contributions and Fuel Card Management

DATE: 20 April 2017

AUTHOR/S: Vivian Watene, Senior Internal Auditor, City Corporate
David Osborne, Internal Auditor, City Corporate

RECOMMENDATION(S) TO AUDIT AND RISK COMMITTEE

1. That the Committee receive the Development Contributions and Fuel Card Management audit reviews for information.
2. That the Committee note the audit issues identified and the related Management responses to the audit issues.

ISSUE

1. In accordance with the Internal Audit Charter, these reviews (Appendixes A and B) are presented to this Committee for information.

BACKGROUND

2. This review is part of the 2016/17 Internal Audit Plan approved by this Committee.
3. The Internal Auditor completed both of these reviews.

Development Contributions – Appendix A

4. The objective of this review was to ensure that the Development Contribution revenue transactions are efficient and complete and are recorded appropriately in the Council's books.

5. The Internal Auditor recommended a suite of 30 recommendations for process improvements. Management has agreed to implement all except one. This is a good outcome and is commendable.



Fuel Card Management – Appendix B

6. The objective of this review was to review Council's fuel card management and its compliance with Council Policies and Procedures. This included sample review of fuel usage of selected vehicles and plant.
7. Out of 19 recommendations suggested by the Internal Auditor. Management has also agreed to implement all except one recommendations.
8. Appendixes A and B are the final audit report of these reviews detailing the audit issues identified, management's response to the audit recommendations and where relevant; the implementation timeline.

NEXT STEPS

8. Internal Audit will follow up on the agreed corrective actions.

ATTACHMENTS

1. Appendix A - Internal Audit Final Report Development Contributions for A&R Committee [!\[\]\(e6ddc77b791299d975007937cebef274_img.jpg\)](#) 
2. Appendix B - Internal Audit Final Report Fuel Card Management for A&R Committee [!\[\]\(62325268b83c539c826661482098edc3_img.jpg\)](#) 

Vivian Watene
Senior Internal Auditor

David Osborne
Internal Auditor

APPENDIX A



Development Contributions For Audit and Risk

December 2016

1. Executive Summary

1.1 Overall Findings and Conclusions

The objective in the Terms of Reference was met.

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

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

Concerning internal control

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

Concerning risk management

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

Concerning Governance matters

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

1.2 Background

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

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

Review of Development Contributions

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

1.3 Objective and Scope

The objective of this review was:

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

In Scope

Aspects of the following work areas were in scope:

Internal Control

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

Risk Management

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

Governance

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

Out of Scope

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

3

Oasis: 8451925

Review of Development Contributions

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

1.4 Approach

Our approach was to:

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

We interviewed the following staff:

Officer

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

1.5 Limitations of Approach

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

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

2. Summary of Issues

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

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

Review of Development Contributions

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

Review of Development Contributions

3. Detailed Findings & Recommendations

Audit Issue	Risk	Recommendation	Management Comment
<p>1. Incorrect calculation of Development Contribution due to not setting charge at date Resource Consent granted</p> <p>Criteria</p> <p>The Development Contribution charges should be calculated using the PNCC Development Contributions Policy applicable at the date the consent was granted (s202 1 (b) Local Government Act (LGA02).</p> <p>Condition</p> <p>There was evidence that staff calculating Development Contributions did not know what year's Development Policy to correctly apply to determine the Development contribution charge. Some staff used the date the application was received and others used the date the calculation was processed. The date to use was the date the consent was granted.</p> <p>Causes</p> <p>A lack of familiarity with the LGA2002 requirement.</p> <p>The checklist used to guide staff through the calculation process did not include the requirement to record the date that the consent was granted it used the processing date. This was potentially confusing.</p> <p>Lack of a robust checking process (recently introduced).</p> <p>Consequences</p>	<p>Medium</p>	<p>Management should:</p> <p>a) Train staff about the date to use to determine applicable Development Contribution Policy.</p> <p>b) Update Development Contribution Calculation Form to use the correct date.</p> <p>c) For unpaid Development Contributions determine the extent of the miscalculations due to incorrect Policy or incorrect base year adjustment and recalculate the charges correctly.</p> <p>d) Refer to issues 13-15 below relating to other aspects of the checking control.</p> <p>Responsibility: Head of Planning Services (Customer Services)</p> <p>Timing: Before end of March 2017</p>	<p>a) and b) Agree and will implement training and changes to form.</p> <p>c) Agree and will implement As Development Contributions come up for recalculation this will be factored in.</p> <p>d) Noted.</p>

Oasis: 8451925

Audit Issue	Risk	Recommendation	Management Comment
<p>Development Contributions that have been paid cannot be recalculated. There are no remaining Development Contributions from the period of the revisions of the policy in July 2012 or 2015 that are not now paid or recalculated using the increase in the Producers Price Index. The date of the recalculation could be incorrect for those not yet paid, but were processed during the periods the policy was revised.</p>			
<p>2. Lessons learned promptly acted on, but further mitigating actions not yet completed</p> <p>Criteria</p> <p>Lessons learned about the implementation of the Development Contributions Policy 2015 should be acted on.</p> <p>Condition</p> <p>Consideration of the operation of the Policy has indicated a need to provide a clearer definition of the 'Integrated Network', to provide for the 'ring fencing' of growth assets in localities following boundary adjustments (such as Ashurst, Longburn or Buninyhorpe) and to provide clear and consistent business rules (allocation methodology) to use when setting the growth component of capital works programmes.</p> <p>This work has commenced (September 2016).</p> <p>Causes</p> <p>Further mitigating actions are not yet completed.</p> <p>Consequences</p> <p>Fewer objections may be triggered if the Policy is clearer.</p>	Medium	<p>Management should:</p> <p>a) Complete actions to clarify meaning of 'Integrated Network'.</p> <p>b) Establish an allocation methodology to inform the growth component of capital works programmes.</p> <p>c) Use the findings in (a) to see if there is merit in using a catchment based approach to allocating development contributions for certain types of infrastructure where the benefit is to a discrete area rather than to the whole of the city.</p> <p>Responsibility: Policy Planner (City Future)</p> <p>Timing Before end of June 2017</p>	<p>a),b),c). Agree and started. A consultant has been employed to complete this task. These actions will be completed in time to incorporate in the review of asset management plans due to be completed end of August 2017.</p>

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Review of Development Contributions

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

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

Review of Development Contributions

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

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

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

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

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Review of Development Contributions

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

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

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Review of Development Contributions

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

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

Review of Development Contributions

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

Audit issue affecting both Asset Management Planning and Development Contributions Policy

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

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

APPENDIX B



Fuel Card Management

For Audit & Risk

March 2017

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1. Executive Summary

1.1 Overall Findings and Conclusions

The objective in the Terms of Reference was met and sufficient reliable evidence was gathered to conclude on the objective: were Council Policies and Procedures followed? (Refer Detailed Findings and Recommendations, page 7 below).

Conclusions and future actions

Senior management expected that there would be an effective fuel card monitoring procedure with associated internal controls to facilitate compliance. In our opinion, the system as evidenced was not adequately designed to achieve its purposes and some controls were not effective. Although some progress and improvement had been made recently, there were no clear business purposes or functionality for fuel card monitoring formally defined, other than fraud detection and prevention. Applying ad hoc fixes was not ideal. We are recommending that the next step should be to complete a business requirements analysis. This will ensure that any investment in monitoring is of value to the organisation and addresses the needs and required functionality of all the stakeholders to the system.

The action, to complete a business requirements analysis, we recommended and management have agreed to implement should address the gaps.

1.2 Background

This review of Fuel Card Management was scheduled in the approved Audit and Risk Committee Internal Audit Plan for 2016/17.

There were 183 fuel cards used to fuel Palmerston North City Council (PNCC) vehicles with a Warrant of Fitness or Certificate of Fitness (Trucks). The purpose of fuel card monitoring includes:

- card set up
- card replacement
- cost control
- error correction
- purchasing or replacing vehicles
- vehicle maintenance
- better address sustainability issues
- detect and deter the abuse of cards by staff, by third parties or by suppliers
- lease or contract management.

Fuel cards were all set up and recorded on the BP Fuel cards system. Individual cards were customisable e.g. by setting fuel type to prevent engine damage from incorrect fuelling; and to prevent purchases other than fuel. Management were proactive in providing a staff Fraud Hot Line and in conducting fraud self- assessment workshops lead by the Senior Internal Auditor and Chief Financial Officer. The manager group also attended a compulsory Fraud and Corruption Awareness course run by Deloitte NZ in February 2016 and repeated for new managers and others in February 2017.

1.3 Objective and Scope

The objective of this review was to: Review Council's fuel card management and its compliance with Council Policies and Procedures. This included sample review of fuel usage of selected vehicles and plant.

Three management policies were of particular relevance to this review:

- Purchasing Policy, Management Team Policy (MT 70)
- Fraud Policy (MT75)
- Vehicles Policy (MT54)
- Risk Management Policy (MT76).

Applicable Procedures encompassed the processes for monitoring fuel use and for optimising fleet management.

Out of scope

These matters were outside scope:

- × Fuel use other than by fuel cards. (Most mobile plant has an individual fuel card, but small plant is often fuelled using the 3 fuel tanks located at the Depot, or at the Ashhurst and Fitzherbert Parks, some heavy plant is fuelled by the Tanker.) Therefore excluded are fuel tanks, tanker issues and issues to small plant
- × Cost effectiveness of Tanker
- × Alternative procurement options
- × Fuel and oil tendering processes other than renewals
- × Building vehicles in Manawatu District Council ownership and control but driven by PNCC staff.
- × Fringe Benefit Tax compliance and Global Positioning System monitoring.

In scope

Aspects of the following matters were in scope:

Internal control

Policies and procedures

- ✓ Application of Management Team Policies such as for vehicles, for purchasing, for risk management and for fraud
- ✓ Guidelines
- ✓ Individual accountability for fuel use
- ✓ Allocation fuelling responsibilities for vehicles to staff
- ✓ Issue and recording of fuel cards
- ✓ Security of cards
- ✓ Complete list of cards and card holders
- ✓ Spare cards

Monitoring

- ✓ Entry of odometer and fuel data to BP Application
- ✓ Follow up of missing odometer or driver data
- ✓ Exception reporting and follow up
- ✓ Financial or non-financial performance measures if any
- ✓ Reporting

Plant costing

- ✓ Checking prices, Goods and Services Tax (GST), accounting allocation codes, duplicates, and then approval of fuel invoices

Review of Fuel Card Management

- ✓ Plant costing error detection and correction
- ✓ Timeliness of processing invoices

Procurement matters

- ✓ Implementation of new contracts register process for procurement reminders
- ✓ Preparation for All of Government contract roll over (May 2017)

Management and supervision

- ✓ Tone at the top
- ✓ Direction, organisation, expectations for control and compliance with control processes
- ✓ Resourcing of monitoring and investigative activities
- ✓ Improvement initiatives
- ✓ Fraud awareness and training
- ✓ Controls self-assessment

Risk management

- ✓ Risk profiling. E.g. by type of vehicle, engine size, make or model, frequency of errors, size of errors, known gaps in control not otherwise addressed, employee red flags indicators of fraud, culture
- ✓ Fraud hot line
- ✓ Senior management oversight

Governance

- ✓ Reporting systems
- ✓ Resourcing

Any other matter related to meeting the audit objective

1.4 Approach

Our approach was to:

- Identified applicable policies and procedures, Guidelines and Management expectations for fuel card management
- Ascertained, documented and walked through systems end to end and interview staff for the operation of identified controls in practice compared to expectations. (staff interviewed included GM City Enterprises (Project Sponsor), Plant and Logistics Manager, Management Accountant, Financial Systems Coordinator, Business Development Executive, Records Team Leader, Plant Supervisor, Works Administration Officer)
- Designed appropriate testing of controls including sample checks of vehicle and plant fuel usage.

Definitions

- BP Application – BP New Zealand (BP PLC) On-line fuel card management system.
- Plant Application – PNCC on-line plant management system.

1.5 Limitations of Approach

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

2. Summary of Issues

Recommendation	Risk Rating		
	High	Medium	Low
1. Unreliable records of who was using the fuel card a) Provide an auditable audit trail to the person who used the fuel card.		✓	
2. Manual interfaces between applications a) Use Web services to automate the interfaces between Plant Running and Ozone and BP Application and Ozone financial and modular system.			✓
3. Risk that proposed monitoring solution is not fit for purpose a) Complete a business requirements analysis, stakeholder analysis, functionality requirements and solutions analysis.			✓
4. Inaccurate entry of odometer data, difficulties in follow up of missing data a) Ensure that accurate odometer data is available for monitoring purposes including obtaining or correcting missing or inaccurate odometer readings and store in the database. b) Design a reporting solution that includes a data validation input control. c) Support the escalation process and identify and resolve outstanding issues. d) Report on all plant with a fuel card with an odometer or hour meter.		✓	
5. Manual irregular review of fuel volume data with no methodology or tool for monitoring or for the follow up of exceptions or for documenting that follow up a) Determine what will be an exception for reporting purposes that will require investigation. b) Record the follow up completed in the database solution.	✓		
6. Available fuel card monitoring tools did not include duplicate fill exception reporting and tank size exceeded reporting a) Develop an exception report as part of 3 a) to identify all instances of dual filling by date and time range and investigate/document those exceptions. b) Add the vehicles fuel tank capacity to the Plant		✓	

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database.			
7. Fuel card physical security could be improved and use of spare card should be monitored a) Change the vehicle fuel card Person Identification Number (PIN) at regular intervals. b) Monitor the fuel use of the Fleet fuel card. c) Enter the Plant being refuelled in the odometer field.			✓
8. No Guideline and informal induction for fuel cards use a) Prepare a Guideline and make all staff aware of its requirements, including at induction.			✓
9. Fuel card monitoring not being used for fleet management purposes a) Refer to 3 a).		✓	
10. No checking of prices or discounts on BP fuel invoices a) Determine who is responsible for completing the invoice checking task. b) Include a methodology and tool to monitor the fuel prices in the planned monitoring solutions analysis 3 a).			✓
11. No metric or key performance indicator (KPI) for governance a) Management should receive a report includes the grand average fleet fuel efficiency.	✓		

Review of Fuel Card Management

3. Detailed Findings & Recommendations

Audit Issue	Risk	Recommendation	Management Comment
<p>1. Unreliable records of who was using the fuel card</p> <p>Criteria</p> <p>There should be individual accountability for fuel cards. In some situations it could be desirable to know who was driving and fuelling a vehicle to complete an enquiry (e.g. town use vs out of town user).</p> <p>Condition</p> <p>PNCC used a manual system to record who drove a vehicle, the kilometres travelled and the business purpose. The two recording methods used were the Plant Running Sheet (or yellow card) and information on the Timesheet. This information (or part of it) is entered into the Plant Application. Odometer data is also entered into the BP Application by the driver at the gas station when the card is swiped. It was not always reliably possible to tell who was fuelling the vehicle from transaction data. The original running sheets/timesheets were not easily searchable (if at all) to identify who fuelled the vehicle.</p> <p>Causes</p> <p>There was no field to enter the driver of a vehicle when entering odometer data.</p> <p>Consequences</p> <p>Individual accountability may be lost. Fuel monitoring reporting may not be complete.</p>	<p>Medium</p>	<p>Management should:</p> <p>a) Provide an auditable audit trail to the person who used the fuel card.</p> <p>E.g. Provide a Database table field on the Plant Application Running Sheet Entry screen (in house application) to record the driver of a vehicle when entering data.</p> <p>For team vehicles add a field to the timesheet to record the re-fueler.</p> <p>E.g. Online booking system for Plant (See also issue 3 a) below).</p> <p>Responsibility: Plant and Logistics Manager</p> <p>Timing: A decision will be made by end of December 2017</p>	<p>a) Agreed that a record of the user's name for each use would be optimal and will be included in the review at 3a.</p> <p>Action suggested is to look for ways of recording the name of the person responsible for each fuel card's use. In the case of booked pool cars and dedicated vehicles that is already the case – the named person is accountable.</p> <p>In the case of vehicles available to a number of people on an ad hoc basis, such as some team vehicles, that needs more thought.</p>

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Audit Issue	Risk	Recommendation	Management Comment
<p>2. Manual interfaces between applications</p> <p>Criteria</p> <p>Automated interfaces between applications have the opportunity to save time and to reduce the potential for errors.</p> <p>Condition</p> <p>We noted that there were at least two opportunities to run a Web Service to automatically interface the applications that feed the Council's Ozone financial and modular system. These opportunities were trialled approximately three years ago for the interface with the BP Application, but not proceeded with. Interfaces to Plant Running were run daily. Interfaces to BP Application were run weekly. There was anecdotal evidence that sometimes an error occurred in the interface e.g. double posting of journals. Manual control was also moderately time consuming.</p> <p>Causes</p> <p>The issues at the time automatic interfaces were investigated approximately three years ago were that the BP data contained more table columns that PNCC needed to import. Also, trials produced multiple errors. PNCC have recently moved to a Sequel Query Language (SQL) back-end to Ozone. It maybe that the preferred interface application, Sphere can offer more functionality than three years ago, as software and hardware advances are made.</p> <p>Consequences</p> <p>Interfaces are manual, prone to errors (e.g. double import) that are hard to fix up, may be delayed affecting review and take time to run every day.</p>	Low	<p>Management should:</p> <p>a) Use Web services to automate the interfaces between Plant Running and Ozone and BP Application and Ozone financial and modular system.</p> <p>Responsibility: Logistics and Support Manager (will initiate)</p> <p>Timing: Before end of June 2017</p>	<p>a) Agreed and will implement, if practical. This is a possible project in collaboration with the IT Business Solutions team.</p>

Oasis: 8821528

Review of Fuel Card Management

Audit Issue	Risk	Recommendation	Management Comment
<p>3. Risk that proposed monitoring solution is not fit for purpose</p> <p>Criteria</p> <p>The purposes of fuel card monitoring should be clarified and an appropriate reporting tool that addresses the business requirements should be implemented. Stages in the process should include a simple business requirements, stakeholder and solutions requirements analysis. For example:</p> <ul style="list-style-type: none"> ✓ Contain the problem definition, the vision, the constraints, the business objectives, the business process analysis, the stakeholder analysis, the IT service impact. <p>The stakeholder requirements analysis would:</p> <ul style="list-style-type: none"> ✓ Identify the user needs - documented usually by a review of user scenarios. Senior management envisaged that a monitoring solution was required that would include the reporting of litres consumed per 100 kilometres travelled. <p>The solutions requirements analysis would :</p> <ul style="list-style-type: none"> ✓ Set out what the system will do – its functionality. This might include: <ul style="list-style-type: none"> – fuel card user name; – data validation and correction; – litres per 100 km reporting by exception; – duplicate fill exception reporting; – tank size exceeded exception reporting; – checklist table recording follow up checks completed on exceptions; – grand average fleet litres per hundred km; – average litres per 100 km by vehicle type; – litres per 100 kms travelled by vehicle type comparison exception reporting. <p>We identified the following long list of software solutions options: do nothing; use Excel spreadsheet; use BP Application reports; request BP to customised reporting; use Plant system Database; use Plant system Database linked to Pivot tables, hybrid solution using plant Database where</p>	Low	<p>Management should:</p> <ul style="list-style-type: none"> a) Complete a business requirements analysis, stakeholder analysis, functionality determination, and solutions analysis. <p>Responsibility: Logistics and Support Manager</p> <p>Timing: Before end December 2017</p>	<ul style="list-style-type: none"> a) Agreed and will implement. This is the review of the fuel card monitoring and reporting system that needs to occur. It is on the Logistics and Support Manager's draft work plan for financial year 2017-18.

Oasis: 8821528

Audit Issue	Risk	Recommendation	Management Comment
<p>available plus BP data when Plant data is not available, use Smarttrak fuel monitoring reporting based on Global Positioning System data.</p> <p>Condition</p> <p>The tools used to monitor fuel use were volume of fuel used and fuel cost by month compared to average – exceptions greater than 50% reported. The second tool was the BP invoice transactions. At the time of our review there was no report of litres of fuel per 100kms travelled.</p> <p>Consideration had been given to implementing a solution using the reports available via BP Application. In addition, some initial discussions had been held with Information Management staff about completing maintenance on the existing reports from the Plant Application and BP Application data.</p> <p>We concluded that the approaches taken to date risked not meeting the organisational objective of a tool that met the business purposes. Objectives were unclear, there were no project constraints, existing process had not been considered for reengineering and functionality had not been sufficiently defined.</p> <p>Causes</p> <p>Lack of a defined process being followed.</p> <p>Consequence</p> <p>An incomplete solution may be produced that does not prove fit for purpose.</p>			
<p>4. Inaccurate entry of odometer data, difficulties in follow up of missing data</p> <p>Criteria</p> <p>Odometer data needs to be accurately entered by fuel card users (the</p>	Medium	<p>Management should:</p> <p>a) Ensure that accurate odometer data is available for monitoring purposes including obtaining or correcting missing or inaccurate odometer readings and store in the</p>	<p>a)&b). Agree and will implement. Refer 3(a). Correct odometer readings are essential to good fleet management, and obtaining them all the time is</p>

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Review of Fuel Card Management

Audit Issue	Risk	Recommendation	Management Comment
<p>drivers) at the point of fuelling into the BP Application (using the garages card swipe device) and into the Plant system (later from the running sheet or time sheet) on completion of a journey. The records should be entered or corrected when not entered or entered incorrectly.</p> <p>Condition</p> <p>Most vehicles have Plant running data (exceptions would be for example leased vehicles such as the Hino Refuse trucks). We noted 12/183 vehicles had missing odometer data (BP Application) and 27/183 Plant with Fuel cards did not record odometer data (BP Application). The data about the 12 may be available from the Plant system. Although there was a staff responsible for follow up of missing or incorrect odometer data this was not retrospective. There was no means to store the corrected data (Database).</p> <p>Cause</p> <p>Inevitably there is human error in entering odometer data. There can also be improper reasons for not entering the data, or confusing the data. There were several factors why odometer data was unreliable:</p> <ul style="list-style-type: none"> ○ There was no input control or validation when entering odometer data on refuelling. ○ There was no means to correct odometer data once entered. ○ There was anecdotal evidence that the escalation system was ineffective for some staff. ○ Some vehicles were exempt from odometer readings based on a list provided by the Unit. ○ Data corrections could not be stored. ○ It was determined that the veracity of odometer readings did not require systematic review. <p>Consequence</p> <p>Fuel monitoring reports may fail to work or not available by design.</p>		<p>database.</p> <p>b) Design a reporting solution that includes a data validation input control.</p> <p>c) Support the escalation process and identify and resolve outstanding issues.</p> <p>d) Report on all vehicles with a fuel card with an odometer or hour meter.</p> <p>Responsibility: a) ,b),d) Logistics and Support Manager</p> <p>Timing: Before end of December 2017</p> <p>Responsibility: c) General Manager City Enterprises</p> <p>Timing: Before end December 2017</p>	<p>problematic. Whether they will ever be 100% correct at the point of entry is uncertain</p> <ul style="list-style-type: none"> - the driver at the service station can accidentally enter the incorrect reading. <p>Commercial fleet management software is available that will provide the data gathering and exception reporting referred to. Whether this would be cost-effective for a relatively small fleet would form part of the discussion as part of the review referred to in 3(a).</p> <p>c) Agree and will implement.</p> <p>d) Agree and will implement.</p>

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Audit Issue	Risk	Recommendation	Management Comment
<p>Exceptions were not resolved. Staff reputations not protected.</p> <p>5. Manual irregular review of fuel volume data with no methodology or tool for monitoring or for the follow up of exceptions or for documenting that follow up</p> <p>Criteria</p> <p>Staff responsible for monitoring fuel use needed the tools to complete the task effectively. If an exception is identified by that monitoring the reasons should be systematically researched and recorded to demonstrate timely completion of the process and in case evidence is needed in future.</p> <p>Condition</p> <p>There was manual and irregular monitoring of fuel volume and costs.</p> <p>Fuel monitoring cannot be effective unless it takes into account both kilometres travelled and fuel used. There was no such reporting available to staff, but a draft report was prepared during our review (20th March 2017). The need to follow up exceptions, the methods to be used, and the appropriate documentation process had not been set up.</p> <p>Causes</p> <p>Staff thought the objective of monitoring was fraud detection and they assessed this was not a high risk. Therefore systematic exception reporting was not completed.</p> <p>Consequence</p> <p>The Council's fuel could have been put at risk. Sub optimal decisions might be made about purchases or vehicle maintenance.</p>	High	<p>Management should:</p> <ul style="list-style-type: none"> a) Determine what will be an exception for reporting purposes that will require investigation. b) Record the follow up of exceptions completed in the database solution. <p>Responsibility: Logistics and Support Manager</p> <p>Timing: Before end December 2017</p>	<p>a)-b) Agreed and will include in the review referred to in 3(a).</p>

Review of Fuel Card Management

Audit Issue	Risk	Recommendation	Management Comment
<p>6. Available fuel card monitoring tools did not include duplicate fill exception reporting and tank size exceeded reporting</p> <p>Criteria</p> <p>The available tools to report fuel used per 100 kilometres travelled should be extended to identify instances where fuelling exceeds the fuel tank capacity or the fuel is a duplicate fill (by date and time range).</p> <p>Condition</p> <p>The methods used to monitor fuel used were irregular and manual:</p> <ul style="list-style-type: none"> ○ Duplicate fills by date and time were not systematically identified for review from amongst all the data. We ran a report to identify and review these and we found no evidence to refer for further review. ○ In some cases, the fuelling data raised a question as to if the fuel tank size was exceeded by the fill. This could only be answer by checking the vehicle specifications (e.g. this is often readily available online). We resolved the queries we had in our sample using the specification information. <p>Causes</p> <p>A manual control of reviewing the data on each fuel invoice was not a reliable method. Obtaining tank size data for the database would require reference to the vehicle specification.</p> <p>Consequence</p> <p>Duplicate filling or filling in excess of fuel tank capacity might not be detected.</p>	Medium	<p>Management should:</p> <ul style="list-style-type: none"> a) Develop an exception report as part of 3 a) to identify all instances of dual filling by date and time range and investigate/document those exceptions. b) Add the vehicles fuel tank capacity to the Plant database. <p>Responsibility: Logistics and Support Manager</p> <p>Timing: Before end of December 2017</p>	<p>a)& b) Agreed and will include in the review referred to in 3(a).</p> <p>Fuel tank capacity can easily be added to the Plant database, rather than relying on the reviewer's memory. However an exception reporting system would still be needed to make the most of that data in a systematic way.</p> <p>Commercial fleet management software is available that will provide the data gathering and exception reporting referred to. Whether this would be cost-effective for a relatively small fleet would form part of the discussion as part of the review referred to in 3(a).</p>
<p>7. Fuel card physical security could be improved and use of spare cards should be monitored</p>	Low	<p>Management should:</p> <ul style="list-style-type: none"> a) Change the vehicle fuel card 	<p>a) Disagreed. This poses</p>

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Audit Issue	Risk	Recommendation	Management Comment
<p>Criteria</p> <p>Fuel card security should be sufficient to prevent abuse by third parties or by staff who are not accountable for the card. Use of the spare cards should be monitored. This is prevention as no examples of abuse were found.</p> <p>Condition</p> <p>Cards are stored in vehicle glove boxes or attached to the vehicle's key ring. Abuse of fuel cards by a third party removing them from the vehicle is prevented by use of a Personal Identification Number (PIN). There was a concern that the general PIN was never changed and the spare cards were not supervised. Missing or lost cards are reported, deactivated and replaced one for one.</p> <p>The PIN is simple and not changed.</p> <p>There are four fuel cards that are not allocated to vehicles and are used to manage the fleet, garage and car pool (2). The fuel use is coded to a separate job for each card.</p> <p>The Fleet card was not monitored.</p> <p>Causes</p> <p>There is a perceived need for simplicity. A monitoring control over the Fleet card was missing by design.</p> <p>Consequences</p> <p>The PIN may become known to third parties over time. The spare card could be misused without knowledge.</p>		<p>PIN at regular intervals.</p> <p>b) Monitor the fuel use on the Fleet fuel card. c) Enter the Plant being refuelled in the odometer field.</p> <p>Responsibility: Logistics and Support Manager</p> <p>Timing: Before end of December 2018</p>	<p>practical problems and may have the opposite effect of drawing attention to the PIN. There have been no issues due to this.</p> <p>b) Agreed and will implement. c) Completed.</p>
<p>8. No Guideline and informal induction for fuel card use</p>	Low	<p>Management should:</p> <p>a) Prepare a Guideline and</p>	<p>a) Agreed and will implement.</p>

Oasis: 8821528

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Review of Fuel Card Management

Audit Issue	Risk	Recommendation	Management Comment
<p>Criteria</p> <p>It is expected that management or staff will document the procedures to be followed for control of Council fuel and fuel cards.</p> <p>A Guideline should document at least these things:</p> <p>Lost or damage replacement procedure for a fuel card to be one for one; card only to be used to fuel specific vehicle (except the two Fleet/Carpool cards); fuel use will be monitored and discrepancies will be investigated; cards to be kept secure including PIN; fuel tank to be fully filled; odometer must be entered and consequences of not doing that; suggestion for ensuring correct odometer is entered using phone; KPIs and expected timing for the follow up of exceptions resulting from monitoring; consequences of abuse of system; the Fraud Hotline information.</p> <p>Condition</p> <p>There was no Guideline for the use of fuel cards by staff. There were informal requirements for the use and management of the cards. There was no staff induction related to Fuel Card use.</p> <p>Cause</p> <p>We do not know why the procedures are not recorded formally.</p> <p>Consequence</p> <p>The requirements for fuel card use may not be fully communicated to staff or followed by them. The expected processes may not be followed.</p>		<p>make all staff aware of the requirements, including at induction.</p> <p>Responsibility: Logistics and Support Manager</p> <p>Timing: Before end of June 2018</p>	<p>It will be incorporated in the review referred to in 3(a).</p> <p>A Guideline will be documented. Training in the use of the fuel cards is currently informal on an ad hoc basis and this will be formalised.</p>
<p>9. Fuel card monitoring not being used for fleet management purposes</p> <p>Criteria</p>	Medium	<p>Management should:</p> <p>a) As part of the review proposed in 3 a) look at the existing business processes for vehicle purchase, vehicle</p>	<p>a) We agree that this is useful information to be included in the Review 3a). The model's specified fuel</p>

Oasis: 8821528

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Audit Issue	Risk	Recommendation	Management Comment
<ul style="list-style-type: none"> Real world data is the best information for use in vehicle purchasing decisions because it is reported that actual data for business use can differ by up to 45% to the manufacturers published data. The identification of vehicles with sub optimal engine performance for maintenance could save up to 30% in unnecessary fuel consumption from defective settings. The identification of drivers with poor driving habits and remedial action such as training could save up to 30% of the vehicle running costs. <p>Condition</p> <p>We reviewed the purchasing report used to acquire 3 vehicles in the sub compact class. Fuel costs amounted to approximately five percent of the vehicle costs in year one and 50 percent over ten years. Published fuel consumption data was provided, but not PNCC historic usage information. Fuel consumption data (litres per 100km) was not used either of the second two b) and c) categories of interest either. Staff reported using a manual system for vehicle maintenance purposes.</p> <p>Causes</p> <p>The business purposes of fuel monitoring had not been progressed and a report designed to meet those purposes.</p> <p>Consequences</p> <p>Fuel use and costs may be up to 30% greater than achievable. A decision may be made to purchase one type of vehicle based on inadequate information.</p>	Low	<p>maintenance and driver behaviour to determine how fuel card reporting can better assist to meet the organisational requirements.</p> <p>Responsibility: Logistics and Support Manager</p> <p>Timing: Before end December 2017</p>	<p>performance is already one of the key aspects discussed as part of any capex recommendation.</p> <p>Commentary on historic usage data of similar vehicles in PNCC's fleet forms part of that, where available. The information is provided by the Fleet Supervisor in both cases.</p> <p>For example, most recently in Capex CE382 for 3 x Mitsubishi Mirages, it was observed that maker's information states they have very low fuel consumption at 4.9 litres/100km., and it was commented on in discussions that in PNCC's operating environment we find this is closer to 7.5 litres/100km in practice.</p>
10. No checking of prices or discounts on BP fuel invoices		<p>Management should:</p> <p>a) Determine who is responsible</p>	<p>a) Completed. It was agreed</p>

Oasis: 8821528

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Review of Fuel Card Management

Audit Issue	Risk	Recommendation	Management Comment
<p>Criteria</p> <p>There should be sufficient assurance that the prices and discounts applied to the BP fuel invoices are accurate and correct for contract management purposes.</p> <p>Condition</p> <p>There was no checking of the prices or discounts. Invoices could arrive at irregular intervals and consisted of many pages. BP pricing is a discount on individual gas station prices. BP provided the gross price information on the fuel dockets and discount information is available from the contract the appropriate staff required assistance with a process to check the prices.</p> <p>Causes</p> <p>Responsibility for the performance of the task was not agreed.</p> <p>Consequences</p> <p>There was no assurance the charges made by BP are always correct. The amount charged for fuel purchases could be incorrect.</p>		<p>for completing the invoice checking task.</p> <p>b) Include a methodology and tool to monitor the fuel prices in the planned monitoring solutions analysis 3 a).</p> <p>Responsibility: Finance Manager & Manager Logistics & Support</p> <p>Timing: Before end October 2017.</p>	<p>that City Enterprises will do this.</p> <p>b) Agreed and will include in the review at 3a.</p>
<p>11. No metric or key performance indicator (KPI) for governance</p> <p>Criteria</p> <p>KPIs and metrics can be useful management and governance tools. Metrics are used to measure the performance of a process. Key performance indicators address important business processes. A grand average fuel use per 100 kilometres travelled key performance indicator for the whole Council fleet would be a useful tool to monitor an objective of making transparent the Council's fleet efficiency.</p>	High	<p>Management should:</p> <p>a) Receive a quarterly report on monitoring that includes the grand average fuel efficiency of the Fleet.</p> <p>Responsibility: Logistics and Support Manager</p>	<p>a) Agree and will implement. Greater use of industry-standard metrics should be used. Selection of these and where the data might be obtained from and the format of report(s) can be incorporated in the review referred to in 3(a).</p>

Oasis: 8821528

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Audit Issue	Risk	Recommendation	Management Comment
<p>Condition</p> <p>There was no overall key performance indicator for vehicle fleet fuel efficiency. We understand that the grand average fuel usage for the Fleet based on one year's data approximately 29 litres per 100km travelled.</p> <p>Cause</p> <p>Perhaps the potential had not been identified.</p> <p>Consequence</p> <p>Management may lack sufficient objective information about progress in efficiency of the fleet.</p>		<p>Timing: Before end of June 2018</p>	<p>Metrics can include averages for common classifications of vehicles as used in PNCC's operating environment (short, urban journeys, many starts and stops, in low gear and cold running). The average fuel consumption benchmarks therefore need to be realistic and reflect that.</p>

COMMITTEE WORK SCHEDULE

TO: Audit and Risk Committee

MEETING DATE: 15 May 2017

TITLE: Committee Work Schedule

RECOMMENDATION(S) TO AUDIT AND RISK COMMITTEE

1. That the Audit and Risk Committee receive its Work Schedule dated May 2017.

ATTACHMENTS

1. Committee Work Schedule [↓](#) 

AUDIT AND RISK COMMITTEE

COMMITTEE WORK SCHEDULE – MAY 2017

Item No.	Estimated Report Date	Subject	Officer Responsible	Current Position	Date of Instruction/ Point of Origin
1	May 2017	Business Continuity Plan Status Report	Chief Financial Officer		28 November 2016 clause 29-16 (Audit and Risk)