



PALMERSTON NORTH CITY COUNCIL

AGENDA
AUDIT AND RISK COMMITTEE

9AM, MONDAY 20 NOVEMBER 2017
COUNCIL CHAMBER, FIRST FLOOR, CIVIC ADMINISTRATION BUILDING
32 THE SQUARE, 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

Heather Shotter
Chief Executive, Palmerston North City Council

Palmerston North City Council

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AUDIT AND RISK COMMITTEE MEETING

20 November 2017

ORDER OF BUSINESS

NOTE: The Audit and Risk Committee meeting coincides with the ordinary meeting of the Finance and Performance Committee meeting. The format for the meeting will be as follows:

- Audit and Risk Committee will open and adjourn immediately to following Finance and Performance Committee.
- Finance and Performance Committee will open, conduct its business and then close.

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 21 August 2017 Part I Public be confirmed as a true and correct record.”
- 5. Alter A Resolution Previously Passed** Page 13
Memorandum, dated 27 October 2017 from the Senior Internal Auditor, Vivian Watene.
- 6. LED Street Lighting Compliance Review** Page 17
Report, dated 2 November 2017 from the Road Planning Team Leader, David Lane.
- 7. Health and Safety July - September 2017** Page 33
Memorandum, dated 6 November 2017 from the Human Resources Manager, Wayne Wilson.
- 8. Management Agreed Audit Corrective Actions Progress Status - September 2017** Page 43
Memorandum, dated 24 October 2017 from the Senior Internal Auditor, Vivian Watene.
- 9. Two New Internal Audits - Earthquake Strengthening, and Accounts Receivable and Aged Debtors** Page 63
Memorandum, dated 24 October 2017 from the Senior Internal Auditor, Vivian Watene.
- 10. Delegations Manual - Amendment to Powers of Chief Executive** Page 107
Memorandum, dated 3 November 2017 from the Legal Counsel, John Annabell.

11. Auditor Engagement and FY 2017 Final Management Report Page 109

Memorandum, dated 1 November 2017 from the Financial Accountant, Keith Allan.

12. Committee Work Schedule Page 131

13. Exclusion of Public

To be moved:

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

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

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

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

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

Chief Executive (Heather Shotter), Chief Financial Officer (Grant Elliott), 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 Communications and Marketing Manager (or their representative (name)) 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, Carly Chang and Rachel Corser), because of their knowledge and ability to provide the meeting with procedural advice and record the proceedings of the meeting.

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

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

PALMERSTON NORTH CITY COUNCIL

Minutes of the Audit and Risk Committee Meeting Part I Public, held in the Council Chamber, First Floor, Civic Administration Building, 32 The Square, Palmerston North on 21 August 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, Gabrielle Bundy-Cooke, Lew Findlay QSM, Leonie Hapeta, Jim Jefferies, Lorna Johnson, Duncan McCann, Karen Naylor and Bruno Petrenas

Apologies: Councillors Leonie Hapeta (late arrival on Council Business), Aleisha Rutherford and Tangi Utikere.

The Mayor (Grant Smith) left the meeting at 11.47am during consideration of clause 20. He was not present for clauses 20 to 26 inclusive.

Councillor Gabrielle Bundy-Cooke left the meeting at 1.02pm during consideration of clause 23. She was not present for clauses 23.2 to 26 inclusive.

17-17 Apologies

Moved Vaughan Dennison, seconded Bruno Petrenas.

The COMMITTEE RESOLVED

1. That the Committee receive the apologies.

Clause 17.1 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, Gabrielle Bundy-Cooke, Vaughan Dennison, Lew Findlay QSM, Leonie Hapeta, Jim Jefferies, Lorna Johnson, Duncan McCann, Karen Naylor and Bruno Petrenas.

The meeting adjourned at 9.01am.

The meeting resumed at 11.18am.

When the meeting resumed Councillor Leonie Hapeta was not present.

18-17 Confirmation of Minutes

Moved Vaughan Dennison, seconded Bruno Petrenas.

The COMMITTEE RESOLVED

1. That the minutes of the Audit and Risk Committee meeting of 15 May 2017 Part I Public be confirmed as a true and correct record.

Clause 18.1 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, Gabrielle Bundy-Cooke, Vaughan Dennison, Lew Findlay QSM, Jim Jefferies, Lorna Johnson, Duncan McCann, Karen Naylor and Bruno Petrenas.

19-17

Health and Safety April - June 2017

Memorandum, dated 3 August 2017 from the Human Resources Manager, Wayne Wilson.

Moved Vaughan Dennison, seconded Karen Naylor.

The **COMMITTEE RESOLVED**

1. That the information contained within the report titled "Health and Safety April – June 2017" and dated 3 August 2017 from the Human Resources Manager, Wayne Wilson, be noted.

Moved Lorna Johnson, seconded Vaughan Dennison.

2. That ongoing training in Health and Safety be introduced for staff and reported on at future Audit and Risk Committee meetings.

Clause 19-17 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, Gabrielle Bundy-Cooke, Vaughan Dennison, Lew Findlay QSM, Jim Jefferies, Lorna Johnson, Duncan McCann, Karen Naylor and Bruno Petrenas.

20-17

Business Continuity Planning PNCC update

Memorandum, dated 27 July 2017 from the Head of Emergency Management, Stewart Davies.

The Mayor (Grant Smith) left the meeting at 11.47am.

Moved Vaughan Dennison, seconded Gabrielle Bundy-Cooke.

The **COMMITTEE RESOLVED**

1. That the report titled "Business Continuity Planning PNCC update" and dated 27 July 2017 from the Head of Emergency Management, Stewart Davies, be noted.
2. That Business Continuity Planning update be reported to the Committee six monthly.

Clause 20-17 above was carried 12 votes to 0, the voting being as follows:

For:

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

21-17 Internal Audit 2016/17 Annual Report

Memorandum, dated 10 July 2017 from the Senior Internal Auditor, Vivian Watene.

Moved Jim Jefferies, seconded Bruno Petrenas.

The **COMMITTEE RECOMMENDS**

1. That the satisfactory completion of the 2016/17 Internal Audit Plan, on time and within budget be noted.
2. That the Chief Executive review the risks around having to implement Business Continuity Planning and the measure in place to protect Council from these risks.
3. That this be reported to the Audit and Risk Committee by the end of this year.

Clauses 21.1 to 21.3 above were carried 12 votes to 0, the voting being as follows:

For:

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

Moved Brent Barrett, seconded Bruno Petrenas.

4. That the Chief Executive be instructed to develop a draft policy on appropriate use of closed circuit television and other remote means of monitoring, and report back to Council.

Clause 21.4 above was carried 12 votes to 0, the voting being as follows:

For:

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

22-17 Risk Management Progress YTD June 2017

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

Moved Vaughan Dennison, seconded Bruno Petrenas.

The **COMMITTEE RESOLVED**

1. That Management's risk management progress made to the Strategic and Operational Risk Profiles be noted.
2. That the Year-to-Date Residual Risk status for the key Strategic and

Operational risks be noted.

Clause 22-17 above was carried 12 votes to 0, the voting being as follows:

For:

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

23-17

Operational Risk Profile Review 2017

Memorandum, dated 11 July 2017 from the Senior Internal Auditor, Vivian Watene.

Moved Susan Baty, seconded Brent Barrett.

The **COMMITTEE RESOLVED**

1. That R.15 remain as almost certain and that “budget excluding those programmes which are subject to third party funding” to be deleted from risk.

Clause 23.1 above was carried 10 votes to 2, the voting being as follows:

For:

Councillors Brent Barrett, Susan Baty, Rachel Bowen, Adrian Broad, Gabrielle Bundy-Cooke, Vaughan Dennison, Lew Findlay QSM, Jim Jefferies, Duncan McCann and Bruno Petrenas.

Against:

Councillors Lorna Johnson and Karen Naylor.

Councillor Gabrielle Bundy-Cooke left the meeting at 1.02pm.

Moved Vaughan Dennison, seconded Bruno Petrenas.

2. That the outcome of Management’s review of its Operational Risk Profile be noted.

Clause 23.2 above was carried 11 votes to 0, the voting being as follows:

For:

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

24-17

FY 2017 Audit Interim Management Report

Memorandum, dated 27 July 2017 from the Financial Accountant, Keith Allan.

Moved Vaughan Dennison, seconded Susan Baty.

The **COMMITTEE RESOLVED**

1. That the report titled “FY 2017 Audit Interim Management Report” and dated 27 July 2017 from the Financial Accountant, Keith Allan, be received.

Clause 24.1 above was carried 11 votes to 0, the voting being as follows:

For:

PALMERSTON NORTH CITY COUNCIL

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

Moved Brent Barrett, seconded Vaughan Dennison.

Note:

On a motion: That the Chief Executive be directed to bring issues that management disagree with Audit New Zealand recommendations to Council for approval. The motion was lost 4 votes to 7, the voting being as follows:

For:

Councillors Brent Barrett, Rachel Bowen, Lew Findlay QSM and Duncan McCann.

Against:

Councillors Susan Baty, Adrian Broad, Vaughan Dennison, Jim Jefferies, Lorna Johnson and Karen Naylor and Bruno Petrenas.

25-17

Auditor Engagement

Memorandum, dated 27 July 2017 from the Financial Accountant, Keith Allan.

Moved Jim Jefferies, seconded Karen Naylor.

The **COMMITTEE RECOMMENDS**

1. That Council receive the Audit Proposal and Engagement letters for the years ending 30 June 2017, 2018 and 2019 and that Council note the appointment of Audit New Zealand as Auditors and approve acceptance of the letters by the Mayor, except for the audit fee which is to be subject to further negotiation by the Chief Executive and report back to Council.

Clause 25.1 above was carried 11 votes to 0, the voting being as follows:

For:

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

26-17

Committee Work Schedule

Moved Vaughan Dennison, seconded Bruno Petrenas.

The **COMMITTEE RESOLVED**

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

Clause 26.1 above was carried 11 votes to 0, the voting being as follows:

For:

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

The meeting finished at 1.41pm

Confirmed 20 November 2017

Chairperson

MEMORANDUM

TO: Audit and Risk Committee

MEETING DATE: 20 November 2017

TITLE: Alter A Resolution Previously Passed

DATE: 27 October 2017

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

RECOMMENDATION(S) TO AUDIT AND RISK COMMITTEE

1. That the Committee approve the correction to the Resolution clause 23-17 of the August 2017 Audit and Risk Committee meeting to read 'That Risk 15 residual risk remain as critical (i.e. Likelihood: Almost Certain; Impact: Moderate), and
2. That "excluding those programmes which are subject to third party funding" to be deleted from the risk description.'

ISSUE

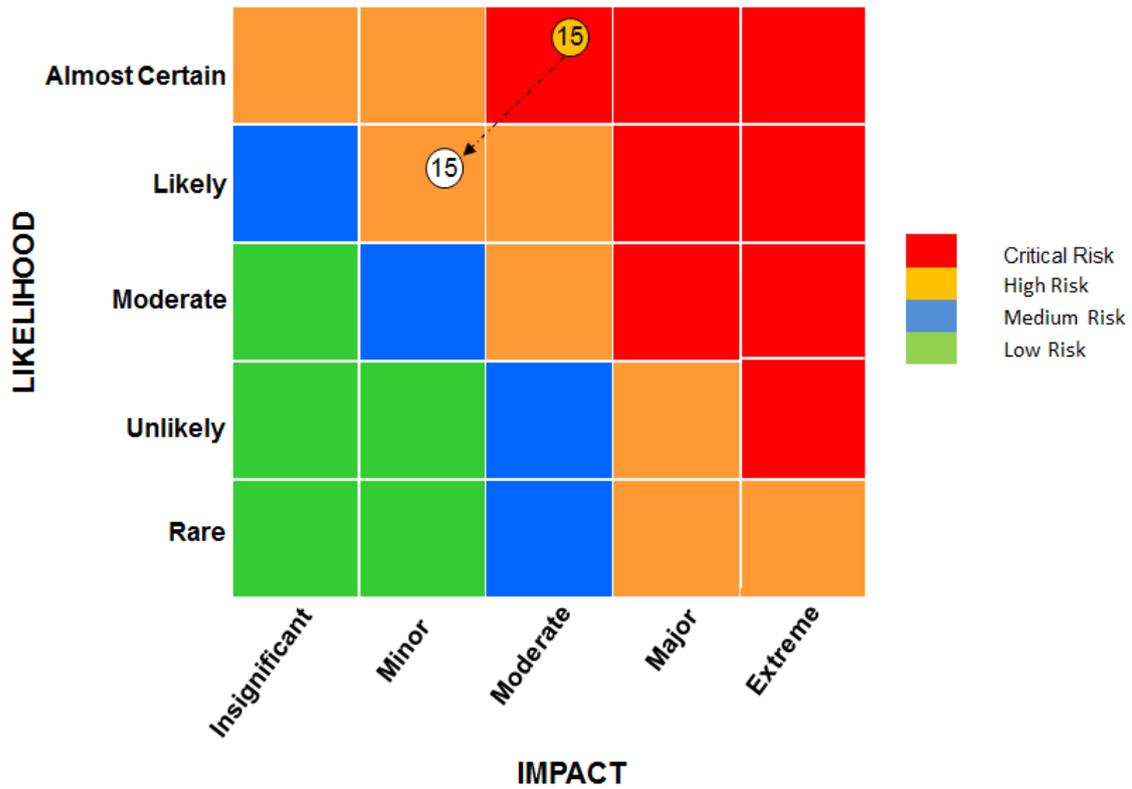
3. In accordance with the Palmerston North City Council Standing Orders Section 3.9.18 entitled Local Authority May Revoke or Alter Any Previous Resolution. This Memorandum seeks to alter a resolution (23-17) passed in August 2017 by this Committee.

BACKGROUND

4. At the August 2017 Audit and Risk Committee, the Committee considered the Agenda item 9 entitled: Operational Risk Profile Review 2017. Councillor Baty moved a motion which was seconded by Councillor Barrett.
5. The trigger of the said motion was a result of the Committee deliberating on the Management Team (MT) suggested changes (in bold writing) made to the Risk Description 15, contained in the said Agenda item 9, which read '*Council does not deliver the capital (new and renewal) programmes within approved scope of works, planned timeframes and budget **excluding those programmes which are subject to third party funding.***'

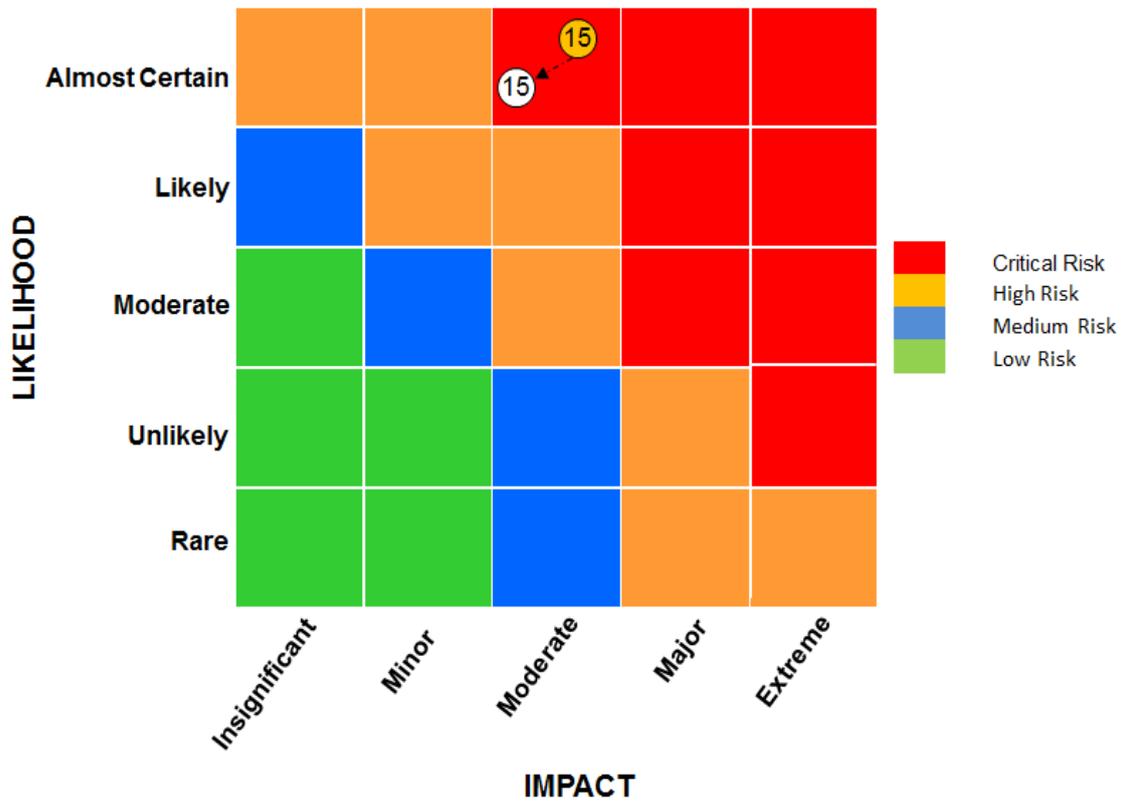
ITEM 5

6. The MT had proposed the Gross Risk for Risk 15 as Critical (on the Red Square with Almost Certain as the Likelihood and Moderate as the Impact).
7. With the appropriate risk treatments, the MT forecasted that the Residual Risk for Risk 15 at the end of June 2018 will reduce to High (on the Orange Square with Likely as the Likelihood and Minor as the Impact) as illustrated on the Matrix below:



8. However, Councillor Baty moved a motion which reads as follows:
‘That R.15 remain as almost certain and that “budget excluding those programmes which are subject to third party funding” to be deleted from risk.’
9. Though the said motion mentioned the ‘almost certain’ as the Likelihood, it was silent on the Impact which could potentially range from Insignificant to Moderate as shown on the above Matrix.
10. Councillor Baty subsequently, after the August 2017 Audit and Risk Committee meeting, confirmed that to capture the intent of the motion accurately, the wording of the said motion should be altered to read as follows:
‘That Risk 15 residual risk remain as critical (i.e. Likelihood: Almost Certain; Impact: Moderate) and that ‘excluding those programmes which are subject to third party funding’ to be deleted from the risk description.’

11. The intent of the motion is graphically illustrated on the Matrix below where both the Gross and Residual Risks featured as Critical (on the Red Square with Almost Certain as the Likelihood and Moderate as the Impact):



ITEM 5

NEXT STEPS

12. The Committee approve the amended motion to the Resolution clause 23-17 of the August 2017 Audit and Risk Committee meeting as stated in paragraph 10 of this Memorandum.

COMPLIANCE AND ADMINISTRATION

Does the Committee have delegated authority to decide?	Yes
Are the decisions significant?	No
If they are significant do they affect land or a body of water?	
Can this decision only be made through a 10 Year Plan?	No
Does this decision require consultation through the Special Consultative procedure?	No
Is there funding in the current Annual Plan for these actions?	Yes
Are the recommendations inconsistent with any of Council’s policies or plans?	No

ITEM 5

ATTACHMENTS

Nil

Vivian Watene
Senior Internal Auditor

REPORT

TO: Audit and Risk Committee

MEETING DATE: 20 November 2017

TITLE: LED Street Lighting Compliance Review

DATE: 2 November 2017

AUTHOR/S: David Lane, Road Planning Team Leader, City Networks

RECOMMENDATION(S) TO COUNCIL

1. That Council confirm continued delivery of programme 1086 allowing upgrading of LED luminaires in both compliant and non-compliant parts of the network; thereby rescinding Resolution 6.3(b) adopted on 25 May 2017.
2. That Council notes that a proposed programme 1367 will be included for consideration in the Draft 2018-28 Ten Year Plan to allow for upgrading of street lights to meet the relevant standard.

SUMMARY OF OPTIONS ANALYSIS FOR

ITEM 6

Problem or Opportunity	<p>Council has in progress a capital programme for upgrading street light luminaires throughout the city to new LED technology. These new lights have potential to deliver energy savings and reduced maintenance costs over the asset lifetime and receive funding support from the New Zealand Transport Agency at an 85% subsidy. Council requested further investigation of options for upgrading non-compliant street light infrastructure. Investigation has revealed estimated costs of \$5.34 million. A programme for upgrading priority 1 streets could be delivered over a 1-5 year time frame. Full compliance could be delivered within 6-7 years.</p>
OPTION 1:	<p>Council could continue the current programme of upgrading LED lights during 2017/18 as currently programmed, with a programme for upgrading non-compliant infrastructure to commence in 2018/19.</p>
Community Views	<p>A number of residents from various streets have raised concerns regarding quality issues for LED lights. There is community support for upgrading street lights to meet new standards.</p>
Benefits	<p>Ensures that street light luminaires are purchased under the current 85% subsidy rate currently on offer from NZTA. Any street lights purchased from the 2018/19 financial year and beyond will only receive 51% subsidy.</p>
Risks	<p>Even if streets are upgraded to LED this financial year, the full benefits will not be readily apparent until the upgrading works to meet current design standards are completed.</p>
Financial	<p>There are 513 P category lights (already installed) and 379 V category lights that are non-compliant. Installation of V category lights, if installed in 2017/18, will be at 85% subsidy. If upgraded in 2018/19 or beyond the NZTA subsidy rate of 51% would apply.</p>
OPTION 2:	<p>Council could defer upgrading of individual LED luminaires or groups of luminaires on roads that are non-compliant until compliance issues are addressed.</p>
Community Views	<p>Does not address community issues as existing fixtures are already non-compliant and will remain non-compliant until upgraded.</p>
Benefits	<p>Ensures streets that are non-compliant are brought up to the standard required.</p>
Risks	<p>There are 216 streets that have some form of non-compliance in the P category lighting zones. There are a further 64 streets in the V category lighting zones that are non-compliant.</p>
Financial	<p>Costs will be higher as both luminaire purchase and installation cost will be subject to a lower NZTA subsidy, 51% rather than 85%.</p>
Contribution of Recommended	<p>Street lights contribute to the city goal to be a socially and environmentally sustainable city. Street lights provide a safer environment for people to go</p>

Option to Council's Strategic Direction	about their business and the LED upgrade programme has environmental benefits in terms of reduced energy use over many years.
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RATIONALE FOR THE RECOMMENDATIONS

ITEM 6

1. OVERVIEW OF THE PROBLEM OR OPPORTUNITY

- 1.1 Council has approved a programme for delivery in the current financial year for upgrading of street lights on existing poles to LED luminaires. When completed the upgrades are expected to deliver reduced energy costs and reduced maintenance and operating costs. Recent changes to policy by the New Zealand Transport Agency assure that the programme is delivered at an 85% subsidy rate if delivered in the 2017/18 financial year. Two categories of street lights are being upgraded. P category is confined largely to residential areas of the city and the rollout is completed. V category is primarily the major roads and the first phase of the upgrade has started as new luminaires are supplied for installation.
- 1.2 Implementation has, however, highlighted deficiencies in some areas of the city, particularly in areas where lighting pole layout is non-compliant with current standards. This led to concerns being expressed by members of the community. These concerns about the LED lighting are confined to P category streets as few areas with V category lights have been upgraded. Council requested investigation of issues relating to non-compliant streets and that work has now been completed.

2. BACKGROUND AND PREVIOUS COUNCIL DECISIONS

- 2.1 Council own a significant network of street lights. Typical design life for a street light column is 40 years while the luminaire has an expected life of 20 years. Recent installations meet the latest design standards, but it is known that a portion of lights were installed under previous standards. The current standard AS/NZS 1158 is recommended and used for all new installations. Use of the standard is not mandatory or retrospective and upgrading of existing infrastructure to meet the current standard is a discretionary matter for Council.
- 2.2 A compliance review of Council's network of street lights undertaken by Essential Lighting Consultancy Ltd. (ELC Ltd). Their report is provided as an attachment. ELC Ltd has identified that 14.6% of P category lights are non-compliant and that 20.4% of V category lights are non-compliant in terms of pole layout or dimensions. Details relating to these are included in tables below. Costs for achieving full compliance are estimated at \$2,867,300 for P category and \$2,471,500 for V category, total expected cost is \$5.34 million. The report recommends establishing a financial programme to achieve upgrading of priority 1 situations within a 1-5 year timeframe, with lower priority work to be completed thereafter.
- 2.3 Council has a programme 74 for renewal of street lights, with a budget of \$135k for the 2017/18 financial year. Upgrading of street lights reflects an increased service level and requires approval of a new capital budget. A proposed programme 1367 has been included for consideration in the draft Ten Year Plan with a proposed

budget that allows for full compliance to be achieved within 7 years. The initial year’s budget is \$848k. It is assumed that the programme would qualify for NZTA funding subsidy at 51%, the current funding assistance rates for PNCC programmes.

- 2.4 NZTA has recently amended its policies for delivery of what it now calls low cost, low risk programmes, those with a total cost of less than \$1 million. This proposed programme meets the funding criteria for that low risk programme if done as a phased project. Phasing in this way allows Council to avoid more significant business case requirements if the programme was delivered on an accelerated timetable. If it was desirable to deliver the upgrading programme on a faster timetable then it would be necessary to complete a full business case based on the total \$5.34 million programme. The outcome of the business case process is less certain and it is recommended that this step be avoided if possible.
- 2.5 ELC Ltd. has completed a prioritised review of street lights in both P and V category zones. Priority 1 areas are those with the most significant deficiencies and can require replacement, relocation or addition of street light poles. In some priority 1 streets a full redesign is necessary. For the Table 1 below concerning P category streets priority 1 also has been quantified as streets where Council has received complaints. With priority 1b being other streets assessed as having significant deficiencies but not raised through community concerns. Priority 2 zones are considered nice to have while priority 3 are relatively minor and may ultimately be able to be managed under existing programmes over time.

Table 1: P Cat lighting priority programme

Priority 1 and 1b		Priority 2		Priority 3		Totals	
Number situations	Cost estimate	Number situations	Cost estimate	Number situations	Cost estimate	Number	Cost estimate
49	\$1,653,300	121	\$1,177,000	46	\$37,000	216	\$2,867,300

Table 2: V Cat lighting priority programme

Priority 1		Priority 2		Priority 3		Totals	
Number situations	Cost estimate	Number situations	Cost estimate	Number situations	Cost estimate	Number	Cost estimate
18	\$1,730,500	23	\$559,500	23	\$181,500	64	\$2,471,500

ITEM 6

- 2.6 ELC Ltd. does not recommend delaying implementation of the current LED replacement programme under Council Programme 1086. There are a number of reasons why delaying implementation is not prudent. Firstly, there is no currently approved programme available or time or consultant/contract resources available for upgrading of non-compliant infrastructure and it is not possible for such a programme to be delivered this financial year. Secondly, renewed luminaires will be able to be reused when poles are replaced or relocated. The third consideration is financial and relates to the approved subsidy for programme 1086. Luminaires installed under this programme are eligible for an 85% funding subsidy this year. If delayed, those same lights will still need to be replaced at some future time at a subsidy rate of 51%.
- 2.7 In terms of community impacts, delayed implementation has no community benefit. The ELC Ltd. report identifies 513 P category light locations (216 streets) and 379 V category light locations (64 streets) that are non-compliant. Streets that are non-compliant now will remain non-compliant even if upgraded to LED luminaires this financial year. The issues in those streets can only be addressed through an upgrading programme, through the addition of extra columns. It is not the LED luminaires that are making the locations non-compliant.
- 2.8 For these reasons it is suggested that the Council resolution (reference clause 2.9.1 of this report) of 25th May 2017 be reconsidered. That resolution currently requires that all standards are met before lantern conversion. As outlined above, meeting all standards is a commendable goal but also expensive at \$5.34 million. An accelerated programme to address those deficiencies would require a full business case before NZTA funding could be assured and would take time to develop. ELC Ltd. has instead recommended a phased programme which conforms to NZTA funding policy under its Low Cost Low Risk programme if implemented at a rate of less than \$1 million per annum. A proposed programme (1367) has been included for consideration in the 2018-28 Ten Year Plan. Final delivery of the programme could be considered following completion of the public submissions process early in 2018.
- 2.9 The Committee of Council meeting of 25th May 2017, in considering submissions to the Annual Budget 2017/18, passed the following resolution 6.3(b):
- 2.9.1 *“That Programmes 1086 - Street Light Upgrade LEDs and 74 - Street Light Replacements allow staff to consider appropriate LED installation to mitigate issues raised during the submission process and to a report back to Council to ensure that all standards are met before lantern conversion.”*
- 2.10 Subsequently the Finance and Performance Committee at its meeting on 19th June 2017 considered a further report on this matter leading to the following resolution.
- 2.10.1 *“That Council authorise continuation of compliant LED street light upgrades envisaged under programme 1086 and approve conversion of street lights in the*

phase 2 part of the programme in compliant streets". Adopted by Council on 26 June 2017 as Resolution 104.

- 2.11 The conversion of V category lighting replacements has commenced. In line with the resolution only compliant locations are being replaced at present. The remaining non-compliant V category lights have still to be contracted and this is the subject of approvals under this report. Further delay is not possible if the programme is to be fully delivered this financial year.

3. DESCRIPTION OF OPTIONS

- 3.1 Council has the following options:
- 3.2 Council can continue to deliver its planned programme for upgrading LED luminaires. A separate financial programme would then need to be approved in the 2018-28 Ten Year Plan for upgrading of non-compliant locations, being option 1. This requires Resolution 6.3(b) to be rescinded, reference Clause 2.9.1 above.
- 3.3 Council can defer delivery of a part of the LED upgrade programme that occurs in non-compliant locations. Non-compliant locations could then be upgraded to comply with the relevant standard with replacement of the luminaire with LED technology at the time of upgrading, being option 2.

4. ANALYSIS OF OPTIONS

- 4.1 The option 1 addresses the original objectives of the LED conversion programme, that is, it upgrades existing infrastructure to LED technology to realise potential savings in energy, maintenance and operating costs. The separate question of upgrading non-compliant areas to meet the recommended standard can then be treated on its merits. Consultants have recommended a programme for completing upgrades to meet standards on a prioritised basis. This programme could cost \$5.34 million and higher priority areas could be met within 6 years at an annual budget of approximately \$850k per year. It is not possible to deliver such a programme in 2017/18 as no budget exists and it is not sufficiently advanced for delivery.
- 4.2 The alternate option 2 is to delay delivery in non-compliant areas. This can only be applied in areas with V category lights as the P category lighting upgrades are complete. Non-compliance is higher in V category locations as standards are higher, but the higher light output in these areas also mean the effects of non-compliance are less obvious. Complaints from residents have not arisen from areas with V category lighting.
- 4.3 As noted above, deferral of LED luminaire upgrades on arterial roads does not have any community benefits. Roads that are non-compliant now will remain non-compliant until pole upgrading occurs. Further there is a cost issue in that a lower

subsidy rate is likely to be available if installation is deferred beyond the 2017/18 financial year.

- 4.4 From a financial perspective deferral of treatment of non-compliant locations would result in a reduction in the cost of the LED luminaire replacement programme. The actual cost would depend on whether the decision was limited to individual lanterns or sections of road where non-compliance is an issue. There are 18 locations with non-compliance on priority 1 V category roads, but not all lighting fixtures in those locations are non-compliant. What is clear is that the cost to Council of each lantern deferred would be 34% higher in real terms because of the reduced funding subsidy available if the work is not completed in the 2017/18 financial year.
- 4.5 If deferral of non-compliant fixtures is the desired outcome, then budget allowance would need to be made in the proposed programme 1367 for deferred upgrades to be completed. This would result in a budget commitment greater than the \$5.34 million discussed in this report.

5. CONCLUSION

- 5.1 Council has approved a programme 1086 for upgrading of street lights to LED luminaires. The programme is well advanced and can be delivered this financial year as planned. An attractive subsidy of 85% has been made available by the New Zealand Transport Agency as a strong incentive to deliver the programme.
- 5.2 The NZTA LED luminaire replacement funding approval does not extend to upgrading to address street light pole compliance. Historically such programmes have been delivered as minor safety improvements programmes. To achieve delivery of such a programme for Palmerston North would involve a cost of \$5.34 million which could be delivered in 6-7 years.
- 5.3 Council has resolved that lantern upgrades should be delayed until compliance with standards has been achieved. It is not possible to achieve that compliance in the current financial year and a decision is needed to either continue with the lantern upgrades or defer it and complete the upgrading to meet standards first.

6. NEXT ACTIONS

- 6.1 If Council approves the tender process for phase 2 of the V category lighting upgrades will be contracted out.
- 6.2 If Council chooses to defer lantern upgrades in non-compliant locations then a reduced contract will be let that is limited to compliant areas only. Planning for upgrading of non-compliant locations will be carried out between now and the adoption of the 2018-28 Ten Year Plan.

7. OUTLINE OF COMMUNITY ENGAGEMENT PROCESS

7.1 Community engagement occurred as part of the Annual Budget process and Council has heard submissions on these issues.

COMPLIANCE AND ADMINISTRATION

No issues

Does the Committee have delegated authority to decide? If Yes quote relevant clause(s) from Delegations Manual	No
Are the decisions significant?	No
If they are significant do they affect land or a body of water?	No
Can this decision only be made through a 10 Year Plan?	No
Does this decision require consultation through the Special Consultative procedure?	No
Is there funding in the current Annual Plan for these actions?	Yes
Are the recommendations inconsistent with any of Council’s policies or plans?	No

ATTACHMENTS

1. ELC Ltd PNCC Non Compliance Report [↓](#) 

David Lane
Road Planning Team Leader

PNCC – Non-compliance Lighting Report

Executive Summary

A “one for one” replacement of existing street lights with new LED will result in approximately 55% - 65% energy savings, along with less ongoing maintenance and will provide improved lighting through white light, better visual performance, less upward waste light and less spill light. It is planned to replace all lights in both residential area’s (cat P approximately 3500) and in commercial or vehicular area’s (cat V approximately 2930).

No compliant lighting will be replaced with non-compliant lighting. LED’s have a 20-year life and columns are typically replaced around 40 years, hence the existing LED’s being installed now can be transferred onto new columns in the future.

The situation of non-compliance lighting in parts of a city is a normal situation created by changing circumstances, increased traffic volumes, “in-fill” housing development, tree growth, improved standards, changing building materials (concrete to steel columns), changing road geometry and changes in technology. By taking a pro-active approach to address non-compliance lighting, Palmerston North City Council is to be commended because very few other Regional Authorities in NZ are addressing these issues.

All new lighting is designed to comply with AS/NZS 1158 series of standards. This is not a regulatory document but is used as a reference document for road lighting throughout NZ. No standard is retrospective and because parts of the road lighting network are 40 – 50 years old it is inevitable that there are areas of non-compliance throughout any city from time to time.

The spreadsheet in Appendix A indicates all the non-compliant lights for the Residential streets (cat P). There is a total of 513 light fixture positions resulting in 14.6% non-compliance. Several streets are worse than others, some are due for an upgrade (7), some will result in small improvement value. It is recommended the council upgrade Priority 1 streets first for an estimated cost of \$1.65m. This could be staged over several years and will include the 7 streets where residents have voiced their concerns.

Cat V roads usually cost more per light to upgrade because of traffic management, higher columns, closer spacing and higher light levels. Priority 1 roads indicated on the spreadsheet in Appendix B show there are 14 roads that may require an upgrade for a cost of \$1.73m. These roads could be done after the compliant roads are completed hence immediate savings can help fund non-compliance upgrades.

Appendix A & B spreadsheets also indicate 14.6% and 20.4% non-compliance for all cat P and cat V roads respectively. It is not recommended to delay the installation of the remaining compliant LED’s at the risk of not obtaining the substantial operating saving of 55% - 70% while there is an 85% subsidy available from NZTA.

Purpose

The purpose of this report is to explain the non-compliance issues of the current LED renewal programme for both the category P streets (residential areas) and the category V roads (vehicular roads).

The general understanding was to do a “one for one” replacement of all the current street lights throughout the city. This was always intended as a first step approach towards a total asset renewal programme. The outcome will result in approximately 55 - 70% energy savings, less maintenance and operating costs, with improved safety, better crime prevention and improved environmental effects. No “compliant” street lights will be replaced with ‘non-compliant’ lighting.

All lighting is designed or referenced to the current set of road lighting standards used throughout NZ; namely AS/NZS 1158 series and NZTA M30 Street Lighting Specification and Guidelines.

Spreadsheets of every street and road were prepared via a desk top analysis using “best practice” principles using the RAMM database as the basis for any design element. These spreadsheets indicated what roads or parts of roads were compliant and non-compliant with AS/NZS 1158. No standard is retrospective and because parts of the street light asset may be 40-50 years old and/or designed to out-of-date standards or less vehicular movement, it is inevitable that there are always going to be situations of non-compliance. By highlighting these areas of non-compliance each street was given a priority rating for more detailed design consideration and/or amendments to bring up to current standard. This upgrade would be a progressive event that some would occur naturally, e.g. car hit column or column replacement (through end of life) and others would occur via a general upgrade or replacement.

Proposed LED luminaires that are being installed have a 20-year life hence they can be reused in conjunction with any planned upgrade to comply with current standards and recommendations. LED’s use less power to run, provide white light so more detail can be seen at lower light levels, provide less upward waste light, reduce glare and direct the light to where it is required (on the road). Because of these attributes LED’s can appear to provide less spill light and hence give the perception of a lower light level.

Category P Streets

Throughout the city there are a total of 216 residential cat P streets that have some form of non-compliance lighting. This includes streets with several lights where there may only be 1 or 2 spans (distance between lights) that exceed the permitted distance. Cul-de-sacs that only have one light (from a dated standard) where 2 are now required. Or complete streets where the existing lighting is substandard and the street is due for an upgrade.

From the spreadsheet in Appendix A, it is shown there are 513 (or 14.6%) non-compliant light fixtures from the original total of 3500. It is proposed these are upgraded via 141 luminaires known as “greenfield” renewal projects, 247 new lights/columns and 192 relocated lights/columns. This is summarised in the table below.

Category P – Residential Street Non-Compliance Summary:

Number of streets with some form of non-compliance	216
Number of non-compliant light locations over all streets	513
Percentage non-compliant in relation to full renewal project	14.6%
Number of streets with residential concerns	7
Number of streets recommended for further design investigation	28 or 13%
Proposed “Greenfield” renewal upgrades	141
New additional luminaires	247
Relocated lights/column	192
Increased number of lights over all priorities	67

From the above table, 7 streets are identified where residents have concerns, plus others street considered due for an upgrade. We have given these a Priority 1 & 1b status where an upgrade is recommended over the next 1-5 years. The total estimate cost of this is \$1.653m.

Priority 2 is considered “nice to have”, but it is not considered good value for money, unless other influencing factors emerge. The reason for this is we are talking very low light levels that are not going to result in substantial overall improvements.

Priority 3 is a self-correcting situation that will occur over time that requires no immediate action.

Priority street summary table and costs is indicated below:

Priority 1 & 1b		Priority 2		Priority 3		Totals	
Number situations	Cost estimate	Number situations	Cost estimate	Number situations	Cost estimate	Number	Cost estimate
49	\$1,653,300	121	\$1,177,000	46	\$37,000	216	\$2,867,300

Factors influencing the status given for each priority are indicated below.

Priority 1.

- Area’s with extensive trees and spacing / location is restricted
- Streets that require a specific “Greenfields” or further design considerations
- Existing lights exceed the maximum permitted spacing for compliance with current standards
- Streets that were non-compliant before the upgrade because of their age and are considered due for upgrade
- Streets where the columns are not in good condition
- Streets that are busy because they are collector roads to other streets plus where there was a significant amount of non-compliance
- Streets that could be considered for a higher classification in the near future
- Residents have concerns at the amount of light from the LED upgrade

Priority 2.

- Considered less important to Priority 1 but would be nice “to do”.
- Easy to fix potential issue of non-compliance
- Usually a no exit street, cul-de-sac or has little through traffic

- Only part of the street is affected
- Known street to be non-compliant but have had no complaints

Priority 3.

- No action is anticipated because future planned work will overcome this situation
- No action because current situation is considered practical / acceptable
- Considered a data error or a human error from the desk top analysis

Category V Roads

These roads are generally lit to a higher level than Residential Streets (cat P). Their primary use is for safe vehicle movement hence called (cat V).

The desk top analysis for these roads is a little more involved than the cat P streets. Straight road calculations using independent software has been undertaken for each Road, but no detailed design analysis has been done for intersections, roundabouts or traffic management devices. This has resulted in an optimised wattage of each luminaire in each situation. Data from the RAMM database was used as the basis of all calculations with mounting height, outreach arm, set back and overhang influences in the calculated results. It is indicated there are a total number of 2930 cat V luminaires of which approximately 1854 have been analysed to date.

Once again in circumstances of non-compliance, the selection of the specified luminaire was chosen with the intention that it could be re-used in a future upgrade with consideration given towards obtaining full compliance.

The older vehicular roads with low mounting heights, increased lanes and single sided installations are the main areas of non-compliance. This can be overcome by replacement of older columns with new/higher columns while re-using the luminaires indicated. The expected design life for a column is 40 years and expected life for an LED luminaire is 20 years.

Because of the associated costs of cat V roads, such as traffic management, higher columns, closer spacing's, higher light levels, the costs to bring up to compliance with existing standards based on a per light/column bases can be higher. Also the opportunity to install columns in the ideal location is more limiting because of driveways, trees, closer spacing, intersections, etc.

AS/NZS 1158 is the recommended standard to follow but it is not a regulatory document that must be complied with fully and the Road Controlling Authority can use its discretion in a practical sense for a renewal project when being compared to a "Greenfields" project. For example, when calculations indicate a 104W luminaire should be installed at 40m apart. But when transposing this onto site there maybe driveways, kerb build-outs, trees, buildings, etc, that may mean one or two spans need to be installed at 45m (10% design spacing +/- 2m). This is considered practical and necessary. However, if the distance between light is 70m then a new/additional light should be installed. This has been given Priority 2 status on the attached spreadsheet in Appendix B.

Increased traffic volumes and "in-fill" development are major influences in changing the category of road over time. This means an increase in luminance level which either means higher wattage luminaire or a closer spacing of columns. Traditionally, the industry only had 2 or 3 choices of lamp wattage but with the introduction of LED technology, the choice of multiple wattages and optics are possible. The option of changing column spacing is not normally possible; hence the change in road classification should occur at the 20 or 40-year period in conjunction with the luminaire or

column replacement. Several roads are at this point in their life cycle where the columns are due for replacement or relocation to meet the optimised spacing for the road classification and luminaire wattage. These roads have been given Priority 1 status on the attached spreadsheet in Appendix B.

Category V – Vehicular Roads with Non-Compliance Summary:

Number of roads assessed as at 31-8-17	64
Number of non-compliant light locations over all roads	379
Percentage non-compliant situations in relation to full cat V renewals ¹	20.4% ¹
Number of roads recommended for further design investigation ²	14 ²
Estimated “Greenfield” renewal fixtures	190
Estimated number of new additional luminaires	153
Estimated number of relocated lights/column	49
Increased number of lights over all priorities	13

1. There are approximately 2930 cat V luminaires of which 1854 luminaires have been assessed to date

2. There are 18 sections of roads indicated on the spreadsheet in Appendix 2 but 4 roads continue over more than one zone hence there are 14 road names.

From the above table and attached spreadsheet, 14 roads have been identified that require further consideration for more detailed analysis with Priority 1 status. This is not necessarily the complete length of road in all situations and there will be varying circumstances. An upgrade is recommended over the next 1-5 years. The total estimate cost of this is \$1,730,500.

Priority 2 is considered “nice to have”, but it is not considered essential to do immediately.

Priority 3 is mostly self-correcting situations that will occur over time as and when they happen.

Priority street summary table and costs are indicated below:

Priority 1		Priority 2		Priority 3		Totals	
Number situations	Cost estimate	Number situations	Cost estimate	Number situations	Cost estimate	Number	Cost estimate
18	\$1,730,500	23	\$559,500	23	\$181,500	64	\$2,471,500

Factors influencing the status given for each priority are indicated below.

Priority 1.

- Roads that require specific design because of complications
- Roads that are currently non-compliant because of their age, column condition, mounting height, increased traffic flow and could be due for an upgrade
- Proposed wattages don’t achieve compliance via future column upgrade hence alternative wattage luminaire is required at that same time (Wood St)
- Area’s with extensive trees, driveways or other restrictions that limit column location hence illuminance design required to confirm the area has sufficient illumination
- Unusual road layout for example angle parking, large setback for local shops, parks or schools
- Roundabouts or intersections that are not considered part of the straight calculation method
- Existing lights exceed the maximum permitted spacing
- Roads or part of a road that could be considered a safety requirement to have a higher classification
- There are concerns on the performance / compliance of the existing lighting

Priority 2.

- Considered less important to Priority 1 but would be nice “to do”.
- Easy to fix in the big scheme of things and overcome a potential issue of non-compliance but will incur an initial cost
- Sub-category of road changed
- May have come about by a change in use over time
- Outside the current standards but is a reasonable and practical concession e.g. within 2m of the 10% concession. More than 2 spans exceeding the 10% concession considered a compromise with limited amount of risk to road users
- Incorrect data base information not in line with the actual on-site situation
- Lights can be initially installed on existing hardware but in the future if the column is replaced with an appropriate alternative the existing LED light fixture can be reused and the situation becomes compliant
- Expensive costs in relocating the likes of stub (flange) based columns

Priority 3.

- No action is anticipated because future planned work (increased mounting height) will overcome this situation
- No action because current situation is considered acceptable
- No action although existing spacing is non-compliant it is within +/- 2m of the 10% concession
- No action although existing spacing is non-compliant it is non-compliant because there are more than 2 spans that exceed the 10% allowance.
- No action required because if lights on o/h were included the lighting would be compliant
- Data base information not consistent with the actual on-site situation
- Gap in the lighting or it is the last light being considered
- Considered acceptable solution without confirmation via a specific design (gut feel based on experience and past knowledge)

Recommendations

Category P - Engage a detailed design and construction quotation for the 28 streets indicated in green on the attached spreadsheet, namely; Chatsworth Pl, Chippendale Cres, Ellesmere Cres, Havelock Ave, Pencarrow St, Bennett St, Geraldine Cres, Herbert Ave, Raglan Ave, Sutherland Cres, Abraham Cres, Apollo Pde, Gemini Ave, Holdsworth Ave, Jupiter Pl, Langley Ave, Aberdeen Ave, Beresford St, Guy Ave, Havill St, Martin St, Dittmer Dr, Racecourse Rd, Ranfurly St, Acacia St, Hillcrest Dr, Karamea Cres, and Rhodes Dr. This includes the 7 streets where residents have concerns (highlighted in light red). This work could be allocated to be completed over the next 1-3 years for a cost of \$1.271m

The remaining streets, 49-28 = 21, could be given a Priority 1b status with an expected construction period of 4-5 years for a cost estimate of \$382,300. Total cost of Priority 1 & 1b is \$1,653,300.

Over the following 5-10-year period, Priority 2 streets could be upgraded.

The situation of non-compliance lighting in parts of a city is a normal occurrence created by changing circumstances, increased traffic volumes, "in-fill" housing development, tree growth, improved standards, changing building materials (concrete to steel columns), changes in technology. Hence by taking a pro-active approach to addressing non-compliance lights, Palmerston North City Council is to be commended because very few other Regional Authorities in NZ are addressing these concerns.

Category V - Engage a detailed design and construction quotation for the 18 sections of roads (14 actual roads) indicated in green on the attached spreadsheet, namely; Tremaine Ave, Bennett St, Rangitikei St, Milson Line, Featherston St, Main St West, Cook St, Pitt St, Taonui St, Church St, Franklin Ave, Ascot St, Winston Ave and Churchill Ave. This work could be planned to be completed over a 1-5 year for a cost of \$1.73m. A substantial amount of this money could come from the annual energy and operating savings from the 80% compliant LED street light network.

Over the following 5-10-year period, Priority 2 roads could be upgraded.

S. Muir

Essential Lighting Consultancy Ltd

MEMORANDUM

TO: Audit and Risk Committee

MEETING DATE: 20 November 2017

TITLE: Health and Safety July - September 2017

DATE: 6 November 2017

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

ITEM 7

RECOMMENDATION(S) TO AUDIT AND RISK COMMITTEE

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

1. ISSUE

This report covers the period 1 July to 30 September 2017. The information included in this report is discussed at the appropriate H&S Committee, the Main H&S Committee and Management Team.

2. BACKGROUND

Risks and Control Plans

Work is continuing with implementing the People Safe Health and Safety software application in City Enterprises. Staff have identified the risks and are progressing the inputting of safe operating procedures for each of these risks. Once fully implemented in City Enterprises and an analysis of results taken place it is likely that the rest of Council will progress to using People Safe.

Work has continued with assessing the significance of the risks present at Council worksites and updating our Health and Safety Manual. The following risks have been identified as the most significant for Council requiring further work.

- Moving vehicles
- Working alone
- Violence/Robbery in the workplace
- Working in and around traffic
- Asbestos
- Cutting underground services
- Working in trenches

- Working in confined spaces
- Hazardous chemicals
- Working at heights
- Tree felling
- Plant and machinery

We already have Standard Operating Procedures and mitigation strategies in place for these as hazards but are aligning these with the risk paradigm of the new Act by completing assessments of threats and consequences and what controls can be put in place. A number of staff from our H&S committees are assisting with this process.

Hazards, Incidents and Near Misses Reported

Quarter	Dec 15	Mar 16	Jun 16	Sep 16	Dec 16	Mar 17	Jun 17	Sep 17
Hazards	3	12*	15	21	15	10	7	4
Incidents	14	12*	40	45	31	56	20	58
Near Misses	5	5*	21	67	24	24	28	27
Lost Time (days)	52.5	32.6	67.3	154.6	215.0	215.6	140	129.15
L.T. Injuries	2	5	10	11	14	13	9	17

*Introduction of new system.

Two injuries accounted for 75% of the lost time. 16 of the injuries occurred in City Enterprises.

Attachment One provides an example of the reports that we can access from People Safe. We are further refining this report to include benchmarks and will be transitioning to this type of report to this committee.

Investigations

No investigations required this quarter.

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 early in the new year.

Training

Attached is a report on H&S specific training undertaken this calendar year. This captures most of the training provided but not all, as H&S can be a component of other courses and it does not capture the on-the-job instruction type learning. This is probably more detail than this committee requires

3. COMPLIANCE AND ADMINISTRATION

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

ATTACHMENTS

1. City Enterprises Health and Safety Report [!\[\]\(8586849f337386da7d76c9228fb9ec53_img.jpg\)](#) 
2. Health and Safety Training [!\[\]\(bed16cd298dce80d5b9efe597f5a0cd3_img.jpg\)](#) 

Wayne Wilson
Human Resources Manager

Attachment One

City Enterprises –Health and Safety Report, September 2017

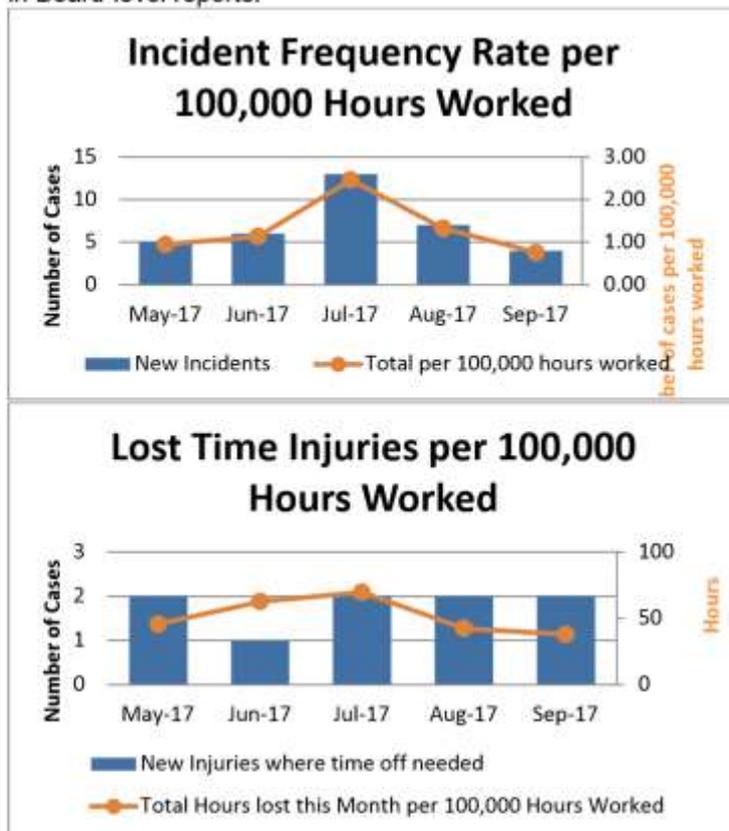
This report provides an overview of the health and safety performance of City Enterprises for month end September 2017. Board-level metrics available are set out below together with some high-level commentary.

People Safe - Progress

The People Safe system is live from 01 May 2017 and we now have 5 months of data for this reporting period. A large amount of work on information entry for periodic staff training and equipment testing is still ongoing. We have logged a project request ticket with IT Business Solutions to enable better reports to be generated via the forthcoming Microsoft Power BI, which is an analysis and visualization tool that allows for custom reporting and dashboards.

Metrics and Commentary

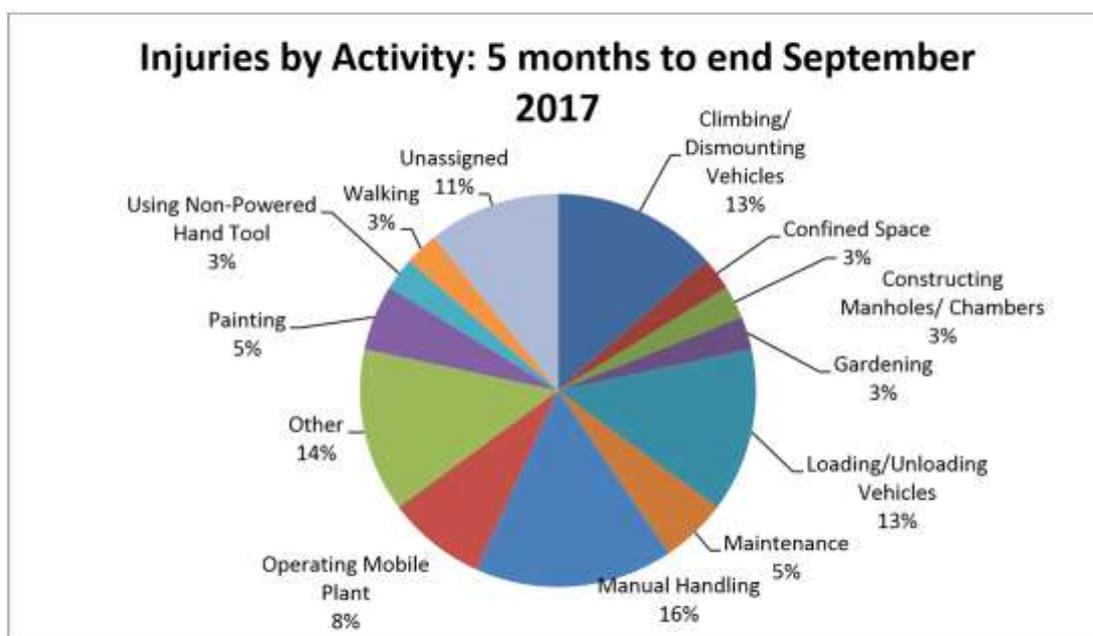
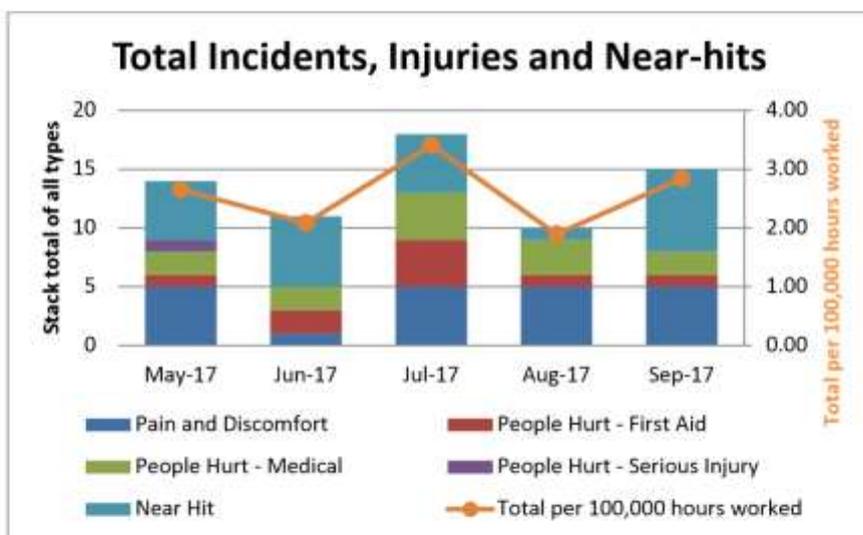
The following are key metrics included in the IOSH best practice guide to health and safety performance in Board-level reports.



Frequency of new incidents reported this month is the lowest in the 5-month reporting period. Reported incidents peaked in July, which given that most of City Enterprises' work is outdoors and often involves manual handling and vehicles suggests wet weather was a factor. Lost time injuries accounted for 2,147 hours over the reporting period of 5 months. Of this 1,043 hours or 48.6% was attributable to just 2 staff members. This emphasizes the disproportionate and serious effect on productivity of Notifiable Events. There were no Notifiable Events in the reporting period. There was one Notifiable Event in May; a Gardener with a broken hip from a fall. The other notifiable incident occurred over 5 months ago, for which ACC sick leave is ongoing.

	This Month	5 Months to Date
Fatalities	0	0
Notifiable Events under H&S at Work Act 2015	0	1 (May 2017)

The data set below includes "general pain and discomfort", which are reported through People Safe. This remains a significant issue; manual handling and lifting refresher courses are being maintained. The number of near-hits reported was constant over the reporting period; reporting of near-hits is strongly encouraged and supports the open reporting culture that we strive to instill.

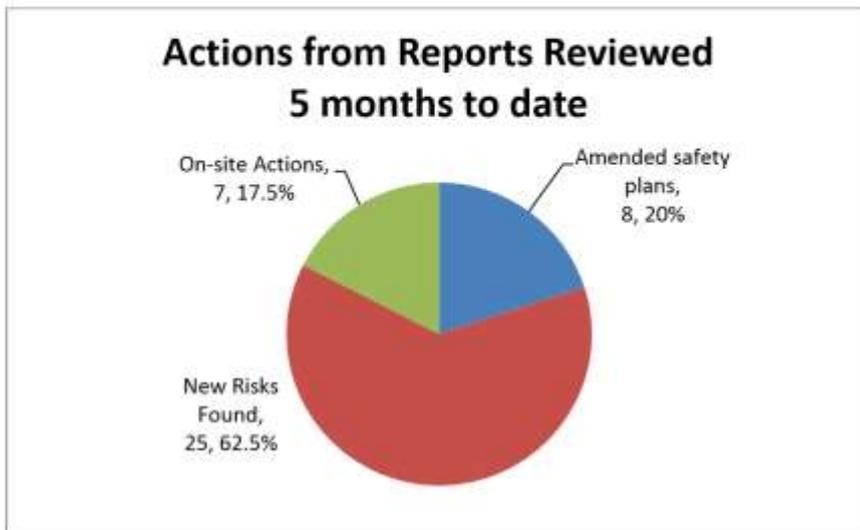


At 47% the highest risk group of activities in terms of injuries remains vehicles, mobile plant and manual handling. Staff training is focused accordingly. Vehicles and plant are well maintained through the on-site Garage service.

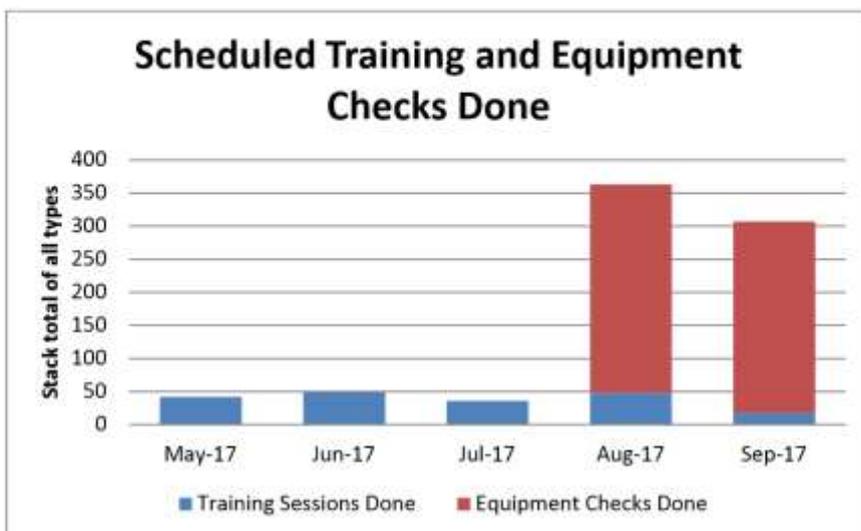
We remain mindful that lagging indicators such as those above represent failure and must be supplemented by other measures that provide positive assurance that good practices aimed at preventing injuries and incidents are implemented (leading indicators).



After a slow start in April/ May, reviewing of reports received has remained high and at the time of reporting 93% of incident reviews are complete. We aim to stay at over 90% at any one time. Insights gained from these are fed via People Safe into actions such as changed site practice, amended safety plans, new risk reports and staff training.



Through People Safe each staff member has a background training matrix ensuring those who carry out certain roles have the skills and training to do so safely. In the beginning of the reporting period emphasis was on training, and more recently equipment checks have been added to People Safe; examples include testing of fall arrest systems and portable electrical appliances.



In summary a satisfactory reporting period. Actions for further improvement include:

- Progressing input of staff training and skill set information to People Safe
- Completing Standard Operating Procedures and other documentation
- Maintaining >90% review rate of reports received. Next step is training for managers for review of stories, roll out of the mobile app and system itself to site staff.

Paul Compton
 Logistics and Support Manager
 09 October 2017

Attachment Two

EVENT	Jan - Mar 17	Apr - Jun 17	Jul - Sep 17
<u>Accident and Event Investigation</u>			12
<u>BRANZ Bracing Seminar</u>	2		
<u>Chainsaws - Use and Safety</u>	6		
<u>Collections Inductions</u>			5
<u>Dealing with Difficult People</u>			17
<u>Dealing with Mental Health</u>			24
<u>Driver Assessment Training</u>	12	17	18
<u>Drivers Licence - Class 2L (Learners)</u>		1	
<u>Drivers Licence - Class 5L (Learners)</u>		1	
<u>Drivers Licence Class - 4L (Learners)</u>		1	
<u>Drivers License - Class 1 (Car License)</u>	2	3	4
<u>Drivers License - Class 2 (Medium Rigid Vehicle)</u>		2	3
<u>Drivers License - Class 4 (Heavy Rigid)</u>		1	3
<u>Drivers License - Class 6 (Motorcycle)</u>			1
<u>Elevated Working Platform (Scissor lift & Boom)</u>		7	
<u>Emergency Management CIMS4</u>	1		
<u>Endorsement (D) Dangerous Goods</u>		1	
<u>Endorsement (F) Forklift</u>	2	1	1
<u>Endorsement (R) Roller</u>		6	3
<u>Endorsement (T) Tracks</u>		6	3
<u>Endorsement (W) Wheeled Special Type</u>		6	3
<u>Fall Arrest Systems refresher, Rope & Abseiling Refresher</u>		5	
<u>First Aid Certificate</u>	4	3	2
<u>Forklift OSH Certificate</u>	2	9	3
<u>H&S At Work Act 2015 (The Journey)</u>		8	
<u>How to: Tell Your Story</u>		1	
<u>Internal Training - Basic Asbestos Induction</u>	1	1	
<u>Internal Training - Easy Start Orientation</u>		2	12
<u>Internal Training: Collections Induction Video</u>			8
<u>Internal Training: Notifiable Events</u>	2	1	
<u>Kerbside Collection Traffic Leader (Was WCTL)</u>		4	
<u>Managing Performance Masterclass</u>	3		

<u>Move at Work (Manual Handling)</u>			32
<u>NC in Sports Turf L5</u>		1	
<u>Safe Work Zones</u>	1		
<u>Site Induction Training: Collections</u>	1		
<u>STMS Level 1 - Site Traffic Management</u>	1	5	12
<u>TC1 - Basic Traffic Controller Level 1</u>		15	5
<u>Truck Loader Crane/Hi Ab</u>			10
<u>WCTL (Waste Collection Traffic Leader)</u>		2	
-			
Total Number of Events	14	26	21
Total number of Staff Attending	40	110	181

MEMORANDUM

TO: Audit and Risk Committee

MEETING DATE: 20 November 2017

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

DATE: 24 October 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 annual accounts.

BACKGROUND

Internal Audit

3. The timeline missed schedule on the management agreed corrective actions based on the recent follow-up is attached in Appendix A. Items listed on this schedules are items that management has missed the agreed to action deadline by more than 6 months.
4. 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.

External Audit

5. The corrective actions recommended by the Audit New Zealand in Appendix B includes those items requiring management action from:
 - The Interim Management Report 2016/17 received in July 2017 for the interim audit of the Palmerston North City Council 2016/17 year end annual audit.
 - The Final Management Report 2015/16 received in November 2016. This also includes items from the prior year audit that requiring further implementation.

NEXT STEPS

6. Internal Audit will continue to follow up the Management Agreed Audit Corrective Actions and report to this Committee quarterly on this subject.

7. COMPLIANCE AND ADMINISTRATION

Does the Committee have delegated authority to decide?	Yes
Are the decisions significant?	No
If they are significant do they affect land or a body of water?	
Can this decision only be made through a 10 Year Plan?	No
Does this decision require consultation through the Special Consultative procedure?	No
Is there funding in the current Annual Plan for these actions?	Yes
Are the recommendations inconsistent with any of Council’s policies or plans?	No

ATTACHMENTS

1. Appendix A Internal Audit Management Agreed Corrective Actions - Timeline Missed [!\[\]\(41484e08de23f5e2415d7d1eca0071e2_img.jpg\)](#) 
2. Appendix B Progress Status on Audit New Zealand's Recommendations [!\[\]\(b8afe6794ba83a5e61caf510c7b03430_img.jpg\)](#) 

Vivian Watene
Senior Internal Auditor

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

MT	Original Timeline	Unit	Audit Issue	Agreed Corrective Actions	Significance of each action	Updated Timeline	Management Comments	Progress at September 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	June 2018	Agree to action.	<u>Update September 2017</u> Currently Kestrel Consulting are determining new data based RPO timeframes that are acceptable to management team, which is a sub component of the organisations acceptable return to operations (RTO) timeframes for all systems and data. Currently IM test this multiple times per year and the currently tested benchmark is one hour for all systems, as data recovery on its own is not useful to the organisation in terms of disaster recovery. With the advent of cloud based services we have invested in the capability to perform these restores in a cloud repository such as Microsoft Azure. This is a piece of work that will reduce the reliance on Arena as a disaster recovery site for IM, and initially lower and eventually eliminate the cost of hardware purchases required to support that site.
Non-Financial Performance Measures (Oasis 1166089)								
	Feb 2015	City Networks	5a)	Provide more staff training on the requirement to enter the actual response timings from the job sheets not the data entry time.	Data may not be accurately captured and report	March 2018	This is in hand and we should have some data by January 2015 to enable any necessary tweaks to be made before formal reporting is required.	<u>Update September 2017</u> The handheld mobile solution has been fully rolled out for scheduled maintenance job assignments. Relevant staff have been trained on the use of handheld mobile. Due to a pending major software update by the IPS asset system provider to occur late 2017 that will enable a better map functionality and ease of use, the unscheduled maintenance roll out will not be concluded until the 2017/18 third quarter.
			5b)	Provide a system to verify the recorded response times.		March 2018	Provision of handhelds for field staff would assist enormously in ensuring that accurate time data is recorded. Discussions with regard to roll out of handheld equipment for field staff have	<u>Update September 2017</u> Recommendation 5b is embraced into the handheld mobile solution.

MT	Original Timeline	Unit	Audit Issue	Agreed Corrective Actions	Significance of each action	Updated Timeline	Management Comments	Progress at September 2017 toward full implementation
							begun with Council's IT department	
Building Services Revenue Process (Oasis 801390)								
	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.	The organisation is not efficient; revenue incomplete and leads to Council Policy (Guideline) not met.	December 2017	Agree and will implement	<u>Update September 2017</u> Implementation of a time recording system is planned to be in place by December 2017.
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	November 2017	Agreed that a standalone Guide for Service Contracts will be prepared.	<u>Update September 2017</u> A standalone Guide for Service Contracts will be prepared by November 2017. An external expertise will be sought to assist with this work.
Contract Management (Oasis 5482338)								
	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	Completed	Agree and will implement. GM City Networks to engage with Legal Counsel and Senior Management to address Recommendation 7 (a).	<u>Update September 2017</u> The Management Team resolved on the 8 th August 2017 that contracts which meet the following criteria will require a legal sign off. <ul style="list-style-type: none"> Formal written contracts signed with an external party Greater than 20% of Specified Sum (currently \$1.055m) Unique or complex Where not supported by Standard conditions This resolution forms part of the recently revised Purchasing Policy (MT70). (This will be the last time this item appears on this schedule)
	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	November 2017	Agreed and will implement. Review of Charter 12 of the H&S Manual will be undertaken.	<u>Update September 2017</u> 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. Currently the various chapters of the H&S Manual are being peer reviewed by Council's H&S Consultants, followed by consultation through the various H&S Committees. Expect to be completed by

MT	Original Timeline	Unit	Audit Issue	Agreed Corrective Actions	Significance of each action	Updated Timeline	Management Comments	Progress at September 2017 toward full implementation
								30 November 2017.
Project Management (6687588)								
	June 2016	City Networks and City Enterprises	2a, 5 & 9	There is a lack of project time management and unrealistic time expectations of Project Managers, Management should Implement a quality system in City Networks and City Enterprises Technical Services Division.	Project can go beyond timeline	Various	Agree and will implement	<p><u>Update September 2017</u></p> <p>A new service engagement process between City Networks and City Enterprises Technical Services is in place and this corrective action is complete.</p> <p>Programme Planning Implementation templates have been prepared for proposed programmes that will be considered for inclusion in the 2018/28 10 Year Plan.</p> <p>The review of the Contract Administration Manual is currently underway and expected to be completed by 30 November 2017, including training. This is one month behind the timeline originally envisaged.</p>
	June 2016	City Networks and City Enterprises	8	There is insufficient organisational capacity to improve delivery; Management should review the Human Resource requirements to ensure sufficient capacity to deliver the 2016/17 programmes and beyond.	Project can go beyond timeline and/or not delivered	Ongoing	Agree and will implement	<p><u>Update September 2017</u></p> <p>Efforts to fill staff vacancies continue, with limited success early in 2017. Recently however six appointments have been made, although a further three positions remain vacant (two of which are senior roles). Where vacancies exist, external consultancy support has been sought. On occasions consultancies also have been unable to meet Council's needs, a reflection on the tight professional and technical human resource labour market.</p>
	Sept 2016	City Networks	10 a	Project Management processes training was not championed, prioritised or well targeted; Units need to appropriately prioritise training needs assessment and staff development with actually getting the job done.	Project may not be well managed	November 2017	Will Implement	<p><u>Update September 2017</u></p> <p>In addition to the September 2016 & March 2017 Project Training sessions a further Project Management training session was scheduled to be undertaken by October 2017. Given heavy workloads associated with the Asset Management Plan reviews and budgeting for the 2018/28 10 Year Plan, this is now more likely to occur in November 2017.</p>

MT	Original Timeline	Unit	Audit Issue	Agreed Corrective Actions	Significance of each action	Updated Timeline	Management Comments	Progress at September 2017 toward full implementation
	By Sept 2016	City Networks	15	Risk register not updated or reviewed by Management; Management should update the risk registers for each team	Unmanaged risks could affect the success of the project	December 2017	Agree we could do this better and will implement.	<u>Update September 2017</u> The Collaborative Working Party (CWP) risk registers are currently being reviewed by City Network Executive Team (CNET), from which to address issues of service delivery performance.
Environmental Protection Service (8193343) (Re: Annual Control, Noise Control etc.)								
	March 2016	Customer Services	9	Management should: a) Adopt a proactive approach to contractor H&S. b) Complete an Audit of the contractor at two yearly intervals. Consider using the criteria in ASNZS 4801 (Occupational Health and safety Management Systems).	Health and Safety responsibilities not met led to undesired consequences	June 2018	a) Agree and will implement. Quarterly meetings are held with regional manager to discuss contract performance and community trends. H&S will be included. b) Agree and will implement. The process will be reviewed by March 2016.	<u>Update September 2017</u> a) Regular meetings with the contractor's Regional Manager for Noise Control are held. Body cameras for the Noise Control Officers are now deployed. b) The Health & Safety Plan for PNCC now has an objective to complete audits of Principals to contracts. No audits of the contractors (noise contractor in particular pertaining to this audit review) have been carried out due to the staff turnover. The vacancy (Health and Safety Adviser) has recently been filled and due to commence work in October 2017.
Budget Setting (6774311)								
	June 2016	City Corporate	2	Management should: a) Seek ways to better engage with the Business Units in IM Planning. This might involve the following: – by better aligning the planning cycle to accommodate the business needs – by ensuring that the right people are involved in the planning and, by senior Managers posing strategic questions for the business Units to address. b) Complete the review of the IM Strategy. c) Management adopt the IM Strategy. d) Management communicate the IM strategy. e) Management implement the IM strategy.	PNCC Information technology not meeting the business needs	June 2018	a) Agree and will implement. The IM Manager will work with individual General Managers to adopt a better process for engaging Units in planning corporate projects that have an IM component. However, it needs to be recognized that this is a partnership and requires input from Units in the budget cycle. b)-e) Agree and will implement. The IM Strategy review will be completed by 30 th June with the draft document ready to distribute to	<u>Update September 2017</u> a) There has been a consistent process in place since 2010, and it has just been reviewed and updated to include an amended project delivery framework and a discreet development cycle for service requests for systems enhancements. These processes are available to view in PNCC's organisational mapping tool Promapp, which manages important and complex business processes for the entire organisation. b)-e) The 2011 Information Management Strategic Plan (IMSP) has not been completed in its entirety, and some of the

MT	Original Timeline	Unit	Audit Issue	Agreed Corrective Actions	Significance of each action	Updated Timeline	Management Comments	Progress at September 2017 toward full implementation
							<p>Management Team.</p>	<p>incomplete programmes still require action.</p> <p>These have been assessed and captured as a part of the 2017 IMSP process and it expected they will be included.</p> <p>The current 2017 IMSP process is in progress and the following draft components have been created and included for review by the PNCC management team.</p> <ul style="list-style-type: none"> • 2017 IM goals created • Alignment with PNCC goals • Alignment with PNCC principles • Vision for IM reviewed and created • IM Strategies reviewed and created • IM engagement model reviewed and updated • 2011 IMSP programmes reviewed with some carried over • PNCC divisions interviewed improvements captured • 2017 programmes created • 2017 projects aligned with IM programmes <p>Next Steps:</p> <p>PNCC management team workshop to review draft programmes and facilitate the collection of any additional opportunities to be included.</p> <p>At this workshop the process of prioritisation of projects will also be presented.</p>

Audit New Zealand Interim Management Report - 2016/17

Implementation Progress Status - September 2017

The following table is a summary of issues raised by Audit New Zealand in their interim management report received July 2017, 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
1.1	Rates – legislative compliance – The City Council seek independent legal advice over the 2017/18 rating process given the importance of rates funding for the City Council and the increased public scrutiny and legal challenges been seen throughout the country.	Strategy Manager Finance	June 2018	Management comment A legal review of resolutions for the 2016/17 year has recently been sought and any matters arising from this will be taken into consideration in the drafting of the Funding Impact Statement (FIS) and rates resolutions for 2018/19. In the meantime a number of minor changes have been made to the FIS and rates resolution for 2017/18 to address issues which have arisen including the matters raised above. Update September 2017 As above.
1.2.1	Post input review of changes made to the Rating Information Database (RID) system – Changes to the RID should be reviewed to ensure the changes are accurate and complete. The review need not necessarily cover all changes instead reviewing changes on a sample basis could assist in ensuring changes are accurate and complete.	Finance Manager	March 2018	Management comment To review how such a review can be effectively achieved within resources available. Update September 2017 Review to be finalised by March 2018.
Appendix 2	Contract management register - All contracts are required to be added to the Oasis system. The system however is still being modified	Information Manager	March 2018 for agreement of	Management comment Currently the system used is under review because it is not fulfilling all of the needs of the group using it.

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Audit reference	Agreed action	Person responsible	Target date	Status
	to ensure its functionality is appropriate for all types of contracts.		improvements	<p>and one of the desirable requirements is to move away from a document based service management approach to one that also takes into account other parts of the organisation. This would also allow for better KPI management through data based analysis of outcomes.</p> <p>Update September 2017 The requirement to review this has been captured as a part of the business improvement process, and has been added to the list of potential improvements within the IM strategic plan.</p> <p>The plan and the improvements are to be presented to the PNCC management team to approval and prioritisation in second quarter of this financial year.</p>
Appendix 2	Mandatory performance measures - Refer to 2016 report comments. Progress to be updated at final audit.			Refer to 2015/16 Audit Management Report comments (Next page A3 of 8).

Audit New Zealand Final Management Report - 2015/16

Implementation Progress Status - September 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 September 2017 A monthly priority project tracking and reporting template has been developed to facilitate Management Team monitoring of key project progress. Projects have been categorised into 'confident to deliver' and those delayed by Council or external factors. Monthly reporting of collective progress against budget is provided to Management Team.
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. This includes: <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 	Roading Manager Waste & Water Services Manager	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 long-term plan performance measures and planned implementation of a new non-financial reporting system.

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Audit reference	Agreed action	Person responsible	Target date	Status
	<ul style="list-style-type: none"> contractor times recorded are accurate. ensure data fields include information to clearly show why data has been amended, re-categorised or excluded. 	Head of Community Planning		<p>Update September 2017 Business rules for all KPIs (including the mandatory ones) will be reviewed as we develop the 10 Year Plan.</p> <p>Water and Waste are trialling development of data capture, storage and publishing solutions during the quarter.</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>	Waste & Water Services Manager Special Projects Manager	Ongoing	<p>Management comment 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 September 2017 Work is well advanced on work packages to set out the context for the project, scope flows and loads for a future wastewater treatment plant and identify any improvement opportunities. Generic options costs were prepared to guide 10 Year Plan budget planning and Council will soon consider a draft project vision and objectives. Work on a consultation and engagement strategy has also begun.</p>

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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	<p>Business Continuity/Disaster Recovery Business Continuity and IT Disaster Recovery plans should be finalised and re-tested. Plans be regularly updated and tested.</p>	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 second quarter of 2016/17 – following the implementation a DR test will be scheduled.</p> <p>Update September 2017 As a part of the IM strategic plan there is a move towards moving some systems towards cloud based services to remove the reliance on PNCC owned technology, and improve reliability and access. This will mean lower disaster recovery costs in the future, and a move from capital toward operational budgeting over time as systems are depreciated.</p> <p>A timed programme commencing 3 months from July 2017 has been organised with the assistance of outside providers, to cover structures, preparation of plans, training and testing of BCPs. This programme has now been extended to be completed in November 2017.</p>
Appendix 4, 2016	<p>Balance sheet reconciliations All reconciliations should be prepared in a timely</p>	Finance Manager	Ongoing	<p>Management comment We will continue to monitor the timeliness of</p>

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Audit reference	Agreed action	Person responsible	Target date	Status
final report	manner, and independently reviewed.			monthly financial statements reconciliations going forward. Update September 2017 All possible reconciliations completed and reviewed for July and August.

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The following are the recommendations raised by Audit NZ and management has either completed the action as agreed or accepted the risk.

Audit reference	Agreed action	Person responsible	Target date	Status
2.7	<p>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.</p>	Financial Accountant	Completed	<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 September 2017 Financial overview was reviewed and updated. Considered appropriate and necessary.</p>
2.8	<p>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.</p>	Strategy Manager Finance	Completed	<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 June 2017 Payment dates for targeted water rates have been included in the Funding Impact Statement in the Annual Budget/ (Plan) and the rates resolution for 2017/18.</p>
2.9	<p>No post input review of journals - Implement an independent post input review of journal entries.</p>	Finance Manager	Not deemed necessary	<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</p>

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Audit reference	Agreed action	Person responsible	Target date	Status
				<p>all balance sheet accounts. These are considered sufficient with the additional staffing cost requirement of any review not warranted.</p> <p>Update June 2017 Internal Audit conducts sample checks on Journals twice each year. The last sample checks tested 16% (or \$9.3m) of April 2017 journals, all journal sampled met the agreed criteria.</p>

MEMORANDUM

TO: Audit and Risk Committee

MEETING DATE: 20 November 2017

TITLE: Two New Internal Audits - Earthquake Strengthening, and Accounts Receivable and Aged Debtors

DATE: 24 October 2017

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

RECOMMENDATION(S) TO AUDIT AND RISK COMMITTEE

1. That the Committee receive these two audit reports: Earthquake Strengthening, and Accounts Receivable and Aged Debtors audits, for information.
 2. That the Committee note the audit issues identified and the related Management responses to the audit recommendations.
-

ISSUE

1. In keeping with the Internal Audit Charter, this memorandum keeps you informed of the two recent internal audits.

BACKGROUND

2. These two audits are part of the Internal Audit 2017/18 Plan approved by this Committee.
3. The audit on the Earthquake Strengthening was carried out by the Internal Auditor David Osborne. The Accounts Receivable and the Aged Debtors was audited by the Internal Auditor Swati Joshi.

Earthquake Strengthening – Appendix A

4. This was an audit on the Council's preparedness to implement the Building (Earthquake-prone Buildings) Amendment Act 2016 (the New Act) on the earthquake-prone buildings effective 1 July 2017.

5. The audit concluded that there is evidence of effective organisational preparedness to implement the New Act for third party owned and Council owned earthquake-prone buildings.
6. The audit has, however, highlighted some important issues such as:
 - There is uncertainty if the building strength assessment of the Civic Administration Building (CAB) meets the requirements of the New Act.
 - There is no formal decision made about the level of strengthening for the Council buildings after the New Act.
 - Level of strengthening decision for the CAB external stairs not documented.
7. Management has agreed to implement all the audit recommendations.

Accounts Receivable and Aged Debtors – Appendix B

8. This audit was to ascertain if the Accounts Receivable and Aged Debtors processes are functioning in line with the relevant Management Policies and that the internal controls are in place and working as intended.
9. The audit concluded that generally there is a sound system of internal controls designed to achieve system objectives.
10. However the Auditor also made a suite of recommendations for improvement such as the organisation should communicate its policy intents to the relevant staff and should comply with its own policies and procedures.
11. Management has agreed to implement a majority of the Auditor’s recommendations where practically possible. There are other recommendations which Management is unable to implement because the system software vendors are not currently entertaining the organisation’s requests for changes as they focus on new product development. There are others where Management either perceived the recommendations as not beneficial to implement or is satisfied with the current practices.

NEXT STEPS

12. The Auditors will follow up the Management agreed corrective actions in due course.
13. **COMPLIANCE AND ADMINISTRATION**

Does the Committee have delegated authority to decide?	Yes
Are the decisions significant?	No

If they are significant do they affect land or a body of water?	
Can this decision only be made through a 10 Year Plan?	No
Does this decision require consultation through the Special Consultative procedure?	No
Is there funding in the current Annual Plan for these actions?	Yes
Are the recommendations inconsistent with any of Council’s policies or plans?	No

ATTACHMENTS

1. Appendix A - Earthquake Strengthening Audit [↓](#) 
2. Appendix B - Accounts Receivable and Aged Debtors [↓](#) 

Vivian Watene
Senior Internal Auditor



Earthquake Strengthening
For Audit & Risk Committee
August 2017

1. Executive Summary

1.1 Overall Findings and Conclusions

1. There is evidence of effective organisational preparedness to implement the Buildings (Earthquake-prone Buildings) Amendment Act 2016 (the Act) – for third party owned and Council owned buildings.
 - ✓ A governance structure for the implementation project (for the general public, managed by Customer Services) was set up and the teams were meeting regularly to process the updates from Ministry of Business Innovation & Employment as they were available.
 - ✓ An external project manager had been appointed to manage the project and had prepared a plan of the critical dates and activities, the risks to the project success and the actions necessary to address them.
 - ✓ A process of regional cooperation with other Council's was in train.
 - ✓ Affected building owners will be contacted from January 2018, in priority order, once the new systems, processes and forms are in place.
 - ✓ We considered the Council's preparedness in relation to its own buildings (Programme 902 - *Seismic Strengthening of Council Buildings* managed by City Networks). We found the Programme to be logical and organised with good relationships with the stakeholders. A reschedule of planned works may be necessary as Te Manawa Board is reviewing the use of its buildings.
 - ✗ Attention should be given to means of staff egress from the Civic Administration Building (CAB) in a moderate earthquake scenario.
 - ✗ Until Council buildings are improved the business continuity planning is more important. Care should be taken to ensure that the Council's Business Continuity Plan is consistent with the engineering assessment of the Central Core building in the Civic Administration Buildings, in particular the scenario that the CAB buildings may be out of action for a long period. This scenario planning was on the Business Continuity Consultant's plan of required actions.
 - ✗ It is possible some building owners may delay taking action until close to the final deadlines in the Act so careful (early) phasing of Council work is advised.
2. We recommend that officers prepare a report to the Council to enable them to make/confirm decisions about the level of strengthening required for its own buildings, in light of the new Act.
3. The Policy and processes for heritage grants are currently subject to a review in light of Heritage Strategy (2016) and the outcome of that review is likely to be included in the 2018/28 Long Term Plan subject to Council decisions. It is noted that the planned adoption of Smarty Grants (grants administration system) would provide greater certainty and controls around Council heritage grants processes.

1.2 Background

This review is scheduled in the approved Internal Audit Plan for 2017/18. See Appendix A, which provides greater detail on the agreed objectives, scope and approach for this review.

Earthquake strengthening of buildings has been a national and local issue for many years. A list of earthquake-prone buildings (18) was drawn up by Council in 1990. The requirement for Council to have an Earthquake-prone Buildings Policy, in 2006, resulted in Council funding the assessment of approximately 503 buildings in the CBD. 207 were recorded as not meeting 33% of the New Building Standard. The assessments were completed by external structural engineers. No Notices to Fix were issued pending the legislative outcome of the inquiry into the 2010/11 Christchurch earthquakes. Only assessments with a notice issued prior to the commencement of the new Act (1 July 2017) would retain their automatic validity, by law.

2

Ministry of Business Innovation & Employment was, at the time of our Review, working with Councils on how the prior assessments will be used under the new Act, and whether a validation process will be needed. Council had the benefit that the completed assessments followed the process required by the Society of Earthquake Engineers.

In summary the new Act requires:

- Councils and Central Government to introduce a central register of earthquake prone buildings (Less than 33%, New Building Standard).
- These affected building owners will be required to have their buildings assessed (Individual Evaluation Procedure) using a standard methodology at their cost.
- The assessment will be reviewed and approved by Council, subject to a dispute procedure.
- Councils will profile Buildings for action by risk and issue (Earthquake-prone Building) EPB notices to fix (s133AL).
- The building owner then has a period of time (depending on building construction type, status and Seismic Zone – Palmerston North is zoned High risk) to commission the design and completion of strengthening options, or to remove the building.
- The penalty for not completing the work by the required timeframe is \$200,000.

Table 1 - Definitions

<i>Acronym/ concept</i>	<i>Definition</i>	<i>Purpose</i>	<i>Examples</i>	<i>Source</i>
NBS	New Building Standard	Current design standard for new buildings in New Zealand.	Buildings are designed such that the risk of loss of life from failure is between 1 chance in 100,000 and 1 in 10,000,000 per year.	NZS Structural design actions - Part 5: Earthquake actions - New Zealand Commentary NZS1170.5 Supp1 2004 Objective 2).
MMI	Modified Mercalli Intensity	A measure of earthquake intensity that includes factors such as shaking and distance from source.	The Christchurch MMI (February 2011) was estimated to have an MMI of 8-9 in the CBD.	International measure. Richter scale measures the shaking at source MMI also considers distance.
Seismic Risk	Fatality risk Economic risk	Risk measurement. Strengthening to 67% New Building Standard = risk 5 times greater than 100% New Building Standard. A rating of 20-30% New Building Standard = 20 to 25 times the risk. Cost of not being able to use the building or rent it. Notices will be required on buildings if earthquake-prone.	The Central Administration Buildings central core building (lifts and stairs) has a fatality risk of: between 1 chance in 5,000 to 1 in 500,000 per year. The building may be unusable after a moderate earthquake. The forces at the Pyne Gould Building collapse were reported from a nearby sensor at 3 times NBS. (Royal Commission on the Christchurch Earthquakes)	For recent comparison. Road deaths (around 350 a year, 1 in 12,500 per year) and from cancers at around (327 per 100,000 or 1 in 333 per year).
Building Importance Level	The Building Importance	The level of importance is a factor in determining how strong the building is designed to be. A Level 2 building has a safety risk factor of 1 included in the building assessment calculation whereas a Level 4 building must be stronger and has a risk factor of 1.8.	Level 1 – typically an ancillary building or shed. A Level 2 building has a normal risk to human life e.g. residential house, normal commercial building. A Level 3 building has a higher level of social importance and more than 300 people who gather in one place. A hospital or Civil Defence HQ is of Level 4 importance. Level 5 e.g. a large Dam above a populated area.	Building Code and Individual Evaluation Procedure (IEP) methodology. This was set out in Government Regulations issued by the Ministry of Building, Innovation and Employment in July 2017.

2. Summary of Issues & Recommendations

Issue & Recommendation	Risk Rating		
	High	Medium	Low
<p>1. Deferment leading to incomplete processes for Management of Programme 902 – Seismic Risk in Council Buildings</p> <p>Management should:</p> <ul style="list-style-type: none"> a) Review the scheduling and timetable of the Programme to see if quicker progress can now be made in line with Council intentions. b) Communicate with the CAB staff about building risk. c) Prepare a PEP (including programme governance matters) d) Document Health and Safety issues for seismic risk in the interiors of the leased properties. e) Prepare a procurement plan for Programme 902. f) Use a register to track issues and their resolution during the Programme. 	✓		
<p>2. There is uncertainty if the building strength assessment of the Civic Administration Building meets the requirements of the new Act</p> <p>Management should:</p> <ul style="list-style-type: none"> a) Ensure that the building strength assessment, including building level of importance and strength, complies with the new act, and is completed by an appropriate Chartered Professional Engineer. 		✓	
<p>3. No formal decision made about the level of strengthening for Council buildings after legislative change</p> <p>Management should:</p> <ul style="list-style-type: none"> a) Present an updated analysis of the options for levels of strengthening of Council Buildings for Councillors in light of the new Act. 	✓		
<p>4. Significant strengthening decision for Civic Administration Buildings external stairs not recorded</p> <p>Management should:</p> <ul style="list-style-type: none"> a) Ensure that decision making is documented, regarding 	✓		

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<p>early strengthening of the external stairs to the CAB. b) Complete an engineering assessment of the external stairs.</p>			
<p>5. Risk of incomplete Land Information Memorandums</p> <p>Management should:</p> <p>a) Ensure that Land Information Memorandum have the most up-to-date information about the earthquake-prone status of the building by ensuring the draft reports are approved on time. b) Check if any of the 12, remaining unapproved assessments, had Land Information Memorandums provided and correct them if necessary.</p>		✓	
<p>6. Computer Update access to Earthquake-prone Building (Oasis system) module was provided to people who don't need it</p> <p>Management should:</p> <p>a) Ensure the Earthquake-prone Building Module owner regularly checks the correctness of system access to it. b) Ensure that an independent person should monitor changes to the data with a financial impact such as building strength in the Ozone earthquake-prone module database. c) Correct the access permissions for the generic finance logins.</p>			✓
<p>7. Efficient data transfer & integration for new central register – new process design</p> <p>Management should:</p> <p>a) Check that the data in the two systems is in agreement.</p>			✓

3. Detailed Findings & Recommendations

Audit Issue	Risk	Recommendation	Management Comment
<p>1. Deferral leading to incomplete processes for Management of Programme 902 – Seismic Risk in Council Buildings</p> <p>Criteria</p> <p>For a programme to be successful the Council and Management Team would make informed and timely decisions and the Programme Management would ensure the following responsibilities were completed according to the organisational Policies:</p> <ul style="list-style-type: none"> • coordinating the individual projects that make up the programme • timeliness and scheduling • communication • stakeholder management, including programme governance arrangements • organising funding • risk/hazard management • quality assurance • procurement planning. <p>Management should ensure that Programme Managers manage Programmes according to their level of expertise and experience (this is a Programme with a lifetime expenditure expected to be \$8m-\$12m with significant technical complexity).</p> <p>Condition</p> <p>a) Coordination and planning</p> <p>✓ An effective Programme of work ((902)) <i>Seismic Strengthening of Council Buildings</i> was in place that was occurring in a logical order in conjunction and agreement with the external stakeholders. The projects</p>	<p>High</p>	<p>Management should:</p> <p>a) Review the scheduling and timetable of the Programme to see if quicker progress can now be made in line with Council intentions.</p> <p>b) Communicate with the CAB staff about building risk.</p> <p>c) Prepare a PEP (including programme governance matters)</p> <p>d) Document Health and Safety issues for seismic risk in the interiors of the leased properties.</p> <p>e) Prepare a procurement plan for Programme 902.</p> <p>f) Use a register to track issues and their resolution during the Programme.</p>	<p>Agree and will implement all recommendations.</p> <p>Responsibility: Parks and Property Manager</p> <p>Timing:</p> <p>a) Before end November 2017</p> <p>b) Before end October 2017</p> <p>c) Before end November 2017</p> <p>d) Before end October 2017</p> <p>e) Before end November 2017</p> <p>f) Ongoing.</p>

Audit Issue	Risk	Recommendation	Management Comment
<p>were scheduled, and the budgets profiled, using the Project Status System (a custom built PNCC application). This Programme was deferred pending legislative and other matters.</p> <p>b) Timeliness</p> <ul style="list-style-type: none"> x Officers said that the programme timing and scheduling had been impacted by: <ul style="list-style-type: none"> • Chief Executive/Management Team decision not to go ahead in advance of the upcoming legislation • the need to coordinate with refurbishment, fire remediation work for which decisions had not been made • the need for fire mitigation to be completed, or an agreed timetable for the work was approved by the Regulator, before building consent could be issued for earthquake strengthening • the lack of availability of the structural engineers when required • delay with working through building refurbishment decisions and unit floor location. <p>c) Communication</p> <ul style="list-style-type: none"> x Staff and tenants at the CAB were last informed of progress in 2013 and there were no progress updates. (staff at Te Manawa had requested and received a briefing from the structural engineer and good communication existed with Square Edge tenants). <p>d) Stakeholder management including programme governance arrangements</p> <ul style="list-style-type: none"> x The Programme Planning Information process, including the approach to risk management was not yet completed. x A Project Execution Plan had been prepared, but not reviewed by Management Team. <p>e) Risk/hazard management</p>			

Audit Issue	Risk	Recommendation	Management Comment
<ul style="list-style-type: none"> x The documentation of risk identification, and actions that had been planned to mitigate the risks, for compliance to the Health & Safety at Work Act 2015, could be improved (MT 26, Health and Safety record keeping). f) Procurement Planning x The Programme Manager's procurement intentions were not documented in a Procurement Plan as required by MT 70 Procurement. g) Issues management x There was no register to track issues such as those H&S matters identified for action on interior fittings. h) Decision making x The Council intention, signalled by resolution in March 2015, that critical structural weaknesses, be addressed at an early stage was not able to be completed. The assessment of the CAB central core was not completed as the structural engineers were not available. Priority by law had now changed with priority being put on unreinforced masonry buildings (Square Edge & Crematorium) as required by the new Act. (However, CAB retained Civil Defence functions at the time of this review, which could make it a priority building). x Te Manawa Board is to look at options other than strengthening of the buildings. <p>Causes</p> <p>Decisions were not able to be made pending the new legislation.</p> <p>Decisions about the use of the building were not made.</p>			

Audit Issue	Risk	Recommendation	Management Comment
<p>Experts were not available.</p> <p>Health and Safety issues were assessed, but not documented with follow up action plans.</p> <p>Consequences</p> <p>The Programme is not completed effectively.</p>			
<p>2. There is uncertainty if the building strength assessments of the Civic Administration Building meets the requirements of the new Act</p> <p>Criteria</p> <p>As a building owner Council would want to understand as accurately as possible, the seismic risk of its Civic Administration Buildings and the Building Level of Importance. This is also a legal requirement. (I3AG 1 (a) Buildings (Earthquake-prone Buildings) Amendment Act 2016). IEP must be completed under the supervision of a Chartered Professional Engineer.</p> <p>Condition</p> <p>a) Council had commissioned a detailed seismic assessment of the Civic Administration Buildings based on a building of Level 2 importance. This was inconsistent with the definitions in the Building Code. The Council Offices have a higher level of importance than, say, a commercial (level 2 building) because they, 'housed large numbers of people greater than 300' (currently 304 staff plus tenants) and, 'have a role of increased importance to the local community'. Currently CAB had a Civil Defence function and other services of importance to the local community. Buildings with a Civil Defence function are also classified as Priority Buildings, requiring remediation within 2 years 6 months. The location of this function is currently under review.</p> <p>b) Seismic assessments had not been updated by a Chartered Professional Engineer in light of changed information about column</p>	<p>Medium</p>	<p>Management should:</p> <p>a) Ensure that the building strength assessment, including building level of importance and strength, complies with the new Act, and is completed by an appropriate Chartered Professional Engineer.</p>	<p>a) Agree and will implement.</p> <p>Responsibility: Parks and Property Manager</p> <p>Timing: Before end October 2017</p>

Audit Issue	Risk	Recommendation	Management Comment
<p>strength.</p> <p>Causes</p> <p>The engineering team did not conclude on the building level of importance as they considered the options.</p> <p>The advice received was not formally reported by Sylvester Clark/David Smart.</p> <p>Consequences</p> <p>For these reasons Council does not hold a formal assessment rating by a Chartered Professional Engineer, for the appropriate building level of importance.</p>			
<p>3. No formal decision made about the level of strengthening for Council buildings after legislative change</p> <p>Criteria</p> <p>Councillors should determine the level of strengthening of the Council owned Buildings in light of the new Earthquake-prone Buildings Amendment Act (2016).</p> <p>Condition</p> <p>Two workshops were held with Councillors in 2014 to agree the approach, and budget, for strengthening Council owned buildings for the 2015/25 Long Term Plan. In March 2015, the Finance and Performance Committee passed a resolution to ratify the approach and the proposed budget. A minimum level of strengthening of 34% was agreed, a start was to be made on strengthening with a focus on critical structural weaknesses pending the finalisation of the Government Legislation.</p>	<p>High</p>	<p>Management should:</p> <p>a) Present an updated analysis of the options for levels of strengthening of Council Buildings for Councillors in light of the new Act.</p>	<p>a) Agree and will implement</p> <p>Responsibility: Parks and property Manager</p> <p>Timing: Before end December 2017</p>

Audit Issue	Risk	Recommendation	Management Comment
<p>The new legislation was published in May 2015 and became effective from July 2017 and sets the minimum level of strengthening to be 34%. Council's Earthquake-prone Buildings Policy (2006) set the level at 67% for which some budget provision was made (superseded by the Buildings (Earthquake-prone Buildings) Amendment Act 2016).</p> <p>At the time of our review, September 2017, there was no decision to inform Council or to present a report to the Council about the options for Council buildings, in light of the legislative change (1 July 2017) and Council's own policy, and officers were working through the process of deciding what decisions would be necessary.</p> <p>Causes</p> <p>The reason was that officers were working through the process of deciding what actions were necessary in light of the new Act.</p> <p>Consequences</p> <p>Council did not have an opportunity to reconsider its decisions in light of the new legislation. This may lead to a sub-optimal outcome.</p>	<p>High</p>	<p>Management should:</p> <ul style="list-style-type: none"> a) Ensure that decisions are documented regarding early strengthening of the external stairs to the CAB. b) Complete an assessment of the external stairs. 	<p>Agree and will implement both recommendations.</p> <p>Responsibility: Parks and Property Manager to take the lead</p> <p>Timing: Before end of December</p>
<p>4. Significant strengthening decision for Civic Administration Buildings external stairs not recorded</p> <p>Criteria</p> <p>During consideration of the <i>Detailed Seismic Assessment for the Civic Administration Buildings, 2012</i>, it had been identified that a potential mitigation for the loss of egress via the Central Core Building could be to prioritise action to secure egress via the two external emergency stair cases. The report said that, "These stair cases required strengthening against disconnection, in a moderate earthquake, from the buildings to which they</p>			

Audit Issue	Risk	Recommendation	Management Comment
<p>are attached".</p> <p>Condition</p> <p>a) The decision to proceed or not to proceed with the strengthening of the staircases was not documented on file and the staff involved could not clearly recall what it was or the reason for it. Subsequently to that decision making process the two key staff involved had left.</p> <p>b) The detailed seismic assessment did not include an assessment of the stairs.</p> <p>Causes</p> <p>We were unable to conclude if momentum had been lost with the staff's departure, or a decision had been made not to proceed or to prioritise the action to strengthen the stairs. Partial minutes were available to show that the issue had been discussed, but the decision was not recorded.</p> <p>Policies and procedures not followed (Management of Information, MT86).</p> <p>Consequence</p> <p>If the strength of the stairs is not assessed the organisation cannot be confident there would be a means of egress if the Central Core building collapsed in an ultimate state earthquake.</p>	<p>Medium</p>	<p>Management should:</p> <p>a) Ensure that Land Information Memorandum have the most up-to-date information about the earthquake-prone status of the building by ensuring the draft IEP Reports are approved on time.</p>	<p>2017.</p> <p>a) Agree and will implement. Responsibility: Head of Building Services Timing: Before end January 2018</p>
<p>5. Risk of incomplete Land Information Memorandums</p> <p>Criteria</p> <p>All Council held information is potentially 'official information' for disclosure to the public, and earthquake-prone information must also go on the Land Information Memorandum (LIM) unless there is a good reason to exclude it. To ensure the completeness and accuracy of the information (PNCC Legal opinion).</p> <p>Condition</p>	<p>Medium</p>	<p>Management should:</p> <p>a) Ensure that Land Information Memorandum have the most up-to-date information about the earthquake-prone status of the building by ensuring the draft IEP Reports are approved on time.</p>	<p>a) Agree and will implement. Responsibility: Head of Building Services Timing: Before end January 2018</p>

Review of Earthquake Strengthening

Audit Issue	Risk	Recommendation	Management Comment
<p>a) Delays getting information into the systems that produced the LIMS. It could take-up to 11 months, depending on work load, for the Individual Evaluation Procedures (IEP) information (building strength assessment) to be approved and put onto the Oasis property file to inform the Land Information Memorandums. The officer preparing the Land Information Memorandums was not aware that the information could be incomplete.</p> <p>b) As a result of a) LIMs could have been issued that were incorrect.</p> <p>At the time of the review 12 IEP assessment reports had been prepared in draft and were waiting approval. We understand similar delays had occurred over a period of years, so we then completed a review of all Land Information Memorandums issued since 30/1/2013 and all (3 were relevant) were correct. Subsequently, the 12 occurrences noted have been reviewed and all LIMs will be correctly issued.</p> <p>Causes</p> <p>Priority was not given to the approval of these assessments when it needed to be.</p> <p>Consequences</p> <p>Information could be missed off a Land Information Memorandum leading to a liability for negligence.</p>		<p>b) Check if any of the 12, remaining unapproved assessments, had Land Information Memorandums provided and correct them if necessary.</p>	<p>b) Agree and will implement</p> <p>Responsibility: Head of Support Services</p> <p>Timing: Completed</p>
<p>6. Computer Update access to the Earthquake-prone Building Module (Ozone financial and modular system) was provided to people who don't need it</p> <p>Criteria</p> <p>Access to the Earthquake-prone Building Module should be on a need to have basis. Where changes to financial data could have a significant</p>	<p>Low</p>	<p>Management should:</p> <p>a) Ensure the Earthquake-prone Building Module owner periodically ensures the correctness of system access to it.</p>	<p>a) Agree and will implement.</p> <p>Responsibility: Head of Building Services (with assistance of</p>

Audit Issue	Risk	Recommendation	Management Comment
<p>financial impact for building owners there should be monitoring in place.</p> <p>Condition</p> <p>Only two, or three, staff needed access to the module to administer the database. Some staff had write access did not need it. All the call centre staff, the Quality Assurance Coordinator, and two generic Ozone logons had write access to the database. Only one or two Business Support staff needed access and one to act as a backup. Once these matters were identified the administrator corrected the access permissions, except for the generic finance logins.</p> <p>Causes</p> <p>Managers do not periodically assess the access for the computer systems they are responsible for.</p> <p>Consequence</p> <p>Misuse of the access privilege resulting in changes to data with a significant financial impact for building owners. Council could be liable for incorrect information provided to a person who requests it.</p>		<p>b) Ensure that an independent person should monitor changes to data with financial implications such as the building strength percentage in the Earthquake-prone Module Ozone database.</p> <p>c) Correct the access permissions for the two generic logins.</p>	<p>Systems Support Officer).</p> <p>Timing: Before end of October 2017</p> <p>b) Agree and will implement. Random audits will be implemented by the Senior Business Support Officer.</p> <p>Responsibility: Head of Support Services</p> <p>Timing: By 1st December 2017</p> <p>c) Agreed and will implement. Responsibility: Finance Manager</p> <p>Timing: Completed</p>
<p>7. Efficient data transfer & integration for new central register – new process design</p> <p>Criteria</p> <p>Data integration between databases should be efficient and accurate. The PNCC Earthquake-building module and the PNCC Register of Earthquake-prone buildings and its database will need to input data or interface to the Central Government Register of Earthquake-prone buildings.</p>	<p>Low</p>	<p>Management should:</p> <p>a) Check that the data in the two systems is in agreement.</p>	<p>a) Agree and will implement. Responsibility: Head of Support Services</p> <p>Timing: Once the new system has been developed and implemented by MBIE.</p>

Audit Issue	Risk	Recommendation	Management Comment
<p>Condition</p> <p>The project to implement the Register of Earth-quake prone buildings was in its planning stage under the control of Business Innovation & Employment. It was expected that the existing register would transfer across and new data would need to be input into both systems. There had been two visits from staff from Ministry of Business Innovation & Employment to investigate the data transfer to the new Register. Staff at PNCC were aware and promoting the need for efficient integration to save time and to ensure accuracy of data.</p> <p>Causes</p> <p>The technological solution such as web service and/or input data validation was largely outside the control of PNCC, but if it is not possible to integrate the two systems a manual reconciliation control should be designed to ensure PNCC data agrees to the register.</p> <p>Consequence</p> <p>The two systems may require duplicate data input or manual intervention. Buildings could be strengthened based on incorrect data on the Register.</p>			

Appendix A

1. Objective and Scope

The objectives of this review were:

1. Review Council's preparedness to implement the Building (Earthquake-prone Buildings) Amendment Act 2016, including Council public buildings.
2. Review the adequacy of policy to guide decision making and compliance with the legislations for earthquake strengthening of Council buildings.
3. Review the probity and compliance to policy for the grants issued for earthquake prone heritage buildings.

The scope of the work was: Any matter that is, or could be, related to the audit objectives.

Indicative work areas were:

Preparedness, advice, planning, budget, Heritage Fund grants, Council buildings, risk assessment, resourcing, reporting, information sharing, communication, register of assessments, IEPs, prioritization, health & safety (NB Worksafe advisory is that they will not take action if building owners comply with Earthquake-prone Buildings Amendment Act).

And, we reviewed the management of Programme (902) – Seismic Strengthening of Council Buildings (scheduling, budgeting, communication, risk management, stakeholder management and relationships, procurement planning, tools), compliance to Council Policy MT 83, Project Execution Plans and we considered the qualifications and independence of Council of the Engineers who prepared the assessment reports (the organisation used firms of professional engineers who employed additional outside computer modelling expertise when required).

Out of scope were decisions within control of Ministry of Business Innovation & Employment.

2. Approach

Our approach was to:

Collect and evaluate the material from interviews and documents in the indicative areas relating to controls, risk management and Governance. 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.

3. 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 supported by our assessment framework. In addition, those matters that were identified as requiring management action, but outside of the scope, were reported to management for completeness.

4. Findings Significance Guide

High	A weakness where there is substantial risk of loss of funds, impropriety, poor value for money, or failure to achieve organizational objectives. Such risk could lead to an adverse impact on business. Remedial action must be taken urgently.
Medium	A weakness in control which although not fundamental, relates to shortcomings which expose individual business systems to a less immediate level of threatening risk or poor value for money. Such a risk could impact on operational objectives and should be of concern to senior management and requires prompt specific action.
Low	Areas that individually have no significant impact, but where management would benefit from improved controls and/or have the opportunity to achieve greater effectiveness and/or efficiency.



**Accounts Receivable and Aged Debtors
For Audit & Risk Committee**

October 2017

1. Executive Summary

1.1 Overall Findings and Conclusions

During the review we noted the following areas of good practice:

- ✓ Generally, a sound system of internal controls designed to achieve system objectives with some exceptions
- ✓ Amendments to transactions (credit notes or refunds or reissuing invoices) were subject to sufficient oversight and approval procedures to validate their accuracy.
- ✓ Sufficient arrangements are in place to review and approve debt write off
- ✓ The Credit officer diligently follows up on each debtor accounts on a monthly basis ensuring that appropriate debt recovery actions are taken on a timely basis.

However, our audit disclosed that considerably greater effort is needed by the Units responsible for managing receivables. Overall, we have made 18 recommendations and management has agreed to implement 12 of them. Based upon interviews, test work performed, analytics and the opportunities for improvement noted below, we concluded that management should:

- × Strengthen the internal control environment by:
 - improving / setting up effective operating procedures to support all account receivables tasks including payment plan , write off process and provision for bad debt calculations (Detailed finding # 1 & 7)
 - Authorisation of System user access whilst ensuring segregation of duties and cash handling in transit are not always adequate (Detailed finding # 12 & 9)
 - Credit rating check of customers & staff in financially sensitive roles are not adequately performed as per Management policy (Detailed finding # 2 & 4)
 - Setting up a billing procedure for all Building Services to ensure timely recording of income (Detailed finding # 10).
- × Improve existing processes and system in order to encourage more effective debtor collection activity and positive customer behaviour by:
 - Evaluating for possible interface between modules that support seamless transfer or alert system for more effective debtor management (Detailed Finding # 6)
 - Noting of all debtor recovery action undertaken in OZONE for future referencing (Detailed Finding # 3)
 - Considering charging penalty & interest charges for late payments (Detailed Finding # 5)
 - Considering providing credit card payment option at all customer contact points (Detailed Finding # 8).
- × Improve management monitoring of Aged Receivables by:
 - Setting up a monitoring forum / mechanism for formally monitor risk issues affecting the achievement of the set KPI (Detailed Finding # 11).

1.2 Background

As part of the Internal Audit Programme for 2017-18, approved by the Audit & Risk Committee, we have undertaken an audit of the Palmerston North City Council's Accounts Receivable and Aged Debtors internal control environment - *see Appendix A, which provides greater detail on agreed scope and our approach to this review.*

The main objective of the Accounts Receivable function is to ensure that Council's Debtors are billed and payments made by the Debtors are complete, accurate and timely. This also includes recovery of outstanding debts and, where applicable, the writing off of irrecoverable debt. The officers responsible are guided by Sales and Accounts Receivable Management Policy (MT 82) which is available to all relevant members of staff.

Palmerston North City Council receives payments from customers either through online payments or through cash payments. The processing of online payment is carried out by the Finance Division and Front of House (Customer Services) Division carries out the processing of cash payments received over the counter. However, the full process requires the input of officers across Divisions as invoice requests are raised by officers from different divisions within the Council.

Palmerston North City Council's receivable balance and the corresponding provision for doubtful debts have grown steadily over last three years - *see appendix B for further data analytics.*

2. Summary of Issues & Recommendations

Issues & Recommendations	Risk Rating		
	High	Medium	Low
<p>1. Insufficient documentation of controls or procedures</p> <p>Management should:</p> <p>a) Establish well-written procedures or improve the quality of the existing Desk Files for the Accounts Receivable function for each of the relevant divisions that perform Accounts Receivable tasks.</p> <p>b) Communicate the procedure to all employees that have accounts receivable tasks to ensure there is a clear understanding of roles and responsibilities.</p>		✓	
<p>2. Non-compliance with Management Team Policy (MT 82) Sales & Accounts Receivable, requirements for conducting customer credit rating check</p> <p>Management should:</p> <p>a) Comply & communicate its Policy requirement regarding conducting Customer credit rating check.</p>			✓
<p>3. Lack of notes / audit trail of debt recovery action undertaken & documentation substantiation in OZONE</p>		✓	

Issues & Recommendations	Risk Rating		
	High	Medium	Low
<p>Management should:</p> <ul style="list-style-type: none"> a) Establish or use if already exists in OZONE a 'note' functionality which records the steps taken to recover funds and where available any evidence/ supporting documentation must be retained in the document management system within OZONE b) Communicate the management expectation regarding note taking and attaching documentation for future referencing and audit trail purposes to all relevant staff. 			
<p>4. Lack of periodic criminal & credit check of staff handling cash or cheque handling responsibilities</p> <p>Management should:</p> <ul style="list-style-type: none"> a) Revise the existing Human Resources policy or procedure to include requirement for conducting Criminal or Credit Check of staff who have cash or cheques handling responsibilities and/or staff with financially sensitive roles on a periodic basis (frequency depending on what is deemed appropriate by the management). 		✓	
<p>5. Not charging penalty & interest charges on overdue accounts</p> <p>Management should:</p> <ul style="list-style-type: none"> a) Realign its customer management philosophy within the wider management group with regards to charging customers for their overdue accounts and consider setting up a policy regarding assessment criteria of interest and penalties for either all past due type of accounts or on select past due accounts. 		✓	
<p>6. Possibility of compromise of debtor recovery action on customers billed for multiple services</p> <p>Management should:</p> <ul style="list-style-type: none"> a) Develop an interface between Modules within OZONE as this will help to identify debtors with multiple unpaid invoices and customers that are tagged as 'STOP CREDIT'. b) In the case where customers are billed for multiple services and the customer has poor payment history or the customer has been tagged, then the customer should be referred to the originating division to assist with the recovery process and /or to enable a strategy to prevent further debt occurring with the same customer such as collecting guarantees or payment plans or advance 		✓	

Issues & Recommendations	Risk Rating		
	High	Medium	Low
deposit in cases where Council services cannot be denied			
<p>7. Debt recovery payment plans setup may not be adequate or effective to achieve the maximum return of Council's funds</p> <p>Management should:</p> <ul style="list-style-type: none"> a) Set up an operational plan that helps to determine the point at which payment plan can be offered, basis for calculating payment plan term, frequency and amount. This must be in line with the organisation's appetite to recover funds using these means. b) Develop OZONE to have the ability to send automated reminder letter or Agreed Payment plans arrangements should be explored within OZONE. 		✓	
<p>8. Credit card payment option not available at all customer contact points</p> <p>Management should:</p> <ul style="list-style-type: none"> a) Review the possibility of extending the Credit Card Payment option to the Front of House and via Customer Contact Centre for all types of invoices. 			✓
<p>9. Unauthorised user access to OZONE</p> <p>Management should:</p> <ul style="list-style-type: none"> a) Periodically review to ensure that only appropriate staffs have access. b) All segregations are valid and are setup properly in the OZONE system (including that for the backups) 			✓
<p>10. Time lag between services delivered and invoice date for Building Services</p> <p>Management should:</p> <ul style="list-style-type: none"> a) Develop a billing procedure or guideline billing procedure for each division and each activity which includes standard timeliness goals which would help the organisation to ensure timely recognition of revenue in the same fiscal period that it has earned it and to ensure that there are internal controls in place to ensure that these scenarios can be avoided 		✓	

Oasis ID 9820008

5

Issues & Recommendations	Risk Rating		
	High	Medium	Low
<p>11. Lack of mechanism or forum to formally monitor risk issues affecting the achievement of the set Key Performance Indicator</p> <p>Management should:</p> <p>a) Hold formal monthly meeting to discuss all issues affecting the accounts receivables for the 3 + months old accounts. All issues discussed should be formalised in a monthly action log.</p>			✓
<p>12. Non-compliance of Cash Handling Policy (MT 81) requirement regarding handling cash in transit.</p> <p>Management should:</p> <p>a) To increase the awareness of the Cash Handling Policy requirements to all relevant staff with cash and cheque handling responsibilities.</p>		✓	
<p>13. Preferential treatment of staff members not supported by management policy or written authority for Garage services</p> <p>Management should:</p> <p>a) Either reconsider the existing offer of instalment payments to staff members or develop a policy intended for staff use only which ensures an authorised and fair payment plan options available to all employees.</p>		✓	

3. Detailed Findings & Recommendations

Audit Issue	Risk	Recommendation	Management Comment
<p>1. Insufficient documentation of controls or procedures</p> <p>Best practice indicates that procedures are what organizations use to create consistency when a process is performed. The approved procedure is documented in a format that is easy to follow and includes all aspects of the Accounts Receivable & Collection activities. The principle behind it is to enhance consistency, reduce defects through human errors, improve communication and check on performance levels and serve as a reference resource/guide for staff.</p> <p>Currently, the Sales & Accounts Receivable Policy (/ Procedure) (MT-82) does not cover all aspects of Accounts Receivable and is very specific to the Credit Controller Officer's role and tasks. It also does not cover all aspects of the accounts receivable process. Additionally, the policy cum procedure does not apply or include details of the tasks carried out by other officers of other divisions that manage their own accounts receivable operations. Other divisions that manage their own accounts receivable tasks (including Arena, Convention Centre, Rentals), do not have their own procedures. However, on further review, it was found that the Accounts Receivable officer holds a Desk File consisting of screenshots of the steps required to be taken in OZONE.</p> <p>The risk here is that lack of procedures or procedures that are not sufficiently descriptive do not always describe current operations, may not facilitate employee's best performance and may not support training efforts and lead to process errors and inconsistent actions</p>	<p>Medium</p>	<p>Management should:</p> <p>a) Establish well-written procedures or improve the quality of the existing Desk Files for the Accounts Receivable function.</p> <p>b) Communicate the procedure to all employees that have accounts receivable tasks to ensure there is a clear understanding of roles and responsibilities.</p>	<p>Finance Division comments:</p> <p>a) Agreed and will implement. MT82 is intended as a policy document, and this is the role it fulfills. Desk files for the Accounts Receivable function do exist, however the quality of desk file can be improved to provide more descriptive step by step instruction.</p> <p>b) Agreed and will implement. We could benefit by better communicating roles and responsibilities. Will communicate to the relevant staff.</p> <p>Responsibility: Finance Manager</p> <p>Timing: Before end of March 2018</p> <p>Venue Division comments:</p> <p>a) Agreed. Will document current procedures as discussed with the Auditor</p> <p>Responsibility: Venue & Events Manager</p> <p>Timing: Before end of February 2018</p>

Audit Issue	Risk	Recommendation	Management Comment
<p>2. Non-compliance with Management Team Policy (MT 82), Sales and Accounts Receivable, requirements for conducting customer credit rating</p> <p>According to Sales and Accounts Receivables management policy, if the estimated cost of the job is between \$1000 and \$10k and the client is unknown to the organisation, then a credit rating check is recommended. If greater than \$10k a credit rating check must be requested from the Credit Controller.</p> <p>Besides the policy requirement, best practise also indicates that it is in best interest of the organisation to conduct a customer due diligence especially on customers with large known or estimated job costs should undergo basic or simplified due diligence.</p> <p>Based on the interviews conducted with the Finance and the Customer Services teams, there has been only one particular customer who underwent a credit rating check using VIDA system, however there was no evidence on file to support that the credit check was conducted.</p> <p>From our review, it became apparent from interviews held that organisation does not currently actively conduct credit rating / worthiness check on any type of customer (new or existing) irrespective of the fact whether the cost of the job is known or not. It is to be noted here that as per the interviews held, there is common consensus that there needs to be justifiable reason to conduct such credit rating checks due to the costs involved to do the same and parameters need to be defined in terms of the trigger point / parameters that will define the type of customers for whom a credit rating check will be done. Furthermore, the non-compliance could be also attributed to lack of knowledge over the requirements specified in the existing management team policy requirements and whether the evidence is being recorded / retained consistently across the organisation.</p> <p>The risk here is that non-compliance with policy requirement with regards to conducting due diligence could impact the Council's reputation and lead to financial penalties or increase in future accounts receivable balances.</p>	<p>Low</p>	<p>Management should:</p> <p>a) Comply & communicate its Policy requirement regarding Customer credit rating check.</p>	<p>Agreed and will implement.</p> <p>Responsibility: Finance Manager</p> <p>Timing: Before end of November 2017</p>

Audit Issue	Risk	Recommendation	Management Comment
<p>3. Lack of notes / audit trail of debt recovery action undertaken & documentation substantiation in OZONE</p> <p>Best practise indicates that it is the responsibility of all organisations units and employees engaged in accounts receivable tasks to not only note the conversation/diarise the agreements made with the customer in OZONE but also to attach a soft copy of the supporting documentation in the document management system of OZONE for future reference.</p> <p>Based on our examination of a sample of overdue accounts, it was found that not all overdue accounts carry the history of all the debt recovery action undertaken. It was also further noted, based on discussion with other areas of the organisation that conduct their own Revenue collection tasks(Arena and Convention Centre) that OZONE is not used for attaching supporting documentation such as email communication with the customer to ensure that there is audit trail of debt recovery action undertaken by the officer.</p> <p>Lack of audit trail of debt recovery action can limit the management decision making or could lead to poor evidence in case of dispute with the customer.</p>	<p>Medium</p>	<p>Management should:</p> <p>a) Establish or use if already exists in OZONE a 'note' functionality which records the steps taken to recover funds and where available any evidence/ supporting documentation must be retained in the document management system within OZONE</p> <p>b) Communicate the management expectation regarding note taking and attaching documentation for future referencing and audit trail purposes to all relevant staff.</p>	<p>Agree and will implement both the recommendations. However, note that the Ozone software is not currently supportive of full notes and documentation as the recommendations suggest.</p> <p>We will look into the use of such notes and the utilisation existing features to see if we can make this work and communicate to the relevant staff.</p> <p>Responsibility: Finance Manager</p> <p>Timing: Before end of November 2017</p>

Audit Issue	Risk	Recommendation	Management Comment
<p>4. Lack of periodic credit check of staff handling cash or cheque handling responsibilities</p> <p>Council human resources practices indicate that all staff should undergo a credit check at the time of new hire as these can help to mitigate risks posed by individuals under financial strain.</p> <p>Audit review found that currently council conducts criminal & credit checks as part of the new hiring process but also at the time change in staff duties that might involve cash or cheque handling duties. In addition to having a policy for new hires & staff transfer, Internal Audit suggests that it is in the interest of the organisation to also conduct a regular periodic criminal or credit checks as personal situations can change during the course of employment.</p> <p>Conducting periodic checks can prevent from instances of fraud, abuse of Council monies or misappropriation.</p>	<p>Medium</p>	<p>Management should:</p> <p>a) Revise the existing HR policy or procedure to include requirement for conducting Criminal or Credit Check of staff who have cash or cheques handling responsibilities and/or staff with financially sensitive roles on a periodic basis (frequency depending on what is deemed appropriate by the management).</p>	<p>Management sought legal advice and subsequently decided that it is legally not advisable to pursue this recommendation.</p> <p>Responsibility: Human Resources Manager</p> <p>Timing: Not applicable</p>

Audit Issue	Risk	Recommendation	Management Comment
<p>5. Not charging penalty & interest charges on overdue accounts</p> <p>Best practise indicates that an organization could charge penalties and interest on overdue accounts as a preventive tool to encourage favourable customer behaviour in terms of timely payments for services rendered by the organisation or as a fine for not complying with the payment terms. Besides using this as a preventive tool, it can also provide additional revenue and to compensate the loss of use of funds.</p> <p>The organisation currently does not assess or charge any penalties and interest charges or collection fees on services except for Rates where a late payment fee is charged. For dogs registration, the customer is provided with early payment discount and for cases that are forwarded to Court for late payment of parking charges, the Court charges Court Collection Fees to the customer.</p> <p>Our Audit review, based on the interviews held revealed that interest or penalties are not charged to customers as it was perceived by the organisation that charging additional fees would portray council being or acting unsympathetically towards customers. It was also noted that Council currently does not have the technology and resources in place to effectively assess and administer this type of activity. Furthermore, it was noted that there are no particular legalities that prevent the organisation from not charging these.</p> <p>However, in order to promote favourable customer behaviour, charging penalty and/or interest charges could be seen as a good 'push' technique that could be considered by the organisation to avoid loss of council funds and prevent it being used as 'bank'.</p>	<p>Medium</p>	<p>Management should:</p> <p>a) Realign its customer management philosophy within the wider management group with regards to charging customers for their overdue accounts and consider setting up a policy regarding assessment criteria of interest and penalties for either all past due type of accounts or on select past due accounts.</p>	<p>a) Disagree. We are not convinced that the benefits of such a change are warranted, and while the sentiment is understood we are unlikely to implement such a policy in the near term.</p> <p>Responsibility: Finance Manager Timing: Risk Accepted</p>

Audit Issue	Risk	Recommendation	Management Comment
<p>6. Possibility of compromise of debtor recovery action on customers billed for multiple services</p> <p>Best practise indicates that debtors with multiple unpaid services could be managed in a more concentrated way so as to increase the possibility of debt recovery and to reduce the risk of incurring more debt.</p> <p>Audit review revealed that not all modules within OZONE interface or at minimum for the sake of better customer management interface with the Sundry Invoicing management module. Current practise followed is that the Credit Controller tags customers with payment issues where possible and refers them to other divisions where possible.</p> <p>Since, the modules within OZONE do not interface with each other, it might hinder the decision making in terms of dealing with customers with outstanding debts and customers with 'STOP CREDIT' tag on them. This is mainly attributed to system limitation where the interfaces between modules have not been built in.</p> <p>The risk or lapse here is that where debts are not analysed by debtor, there is a risk that the debtors with multiple unpaid invoices across different age buckets will not be identified and furthermore, where such debtors are not referred back to the originating division, there is a risk that the organisation will continue to provide services to the debtor without any running through other possibilities to recover debt.</p>	<p>Medium</p>	<p>Management should: In the case where customers are billed for multiple services and the customer has poor payment history or the customer has been tagged :</p> <p>a) Develop an interface between Modules within OZONE as this will help to identify debtors with multiple unpaid invoices and customers that are tagged as 'STOP CREDIT'.</p> <p>b) Where an OZONE system control cannot be developed due to software vendor limitation, then the customer should be manually referred to all the other divisions to assist with the recovery process and /or to enable a strategy to prevent further debt occurring with the same customer such as collecting guarantees or payment plans or advance deposit in cases where Council services cannot be denied.</p>	<p>a) Agree but cannot implement. We agree with the findings, however are limited by the functionality of the existing software. Our software vendors are not currently entertaining requests for such changes as they focus on new product development</p> <p>b) Disagree. Within the Sundry Invoicing Module, there is an automated control. Out of the Sundry Invoicing Module, any manual control suggested will be ineffective due to the nature of the Council's regulatory and legal environment.</p> <p>Responsibility: Finance Manager Timing: Risk Accepted</p>

Audit Issue	Risk	Recommendation	Management Comment
<p>7. Debt recovery payment plans setup may not be adequate or effective to achieve the maximum return of Council's funds</p> <p>The Credit Controller / other authorised offer mutually beneficial payment plan to debtors as one of the methods to recover debt. The payment plan should be mutually beneficial which ensures effective recovery of debt based on the organisation's appetite / acceptable tolerance limit. The arrangements are based on Credit Controllers professional judgement. Underlying consideration for this mutually beneficial payment plan is that it allows the organisation to recover debt while maintaining good relations and keeping away from formal legal action.</p> <p>As part of this review, we sighted 3 overdue debtors on such payment plans. We queried the basis on which the payment plans were setup for the customer. For all three cases, the repayment plan (amount, frequency & term of plan) was worked out based on what the debtor can keep up to. No set policy or formulation is used to calculate minimum payment required, frequency or the term for which the payment plan will extend to.</p> <p>Where instalment arrangements have been agreed, the debtor is advised to set up an automatic payment for payment of invoice. Payments received are credited against the initial invoice and the debt remains on the Credit Controller's aged debtors list until it has been paid fully. Furthermore, the debtor does not receive any reminder letters are sent to debtors that have missed instalment payments. It is therefore the responsibility of the Credit Controller to monitor the account on a monthly basis to ensure payments have been received or not, thus incurring extra administration costs.</p> <p>Currently, payment plan are set based on professional judgement and this can differ from one staff's professional judgement to another. There is no set operational plan or policy for such methods of debt recovery that provides for as a guide or as a set of rules.</p> <p>The risk here is that payment plan not in line with organisation's appetite to recover funds in the minimum time possible could contribute to a lower accounts receivable turnover rate. A "low" turnover indicates that receivables take a longer time to collect.</p>	<p>Medium</p>	<p>Management should:</p> <p>a) Set up an operational plan that helps to determine the point at which payment plan can be offered, basis for calculating payment plan term, frequency and amount. This must be in line with the Council's appetite to recover funds using these means.</p> <p>b) Explore the ability to send automated reminder letter for Agreed Payment plans arrangements within OZONE.</p>	<p>a) Agree and will implement.</p> <p>Responsibility: Finance Manager</p> <p>Timing: Immediately</p> <p>b) Agree but cannot implement as we are limited by the functionality of the existing software. Our software vendors are not currently entertaining requests for such changes as they focus on new product development</p> <p>Responsibility: Finance Manager</p> <p>Timing: Risk Accepted</p>

Audit Issue	Risk	Recommendation	Management Comment
<p>8. Credit card payment option not available at all customer contact points</p> <p>For customer focussed organisation, it is a best practice to provide citizens with the most efficient, convenient services. Encouraging credit card payments for as many fees and services as practical at all customer contact points can help provide faster collection and reduce accounts receivable balances</p> <p>Council has different sources of revenue that are currently collected either via cash payment at Front of House or via online payment (which offers Credit Card payment). However, the option of credit card is not provided for walk-in customers at Front of House nor is it provided to customers who ring into the City Council Contact Centre.</p> <p>By not providing citizens with the option to pay using credit card at all customer contact points may potentially contribute to slower collections, and requiring staff to perform significant amounts of payment processing activities.</p>	<p>Low</p>	<p>Management should:</p> <p>a) Review with the aim of extending the credit card payment option.</p> <p>Accepting Credit cards at all customer contact points is a way of allowing our customers to opt for a credit card option while leaving the risk with the Bank and providing us with real time payment as payment is automatic. Therefore, whilst considering the cost-benefit analysis and the security of our financial information processed over the Internet, we recommend reviewing the possibility of extending the Credit Card Payment option to the Front of House and via Customer Contact Centre for all types of invoices.</p>	<p>a) Agree and will implement. Acceptable methods of payment are reviewed from time to time taking account of changing commercial practice, customer behaviour & cost – a further review will be completed by 30 June 2018</p> <p>Responsibility: Strategy Manager, Finance</p> <p>Timing: Before end of 30 June 2018</p>

Audit Issue	Risk	Recommendation	Management Comment
<p>9. Unauthorised access to OZONE</p> <p>There should be limited access to the OZONE system and only restricted to only authorise staff (staff that are required to do invoicing and other accounts receivables tasks).</p> <p>A list of employees with access to the accounts receivable tasks (includes raising invoices, credit notes, refunds, receipting of payment received and ability to modify customer account details) was obtained from Information Management Division (IM) and reviewed. It was found that number of employees have unauthorised access (employees who are not involved in the accounts receivable tasks or are not backups for authorised staff members) to the system. The IM team terminate the access to the system either when instructed to by the respective manager as part of the Exit staff or Transfer staffing procedures. However these changes are put into effect only based on the requests the IM receives.</p> <p>There is a risk that without regular review of user access permissions by the respective managers in charge, unauthorised personnel will have access to the system potentially resulting in the loss or corruption of data.</p>	<p>Low</p>	<p>Management should:</p> <p>a) Periodically review to ensure that only appropriate staffs have access.</p> <p>a) All segregations are valid and are setup properly in the OZONE system (including that for the backups).</p>	<p>Agree and will implement both recommendations.</p> <p>Responsibility: Finance Manager</p> <p>Timing: Before end of 31 October 2017</p>

Audit Issue	Risk	Recommendation	Management Comment
<p>10. Time lag between services delivered and invoice date for Building Services</p> <p>One of the generally accepted accounting principles is that income must be accounted for at the time it is earned. Therefore, timely billing is essential as it affects whether revenue is realized in the same accounting period in which the service was delivered.</p> <p>We assessed the time lag between services delivered and invoice date based on a sample examination of 10 sampled invoices for the Random Building Warrant of Fitness Audit Inspections activity time lag (difference between date the actual service delivery and invoicing date), it was observed that that the average time lag was 3.5 months and the average time the customers took to pay the invoices was 44 days. It was further noted that invoices are only generated when the Building officer submits their supporting paperwork and in terms of invoicing this could imply that revenue is not accounted for an average of 3.5 months. This inconsistency and the non-compliance of generally accepted billing standards maybe due to lack of communication of management expectations to all relevant staff involved.</p> <p>The risk here is that non-timely billing essentially can affect the revenue recognition. The longer an account goes without customer contact, the likelihood of recovery also diminishes as it creates a perception amongst customers that accounts do not have to be paid promptly</p>	<p>Medium</p>	<p>Management should:</p> <p>a) Develop a billing procedure or guideline billing procedure for each activity within Customer Services Division which includes standard timeliness goals which would help the Council to ensure timely recognition of revenue in the same fiscal period that it has earned it and to ensure that there are internal controls in place to ensure that these scenarios can be avoided.</p>	<p>a) Agreed and will implement.</p> <p>Responsibility: General Manager, Customer Services</p> <p>Timing: Before end of 30 November 2017</p>

Audit Issue	Risk	Recommendation	Management Comment
<p>11. Lack of mechanism or forum to formally monitor risk issues affecting the achievement of the set Key Performance Indicator</p> <p>Best risk management practices indicate that the management should formally review key performance indicators (KPIs) on a periodic basis and identify, analyse and document the action plan to mitigate all risk issues identified affecting the area accounts receivable process</p> <p>Based on the above stated criteria, it was noted that organisation's Financial Accountant issues a Monthly Internal Management report that reports on receivable balances in the different age buckets and provides the Trade Receivables KPI results for the months. However, our review revealed that although the management reports are produced and shared with the management, there is no particular mechanism or forum between the manager and credit controller or other relevant staff members in place to anticipate and consider the possibility of significant negative and/or positive events and develop plans to deal with the risk issues. It should be acknowledged here that currently the Credit Controller does advise the Finance Manager of potential problematic cases as and how the need arises; however the procedure is informal i.e. via email or verbally.</p> <p>While the current practice may be considered acceptable, it is not for the organisation as there is a risk that these issues can further escalate and which may have a detrimental impact to financial position and reputation.</p>	<p>Low</p>	<p>Management should:</p> <p>a) Hold formal monthly meeting to discuss all issues affecting the accounts receivables for the 3 + months old accounts.</p> <p>All issues discussed should be formalised in a monthly action log detailing the following key points :</p> <ul style="list-style-type: none"> • Issue identified • Risk relating to the issue • Action plan • Responsible officer • Due date of action & follow-up 	<p>Disagreed.</p> <p>Informal meetings are currently held, and the Finance Manager maintains oversight of receivable accounts that are 3 + months old and the actions being taken on these. We are not convinced that formalising such a process will make a significant difference to the delivery of the debt management process and hence the KPI results. Incidentally the level of 3 + months debtors is consistently well below than the 15% KPI currently in place. Satisfy with the current process in place.</p> <p>Responsibility: Finance Manager</p> <p>Timing: Risk Accepted</p>

Audit Issue	Risk	Recommendation	Management Comment
<p>12. Non-compliance of Cash Handling Policy (MT 81) requirement regarding handling cash in transit at Arena</p> <p>According to the Cash Handling Policy (MT 81), cash and cheque deposit must be adequately protected from loss in transit. When necessary a security service should be used. If less than the policy specified threshold then two staff members must accompany it to the bank at all times; over that limit an accredited security firm must be used.</p> <p>Our Audit review revealed that currently the Arena staffs takes the cash collected to Front of House for receipting purposes in a bag provided by the Bank and the staff member is only accompanied for the amount that is greater than the policy specified threshold limits. Staff not meeting the Cash Handling policy could be attributed to lack of knowledge of the policy.</p> <p>The risk here of not complying with the policy is that unsafe management of cash at the time of transportation could lead to the risk of theft, impact the health & safety of employee handling cash.</p>	<p>Medium</p>	<p>Management should:</p> <p>a) Increase the awareness of the Cash Handling policy requirements to all relevant staff with cash and cheque handling responsibilities.</p>	<p>a) Agreed and will implement</p> <p>Responsibility: General Manager, City Enterprises</p> <p>Timing: Completed</p>

Audit Issue	Risk	Recommendation	Management Comment
<p>13. Preferential treatment of staff members not supported by management policy or written authority for Council Garage services</p> <p>We also sighted that organisation staff members were being offered payment plans to make instalment payments for amounts payable to the Council (for services used in the Garage for car servicing). These staff members are not classified as debtors as such but were provided the benefit of payment plans. On further examination, currently there is no Management Policy sighted that provides the authority or the rules for making such payment arrangements with the staff members.</p> <p>This arrangement is for the staff only.</p>	<p>Medium</p>	<p>Management should:</p> <p>a) Either reconsider the existing offer of instalment payments to staff members or develop a policy intended for staff use only which ensures an authorised and fair payment plan options available to all employees.</p>	<p>Disagree as this facility is not preferential; it is available to all staff and is only permitted by an agreed plan and automatic deductions through payroll. It is supported and authorised by the General Manager of City Enterprises under clause 41 of the "Delegations made by the Chief Executive" document which give Broad Authority to General Managers in their areas of responsibility, subject to limitations and conditions referenced in the document.</p> <p>There is no need for a separate policy beyond that authorised by clause 41. Charges are at full commercial rates and there is a win-win in supporting staff and the external revenue that is received contributes to the Garage operation and Council's bottom line</p> <p>Responsibility: General Manager, City Enterprises</p> <p>Timing: The current practice will continue</p>

Appendix A - Audit Objective, Scope & Approach

1. Objectives & Scope

The overall audit objective is to provide an objective independent opinion on the below:

- Degree to which the existing Accounts Receivable & Revenue Management process is in compliance to the Management Team Policy & Procedures and any other relevant legislations such as Goods and Services Tax (GST) treatments.
- Whether the management controls and procedures are effectively designed and operating to ensure that the Accounts Receivables including Credit Notes, are properly recorded and processed.
- Whether the related allowances for doubtful accounts and collection and write-off processes are adequately managed.

2. Scope

We conducted this audit in accordance with our agreed Terms of Reference, dated August 2017. The audit period was FY 2016 -17 (July 2016 to July 2017). However, based on the work performed during the preliminary survey gain process understanding and the assessment of risks involved, the audit period varied depending on the audit criteria being assessed. Areas covered in this audit were as per below:

- **Legislation, Policies and Procedures**
To ensure that all staff responsible act consistently in compliance with the Council's Management Team Policies and Procedures requirements and comparing it against comparative standards / commonly accepted best practices to assess the reasonableness of the existing process controls and how they are managed.
- **Debtor Transactions and records in OZONE system**
To ensure the reliability and security of the OZONE Sundry Invoicing system and records and that they are maintained through the reliable operation of the system and its interfaces with other modules.
- **Raising Invoices & Receipting**
To ensure that the invoices are completely, validly and timely raised and recorded in OZONE in respect of the fees / services delivered in the same accounting period and in line with management requirements. To ensure that that payments received from customers (online or cash) are appropriately receipted and handled in a safe and secure manner
- **Refunds**
To ensure that the credit notes or refunds for incorrectly raised debt and/or overpayments are completely and accurately recorded and authorised
- **Debt Recovery Actions**
To ensure that all appropriate action to recover overdue accounts is taken in a timely manner and only uneconomic and irrecoverable outstanding amounts are written off.
- **Security of data**
To ensure that the data or access to modules in OZONE is protected and restricted to only authorised staff members.
- **Management Review and performance management**

To ensure that management periodically measures and reviews the performance and effectiveness of the Accounts Receivable processes

3. Out of Scope

This Internal Audit will not assess the Revenue collection management of rates activity as this will be assessed in the Rate Activity Audit planned for the year 2017-18.

4. Approach & Methodology

We utilized several audit methodologies to achieve the audit objectives. These methods included but were not limited to:

1. Discussions with key employees from various divisions s such Finance, Arena & Convention Centre, Depot, Customer Services to ascertain nature of the systems in operation. We interviewed the following staff :
 - Financial Administration Officer
 - Head of Support Services
 - Financial Accountant
 - Finance Manager
 - Manager – Venues PN
 - Arena Administration Officer
 - Front of House staff *1
 - Senior Events Venue Officer
 - Works Administration Officer - Depot
2. Evaluation of the current systems of internal controls through walk- through and other testing methods to confirm the audit findings and/or conclusions
3. Identification of control weaknesses and potential process improvement opportunities
4. Discussion of our findings with management and further development of our recommendations and
5. Preparation and agreement of a draft report with the process owner.

5. Finding Significance Guide

High	A weakness where there is substantial risk of loss of funds, impropriety, poor value for money, or failure to achieve organizational objectives. Such risk could lead to an adverse impact on business. Remedial action must be taken urgently.
Medium	A weakness in control which although not fundamental, relates to shortcomings which expose individual business systems to a less immediate level of threatening risk or poor value for money. Such a risk could impact on operational objectives and should be of concern to senior management and requires prompt specific action.
Low	Areas that individually have no significant impact, but where management would benefit from improved controls and/or have the opportunity to achieve greater effectiveness and/or efficiency.

Appendix B - Data Analytics

i. Accounts Receivable balance vs. Provision for Doubtful Accounts

The Councils' Accounts Receivable Balance and the corresponding allowance for the doubtful account in the last 3 financial years as depicted in the following table has grown steadily over the last 3 years:

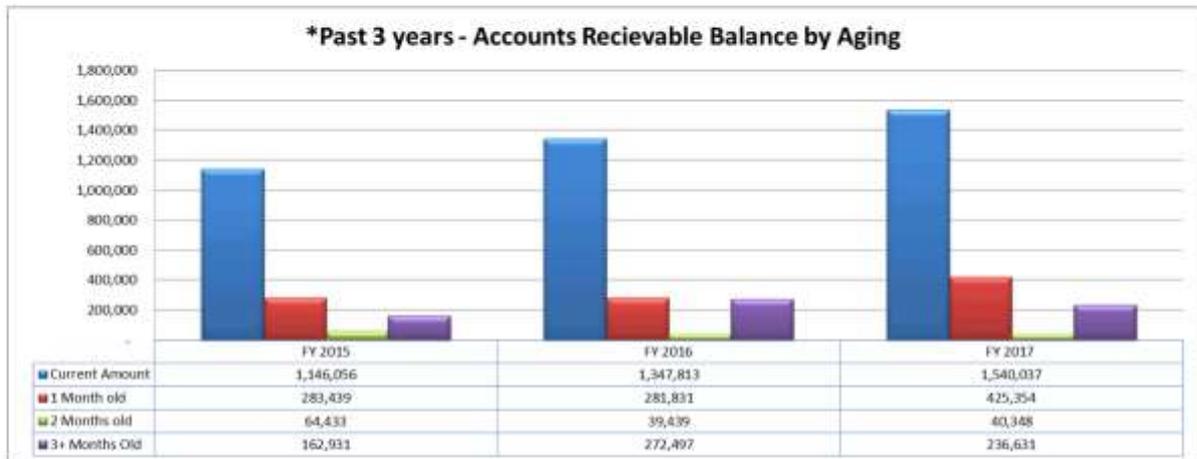
Year end	Gross Receivable Balance as of	Provision for Doubtful Debts*	Allowance Percentage
2015	2774952	38780	1%
2016	3024234	134657	4%
2017	3493695	197374	6%

The allowance for doubtful debts represents the portion of the Council's receivables that in the estimation of management may not be collectible.

Analysis:

1. 5 debtor accounts account for 70% of the provision for doubtful debt balance for the year 2017.
2. The increase in provision for doubtful debts could be attributed to non-recoverable accounts such as Claims for damaged property, liquidated debtor accounts, Rental accounts etc.

ii. Ageing Accounts Receivable balance

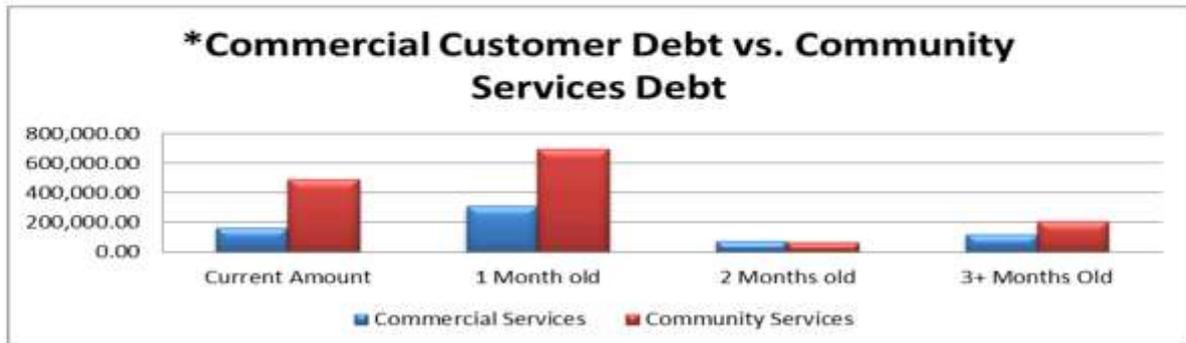


* Excludes Development Contributions as these extend over a long period of time

Analysis:

1. The above chart shows that total Accounts Receivable balance has **increased by 16% on average** over the last three years. This could be attributed to increase in the Building Consents, Resource Consent business services.
2. The largest increase has been in the 1 month old aged debt bucket by 51% in the last financial year (end of 2017) over the prior year (end of 2016); however it is to be noted here that it has been meeting the Management KPI for the 3 month old aged debt set at 15% in the last financial year.

iii. **Commercial Customer Debt vs. Community Services Debt.**



* Data as of 20/09/2017

* Excludes Development Contributions Debt

* Definition of Commercial & Community Services : As defined by Management :

- **Community Services** mentioned here includes Building Consents, Cemeteries, City Future, City Networks, Compliance Schedules, Customer Services, Liquor Licensing, Premise Registrations, Resource Consents
- **Commercial Services** mentioned here includes Car Park Leases, Arena, Civil Engineering, Convention Centre, General Debtors, Solid Waste, Community & Commercial Debtors, Green Waste Charges, Library, Print Synergy, Rentals, Sundry Debtors, Village Valley Centre Debtors.

Analysis:

1. 64% of the total Receivable balance consists of the debt outstanding from the Community Services. This could be attributed to the fact that the Council has the duty to deliver / provide these services to the city irrespective of the credit history of customers.

MEMORANDUM

TO: Audit and Risk Committee

MEETING DATE: 20 November 2017

TITLE: Delegations Manual - Amendment to Powers of Chief Executive

DATE: 3 November 2017

AUTHOR/S: John Annabell, Legal Counsel, City Corporate

ITEM 10

RECOMMENDATION(S) TO COUNCIL

1. That the Council's Delegations Manual be amended by adding the following sub-clause (c) to clause 201 relating to delegations to the Chief Executive:
“(c) Does not involve the revocation or alteration of any decision previously made by the Council unless expressly permitted; and”

1. ISSUE

There is a need to clarify the role of the Chief Executive's decision-making powers with regard to matters on which the Council has previously made a decision.

2. BACKGROUND

The Council's Delegations Manual was recently amended to provide the Chief Executive with a broad delegation to be able to carry out all functions, powers and duties of the Council subject to specified exceptions. However, there is no express statement in the Delegations Manual relating to the Chief Executive's power to revoke or alter decisions that have been previously made by the Council, rather than by the Chief Executive.

Accordingly, this memorandum recommends that the Chief Executive's powers be limited in the manner set out in the above recommendation.

For completeness, clause 201, as amended above, will state as follows, the new sub-clause (c) being printed in italics:

“201. Subject to any limitations in the Financial Delegations to the Chief Executive, the Chief Executive is delegated all functions, powers and duties of the Council:

- (a) except those retained by the Council, or delegated to a committee or other subordinate decision making body of the Council; and
- (b) subject to any legal limits on the Council to do so, and any conditions or limits imposed by the Council from time to time (including financial limits); and
- (c) *does not involve the revocation or alteration of any decision previously made by the Council unless expressly permitted; and*

provided the Chief Executive exercises such delegated authorities consistently with Council’s strategies and policies (including the 10 Year Plan, Annual Budgets and District Plan) and any Council approved guidelines regarding those strategies and policies.”

3. NEXT STEPS

If the recommendation is adopted, the Council’s Delegations Manual will be amended accordingly.

4. COMPLIANCE AND ADMINISTRATION

Does the Committee have delegated authority to decide?	No
Are the decisions significant?	No
If they are significant do they affect land or a body of water?	N/A
Can this decision only be made through a 10 Year Plan?	No
Does this decision require consultation through the Special Consultative procedure?	No
Is there funding in the current Annual Plan for these actions?	Yes
Are the recommendations inconsistent with any of Council’s policies or plans?	No

ATTACHMENTS

Nil

John Annabell
Legal Counsel

MEMORANDUM

TO: Audit and Risk Committee

MEETING DATE: 20 November 2017

TITLE: Auditor Engagement and FY 2017 Final Management Report

DATE: 1 November 2017

AUTHOR/S: Keith Allan, Financial Accountant, City Corporate

ITEM 11

RECOMMENDATION(S) TO COMMITTEE

1. That the Committee receive the 2017 Final Audit Management Report.

1. ISSUE

Auditor Engagement

At the August 2017 Audit and Risk Committee meeting the following resolution was adopted.

“1. That Council receive the Audit Proposal and Engagement letters for the years ending 30 June 2017, 2018 and 2019 and that Council note the appointment of Audit New Zealand as Auditors and approve acceptance of the letters by the Mayor, except for the audit fee which is to be subject to further negotiation by the Chief Executive and report back to Council.”

Subsequent to that meeting the Chief Executive discussed the audit fees with Audit New Zealand. The outcome of this was that the Chief Executive accepted a goodwill discount of \$8,703 off the proposed fee for 2017 and of \$10,358 for 2019. The 2019 discount will apply if the Council addresses the new capital and renewals underspend issue, and improves its procurement and project management practices.

Amended letters have been accepted and signed by the Mayor.

2. ISSUE

Final Audit Management Report

The final report on the audit of the Council for the year ended 30 June 2017 has been received from the Council Auditors, Audit New Zealand. In the report the auditors outline significant matters considered, and areas of interest they have reviewed during the course of their audit. Where applicable management have commented on audit’s recommendations and these are incorporated in the report. This report includes an update on the matters outstanding from previous reports.

Where appropriate management will be reviewing and considering the recommendations for implementation.

3. NEXT STEPS

It is recommended that the Committee receive the final 2017 audit management report.

4. COMPLIANCE AND ADMINISTRATION

Does the Committee have delegated authority to decide? If Yes quote relevant clause(s) from Delegations Manual clause 167	Yes
Are the decisions significant?	No
If they are significant do they affect land or a body of water?	No
Can this decision only be made through a 10 Year Plan?	No
Does this decision require consultation through the Special Consultative procedure?	No
Is there funding in the current Annual Plan for these actions?	Yes
Are the recommendations inconsistent with any of Council’s policies or plans?	No

ATTACHMENTS

1. Audit New Zealand final 2017 management report  

Keith Allan
Financial Accountant

Report to Council on the annual audit of the
Palmerston North City Council
for the year ended 30 June 2017

Key messages

We have completed the audit for the year ended 30 June 2017. This report sets out our findings from the audit and draws attention to areas where the Palmerston North City Council (the City Council) is doing well and where we have made recommendations for improvement.

This report should be read in conjunction with our interim report to you dated 18 July 2017.

Audit opinion

We issued an unmodified audit opinion on 25 September 2017. This means that we are satisfied that the financial statements and statement of service performance fairly reflect the City Council and group's activity for the year and the financial position at the end of the year.

Significant matters considered during the audit

1 Assessment of control environment and internal controls

There were no significant control deficiencies identified during our review of financial and performance reporting systems.

Overall the control environment is effective.

2 Actual renewals and capital expenditure below forecasts

The City Council has continued to improve the level of capital spend against planned expenditure. However, actual capital expenditure still remains significantly lower compared to the budgeted capital expenditure in its capital programmes.

This is a risk because it has the potential to impact on the City Council's ability to deliver the levels of service committed through the Long Term Plan and annual plan processes. It can also cause cost escalation issues if projects are not completed in a timely manner.

Council continues to implement its action plan to respond to the performance issues resulting from the under spend against its renewals and new capital expenditure programme. This action plan takes into account the recommendations we have made as part of our previous management reports and previous internal audit findings. The action plan is still expected to take a couple of years to fully implement and reap the full benefits. Overall there has been an improvement by the City Council but there is still a long way to go.

It is important that this remains a key area of focus for the City Council and that it continues to implement the action plan, internal audit's recommendations and the recommendations made through our review of procurement, contract management, and project management.

3 Review of procurement, contract management, and project management

As part of our audit we sought to gain an understanding of how the City Council manages the risks associated with procurement, contract management and project management. This included testing the procurement process used during the procurement of the City Council's major roading contract, testing the contract

management system, reviewing project reporting, and meeting with management to discuss progress against recommendations identified from the 2016 internal audit review.

Our review identified good practices and recommendations for improvement.

4 **Performance measure rules**

We reconfirmed that the performance framework from the 2015 to 2025 LTP remains an appropriate base to enable the City Council to fairly reflect its performance.

This is the second year that the City Council has had to report against the Department of Internal Affairs' mandatory performance measures. Overall we are satisfied that the City Council's performance information for these measures fairly reflects the actual performance of the City Council for the year. We have noted some areas of improvement in section 2.3.2 of this report.

In addition we have recommended that, as part of the LTP process, the City Council reviews its performance measures to ensure they are appropriate and able to be measured.

5 **Revaluation of infrastructural assets**

The City Council revalued its infrastructural assets effective 30 June 2017. The valuation resulted in an increase of \$99.6 million.

To gain assurance over the valuation we discussed the valuation process with the staff involved and with the peer reviewer.

We are satisfied that the valuation complies with Generally Accepted Accounting Practice and the revaluation has been correctly accounted for and disclosed.

6 **Rates legislative compliance**

Rates are the City Council's primary funding source. Compliance with the Local Government (Rating) Act 2002 (LGRA) in rates setting and collection is critical to ensure that rates are validly set and not at risk of challenge.

We reviewed the City Council's compliance with aspects of the LGRA that potentially could have a material impact on the financial statements. We focused on the rates setting process – the consistency and completeness of the resolution and the Funding Impact Statement (FIS).

Our review identified six potential issues. We reported them to Council in our interim management report dated 18 July 2017. We are pleased to report that the City Council addressed all but one of these before the rates were struck for the 2017/18 year.

Issues identified during the audit

The following table summarises our recommendations and their priority:

Item	Recommendation	Urgent	Necessary	Beneficial
2.1 and 2.2	<p>Actual renewals and capital expenditure below forecasts</p> <p>We recommend the City Council:</p> <ul style="list-style-type: none"> continue to implement the action plan, internal audit's findings from 2015/16, our review recommendations on procurement, contract management, and project management; and review the capital budgets of projects going into the next LTP to ensure these have realistic timeframes. 		✓	
2.3.1	<p>Performance framework</p> <p>As part of the LTP process, the City Council should review its performance measures to ensure they are appropriate and abled to be measured.</p>		✓	
2.3.2	<p>Performance measure rules</p> <p>Continue to make improvements to the collection and reporting of data.</p>			✓
2.5	<p>Rates legislative compliance</p> <p>The City Council should seek independent legal advice over their rating process given the importance of rates funding for the City Council and the increased public scrutiny and legal challenges been seen throughout the country.</p>		✓	

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

Thank you

We would like to thank you, the Council, management and staff for their assistance throughout the audit.

Karen Young

Karen Young
Audit Director
8 November 2017

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1 Our audit opinion

1.1 We issued an unmodified audit opinion

We issued an unmodified audit opinion on 25 September 2017.

This means that we were satisfied that the financial statements and statement of service performance fairly reflected the City Council's activity for the year and its financial position at the end of the year.

1.2 Uncorrected misstatements

The financial statements are free from material misstatements, including omissions. During the audit, we have discussed with management any misstatements that we found, other than those which were clearly trivial. There were no significant misstatements identified during the audit that have not been corrected.

2 Significant findings from the audit

2.1 Actual renewals and capital expenditure below forecasts

We found:

- The City Council has continued to improve the level of capital spend against planned expenditure. However, actual capital expenditure still remains significantly lower compared to the budgeted capital expenditure in its capital programmes.
- The City Council has continued to prioritise its renewals programme ahead of new capital expenditure, although we have seen a small drop in the level of renewals work completed this year when compared with last year.
- Across different areas of the City Council the extent of underspend varied between asset classes accumulating in a significant under delivery of the capital programme.

The ability to spend the full budget is dependent on meeting third party and external funding requirements, which we acknowledge is not always possible. However, the City Council should continue to make improvements in this area.

Item	Percentage of budget spent (%)		Actual expenditure (millions)	
	2016/17	2015/16	2016/17	2015/16
Renewals	82	87	17.9	18.5
New capital	53	40	15.3	12.4

Given the significant underspend in the past, and the time it will take for the City Council's action plan to be fully implemented, we did not expect the City Council to reap the full benefits of the plan straight away. However, as the plan has been in place for over a year now, we did expect it to be further along. Overall there has been an improvement each year by the Council but there is still a long way to go.

There is an opportunity for Council to reset the capital spend programme as part of its planning for the next LTP. We expect that management and Council will look at the proposed capital spend budget and how realistic the target is. For example, this may mean projects that used to be budgeted to be started and completed within a single financial year are budgeted over a two year period which takes into account all stages of the project and the length of time each stage actually takes (for example, for more significant or controversial projects, a realistic time frame for obtaining a resource consent may be six months so the City Council could not be expected to complete the project all in one year).

As part of the audit we reviewed procurement, contract management, project management and progress made by the City Council towards the 2016 internal audits review over the above areas. Through this review we identified further recommendations for the City Council to improve in these areas which have been discussed and agreed with management. We discuss this in more detail in section 2.2.

We **recommend** the City Council:

- continue to implement the action plan, internal audit's findings from 2015/16, and our recommendations on procurement, contract management, and project management; and
- review the capital budgets of projects going into the next LTP to ensure these have realistic timeframes, so the City Council is not setting itself up to underperform.

Management comment

It is recognised that continued implementation of the action plan is essential for further improvement. Increasing project requirements, including in obtaining approvals and consultation, mean further increases in capital expenditure may be limited by resources available.

Recommendations on procurement, contract management, and project management are generally supported and will be actioned.

With the LTP now being prepared capital programmes included are being reviewed to ensure that they are appropriate and have realistic timeframes.

2.2 Review of procurement, contract management, and project management

Having appropriate procurement, contract management and project management are necessary, especially in light of the City Council's continued capital underspend (as noted in 2.1).

Some of the key outcomes of having an effective procurement, contract management and project management are:

- delivering strategic objectives and improving the quality of services delivered to the public;
- savings realised through improved procurement can be channelled into priority services; and

- local government is under increasing pressure to deliver services in the face of increased costs and rate and debt limitations. Effective procurement, contract management, and project management are key ways to achieve "more with less".

As part of our audit we sought to gain an understanding of how the City Council manages the risks associated with procurement, contract management and project management. This included testing the procurement process used during the procurement of the City Council's major roading contract, testing the contract management system, reviewing project reporting, and meeting with management to discuss progress against recommendations identified from the 2016 internal audit review.

Our review identified good practices and areas for improvement. Our recommendations for improvement for each area are set out below.

Procurement

We recommend:

- That conflict of interest declaration forms are completed; including being signed off, as soon as a person becomes involved in the procurement process. The continued involvement of a person who has not sufficiently completed the declaration process creates a potential risk to the integrity of the procurement.
- Staff who are involved in procurement are aware of the different types of conflict of interest and how these should be managed (for example, considering the relationship with the incumbent going for the tender as a potential conflict of interest). Regardless of whether there is an actual conflict or bias, it is important to consider perceptions in order to maintain market confidence.
- Declaration forms be treated as a live document and they are updated numerous times throughout the procurement.
- A procurement strategy or plan to be completed for every significant project prior to tendering which includes maintenance or operations contracts. This is important to ensure that Council resources are being used effectively and the best approaches to the market are taken.
- An analysis of procurement risk as part of procurement planning so that risks can be identified, avoided or appropriately managed.
- There is evidence that the processes at key stages has been conducted fairly and appropriately, including finalising non-price scoring prior to opening the price envelope.

Management comment

Recommendations concerning "Conflicts of Interest" and "Non-Pricing/Pricing Envelope" procedures are supported and a review of Procurement Policy MT70 and the Contract Administration Manual will be conducted accordingly.

Expectations regarding "Procurement Planning" and "Risk Assessment for Procurement" are acknowledged and need to be given specific consideration against the range of asset procurement activities. Namely operations, maintenance, renewals and capital new works (both minor and major projects). The relevant documents that will be reviewed in this regard are Procurement Policy MT70, the Contract Administration Manual and Council's Procurement Strategy for Activities funded through the National Land Transport Programme (currently in draft form and to be submitted for NZ Transport Agency approval in October 2017).

Officers will attend to the reviews referred to above by 30 November 2017.

Contract management

- To ensure completeness and accuracy of data information on the contract management system, within the audit process the City Council should **include** a review of the data that is being placed there.
- To ensure consistency of what is retained on the contract management system, the City Council should **consider** formally documenting the required documents that are needed on the system.

Management comment

Recommendations concerning a bi-annual audit of "Contract Management Records and Files" and "Formally Documenting required Contract File Information" are supported and will now be actioned.

Project management

A significant amount of the data that is inputted into the City Council's project reporting tool is manually collated and there is reliance on project managers to ensure that the data they are inputting is accurate.

We **recommend** that the City Council consider a system or programme of review to ensure that data inputted into the system is correct.

Management comment

The Project Status Reporting tool was modified in April 2017 to include a "certification tab", whereby Project Managers must confirm that the information in the system is accurate and up to date.

Since January 2017 a new position of Infrastructural Capital Works Coordinator has been staffed. This position includes responsibilities to take oversight of the tool and flag any inconsistencies as to the accuracy of information.

Furthermore, monthly reports are presented from the tool to the City Networks Executive Team (CNET) and to the Works Programming Forum, where the information is assessed as to progress of delivering programmes and projects, often prompting questions or debate where there may be a need to challenge the data.

Accordingly, this audit item has been addressed.

Internal audit report

We note that many of the recommendations made by internal audit from their review of procurement, contract management, and project management processes and practices are being progressed.

We **recommend** that any changes are formally documented and that staff are made aware of these.

Management comment

The recommendation concerning "Formally Documenting Changes to Procurement, Contract Management and Project Management Processes and Practices" is supported and will be the responsibility of the General Manager, City Networks.

2.3 Audit of performance information

2.3.1 Current performance framework

We have reconfirmed that the performance framework from the 2015 to 2025 LTP remains appropriate.

Our audit work over the performance reports took into account the:

- quality of the overall story the performance reporting tells;
- reliability/accuracy of the reporting;
- completeness of the reporting against the performance framework as outlined in the LTP; and
- compliance with relevant legislation (in particular the Local Government Act 2002, Schedule 10).

We confirmed that the framework and associated performance measures provide an appropriate basis for performance reporting in 2016/17.

Looking forward

From the review of the performance measures and discussions with various staff it was identified that there are currently some performance measures that are difficult to measure or not meaningful.

With the preparation of the 2018 to 2028 LTP currently underway we **recommend** the City Council reviews all of its performance measures within each area and ensures these are appropriate and measureable going forward.

Management comment
All LTP KPIs are currently being reviewed to ensure that they are appropriate and measureable.

2.3.2 Mandatory performance measures

The Non-Financial Performances Measures Rules 2013 specify a set of standard performance measures for all local authorities. These measures were included in the Council's 2015 to 2025 LTP and this is the second year it was required to report against them in the annual report.

We reviewed the systems in place for capturing performance information for selected mandatory measures to ensure appropriate systems were in place to record and report on performance at year-end. We identified that some of our recommendations from previous management reports had been addressed but there were still improvements required.

We continue to recommend the following improvements:

- Continue to review the effectiveness of current reporting and systems to accurately capture the underlying data and to ensure the data is complete. Systems and processes should be formally documented for all areas and regular training provided to all staff involved.
- Perform a regular weekly quality review of data entered into the Request for Service (RFS) system in relation to complaints, service requests and response times to ensure it is complete, accurate and supportable. Reviews should focus on following up unclosed jobs, ensuring all data fields are updated and reviewing any unusual response times. We would expect that these reviews are formally evidenced by way of a date and signature.
- Ensure data fields include information to clearly show why data has been amended or re-categorised with a clear audit trail of any changes made and who authorised these.
- Document any calls that are excluded as service requests or complaints. This may require additional fields to be added to the existing RFS if this information is not already captured.

- Continue to review DIA's guidance to ensure that the data being captured and reported meets the mandatory reporting requirements. We expect that there will be further clarification around these measures as they become embedded into the annual reporting.
- Ensure there is a system in place to check contractor times recorded are accurate instead of relying solely on the time that the contractor/staff noted. This is important to ensure accurate monitoring of performance by contractors against the City Council's key performance targets.

Management comment

Consideration will be given to the recommendations and practicality within existing resources. This may include exploration of a further module (K-Base Workflow) to the K- Base system to address the timeliness of the sign-off procedure.

With the LTP KPIs currently being reviewed, procedures and business rules plus any DIA guidance requirements will also be reviewed and incorporated as appropriate.

2.4 Revaluation of infrastructure assets

The City Council's infrastructure assets are revalued every three years in accordance with the City Council's accounting policy. The revaluation was effective as at 30 June 2017 and resulted in a total increase of \$99.6 million.

The City Council staff performed the revaluations which were then peer reviewed by AECOM. This is the same process the City Council followed three years ago and is in compliance with the relevant accounting standard, PBE IPSAS 17 *Property, Plant and Equipment*.

We are satisfied the revaluation complies with Generally Accepted Accounting Practice and the revaluation has been appropriately accounted for and disclosed.

2.5 Rates – legislative compliance

Rates are the City Council's primary funding source. Compliance with the Local Government (Rating) Act 2002 (LGRA) in rates setting and collection is critical to ensure that rates are validly set and not at risk of challenge.

We reviewed the City Council's compliance with aspects of the LGRA that potentially could have a material impact on the financial statements. We focused on the rates setting process – the consistency and completeness of the resolution and the Funding Impact Statement (FIS).

Our review identified six potential issues which we reported on in the interim management report. We recommended the issues be addressed before the rates were struck for the 2017/18 period. We are pleased to report that our review of the 2017/18 rating process found that all of our recommendations had been addressed (including the water by meter payments dates) other than: Updating the FIS in the Annual Plan to show the total revenue sought from each category of rateable land for the targeted rates.

We continue to **recommend** the City Council seek independent legal advice over its rating process given the importance of rates funding for the City Council and the increased public scrutiny and legal challenges been seen throughout the country. This is practically important for the preparation of the 2018 to 2028 LTP.

Management comment

The importance of the rate setting process is recognised and independent legal advice will be obtained at appropriate times through the development of the LTP.

3 Other (minor) issues identified during the audit

These have been reported in a report to the Chief Executive.

4 Control environment

There were no significant control deficiencies identified during our review of financial and performance reporting systems.

Overall the control environment is effective.

We performed a high level review of the control environment. We considered the overall attitude, awareness, and actions of the Council and management in establishing and maintaining effective management procedures and internal controls. Our assessment of these areas was based on regular discussions with key members of senior management, members of the Council, and our accumulated knowledge of the City Council's business.

In performing this assessment we consider both the "design effectiveness"¹ and "operational effectiveness"² of internal control. However, it is not the purpose of our assessment to provide you with assurance on internal control in its own right. As such we provide no assurance that our assessment will necessarily identify and detect all matters in relation to internal control.

5 Status of previous recommendations

The status of each matter that was outstanding in the interim report to the Council is summarised in Appendix 2.

6 Mandatory auditor disclosures

Our mandatory disclosures around our independence and other matters as part of completing the audit are set out in Appendix 3.

¹ Control is effective to either prevent or detect a material error in either the financial statements and/or non-financial information. The control is "fit for purpose".

² Control has operated effectively throughout the period tested.

Appendix 1: Explanation of priority rating system

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

Urgent Major improvements required	Needs to be addressed urgently These recommendations relate to a significant deficiency that exposes the City Council to significant risk. Risks could include a material error in the financial statements and the performance information; a breach of significant legislation; or the risk of reputational harm.
Necessary Improvements are necessary	Address at the earliest reasonable opportunity, generally within six months These recommendations relate to deficiencies that need to be addressed to meet expected standards of good practice. These include any control weakness that could undermine the system of internal control or create operational inefficiency.
Beneficial Some improvement required	Address, generally within six to 12 months These recommendations relate to deficiencies that result in the City Council falling short of best practice. These include weaknesses that do not result in internal controls being undermined or create a risk to operational effectiveness. However, in our view it is beneficial for management to address these.

Appendix 2: Status of previous recommendations

Outstanding matters

Recommendation	Current status	Priority	Management's proposed action
<p>Business Continuity Plan</p> <p>Business Continuity Plan (BCP) should be finalised and re tested. Plans be regularly updated and tested.</p>	<p>In progress.</p> <p>The City Council tests the BCP regularly with the last one completed successfully in August 2017 where Ozone recovery was tested.</p>	Necessary	<p>The current BCP is under review so that improvements can be made.</p> <p>Kestrel Consulting are currently gathering requirements from each unit relating to resources they need to continue to deliver service, as well as acceptable recovery times (RTO).</p> <p>Currently the Information Management Division operate a disaster recovery plan that enables failover of systems to another location, the current baseline for RTO is set at 60 minutes and is tested regularly.</p> <p>There is currently a roadmap being developed that will improve RTO further through the introduction of cloud services such as Office 365.</p>

Recommendation	Current status	Priority	Management's proposed action
<p>Financial statement reconciliations</p> <p>All financial statements reconciliations should be prepared in a timely manner and independently reviewed.</p>	<p>In progress. During our final audit reconciliations are currently up to date and being reviewed periodically. We will confirm this is still the case at our next visit where we will look at closing off the issue.</p>	<p>Necessary</p>	<p>All reconciliations are currently up to date and reviewed periodically.</p>
<p>Presentation of the financial overview in the annual report</p> <p>Ensure what is reported in the financial overview section of the annual report is a balanced summary for the year and that it does not take away from the results in the financial statements. Improvements have been made, however it is not ideal having non-GAAP table in financial overview, even if it is reconciled to the GAAP statements.</p>	<p>Open. The financial overview section of the annual report remained largely unchanged in the 2017 annual report.</p>	<p>Beneficial</p>	<p>Disclosures are reviewed annually as part of preparing the annual report. The table is considered appropriate in reporting against how rates are determined.</p>

Recommendation	Current status	Priority	Management's proposed action
<p>Contract management</p> <p>The City Council consider whether a whole of Council contract management system would be useful. We are of the view that it would be.</p>	<p>In progress. The City Council agrees that a central contracts management system would be a preferred approach. Currently the system used is under review because it is not fulfilling all of the needs of the group using it, and one of the desirable requirements is to move away from a document based service management approach to one that also takes into account other parts of the organisation.</p>	<p>Necessary</p>	<p>This has been added to the list of processes to review in terms of replacing the current process with a fit for purpose software solution. In the interim an online contracts register has been developed, this collects specific information about the contract and creates an alert that advises when contracts require reviewing and/or renewing.</p>
<p>Mandatory performance measures</p> <p>We made the following recommendations for improvement:</p> <ul style="list-style-type: none"> Continue to review the effectiveness of current reporting and systems to accurately capture the underlying data and to ensure the data is complete. Systems and processes should be formally documented and regular training provided to all staff involved. Perform a regular weekly quality review of data entered into the Request for Service (RFS) system in relation to complaints, service requests and response times to ensure it is complete, accurate and supportable. Reviews should focus on following up unclosed jobs, ensuring all 	<p>In progress. During our review of the City Council's systems we found the following:</p> <ul style="list-style-type: none"> The systems in place for the mandatory performance measures that we reviewed in the 'Water activities are formally documented in the form of "Business Rules". There is still no documentation for the mandatory performance measure in the Roading activity on the response time to an RFS. High level quality reviews are performed in the preparation of quarterly results for the mandatory performance measures. For 	<p>Necessary</p>	<p>Response times to Roading RFSs are being measured and monitored despite both internal and external contractors not consistently signing off RFSs immediately upon completion of the service request job.</p>

Recommendation	Current status	Priority	Management's proposed action
<p>data fields are updated and reviewing any unusual response times. We would expect that these reviews are formally evidenced by way of a date and signature.</p> <ul style="list-style-type: none"> Ensure data fields include information to clearly show why data has been amended or re categorised with a clear audit trail of any changes made and who authorised these. Document any calls that are excluded as DIA service requests or complaints. This may require additional fields to be added to the existing RFS if this information is not already captured. Continue to review Department of Internal Affairs' guidance to ensure that the data being captured and reported meets the mandatory reporting requirements. We expect that there will be further clarification around these measures as they become embedded into the annual reporting. Ensure there is a system in place to check contractor times recorded are accurate instead of relying solely on the time that the contractor/staff noted. This is important to ensure accurate monitoring of performance by contractors against the City Council's key performance targets. 	<p>performance measures related on response times the review does not go back to source data.</p> <ul style="list-style-type: none"> In the preparation of quarterly results for the mandatory performance measures some RFSs are excluded. The main reason for this is that the assets in question are privately owned, and therefore are not the City Council's responsibility. The reasons for excluding RFSs are documented. The City Council places reliance on its internal contractor City Enterprises to accurately record the times that City Enterprises responds to each RFS. There are no detailed systems in place to check that the times recorded are accurate. 		

Matters that have been resolved

Recommendation	Outcome
<p>Payment dates for targeted rates for water supply</p> <p>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.</p>	<p>Issue closed. Confirmed the 2017/18 rates resolution that payment dates have been included.</p>
<p>No post input review of journals</p> <p>Implement an independent post input review of journal entries.</p>	<p>Issue closed – management accept the risk. The City Council is of the view that its current processes are adequate with robust budget monitoring and subsequent review of the financial statements will identify material journals erroneously or fraudulently posted. Management accept the risk.</p>

Appendix 3: Mandatory disclosures

Area	Key messages
Our responsibilities in conducting the audit	<p>We carried out this audit on behalf of the Controller and Auditor-General. We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001.</p> <p>The audit of the financial statements does not relieve management or the Council of their responsibilities.</p> <p>Our audit engagement letter contains a detailed explanation of the respective responsibilities of the auditor and the Council.</p>
Auditing standards	<p>We carry out our audit in accordance with generally accepted audit standards. The audit cannot and should not be relied upon to detect every instance of misstatement, fraud, irregularity or inefficiency that are immaterial to your financial statements. The Council and management are responsible for implementing and maintaining your systems of controls for detecting these matters.</p>
Auditor independence	<p>We are independent of the City Council in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): Code of Ethics for Assurance Practitioners, issued by New Zealand Auditing and Assurance Standards Board.</p> <p>In addition to the audit, we have carried out an assurance review of the City Council's Debenture Trust Deed, which is compatible with those independence requirements. Other than the audit and this engagement, we have no relationship with, or interests in, the City Council.</p>
Other relationships	<p>We are not aware of any situations where a spouse or close relative of a staff member involved in the audit occupies a position with the City Council that is significant to the audit.</p> <p>We are not aware of any situations where a staff member of Audit New Zealand has accepted a position of employment with the City Council during or since the end of the financial year.</p>
Unresolved disagreements	<p>We have no unresolved disagreements with management about matters that individually or in aggregate could be significant to the financial statements. Management has not sought to influence our views on matters relevant to our audit opinion.</p>

COMMITTEE WORK SCHEDULE

TO: Audit and Risk Committee

MEETING DATE: 20 November 2017

TITLE: Committee Work Schedule

RECOMMENDATION(S) TO AUDIT AND RISK COMMITTEE

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

ATTACHMENTS

1. Committee Work Schedule - November 2017 [↓](#) 

AUDIT AND RISK COMMITTEE

COMMITTEE WORK SCHEDULE – NOVEMBER 2017

Item No.	Estimated Report Date	Subject	Officer Responsible	Current Position	Date of Instruction/ Point of Origin
1.	TBA November 2017	Programme 1086 LED Street Light Upgrade – Compliance standards relating to PNCC physical assets and compliance status of our physical assets	General Manager, City Networks		19 June 2017 Clause 49-17 (Finance & Performance)
2.	February 2018	Business Continuity Planning PNCC update	General Manager, City Enterprises		21 August 2017 Clause 20.2 (Audit & Risk)