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**PALMERSTON NORTH CITY COUNCIL**

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**AGENDA**

**AUDIT AND RISK COMMITTEE**

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**9AM, MONDAY 21 MAY 2018**

COUNCIL CHAMBER, FIRST FLOOR, CIVIC ADMINISTRATION BUILDING  
32 THE SQUARE, PALMERSTON NORTH

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## MEMBERSHIP

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

Susan Baty  
Adrian Broad  
Gabrielle Bundy-Cooke

Lew Findlay QSM  
Jim Jefferies  
Lorna Johnson

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

[pncc.govt.nz](http://pncc.govt.nz) | Civic Administration Building, 32 The Square  
City Library | Ashhurst Community Library | Linton Library

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**Heather Shotter**  
**Chief Executive, Palmerston North City Council**

**Palmerston North City Council**

W [pncc.govt.nz](http://pncc.govt.nz) | E [info@pncc.govt.nz](mailto:info@pncc.govt.nz) | P 356 8199  
Private Bag 11034, 32 The Square, Palmerston North



## **AUDIT AND RISK COMMITTEE MEETING**

21 May 2018

### **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 follow the 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. Declarations of Interest (if any)**

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

**4. Public Comment**

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

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

**5. Confirmation of Minutes**

Page 7

“That the minutes of the Audit and Risk Committee meeting of 19 February 2018 Part I Public be confirmed as a true and correct record.”

**6. Health and Safety Report Jan - Mar 2018**

Page 11

Memorandum, dated 3 May 2018 from the Human Resources Manager, Wayne Wilson.

**7. Delegations Manual - Amendment to Powers of Chief Executive**

Page 23

Memorandum, dated 4 May 2018 from the Business Development Executive, Fiona Dredge.

**8. Management Agreed Audit Corrective Action Quarterly Progress**

Page 31

Memorandum, dated 30 April 2018 from the Senior Internal Auditor, Vivian Watene.

**9. An Internal Audit Report - Rates Revenue Process**

Page 55

Memorandum, dated 30 April 2018 from the Internal Auditor, Swati Joshi and the Senior Internal Auditor, Vivian Watene.

**10. Committee Work Schedule**

Page 81

**11. 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), General Manager, Marketing and Communications (Sacha Haskell), and Communications Advisor (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 19 February 2018, commencing at 9.00am

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

Councillor Leonie Hapeta left the meeting at 11.18am during consideration of clause 5. She entered the meeting again at 11.20am during consideration of clause 6. She was not present for clause 5.

The meeting adjourned at 9.01am.  
The meeting resumed at 11.01am.

### 1-18 Apologies

Moved Vaughan Dennison, seconded Leonie Hapeta.

#### The COMMITTEE RESOLVED

1. That the Committee receive the apologies.

Clause 1-18 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, Leonie Hapeta, Jim Jefferies, Lorna Johnson, Bruno Petrenas and Aleisha Rutherford.

### 2-18 Confirmation of Minutes

Moved Vaughan Dennison, seconded Bruno Petrenas.

#### The COMMITTEE RESOLVED

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

Clause 2-18 above was carried 13 votes to 0, with 1 abstention, the voting being as follows:

#### For:

Councillors Brent Barrett, Susan Baty, Rachel Bowen, Adrian Broad, Gabrielle Bundy-Cooke, Vaughan Dennison, Lew Findlay QSM, Leonie Hapeta, Jim Jefferies, Lorna Johnson, Bruno

Petrenas, Aleisha Rutherford and Tangi Utikere.

**Abstained:**

The Mayor (Grant Smith).

**3-18 Health and Safety Report Oct - Dec 2017**

Memorandum, dated 1 February 2018 from the Human Resources Manager, Wayne Wilson.

Moved Vaughan Dennison, seconded Bruno Petrenas.

The **COMMITTEE RESOLVED**

1. That the Audit and Risk Committee note the information contained within the report dated 1 February 2018 and entitled "Health and Safety Report Oct – Dec 2017".

Clause 3-18 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, Bruno Petrenas, Aleisha Rutherford and Tangi Utikere.

**4-18 Business Continuity Planning PNCC update**

Memorandum, dated 9 January 2018 from the Head of Emergency Management, Stewart Davies.

Moved Vaughan Dennison, seconded Bruno Petrenas.

The **COMMITTEE RESOLVED**

1. That the Audit & Risk Committee note the report dated 9 January 2018 and entitled "Business Continuity Planning PNCC Update", the programme for and progress of the Business Continuity Planning within the organisation.
2. That Business Continuity Planning update be reported to the Committee 6 monthly.

Clause 4-18 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, Bruno Petrenas, Aleisha Rutherford and Tangi Utikere.

**5-18 Internal Audit Plan 2018/19 (Year 2 of the 3 Year Plan)**

Memorandum, dated 10 January 2018 from the Senior Internal Auditor, Vivian Watene.

Councillor Leonie Hapeta left the meeting at 11.18am.

Moved Vaughan Dennison, seconded Bruno Petrenas.



The **COMMITTEE RESOLVED**

1. That the Committee note the recommended changes to the Internal Audit 2018/19 and 2019/20 Plans in paragraphs 8 and 9 respectively.
2. That the Committee endorse the Internal Audit 2018/19 Plan narrated in paragraphs 8 and 10.

Clause 5-18 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, Bruno Petrenas, Aleisha Rutherford and Tangi Utikere.

**6-18**

**Risk Management Progress - YTD December 2017**

Memorandum, dated 18 January 2018 from the Senior Internal Auditor, Vivian Watene.

Councillor Leonie Hapeta entered the meeting again at 11.20am.

Moved Vaughan Dennison, seconded Brent Barrett.

The **COMMITTEE RESOLVED**

That the Committee note:

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

Clause 6-18 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, Bruno Petrenas, Aleisha Rutherford and Tangi Utikere.

**7-18**

**Internal Audit 2017/18 Plan Progress - YTD December 2017**

Memorandum, dated 18 January 2018 from the Senior Internal Auditor, Vivian Watene.

Moved Vaughan Dennison, seconded Leonie Hapeta.

The **COMMITTEE RESOLVED**

1. That the Committee note the progress of the Internal Audit 2017/18 Plan.

Clause 7-18 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, Bruno Petrenas, Aleisha Rutherford and Tangi Utikere.

## **8-18 Committee Work Schedule**

Moved Vaughan Dennison, seconded Bruno Petrenas.

### **The COMMITTEE RESOLVED**

1. That the Audit and Risk Committee receive its Work Schedule dated February 2018.

Clause 8-18 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, Bruno Petrenas, Aleisha Rutherford and Tangi Utikere.

The meeting finished at 11.43am

Confirmed 21 May 2018

**Chairperson**

## MEMORANDUM

**TO:** Audit and Risk Committee

**MEETING DATE:** 21 May 2018

**TITLE:** Health and Safety Report Jan - Mar 2018

**DATE:** 3 May 2018

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

### RECOMMENDATION(S) TO COUNCIL

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

### 2. Report

This report covers the period 1 January to 31 March 2018. The information included in this report is discussed at the appropriate H&S Committee, the Main H&S Committee and Management Team.

#### Hazards, Incidents and Near Misses Reported

Quarter	Jun 16	Sep 16	Dec 16	Mar 17	Jun 17	Sep 17	Dec 17	Mar 18
Hazards	15	21	15	10	7	4	3	3
Incidents	40	45	31	56	20	58	12	33
Near Misses	21	67	24	24	28	27	8	23
Lost Time (days)	67.3	154.6	215.0	215.6	140	129.15	133.06	93.8
L.T. Injuries	10	11	14	13	9	17	9	12

Two injuries accounted for 50% of the lost time. Only 1 injury was not in City Enterprises.

Attachment One is the City Enterprise report from People Safe. This report covers the month of March with commentary for the quarter as well. National benchmarks included show that City Enterprises incident and lost-time rates are well below these national benchmarks.

### **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 will occur on 16 April.

### **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. The highlighted courses are those that new employees undertake. Not included is the H&S induction that all new staff receive. 93 individual staff received training in this quarter. As expected the majority are from City Enterprises.

**Wayne Wilson**  
**HUMAN RESOURCES MANAGER**

## Attachment One

# **City Enterprises –Health and Safety Report, March 2018**

### Executive Summary

This report provides a high-level overview of the health and safety performance of City Enterprises for month end March 2018. The trends over the eleven months to date are presented, together with a brief Quarterly Report at 2018-Q1.

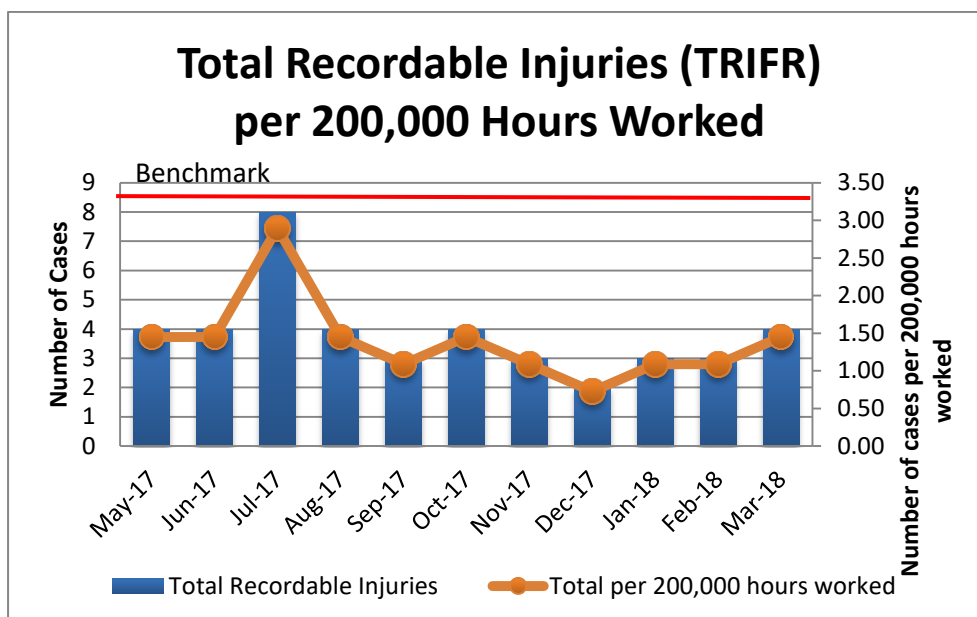
- We are still performing very well against national benchmarks for Total Recordable Injuries and Lost Time Injuries per 200,000 hours worked.
- No Notifiable Incidents this month, and only 1 in the past 6 months reporting period.
- Four new Lost Time Injuries and 1 LTI in its third month.
- Quarterly, in 2018-Q1 there has been an increase in all metrics compared to the previous quarter 2017-Q4. This was mainly due to one Notifiable Incident in January, which was the first in 8 months and has not been repeated since.
- People Safe system development and information input, and reviewing reports, are progressing but this needs more staff time in order to sustain good progress.

### People Safe - Progress

Work is ongoing with information entry for periodic staff training and equipment testing, though progress is limited due to a lack of dedicated staff time available. We are taking a fresh look within Logistics and Support team at some administrator duties to see if some time can be freed up to assist with this. We have also convened a meeting of City Enterprises managers to see what can be done to resource this better, and/ or increase efficiency.

### National Benchmarks and Commentary

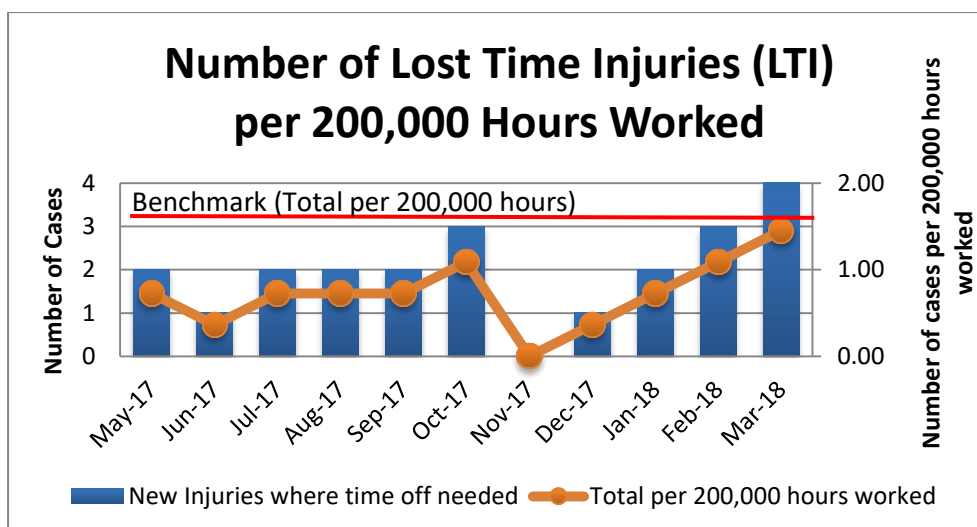
The following are key benchmarks from Zero Harm NZ's Business Leaders' Health and Safety Forum. More at <http://www.zeroharm.org.nz/our-work/benchmarking/>  
Note this benchmark is derived from similar higher-risk industries such as forestry and construction. City Enterprises is still performing very well compared to the national benchmark for all employers.



TRIFR = total medical treatment injuries, restricted work injuries, lost time injuries and fatal injuries.

Benchmark 2016 = **3.29** / 200,000 hours worked

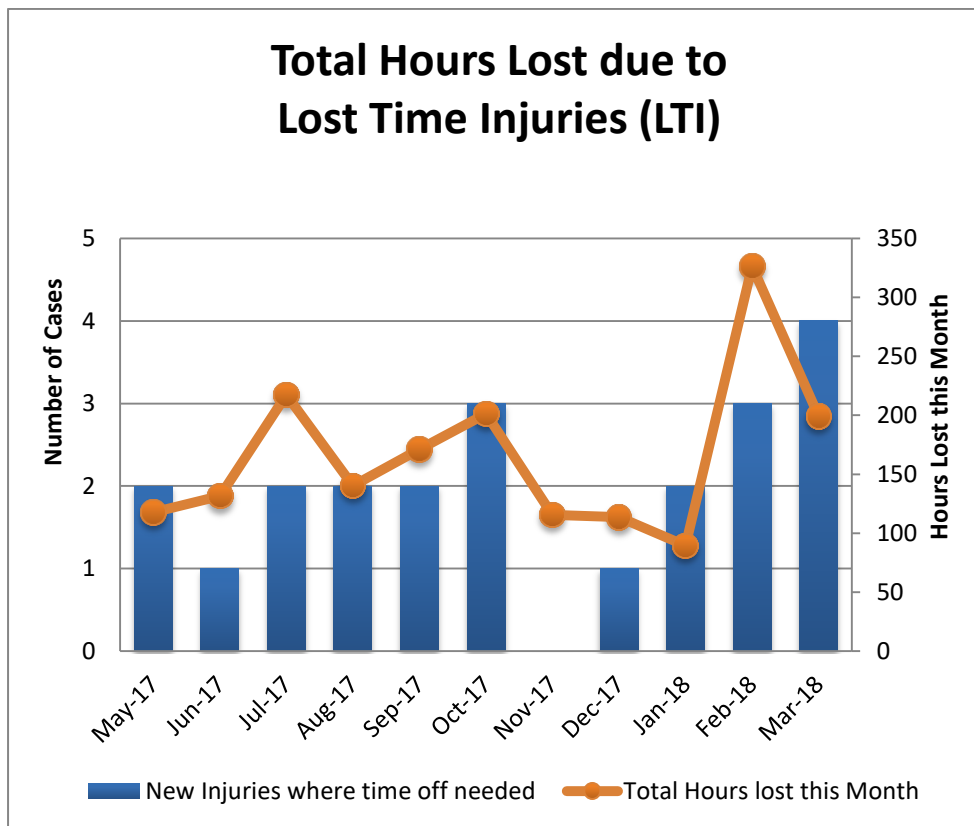
Frequency of Total Recordable Injuries this month is slightly higher than last month, the highest in the five months to date. However it is still well below the benchmark level per 200,000 hours worked.



LTI = where an injury prevents a return to work for 1 day/ shift or more.

Benchmark 2016 = **1.54** / 200,000 hours worked

The number of new Lost Time Injuries at 4 cases or 1.45 per 200,000 hours worked is the highest in the 10-month reporting period to date. However, the total number of actual hours lost to LTIs this month at 199 has dropped back to a more normal level. See the graph over the page.



Of the above, 16% of the hours lost (32 of 199) were due to just 1 staff member's injury, and the staff member's recovery time is now in its third and hopefully final month. This reinforces the observation that the more serious injuries leading to Lost Time (more than one day) have a disproportionate effect on the total number of hours lost across City Enterprises.

The analysis of injuries by activity type (see Page 5 below) highlights the highest risk group of activities in terms of injuries are: working around vehicles; operating mobile plant and manual handling. We remain alert to this risk.

Overall though, City Enterprises remains consistently below the national benchmark for LTI for all employers.

#### ACC Loading

A query was received from the February 2018 CE Advisory Board meeting to reconcile the reported good results against national benchmarks (see previous section) and the ACC loading that is applied for PNCC. Wayne Wilson Human Resources Manager advises that, "The Zero Harm NZ benchmark and the ACC Experience rating are calculated quite differently. The Zero Harm relates to the number of injuries per 200,000 hours worked, while experience rating is calculated using the cost to ACC of those injuries. Experience rating is also split into the ACC classifications so that similar work are in the same classification. The Council insists that all injuries are treated by a Doctor and this along with some historical injuries account for our higher experience rating". Therefore while City Enterprises averages only 2 new LTI cases per month from our 264 staff (or 0.76%), in February 2018 for instance 49% of all hours lost (160) were from one person. The more serious Lost Time Injuries would cost ACC disproportionately large dollar sums and that would be the main driver of the ACC loading.

#### Notifiable Events

There were no Notifiable Events in the reporting period.

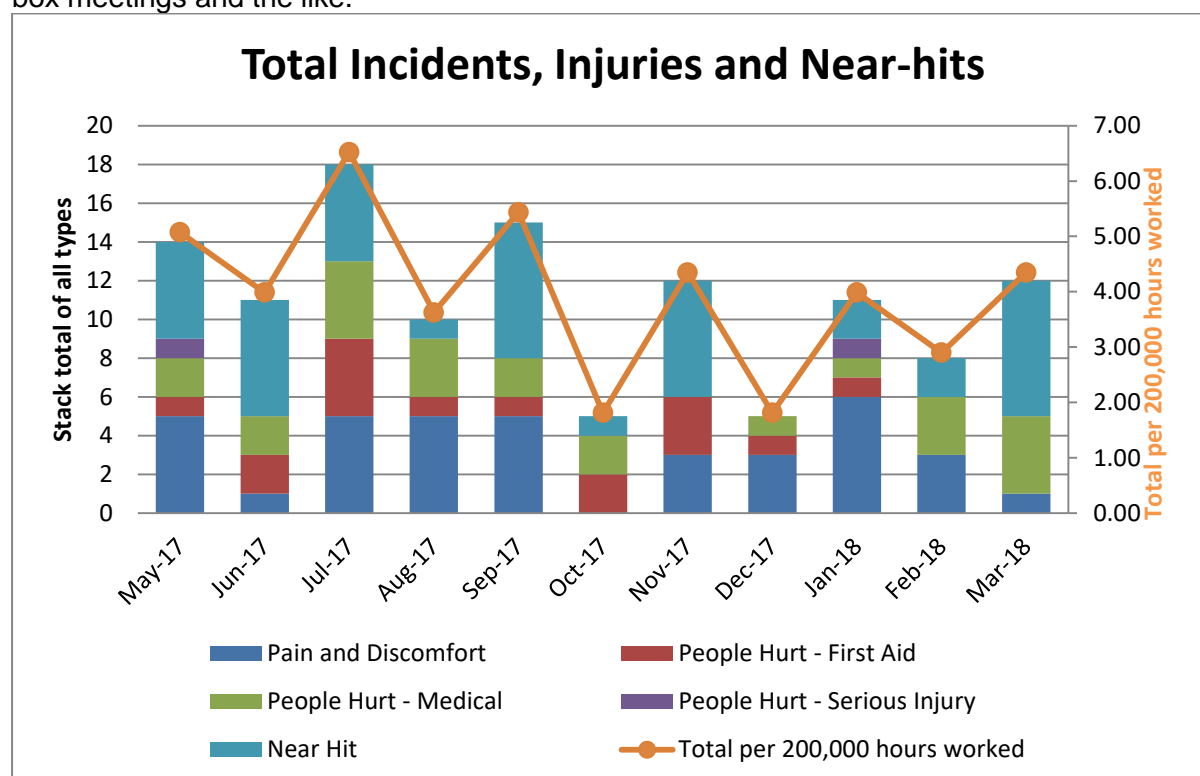
## PALMERSTON NORTH CITY COUNCIL

	This Month	6 Months to Date
Fatalities	0	0
Notifiable Incidents under H&S at Work Act 2015	0	1

Range of Incidents, Injuries and Near-hits

The graph below illustrates the range of incidents, injuries and near-hits encountered. It 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.

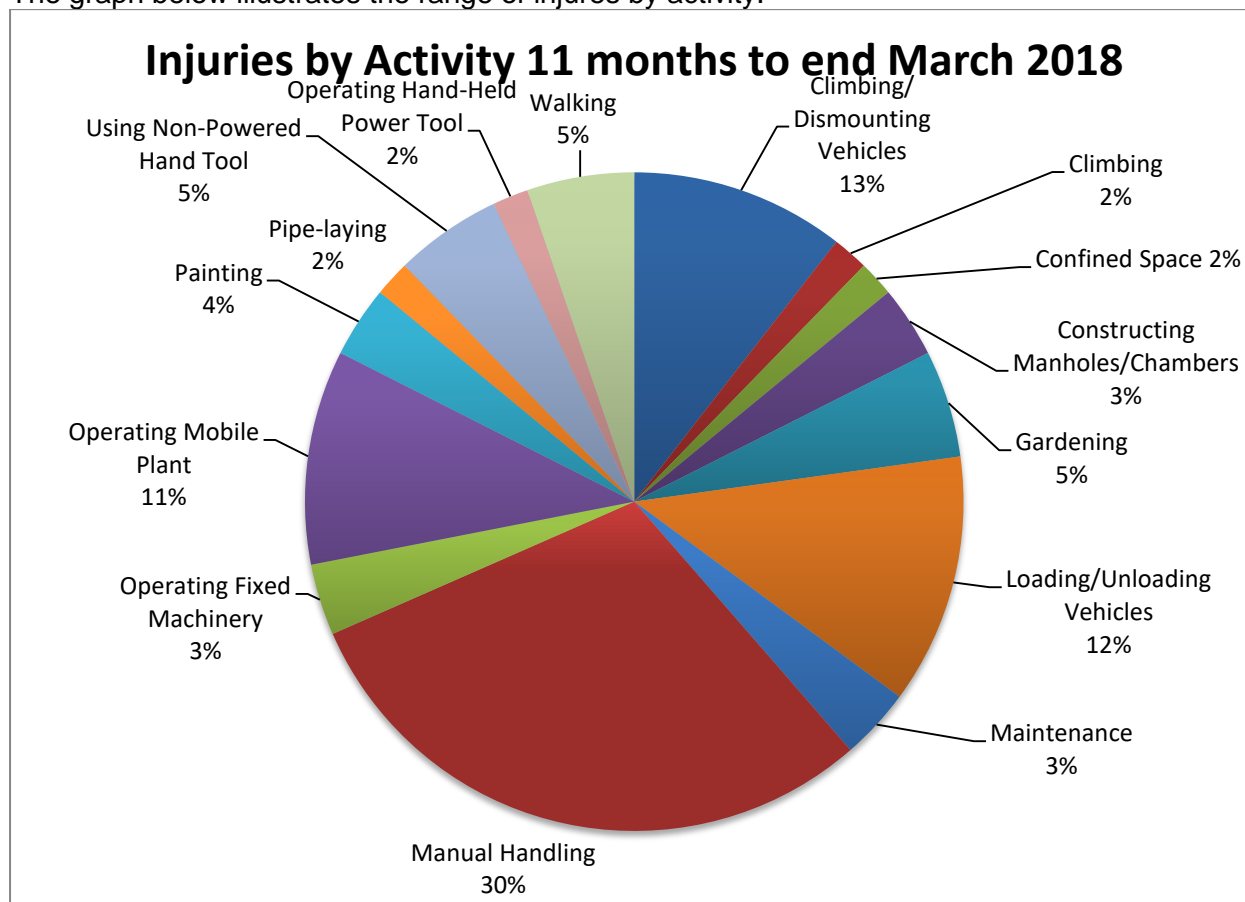
The monthly totals continue to show a slight but continuous reduction over time. The reporting of near-hits remains high, which is pleasing (in terms of workplace culture) and the observations gained are fed back into the workforce through the People Safe system, tool box meetings and the like.





### Injuries by Activity Type

The graph below illustrates the range of injuries by activity.



This month's recorded injuries again centred mostly around working with vehicles and manual handling. These are in the highest risk group of activities in terms of injuries: **working around vehicles; operating mobile plant** and **manual handling** accounting for  $(13+12+11+30) = 66\%$ . Staff training is focused accordingly. Vehicles and plant are well maintained through the on-site Garage service. Wet weather may be factor (see Page 3 above).

### Quarterly Report

When full historic data are available, quarterly reports will provide the following:

1. The latest Quarter's results
2. Comparison with previous Quarter
3. Comparison with the same Quarter from the previous year
4. 12 months to date

At the moment we have sufficient data for 1 and 2 above. The next monthly report will include item 4, which is a summary of the 12 months to date.

Quarterly Metric	Benchmark	2017-Q4	2018-Q1	Change, %
All Incidents (injury and non-injury); per 200,000 hours	-	1.81	2.42	+33
Total Recordable Injuries (TRIFR); per 200,000 hours	3.29	1.09	1.21	+11
Lost Time Injuries (LTI); per 200,000 hours	1.54	0.48	1.09	+125
Fatalities; number	-	0	0	0
Notifiable Incidents under H&S at Work Act 2015; number	-	0	1	+100

There has been an increase in all metrics compared to the previous quarter. This was mainly due to one Notifiable Incident in January, which the first in 8 months and has not been repeated since. All metrics remain well below national benchmarks. The next Quarterly Report is due in early July for 2018-Q2.

#### PeopleSafe Metrics

We remain mindful that lagging indicators such as those in the previous section represent failure. They must be supplemented by other measures that provide positive assurance that good practices aimed at preventing injuries and incidents are implemented (leading indicators). PeopleSafe provides a number of metrics against which we can measure our preparedness.

This month shows a slight improvement in how up to date we are, but we remain short of staff time resources to make significant progress.

Our targets are summarized below and expanded upon in the following paragraphs.

PeopleSafe Metric	Up to Date		Comments
	Target, %	Complete, %	
Stories	90	98	Some reviews overdue for recording.
Gear	95	99	Large group tested in March.
Safety Plans	95	-	In process.
People	98	-	100% of staff in the system, but completing data entry of each staff member still in process.
Training	90	97.5	Some data entry still in process

**Stories.** 175 Stories have been told in the year to date, with 11 in the last month. “Tell Your Story” is the PeopleSafe way of recording events that happen at work such as Accidents, Injuries, Close Calls, Damage, Risks and Hazards. All staff members on the People Safe system get a login so they can easily let us know what’s going on. 4 reviews are in progress, all 4 of which are overdue. This is  $(171 / 175) = 98\%$  up to date, which is a 3% improvement on last month.

**Gear.** We have 966 items logged in People Safe, sorted into 45 types ranging from heavy trucks to portable electrical appliances. The 32 items of equipment held in the former laboratory building have been disposed of. The latest scheduled safety testing during March has been completed by B&M Electrical and records will be loaded into People Safe. We are  $(958/966) = 99\%$  up to date, which is a 2% improvement on last month.

**Risks and Safety Plans.** This is a work in progress, because we need to document all of our plans in the People Safe system. Currently we have:

- Risks: no new risks identified this month, though 18 new Risks remain to be reviewed. 143 in total Risks documented.
- Safety Plans: No new scheduled Safety Plan reviews are due in the next month, though 3 existing plans have expired and need renewal. Arising from this we have 29 Plans and Actions needed; these are in process.

This has been the case for some time and we will require more staff time resources to maintain momentum. Once we have established our plans in the People Safe system we will aim to have 95% of all actions up to date at each month-end.

**People.** All 228 staff members in the teams that use People Safe are in the system. We added 6 new staff this month. Completing all People information in the system is well progressed. When this is complete we will aim to have all People information 98% up to date at all times.

**Training.** The training for the Job Skillsets is making process. We have a range of 172 training courses and skills logged in the system for tracking against staff skillsets. Once we have established our training records in the People Safe system we will aim to have 90% of all training actions up to date at each month-end. 1782 training tasks have been done in the year to date, with 3 in the last month. 45 training tasks are expired or not up to date. That's  $(1737/1782) = 97.5\%$  up to date. This sustains last month's level.

In general, all of the above categories are progressing at about the same rate or slightly better than last month. Full implementation of People Safe in terms of information input is taking some time due to lack of dedicated staff resources; we are looking at ways to address this from existing staff numbers.

**Paul Compton**

Logistics and Support Manager

12 April 2018

## PALMERSTON NORTH CITY COUNCIL

## Attachment Two

Event	Jun 17	Sep 17	Dec 17	Mar 18
Accident and Event Investigation		12		
Blood Levels Lead Based Paint				10
BRANZ Bracing Seminar				
Brushwood Chipper Training			11	
Business First Line Management L4			1	
Chainsaws Use and Safety				
Collections Induction		5		
Confined Space Entry			5	15
Dealing with Difficult People		17		
Dealing with Mental Health		24		
Defibrillator Training			20	
Driver Assessment Training	17	18	2	14
Driver's License – Class 1R (Restricted)			1	
Driver's License – Class 2L (Learners)	1			
Driver's License – Class 5L (Learners)	1			
Driver's License – Class 4L (Learners)	1		1	
Driver's License – Class 1 (Car License)	3	4	2	4
Driver's License – Class 2 (Medium Rigid Vehicle)	2	3	3	2
Driver's License – Class 3 (Medium Combination)			1	
Driver's License – Class 4 (Heavy Rigid)	1	3	2	1
Driver's License – Class 5 (Heavy Combination)			1	
Driver's License – Class 6 (Motorcycle)		1		
Elevated Working Platform (Scissor Lift and Boom)	7			
Emergency Management CIMS4				
Endorsement (D) Dangerous Goods	1			
Endorsement (F) Forklift	1	1	4	2
Endorsement (R) Roller	6	3	3	3
Endorsement (T) Tracks	6	3	2	3
Endorsement (W) Wheeled Special Type	6	3	3	4
Fall Arrest System Refresher, Rope & Abseiling Refresher	5			
First Aid Certificate	3	2	1	1
Forklift OSH Certificate	9	3		
Harassment Prevention and Awareness			34	42
H&S at Work Act 2015 (The Journey)	8			
How To: Tell Your Story	1			

Internal Training – Basic Asbestos Induction	1			
Internal Training – Easy Start Orientation	2	12	23	10
Internal Training - Collections Induction Video		8		
Internal Training – Forklift SOP			6	
Internal Training – Notifiable Events	1			
Kerbside Collection Traffic Leader	4			
Managing Performance Masterclass				
Move at Work (Manual Handling)		32		
NC in Sports Turf L5	1			
NZ Certificate in Infrastructure Level 2			2	
Playground Safety Inspections Level 2			2	
Safe Work Zones				
Site Induction Training: Collections				
STMS Level 1 – Site Traffic Management	5	12		3
TC1 – Basic Traffic Controller Level 1	15	5	4	2
Tractor and LUV Training Level 2			6	
Truck Loader Crane/Hi Ab		10	3	3
WCTL (Waste Collection Traffic Leader)	2			
<b>Total Number of Events</b>	<b>26</b>	<b>21</b>	<b>27</b>	<b>16</b>
<b>Total Number of Staff Attending</b>	<b>110</b>	<b>181</b>	<b>143</b>	<b>129</b>

- Highlighted Courses are for new staff, in addition all new staff complete a H&S induction.
- In total 93 individual staff received training in this quarter.

**COMPLIANCE AND ADMINISTRATION**

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

**ATTACHMENTS**

Nil

Wayne Wilson  
Human Resources Manager

## MEMORANDUM

**TO:** Audit and Risk Committee

**MEETING DATE:** 21 May 2018

**TITLE:** Delegations Manual - Amendment to Powers of Chief Executive

**DATE:** 4 May 2018

**AUTHOR/S:** Fiona Dredge, Business Development Executive, City Corporate

### RECOMMENDATION(S) TO COUNCIL

1. That Council approves the following changes to the Delegations Manual:
  - a. Addition to clause 140 with definitions for “Capital New Budget” and “Capital Renewal Budget” as set out in Appendix 1; and
  - b. Replacement of existing clauses 204, 207, 208 and 209 with those set out in Appendix 1.

### 1. ISSUE

At the Finance and Performance Committee meeting of 19 March 2018, the Chief Financial Officer reported on the financial delegations from Council to the Chief Executive, especially in relation to authorising increases in expenditure over budget. An issue was identified about the practicality of the current delegations in relation to small value capital programmes. Consideration of this matter was referred to the Audit and Risk Committee.

This memo proposes amendments to the Chief Executive’s financial delegations from Council to ensure they are fully workable.

### 2. BACKGROUND

The current delegations allow the Chief Executive to enter into any transaction less than or equal to 50% of the Specified Sum (50% is currently \$800,000) provided the total amount of the Operating Budget at an Activity level or the Capital Programme Budget is not exceeded.

The Chief Executive may authorise an increase in expenditure over the Operating Budget or Capital Programme Budget provided that:

- 1) Council has not previously declined to approve an increase in expenditure in relation to the relevant budget; and
- 2) The Chief Executive is of the opinion that the original budget is not or will not be adequate to best achieve the intended outcome; and
- 3) Savings are made from other Operating Budgets or Capital Programme Budgets to offset the increase (savings must not adversely affect the ability of the organisation to deliver intended levels of service); and
- 4) The aggregate change to any Operating Budget or Capital Programme Budget cannot exceed 50% of the Specified Sum or 30% of the relevant budget, whichever is smaller. The current maximum is \$800,000 per annum.

The delegations require the Chief Executive to report details of budget variations to the Finance and Performance Committee.

Council approval is required for any expenditure requests outside of the above parameters. As mentioned in the earlier report to the Finance and Performance Committee, these requests mainly cover events or timing(s) that were not foreseen during the budgeting process.

The current delegations appear to be working well in relation to Operating Budgets. This is largely because they function at an Activity level which allows adequate flexibility for the organisation to function efficiently and effectively within the above parameters. This is important if the organisation is to be agile and to achieve the desired goal of being driven and enabling.

In contrast, there is currently less flexibility in relation to capital expenditure as the delegations apply at the individual capital programme level. The capital programmes in Council's 10 Year Plan and Annual Budget range considerably in value. In the Annual Budget 2017/18 for instance, the capital programmes range in value from \$5,000 to \$5,200,000. For the smallest capital programmes, this means that approval from Council is required for additional expenditure above \$1,500 per annum.

It is therefore proposed to amend the delegations for capital programmes by using the same approach as is used for operating expenditure. Instead of applying the delegations to individual capital programmes, it is proposed that the delegations function at an Activity level. This means that the Chief Executive would have authority to enter into transactions as long as the total Capital Renewal Budget or total Capital New Budget in respect of an Activity is not exceeded.

The Chief Executive would have authority to increase capital expenditure at an Activity level if equivalent savings were made from another Activity to offset the increase. The other parameters set out above would still apply as would the requirement to report details to the Finance and Performance Committee.



As the financial limit for aggregate changes would apply at the Activity level the proposed approach effectively reduces the Chief Executive's current authorisation in relation to the sum of potential changes to individual capital programmes within a single Activity.

Exceptions would apply so that the Chief Executive could not enter into transactions related to individual capital programmes that Council has previously declined. Similarly, the Chief Executive would not have authority to increase expenditure on individual capital programmes where Council has previously reduced the budget.

One of the consequences of the amended approach is that it would allow the Chief Executive to authorise expenditure on unbudgeted capital items. It is proposed to limit that authority to \$50,000 in each case.

The proposed changes are set out in the appendices including two new definitions. Appendix 1 shows a clean version with the proposed changes incorporated. A marked up version is shown in Appendix 2.

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

### ATTACHMENTS

1. Appendix 1 - Proposed Amendments [!\[\]\(896151ec231b70900e969d67696ca48d\_img.jpg\)](#) [!\[\]\(a852c5461f8be0331350e2cc706daa68\_img.jpg\)](#)
2. Appendix 2 - Proposed Amendments Marked Up [!\[\]\(ea6e8863987d5c963d93ad4125360939\_img.jpg\)](#) [!\[\]\(7d2ec212cb950e0dc0d0fb2c13137ad5\_img.jpg\)](#)

Fiona Dredge  
**Business Development**  
**Executive**

## APPENDIX 1

## RECOMMENDED AMENDMENTS TO DELEGATIONS MANUAL

Definitions

140. For the purposes of this Manual the words and phrases set out below have the following meanings:

...

- “Capital New Budget”** means the “total” sum of the Capital New Programmes recorded for a Financial Year and in respect of an Activity:
- (a) in the last adopted 10 Year Plan; and
  - (b) as amended pursuant to an adopted Annual Budget or amendment to the 10 Year Plan or by resolution of Council.
- “Capital Renewal Budget”** means the “total” sum of the Capital Renewal Programmes recorded for a Financial Year and in respect of an Activity:
- (a) in the last adopted 10 Year Plan; and
  - (b) as amended pursuant to an adopted Annual Budget or amendment to the 10 Year Plan or by resolution of Council.

## FINANCIAL DELEGATIONS

Transactions

- 204 The Chief Executive may take all steps necessary to enter into, approve, execute, complete or otherwise authorise, and vary any Transaction provided that Council has not previously declined to approve the relevant individual Programme Budget to which the Transaction relates and except where the Transaction imposes an obligation on Council to Expend, in any Financial Year, an amount:
- (a) that is more than 50% of the Specified Sum; or
  - (b) exceeds the total amount of the Operating Budget or total Capital Renewal Budget or total Capital New Budget (as adjusted by any Budget Variation) in respect of the Activity to which the Transaction relates, either alone or in aggregate with all other Expenditure the Council is committed to make in respect of the relevant Activity; or
  - (c) exceeds the individual Capital Programme Budget to which the Transaction relates, either alone or in aggregate with all other Expenditure the Council is committed to make in respect of the relevant Capital Programme where Council has previously reduced the individual Capital Programme Budget; or
  - (d) exceeds the sum of \$50,000, either alone or in aggregate with all other Expenditure the Council is committed to make in respect of any unbudgeted item that would otherwise have been treated as an individual Capital Programme,

in all cases measured at the date the Council becomes obliged to incur the Expenditure.

#### Variation of Budgets

- 207 Subject to clause 209, the Chief Executive may at any time authorise an amount to Expend in respect of an Activity that is in excess of the original total Capital Renewal Budget provided that Council has not previously declined to approve excess Expenditure in relation to that total Capital Renewal Budget or reduced the relevant individual Capital Programme Budget and:
- (a) the Chief Executive is of the opinion that the original total Capital Renewal Budget is not or will not be adequate to best achieve the outcome intended from that Activity; and
  - (b) Savings are made from the total Capital Renewal Budget of one or more other Activities that, in aggregate, equal the authorised increase in Expenditure for the relevant Activity.
- 208 Subject to clause 209, the Chief Executive may at any time authorise an amount to Expend in respect of an Activity that is in excess of the original total Capital New Budget provided that Council has not previously declined to approve excess Expenditure in relation to that total Capital New Budget or reduced the relevant individual Capital Programme Budget and:
- (a) the Chief Executive is of the opinion that the original total Capital New Budget is not or will not be adequate to best achieve the outcome intended from that Activity; and
  - (b) Savings are made from the total Capital New Budget of one or more other Activities that, in aggregate, equal the authorised increase in Expenditure for the relevant Activity.
- 209 The Chief Executive's authority to approve Budget Variations is limited, in any Financial Year, in respect of:
- (a) Any Operating Budget or total Capital Renewal Budget or total Capital New Budget to an aggregate change that is less than or equal to 50% of the Specified Sum or 30% of the relevant Operating Budget or total Capital Renewal Budget or total Capital New Budget (whichever is the lesser); and
  - (b) Any unbudgeted item that would otherwise have been treated as an individual Capital Programme to an aggregate change that is less than or equal to \$50,000.

## APPENDIX 2

## RECOMMENDED AMENDMENTS TO DELEGATIONS MANUAL

Definitions

140. For the purposes of this Manual the words and phrases set out below have the following meanings:

...

<b><u>“Capital New Budget”</u></b>	means the “total” sum of the Capital New Programmes recorded for a Financial Year and in respect of an Activity: (a) in the last adopted 10 Year Plan; and (b) as amended pursuant to an adopted Annual Budget or amendment to the 10 Year Plan or by resolution of Council.
<b><u>“Capital Renewal Budget”</u></b>	means the “total” sum of the Capital Renewal Programmes recorded for a Financial Year and in respect of an Activity: (a) in the last adopted 10 Year Plan; and (b) as amended pursuant to an adopted Annual Budget or amendment to the 10 Year Plan or by resolution of Council.

## FINANCIAL DELEGATIONS

Transactions

- 204 The Chief Executive may take all steps necessary to enter into, approve, execute, complete or otherwise authorise, and vary any Transaction provided that Council has not previously declined to approve the relevant individual Programme Budget to which the Transaction relates and except where the Transaction imposes an obligation on Council to Expend, in any Financial Year, an amount:
- (a) that is more than 50% of the Specified Sum; or
  - (b) exceeds the total amount of the Operating Budget or total Capital Programme Renewal Budget or total Capital New Budget (as adjusted by any Budget Variation) in respect of the Activity ~~or Capital Programme~~ to which the Transaction relates, either alone or in aggregate with all other Expenditure the Council is committed to make in respect of the relevant Activity ~~or Capital Programme; or~~
  - (c) exceeds the individual Capital Programme Budget to which the Transaction relates, either alone or in aggregate with all other Expenditure the Council is committed to make in respect of the relevant Capital Programme where Council has previously reduced the individual Capital Programme Budget; or
  - (b)(d) exceeds the sum of \$50,000, either alone or in aggregate with all other Expenditure the Council is committed to make in respect of any unbudgeted

item that would otherwise have been treated as an individual Capital Programme,

in ~~each~~all cases measured at the date the Council becomes obliged to incur the Expenditure.

207 Subject to clause 209, the Chief Executive may at any time authorise an amount to Expend in respect of ~~a Capital Renewal Programme~~an Activity that is in excess of the original total Capital ~~Programme—Renewal~~ Budget ~~for that Capital Renewal Programme,~~ provided that Council has not previously declined to approve excess Expenditure in relation to that total Capital Renewal ~~Programme—Budget~~ Budget or reduced the relevant individual Capital Programme Budget and:

- (a) the Chief Executive is of the opinion that the original total Capital ~~Programme Renewal~~ Budget is not or will not be adequate to best achieve the outcome intended from that ~~Capital Renewal Programme~~Activity; and
- (b) Savings are made from the total Capital ~~Programme—Renewal~~ Budget of one or more other ~~Capital Renewal Programmes~~Activities that, in aggregate, equal the authorised increase in Expenditure for the relevant ~~Capital—Renewal Programme~~Activity.

208 Subject to clause 209, the Chief Executive may at any time authorise an amount to Expend in respect of ~~a Capital New Programme~~an Activity that is in excess of the original total Capital ~~Programme—New~~ Budget ~~for that Capital New Programme,~~ provided that Council has not previously declined to approve excess Expenditure in relation to that total Capital New ~~Programme—Budget~~ Budget or reduced the relevant individual Capital Programme Budget and:

- (a) the Chief Executive is of the opinion that the original total Capital ~~Programme New~~ Budget is not or will not be adequate to best achieve the outcome intended from that ~~Capital New Programme~~Activity; and
- (b) Savings are made from the total Capital ~~Programme—New~~ Budget of one or more other ~~Capital New Programmes~~Activities that, in aggregate, equal the authorised increase in Expenditure for the relevant ~~Capital—New Programme~~Activity.

209 The Chief Executive's authority to approve Budget Variations is limited, in any Financial Year, in respect of:

(a) —aAny Operating Budget or total Capital ~~Programme—Renewal~~ Budget or total Capital New Budget to an aggregate change that is less than or equal to 50% of the Specified Sum or 30% of the relevant Operating Budget or total Capital ~~Programme—Renewal~~ Budget or total Capital New Budget (whichever is the lesser); and

(a)(b) Any unbudgeted item that would otherwise have been treated as an individual Capital Programme to an aggregate change that is less than or equal to \$50,000.

## MEMORANDUM

**TO:** Audit and Risk Committee

**MEETING DATE:** 21 May 2018

**TITLE:** Management Agreed Audit Corrective Action Quarterly Progress

**DATE:** 30 April 2018

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

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### RECOMMENDATION(S) TO AUDIT AND RISK COMMITTEE

1. That the Committee receive this Memorandum and its Appendixes for information.

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### 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. Several corrective actions have been implemented and therefore will come off the schedule at the next reporting time.

## External Audit

5. The corrective actions recommended by the Audit New Zealand in Appendix B includes those items requiring management action from:
- The Final Management Report 2016/17 received in November 2017 for the final audit of the Palmerston North City Council's Annual Report.
  - Appendix B 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.

## COMPLIANCE AND ADMINISTRATION

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

## ATTACHMENTS

1. Appendix A Internal Audit Management Agreed Corrective Action - Timeline Missed [!\[\]\(4decd7f4d36b8b21e9f05326cc7983ef\_img.jpg\)](#) [!\[\]\(c3e0af516d5b5e8e8267fd350d6c692b\_img.jpg\)](#)
2. Appendix B Implementation Progress on Audit NZ Recommendations [!\[\]\(ad3940efc458c16a00757f90b2b0f20a\_img.jpg\)](#) [!\[\]\(b5a44eef4a0a9f0e098bf66a2a8700b9\_img.jpg\)](#)

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 March 2018)  
(Agreed Timeline missed by 6 months or longer)

MT	Original Timeline	Unit	Audit Issue	Agreed Corrective Act ions	Significance of each action	Updated Timeline	Management Comments	Progress at March 2018 toward full implementation
	<b>IT Disaster Recovery and Backups Review (Final Report1165731 Follow Up 1727849)</b>							
	Dec 2014	City Corporate	<b>3c)</b>	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.	<p><u>YTD March 2018 Update</u></p> <p>The Information Management division has both DRP (disaster recovery) and BCP (business continuity). BCP is tested on demand but no less than annually, DRP is technology focused and is tested monthly.</p> <p>Currently there are 2 major pieces of work underway to improve these processes, which include the migration and conversion of 150+ servers and 383 services to a new hypervisor which will improve our recovery times.</p> <p>In addition to this a redesign of parts of our network are also underway to improve the speed of our networks and internet access.</p> <p>Complimenting this work is the Office 365 and Windows 10 project; this will provide improved access to email, communications tools and documents for all staff during a disaster event.</p> <p>Information Management (IM) tests the systems multiple times per year on the Return to Operations (RTO) times and the current tested benchmark is one hour for all systems.</p> <p>The Management Team resolved on 8th May 2018 that an hour on the RTO is acceptable.</p>
	<b>Non-Financial Performance Measures (Final Report1166089 Follow Up 5425578)</b>							
	Feb 2015	City Networks	<b>5a)</b>	Provide more staff training on the requirement to enter the actual response timings from the job sheets not the data entry time.	Data may not be accurately captured and report	Dec 2018	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.	<p><u>YTD March 2018 Update</u></p> <p>The progress position remains as advised in December 2017, namely:</p> <p>The handheld mobile solution has been fully rolled out for scheduled maintenance job assignments.</p> <p>Relevant staff have been trained on the use of handheld mobile.</p> <p>However the roll out for unscheduled maintenance job assignments has been deferred pending a major software update by the IPS asset system provider, initially expected to be concluded by the 2017/18 third quarter. The USA provider is currently testing the software update however the actual roll out will not now commence until April 2018 and is expected to continue through until December 2018, including staff training.</p>



MT	Original Timeline	Unit	Audit Issue	Agreed Corrective Actions	Significance of each action	Updated Timeline	Management Comments	Progress at March 2018 toward full implementation
			5b)	Provide a system to verify the recorded response times.		Dec 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 begun with Council's IT department	<u>YTD March 2018 Update</u> Recommendation 5b is embraced into the handheld mobile solution.
				<b>Building Services Revenue Process (Final Report 801390 Follow Up 6042601)</b>				
	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.	May 2018	Agree and will implement	<u>YTD March 2018 Update</u> Software solution is currently being implemented though the work will not be completed until May 2018. This allows for software implementation, robust testing and staff training to occur.
				<b>Parking Collection Contract Management (Final Report 893010 Follow Up 6032564)</b>				
	June 2015	City Corporate	1 a)	Improve its guidance for its staff on contract management by explaining when a Contract Management Plan is expected to be prepared, how it will be authorised and what it should contain.	Staff may not have the appropriate tool to carry out their tasks	June 2018	Agreed that a standalone Guide for Service Contracts will be prepared.	<u>YTD March 2018 Update</u> Management continues to work on the best way forward to cater for the needs of the organisation regarding Contract Management.
				<b>Contract Management (Final Report 5482338 Follow Up 8193214)</b>				
	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	June 2018	Agreed and will implement. Review of Charter 12 of the H&S Manual will be undertaken.	<u>YTD March 2018 Update</u> Chapter 12 of H&S Manual has been reviewed and along with the full Manual will be recommended for adoption by the Main H&S Committee in May 2018.  With regard to the External Contractor's pre-qualification system Council has accepted a free one year trial by Impac Services Ltd to use their system while also retaining the internal Council system that has been operating in recent years. Once the one year trial concludes early in 2019 this aspect of Chapter 12 will be reviewed again.
				<b>Project Management (Final Report 6687588 Follow Up 8937936)</b>				
	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	<u>YTD March 2018 Update</u> A new service engagement process between City Networks and City Enterprises Technical Services is in place and this corrective action is complete.  Furthermore Programme Planning and Implementation templates were prepared for programmes included in the proposed 2018/28 10 Year Plan currently being consulted on.  A review of the Contract Administration Manual is well advanced with a first draft currently being peer reviewed. It is envisaged the final document will be approved by Senior Management late June 2018, after which staff briefing/training sessions will occur.



MT	Original Timeline	Unit	Audit Issue	Agreed Corrective Actions	Significance of each action	Updated Timeline	Management Comments	Progress at March 2018 toward full implementation
	June 2016	City Networks and City Enterprises	<b>8</b>	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	<u>YTD March 2018 Update</u> Several staff appointments have been made, along with some external consultant engagements directed at providing additional resourcing for delivery of the capital works programme. It is worth noting that the YTD March expenditure as a percentage of the total Annual Budget capital works programme for the recent three year period has been increasing as follows: <ul style="list-style-type: none"> <li>• 2017/18 – 46%</li> <li>• 2016/17 – 42%</li> <li>• 2015/16 – 38%</li> </ul>
	Sept 2016	City Networks	<b>10 a</b>	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	June 2018	Will Implement	<u>YTD March 2018 Update</u> Unfortunately work associated with concluding the Asset Management Plan reviews has meant the further project management training session has been deferred from March to May/June 2018.
	By Sept 2016	City Networks	<b>15</b>	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	June 2018	Agree we could do this better and will implement.	<u>YTD March 2018 Update</u> As part of a broader Good Practice Improvement Programme, City Networks is reviewing the Collaborative Working Practices arrangements, including the associated risk registers. That review is currently underway and expected to be completed by June 2018.
	July each year		<b>4a)</b>	Complete the Project Execution Plan process promptly and effectively after the Annual Plan is finalised.	The timeliness of planning may not be optimal.	July 2017	Agree and will implement.	<u>YTD March 2018 Update</u> The Management Team (MT) took more ownership of the Capital programme this year focussing on individual projects, so the list was taken to MT in September 2017. The MT required a shorter list (6), which was approved by Management Team in October 2017
	<b>Environmental Protection Service 6014386 follow up: 8193343) (Re: Annual Control, Noise Control etc.)</b>							
	March 2016	Customer Services	<b>9</b>	a) Adopt a proactive approach to contractor H&S obligations.  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	<u>YTD March 2018 Update</u> a) Quarterly meetings with Armourguard (noise) and Personal Protection Services (Animal Control) have been established. Action complete.  b) Manager has received tools for carrying out the audits which will enable 2 yearly audits to occur starting in May 2018. Action complete.





MT	Original Timeline	Unit	Audit Issue	Agreed Corrective Actions	Significance of each action	Updated Timeline	Management Comments	Progress at March 2018 toward full implementation
							2016.	<b>This is the last time the above 2 actions will appear on this schedule.</b>
	<b>Budget Setting (6774311, follow up 8191226)</b>							
	June 2016	City Corporate	<b>2</b>	a) Seek ways to better engage with the Business Units in Information Management (IM) Planning. This might involve the following: <ul style="list-style-type: none"> <li>– by better aligning the planning cycle to accommodate the business needs</li> <li>– by ensuring that the right people are involved in the planning and, by senior Managers posing strategic questions for the business Units to address.</li> </ul> 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 <sup>th</sup> June with the draft document ready to distribute to Management Team.	<u>YTD March 2018 Update</u> The IMSP was put on hold in December 2017 and work on strategic plan initiatives suspended pending direction from the Digital Strategy working group. The content of the IMSP is incomplete at this time, but consists of a high level vision, goals, strategies and 9 programmes of work including: <ul style="list-style-type: none"> <li>• Collaborative Intranet</li> <li>• Big Data</li> <li>• Shared Services</li> <li>• Workflow &amp; Automation</li> <li>• Access &amp; Security</li> <li>• Unified Communications</li> <li>• Enterprise Search/Storage</li> <li>• Architecture Remodeling</li> <li>• Online Services (internal &amp; external)</li> </ul> It is expected that this work will be incorporated as a part of the Digital Transformation project.
	<b>Review of Development Contributions (Final Report 8337085 Follow Up 9531467)</b>							
	May 2017	Customer Services	<b>6</b>	Add the development of a more efficient process for monitoring the payment of Development Contributions to Customer Services Projects Improvement List and complete the improvement (rather than duplicating information in 2 systems: an Excel spreadsheet and the Ozone regulatory module)	The process may be inefficient and lack integrity	March 2018	Agree to action.	<u>YTD March 2018 Update</u> A report has been developed and implemented for monitoring electronically the payment of Development Contributions. Action complete  <b>This is the last time this action will appear on this schedule.</b>
	<b>Procurement Planning (Final Report 6343537 Follow up 8191561)</b>							
	March 2016	City Networks	<b>1b)</b>	Develop the Programme Planning & Implementation Guideline/Template to include Guidance on when a Procurement Plan or Full Procurement Plan should be prepared and what it should cover.	Lack of planning leads to poor value for money. Non completion of plans.	June 2018	Agree and will implement.	<u>YTD March 2018 Update</u> This audit issue is being addressed under Recommendation 5(a) of the Contract Tendering / Proposal Process Audit – November 2017. In particular the corrective action of developing a template is being incorporated into the Contract Administration Manual review which





MT	Original Timeline	Unit	Audit Issue	Agreed Corrective Actions	Significance of each action	Updated Timeline	Management Comments	Progress at March 2018 toward full implementation
								is expected to be concluded late June 2018
	June 2016	City Corporate	<b>2b)</b>	Include in the Life Cycle Procurement Manual the criteria when a Business/justification case (s) should be prepared, further details on needs and the preparation of options analysis.		June 2018	Agree and will implement.	<u>YTD March 2018 Update</u> Management continues to look for someone with an expertise in Procurement practice to enhance the Council's procurement processes.
	June 2016	City Corporate	<b>3a)</b>	Introduce a 'bring up' system for Procurements, which will have planning implications.	Procurement Planning may not start on time. Some contracts may run over time and continue on an informal basis. Resourcing of Procurement may end up not being practical.	June 2018	Agreed and will implement.	<u>YTD March 2018 Update</u>  Further communications have been given to All Staff and the recording of contracts has increased since this communication. The Records Team is still working with areas that hold old contracts but not currently recorded into the Contract Register.
	June 2016	City Networks	<b>3b)</b>	Formalise, in Lifecycle Guidance, the process for Review of Contracts, so it is mandatory to complete a formal performance assessment of the existing contractor and to complete an assessment of the ongoing need for the goods or services at the end of the contract.	Continued use of a non performing contractor or unfair treatment or a contractor.	June 2018	Agreed and will implement, subject to 6a). (6a- Review MT70 Purchasing (Procurement) Policy).	<u>YTD March 2018 Update</u>  The Contract Administration Manual is well advanced with a first draft currently being peer reviewed. It is envisaged that the final document will be approved by Senior Management in June 2018 after which staff briefing/training sessions will occur.
	June 2016	City Networks	<b>3c)</b>	Monitor completion of this review process.	Informal completion of reviews of contractor performance before rollover.	June 2018	Agreed and will implement a process at the end of each financial year.	<u>YTD March 2018 Update</u>  This relates to 3b), above.
	June 2016	City Networks	<b>5a)</b>	Develop practical management metrics for the Procurement activities. E.g. Yes/No criteria, 'was a Procurement Plan necessary Yes/No?'. 'Was a Procurement Plan completed', Yes/No?	Management may not know if staff are completing Procurement Plans.	June 2018	Agreed and will implement. Also refer to 3c) (Procurement due reminders).	<u>YTD March 2018 Update</u>  This relates to 1b), above.
	June 2016	City Networks	<b>8</b>	Apply risk management tools to multi-year Procurement. (James Line)	Risks in multi-year Procurements may not be identified, assessed, treated and monitored.	June 2018	Agree and will implement.	<u>YTD March 2018 Update</u>  Management Team has requested updating of 8 Project Execution Plans (PEPs) for major projects carrying forward into the 2017/18 financial year. These PEPs include the main risks to each project and the associated mitigation actions.  In the case of James Line updating the PEP has been delayed because of uncertainty around some significant elements of these works, involving private property, boundary retaining walls and a large Stormwater culvert. This PEP will be updated by June 2018.
<b>Social Housing (Final Report:8449513 Follow Up 9469228)</b>								



MT	Original Timeline	Unit	Audit Issue	Agreed Corrective Actions	Significance of each action	Updated Timeline	Management Comments	Progress at March 2018 toward full implementation
	June 2017	City Future	<b>3a</b>	Clarify the position of existing and new tenants whose circumstances change, so they no longer meet the income eligibility criteria in the Social Housing Strategy.	Implementation of the Strategy may be inconsistent with the intentions of the authors of the Policy. There could be inconsistent treatment of some tenants.	Strategy review outcome pending	a) &b) This review has raised issues that need careful consideration and direction from Council. We will direct the working group to consider these matters.	<u>YTD March 2018 Update</u> These recommended actions will need to be revisited once Council's new strategic direction is adopted, as major changes in this area are proposed. The actions may no longer be relevant.
	June 2017	City Future	<b>3b</b>	Establish an authorisation procedure for changing rentals from market rent to income related rents. Or, income related rents to market rents. (e.g. for the 20 Social housing units allocated for income related rentals).	Implementation of the Strategy may be inconsistent with the intentions of the authors of the Policy. There could be inconsistent treatment of some tenants.	Strategy review outcome pending		<u>YTD March 2018 Update</u> Refer 3a), above.
	May 2017	City Libraries and Community Services	<b>4a</b>	Confirm what changes to the checklist and ranking process are authorised.	Business processes could change without authority. Internal control could be reduced in rigour.	Feb 2018	Agree and will implement. This is directly related to recommendation 1.	<u>YTD March 2018 Update</u> All application, ranking and tenancy processes are now captured in Promapp, Council's process mapping software. Any changes to a business process now require authorisation by an appropriate Team Leader as process owner.  <b>This is the last time this action will appear on this schedule.</b>
	May 2017	City Libraries and Community Services	<b>4b</b>	Agree a process by which changes to processes can be authorised.	Business processes could change without authority. Internal control could be reduced in rigour.	Feb 2018	Agree and will implement	<u>YTD March 2018 Update</u> All process changes are now authorised by appropriate Team Leader as process owner.  <b>This is the last time this action will appear on this schedule.</b>
	May 2017	City Libraries and Community Services	<b>9b</b>	Monitor tenant arrears more effectively.	Arrears could be higher than necessary. Incorrect allocation decisions may be made. If there is no forwarding address recovery action may not be initiated.	Feb 2018	a) Agree. There needs to be management input to the monitoring of arrears. This will be the responsibility of City Libraries and Community Services. Tenancy revenue (and variances) to be reported to Libraries and Communities Services management monthly.	<u>YTD March 2018 Update</u> Following process was agreed between Finance and Library team.  "Rent periods" is used as the tipping point for chasing rent arrears. Follow up is between 1-4 weeks depending on payment method.  For tenants on direct debit (DD), we know within a few days if their payment dishonours. Action is then taken as soon as the notification of dishonour is received from City Corporate, and the Rent Arrears Procedure is then followed. For tenants not on DD, they are noted on the monthly arrears report when they are 2 periods in arrears, and the Rent Arrears Procedure is then followed from then.  <b>This is the last time this action will appear on this schedule.</b>





### Audit New Zealand Final 2017 Management Report to Council Implementation Progress Status - March 2018

The following table is a summary of issues raised by Audit New Zealand in their final management report to the Council received November 2017, together with management comment, responsibility and status of any implementation where implementation is required. Future quarterly updates will include updated progress in achieving the agreed action. It includes from the report only those items requiring action. The November 2017 report includes only issues raised from previous reports where implementation is continuing.

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

Audit reference	Agreed Action	Person responsible	Target date	Status
2.1	<p><b>Actual renewals and capital expenditure below forecasts -</b></p> <ul style="list-style-type: none"> <li>continue to implement the action plan, internal audit's findings from 2015/16, our review recommendations on procurement, contract management, and project management (refer 2.2); and</li> <li>review the capital budgets of projects going into the next LTP to ensure these have realistic timeframes.</li> </ul>	<p>General Manager, City Networks</p> <p>Waste &amp; Water Services Manager</p> <p>Roading Manager</p> <p>Parks &amp; Property Manager</p>	Ongoing	<p><b>Management comment</b></p> <p>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.</p> <p>With the LTP now being prepared capital programmes included are being reviewed to ensure that they are appropriate and have realistic timeframes.</p> <p><b>Update December 2017</b></p> <p>Action plan continues to be implemented including improving monitoring reporting. Programme timeframes are being reviewed as part of inclusion in the draft LTP.</p> <p><b>Update March 2018</b></p> <p>Additional contract project management resources engaged for significant capital new programmes, allowing internal staff to deliver more routine capital new programme works. Capital renewals on target to</p>

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Audit reference	Agreed Action	Person responsible	Target date	Status
				achieve significantly higher completion levels by year end. Further work being undertaken to increase internal capacity to complete early scoping and consenting of projects at least 1 year prior to delivery.
2.2	<p><b>Review of procurement, contract management, and project management –</b></p> <p>Within procurement that conflict of interest declaration forms are properly completed; staff who are involved in procurement are aware of the different types of conflict of interest and how these should be managed; declaration forms be treated as a live document and updated numerous times throughout the procurement; a procurement strategy or plan to be completed for every significant project prior to tendering; an analysis of procurement risk as part of procurement planning; there is evidence that the processes at key stages has been conducted fairly and appropriately.</p> <p>For contract management within the audit process include a review of the data that is being placed there and formally documenting the required documents that are needed in the contract management system.</p> <p>Recommendations made by internal audit continue to be progressed with changes formally documented and staff made aware of these.</p>	<p>General Manager, City Networks</p> <p>Waste &amp; Water Services Manager</p> <p>Roading Manager</p> <p>Parks &amp; Property Manager</p>	30 November 2017	<p><b>Management comment</b></p> <p>A review of 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) will be conducted.</p> <p>A bi-annual audit of contract management records and files and formally documenting required contract file information will be actioned.</p> <p>Internal Audit recommendations will continue to be progressed with changes to be documented and staff advised.</p> <p><b>Update December 2017</b></p> <p>Timing of implementation to be finalised.</p> <p><b>Update March 2018</b></p> <p>Progress has been made on the agreed actions. However full implementation will extend into the 4th quarter of 2017/18.</p>
2.3.1	<p><b>Current performance framework -</b></p> <p>As part of the LTP process, review performance measures to ensure they are</p>	Head of Community Planning	Complete	<p><b>Management comment</b></p> <p>All LTP KPIs are currently being reviewed.</p>



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Audit reference	Agreed Action	Person responsible	Target date	Status
	appropriate and measurable.			<p><b>Update December 2017</b> KPIs have been reviewed to ensure they are appropriate and measureable for the draft LTP.</p> <p><b>Update March 2018</b> Business Rules are being developed to ensure KPIs are reported properly.</p> <p><b>Management comment</b> Consideration will be given 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.</p> <p><b>Update December 2017</b> Timing of implementation to be finalised.</p> <p><b>Update March 2018</b> Business Rules are being developed to ensure KPIs are reported properly.</p> <p><b>Management comment</b> 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.</p> <p><b>Update December 2017</b> No change.</p> <p><b>Update March 2018</b></p>
2.3.2 Appendix 2	<b>Mandatory performance measures -</b> Continue to make improvements to the collection, integrity of and changes to data, reporting and review of data. This includes incorporation of DIA guidance issued and audit of inputs of contractors.	<p>Roading Manager</p> <p>Waste &amp; Water Services Manager</p> <p>Head of Community Planning</p>	June 2018	
2.5	<b>Rates legislative compliance -</b> Seek independent legal advice over the rating process given the importance of rates funding and the increased public scrutiny and legal challenges being seen throughout the country.	<p>Strategy Manager</p> <p>Finance</p>	June 2018	

## Appendix B 4 of 7

Audit reference	Agreed Action	Person responsible	Target date	Status
Appendix 2	<p><b>Business Continuity Plan -</b> Business Continuity Plan should be finalised and re-tested. Plans be regularly updated and tested.</p>	<p>Information Manager Head of Emergency Services</p>	Ongoing	<p>Legal review underway.</p> <p><b>Management comment</b> BCP is tested regularly. The current BCP is under review so that improvements can be made. Kestrel Consulting is currently gathering requirements from each unit relating to resources they need to continue to deliver service, as well as acceptable recovery times (RTO). 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. There is currently a roadmap being developed that will improve RTO further through the introduction of cloud services such as Office 365.</p> <p><b>Update December 2017</b> All relevant BCPs have now been completed by the external consultant Kestrel and are being reviewed by management. Training is programmed for early 2018.</p> <p><b>Update March 2018</b> The IM division have both DRP (disaster recovery) and BCP (business continuity). BCP is tested on demand but no less than annually, DRP is technology focused and is tested monthly. Currently there are 2 major pieces of work underway to improve these processes, which include the</p>

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Audit reference	Agreed Action	Person responsible	Target date	Status
				<p>migration and conversion of 150+ servers and 383 services to a new hypervisor which will improve our recovery times.</p> <p>In addition to this a redesign of parts of our network are also underway to improve the speed of our networks and internet access.</p> <p>All relevant BCPs have now been completed by the external consultant Kestrel and are being reviewed by management. Training is programmed for 2018.</p>
Appendix 2	<p><b>Financial statement reconciliations</b></p> <p>All financial statement reconciliations should be prepared in a timely manner and independently reviewed.</p> <p>During the final audit reconciliations were up to date and being reviewed periodically.</p>	Finance Manager	Completed	<p><b>Management comment</b></p> <p>All reconciliations are currently up to date and reviewed periodically.</p> <p><b>Update December 2017</b></p> <p>No change.</p>
Appendix 2	<p><b>Presentation of the financial overview in the annual report</b></p> <p>Ensure what is reported in the financial overview section of the annual report is a balanced summary for the year and that it does not take away from the results in the financial statements.</p> <p>Improvements have been made, however it is not ideal having non-GAAP table in financial overview, even if it is reconciled to the GAAP statements.</p>	Financial Accountant	30 June 2018 Completed and Ongoing	<p><b>Management comment</b></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> <p><b>Update December 2017</b></p> <p>Financial overview will be reviewed as part of review of the 2017/18 annual report format although limited change is considered necessary given that the basis of determining rates in the 2017/18 annual budget is unchanged.</p> <p><b>Update March 2018</b></p>

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Audit reference	Agreed Action	Person responsible	Target date	Status
Appendix 2	<p><b>Contract management</b> The City Council consider whether a whole of Council contract management system would be useful. It is agreed that a central contracts management system would be a preferred approach.</p> <p>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>	Information Manager	Completed	<p>No change in position.</p> <p><b>Management comment</b> 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><b>Update December 2017</b> A contracts register and supporting business process has been created to enable PNCC staff to monitor and manage contracts they are responsible for. There are also reports available which show the details of contract owners, values and expiry and renewal dates. A degree of automation has also been applied so that contract owners are notified when contracts need reviewing prior to these dates.</p> <p>Further enhancements of this process are underway with the development of a contracts analysis dashboard which will make it visually easier to gain an overall status view of PNCC contracts, values, suppliers etc.</p> <p>This work is dependent on the completion of the rollout of new business intelligence tools currently underway, expectation is this will be available in second quarter of 2018.</p> <p><b>Update March 2018</b></p>

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Audit reference	Agreed Action	Person responsible	Target date	Status
				This has been completed.



## MEMORANDUM

**TO:** Audit and Risk Committee

**MEETING DATE:** 21 May 2018

**TITLE:** An Internal Audit Report - Rates Revenue Process

**DATE:** 30 April 2018

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

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### RECOMMENDATION(S) TO AUDIT AND RISK COMMITTEE

1. That the Committee receive the Internal Audit report on the Rates Revenue process for information.

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### ISSUE

1. In keeping with the Internal Audit Charter, this memorandum keeps you informed of the recently completed internal audit (Appendix A).

### BACKGROUND

2. This audit is part of the Internal Audit 2017/18 Plan approved by this Committee.
3. The audit was carried out by the Internal Auditor; Swati Joshi.
4. This was an audit on the Council's internal controls on the rates revenue process to ensure the accuracy, completeness, validity and transparency of rates assessment information and collection.

### CONCLUSION

5. The audit concluded that there is a sound system of internal controls designed to achieve its objectives in general. The controls are being applied consistently.

6. However, as with all internal audits, we have made a suite of 25 recommendations for improvement. Of which management has agreed to implement more than 80% of them. This is a satisfactory outcome.

### NEXT STEPS

7. The Auditors will follow up the management agreed corrective actions in due course.

### COMPLIANCE AND ADMINISTRATION

Does the Committee have delegated authority to decide? If Yes quote relevant clause(s) from Delegations Manual <Enter clause>	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. Appendix A Internal Audit Report - Rating Processes [↓](#) 

Swati Joshi  
Internal Auditor

Vivian Watene  
Senior Internal Auditor



## Appendix A



### Rating Processes

### For Audit & Risk Committee

May 2018

## 1. Executive Summary

### 1.1. Overall Findings and Conclusions

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

- ✓ Information on Palmerston North City Council's differential rating categories, how to pay rates, information on rebates, remission & postponement application process and qualification process is available to the ratepayers on the Council's website.
- ✓ Officers responsible for processing rates were found to be aware of the conditions set out in the 'Rates and Funding Impact Statement', 'Rate Remission & Postponement Policy' and relevant legislative requirements governing the procedural requirements. All necessary procedural guidelines / desk files were found to be in place reflecting the current operational practise.
- ✓ There are appropriate controls and procedures in place to ensure the integrity and confidentiality of ratepayer's information, authorisation of refund requests, timely issue of rates invoice and assessment notices, receipting process and handling of ratepayer's application for rebates and remissions.
- ✓ On inspection of the Rates rebates, Remission & Postpone processes, it was found that decisions to provide the allowances were based on the criteria's set and that the records were controlled and accurately recorded.
- ✓ Council has consistently met the rates collection Key Performance Indicator target of 95 % with its current collection rate at 97 % over the years.

Overall, the system of internal control has been assessed as being good. However, our audit review identified some issues, that if addressed will strengthen the existing control environment. Summary of the recommendations are set out in the Section 2. Full details of the audit findings and recommendations are shown in section 3 of the report.

### 1.2. Background

This report has been prepared as a result of the agreed Internal Audit Plan for 2017-18, approved by the Audit & Risk Committee - see *Appendix A for the Terms of Reference which provides greater detail on agreed scope and our approach to this review.*

Council rates are rates set by Palmerston North City Council to help pay for local services. There is one council rates assessment for each property (residential / non-residential, rural or semi serviced) depending on the land use and whether it is owned or leased or classified as non-rateable. Palmerston North City Council has 15 property groupings / unit categories in total. These property groupings / unit categories are assigned and based on the land use. Each rateable property liable for council rates in Palmerston North has been allocated a unit category / group. Below are some statistics to give more perspective on the Rating process

Key Data	Year 2016/17	Year 2017/18 (to date)
Number of Rating units	32,361	32,451
Rates Collected (incl. GST)	\$ 99,446,000	\$ 102,207,173
Total Outstanding (incl. GST)	\$ 1,426,946	\$1,504,257
% Collection Rate	96.2% (3.8 % outstanding)	97 % (3.0 % outstanding)
Total Remissions (incl. GST)	\$ 471,146	\$ 452,673
Number of Rating units with Rebates on	2,118	1,837

The City Corporate unit officers have the overall responsibility for the administration and collection of rates as per the 'Rates and Funding Impact Statements'.

## 2. Summary of Issues & Recommendations

Issues & Recommendations		Risk Rating		
		High	Medium	Low
1.	<p><b>Sales notices not meeting processing timing targets</b></p> <p>Management should consider:</p> <ul style="list-style-type: none"> <li>a) It should be agreed between the City Corporate and Customer Services that all notices older than 5 days are to be notified to City Corporate for further investigation or follow-up.</li> <li>b) Setup a regular management monitoring and reporting between the City Corporate and Customer Services team so that necessary actions can be taken.</li> <li>c) Staff members dealing with pending Sales Notices should leave sufficient notes in OZONE (Financial Accounting Management System) to ensure audit trail of action being undertaken or in process.</li> </ul>			✓
2.	<p><b>Some home based businesses may not be registered to the appropriate Unit category Codes</b></p> <p>Management should ensure:</p> <ul style="list-style-type: none"> <li>a) Customer Services shares the Food &amp; Hairdressing License database with City Corporate on a periodic basis as agreed or as required between the two teams.</li> <li>b) Rates team updates the Residential Unit Category code to Miscellaneous / Commercial based on the information received from the Customer Services Team.</li> <li>c) <i>Previous Audit finding is reinstated:</i> Take a more proactive stance on ensuring the completeness of premises registration by developing additional checks on the completeness of Registrations such as a telephone phone book comparison of relevant businesses to PNCC list of Registrations.</li> </ul>		✓	
3.	<p><b>Premises issued with resource consents possibly categorised incorrectly in Ratings Database</b></p> <p>Management should ensure :</p> <ul style="list-style-type: none"> <li>a) Setting up a communication process which would require Customer Services to notify City Corporate of Resource Consents issue for change in land use either on a periodic basis or on issue of each resource consent.</li> <li>b) Setting up an information / rules clarification meeting between the three teams (City Corporate for rating unit categories, Customer Services for Licensing</li> </ul>		✓	

Issues & Recommendations		Risk Rating		
		High	Medium	Low
	<p>requirements and resource consent requirements) to ensure that all staff involved understand the requirements and can advise the ratepayers in a more coherent way.</p> <p>c) To ensure that appropriate data with regards to the type of resource consent being issued is accurately captured by Customer Services to ensure data integrity and completeness</p>			
4.	<p><b>Rates Remission reconciliation was not independently reviewed and signed off</b></p> <p>Management should ensure :</p> <p>a) Rates Remission reconciliation should be properly and independently reviewed in a timely manner evidenced and dated as such.</p>			✓
5.	<p><b>Noncompliance to Rates Remission Policy regarding date of remission application</b></p> <p>Management should ensure:</p> <p>a) Amend the existing guideline on Rates Remission Process to ensure that it meets the policy requirement of accepting application prior to commencement of the rating year or</p> <p>b) Change the wording in the policy's primary requirement of accepting applications prior to the commencement of the rating year (if found to be deemed as necessary by management) as it's not practically possible to meet the policy requirement.</p>		✓	
6.	<p><b>No Privacy training provided to new employees or refresher training to existing employees</b></p> <p>Management should consider :</p> <p>a) Including Privacy training in the New Employee Induction programme (could be desk based) and</p> <p>b) Mandatory Refresher course for all existing employees or at least for staff who handle 'confidential ratepayer information' on an agreed periodic basis.</p>			✓
7.	<p><b>Lack of authorisation process or segregation of duties allowed for transfer of credit and debt write off process</b></p>		✓	

Issues & Recommendations		Risk Rating		
		High	Medium	Low
	<p>Management should ensure :</p> <p>a) Setup either system inbuilt controls that allow the separation of duties or built manual controls / authorisation process as a compensating control.</p>			
8.	<p><b>Non – compliance to Rating Act requirement with regards to not collecting small amounts</b></p> <p>Management should ensure that :</p> <p>a) Rates are assessed / set despite the low land value.</p> <p>b) Rates assessed should be then written off using the Rates Remission policy under the miscellaneous remissions category.</p> <p>c) All such ratepayers are sent a written notification which should include that the Council has decided not to collect rates as is allowable under the Rating Act 2002.</p>		✓	
9.	<p><b>No assurance of System protection over unauthorized access</b></p> <p>Management should ensure that :</p> <p>a) Only authorized users are provided access to the Rates module and any staff changes lead to changes in their access to the Rate module.</p> <p>b) There is management oversight or monitoring of both internal and external user activity</p>		✓	
10.	<p><b>Debt recovery notes not recorded appropriately</b></p> <p>Management should :</p> <p>a) Ensure Notes on debt recovery action undertaken or records created in the course of the debt recovery are clear and easily traceable with preference given to online traceability of information or use of notes field in the OZONE and records uploaded in the document management of OZONE</p> <p>b) Consider activating and using the Debt Management module available in OZONE that would allow for more operational efficiencies and better internal controls.</p>			✓
11.	<p><b>Debts are allowed to age, reducing the chances of recovery</b></p> <p>Management should :</p>			✓

Issues & Recommendations		Risk Rating		
		High	Medium	Low
	a) Concentrate on setting up an escalation process of debt recovery actions for a certain group of ratepayers with high dollar outstanding balance between the 1 <sup>st</sup> and the final reminder letter sent if any response is not received by the due date mentioned in the 1 <sup>st</sup> reminder letter.			
12.	<b>No upper limit for penalty write-off which might trigger authorisation process to be followed</b>  Management should consider :  a) Setting up an upper limit of the penalty amounts allowed to be written off. Any amount above the upper limit should require either a system built in approval or manual  b) Ensure that all penalty remissions are substantiated by reasonable explanations either in OZONE or on the paper records.		✓	
13.	<b>Invoice form not signed off by a solicitor or external adviser</b>  Management should consider :  a) Obtaining a solicitor or external advisor sign off of the Invoice form.			✓

### 3. Detailed Findings & Recommendations

Audit Issue	Risk	Recommendation	Management Comment
<p><b>1. Sales notices not meeting processing timing targets</b></p> <p>Criteria</p> <p>Customer Service unit is required to process sales notices within 5 working days to ensure timely processing of rates invoices.</p> <p>Condition</p> <p>Our audit review examined the sales notices processed between the 01<sup>st</sup> July 2017 to 28<sup>th</sup> Feb 2018 and it was noted that approximately 19% of the 1877 Sales notices processed by the Customer Services did not meet the performance standard of being processed within 5 days. Furthermore, no explanatory notes such as incomplete information or delay in receiving full information from the ratepayer's Lawyers were found to have been recorded.</p> <p>Audit also noted that there was no specific monitoring or reporting between City Corporate and Customer Service units which would ensure that the timing targets are achieved and/or necessary actions are taken accordingly.</p> <p>Cause</p> <p>Lack of timely monitoring or management oversight on time elapsed between sales notices received date and processed date.</p> <p>Consequence</p>	<p>Low</p>	<p>Management should :</p> <p>a) It should be agreed between the City Corporate and Customer Services that all notices older than 5 days are to be notified to City Corporate for further investigation or follow-up.</p> <p>b) Setup a regular management monitoring and reporting between the City Corporate and Customer Services team so that necessary actions can be taken.</p> <p>c) Staff members dealing with pending Sales Notices should leave sufficient notes in OZONE (Financial Accounting Management System) to ensure audit trail of action being undertaken or in process.</p>	<p>a) <b>Agree to implement</b></p> <p>b) <b>Agree to Implement;</b> It is planned to hold a regular meeting between City Corporate and Customer Services staff every quarter to monitor performance against the performance standard detailed in a) above.</p> <p>c) <b>Agree to implement</b></p> <p>Timeline: Before end of May 2018 Responsibility : Head of Support Services</p>

Audit Issue	Risk	Recommendation	Management Comment
<p>Could potentially lead to tarnishing of Council's integrity due to the impediment on sending out of rates instalment notices to the wrong / previous ratepayers. It could also lead to operational inconsistencies including additional re-work time for processing late payments, amendments to invoices, remissions of penalties etc.</p>			
<p><b>2. Some home based businesses may not be registered to the appropriate Unit category Codes</b></p> <p>Criteria</p> <p>As per the 'Rates and Fund Impact statement', Council charges general rates on differential basis based on the land use with differential factors. Based on this requirement, all ratepayers are required to declare to the City Council, if they are running any home based businesses. Accordingly, all such identified rating units with home businesses are required to be grouped in either 'MS – Miscellaneous' rating unit category' or pro-rata between residential and commercial based on the information / plan details available.</p> <p>Condition</p> <p>Our audit review revealed that City Corporate unit officers can only update the rating database based on information received from other teams or directly from customers. On further inquiry to the Customer Services, it was found that the database of residential properties with Hairdresser/Barber and Food Safety licenses is updated based on the application received from the customers. On examination of the database, it was revealed that 18 out of the 20 In-home Hair Dressing saloons registered with Council' and 12 out of the 20 properties with Food Business</p>	Medium	<p>Management should ensure:</p> <p>a) Customer Services shares the Food &amp; Hairdressing License database with City Corporate on a periodic basis as agreed or as required between the two teams.</p> <p>b) Rates team updates the Residential Unit Category code to Miscellaneous / Commercial based on the information received from the Customer Services Team</p> <p>c) <i>Previous Audit finding is reinstated:</i> Take a more proactive stance on ensuring the completeness of premises registration by developing additional checks on the completeness of</p>	<p>a) <b>Agree to implement:</b> The proposal will be implemented for new and renewed registrations once the Privacy Act 1993 requirements have been addressed.</p> <p>Timeline: Effective from next registration round ( before end of June 2018)</p> <p>Responsibility : Head of Environmental Protection Team</p> <p>b) <b>Agree to implement</b></p> <p>Timeline: Immediate effect</p> <p>Responsibility : Finance Manager</p> <p>c) <b>Disagree,</b> a telephone phone book comparison of relevant businesses to PNCC list of Registrations is not seen as cost effective. This would require a considerable investment in staff time for</p>



Audit Issue	Risk	Recommendation	Management Comment
<p>Licenses were categorised as 'R1 –R8 Residential rating unit category' instead of 'MS – Miscellaneous' rating unit category' in the Rates Module.</p> <p>Cause</p> <p>Lack of process coordination / management expectation to notify City Corporate on issue of such resource consents for change in land use.</p> <p>Consequence</p> <p>It leads to non-compliance to Council's Rating Policy which requires correct categorisation of all rating units based on the type of land use.</p>		<p>Registrations such as a telephone phone book comparison of relevant businesses to PNCC list of Registrations.</p>	<p>very little return as many of the home based businesses operate on word of mouth, or use social media, rather than advertise through the yellow pages.</p> <p>Timeline not applicable</p> <p>Responsibility : Head of Environmental Protection Team</p>
<p><b>3. Premises issued with resource consents maybe categorised incorrectly in Ratings Database.</b></p> <p>Criteria</p> <p>Council requires that people who want to use their land in a way that doesn't comply with the District Plan; they need to apply for a Resource Consent. This includes both commercial use of residential properties or vice-versa. Any such changes to the land use, in effect translates into change of rating unit category. Any update to the land use needs to be notified to City Corporate so that the Rating Information Database can be updated to reflect the correct unit categorisation.</p> <p>Condition</p> <p>Based on the interviews with City Corporate and Customer</p>	Medium	<p>Management should ensure :</p> <p>a) Setting up a communication process which would require Customer Services to notify City Corporate of Resource Consents issue for change in land use either on a periodic basis or on issue of resource consent.</p>	<p>a) <b>Agree to implement</b>; Planning Services will amend their resource consent cover sheet to include a check box called "email to rates and EHO's". When resource consent is granted the planner will tick this box once they have sent an email to <a href="mailto:ratesteam@pncc.govt.nz">ratesteam@pncc.govt.nz</a> and/or the EHO's informing them that resource consent has been granted at an address with a brief description of the consented activity. This email will give the EHO's and the Rates team the information they need to determine whether they need to take any further action with regard to their requirements.</p>

Audit Issue	Risk	Recommendation	Management Comment
<p>Services, below was noted :</p> <ul style="list-style-type: none"> <li>• Issue of any new or existing resource consents issued to premises with altered land use are not notified to the Rates Team.</li> <li>• There is no interface between the Resource Consents module and Ratings module within OZONE which would allow for automatic cross reference or auto update.</li> <li>• It was further noted that the Resource Consents module within OZONE does not have a specific field that records the type of land use being changed. Despite the system limitation, a report of 35 properties with resource consents issued in the last 10 years was produced (based on the codes that might have been used to capture the type of resource consent). Some of these 35 properties were found to be wrongly categorised as 'R1 – R8 Residential rating unit category' instead of 'MS – Miscellaneous' rating unit category'.</li> <li>• Furthermore, based on the discussion held, it was also noted that there is a possibility that many ratepayer queries directed to the Planning team with regards to businesses approved under the District plan are responded as no further action required even though there could be cases that might need to be directed to the Environmental Protection team in Customer Services Unit for further advice resulting in issue of either a Hairdresser / Barber Licence or Food safety license or Certificate of Compliance .</li> </ul> <p>Cause</p> <p>Lack of process coordination / management expectation to notify</p>		<p>b) Setting up an information / rules clarification meeting between the three teams (City Corporate for rating unit categories, Customer Services for Licensing requirements and resource consent requirements) to ensure that all staff involved understand the requirements and can advise the ratepayers in a more coherent way.</p> <p>c) To ensure that appropriate data with regards to the type of resource consent being issued is accurately captured by Customer Services to ensure data integrity and completeness.</p>	<p>b) <b>Agree to implement;</b> a meeting has been held between Planning, Rates and EHO staff to discuss information sharing between the teams and the above process. It was agreed at the meeting that the three teams would meet quarterly to review how the information sharing is going.</p> <p>c) <b>Agree to implement;</b> the allocation sheet includes the following check box's "commercial use of residential area and residential use of commercial area". However there is no place in ozone to record this information so staff don't get statistics on it and can't report on it. Staff will check to determine if they can make an improvement to Ozone system to include a code for this information.</p> <p>Timeline: Before end of May 2018</p> <p>Responsibility : Head of Planning Services</p>

Audit Issue	Risk	Recommendation	Management Comment
<p>Rates Team on issue of such resource consents for change in land use.</p> <p>Consequence</p> <p>It leads to non-compliance to Council's Rating Policy which requires correct categorisation of all rating units based on the type of land use.</p>			
<p><b>4. Rates Remission reconciliation was not independently reviewed and signed off</b></p> <p>Criteria</p> <p>The Rating Remission procedure requires that Rates Team in City Corporate performs an annual reconciliation to ensure that all accounts receiving remission are properly accounted for in OZONE and any differences are resolved including making sure that records are up to date.</p> <p>Condition</p> <p>On examination of the Annual Remission Reconciliation file, it was noted that whilst the remission amounts between OZONE and the spreadsheet calculation are reconciled and differences are resolved, there was no evidence of an independent review of the reconciliation file that would ensure the accuracy and effectiveness of the transactions and reconciling items are resolved effectively.</p> <p>Cause</p> <p>Lack of procedural requirement to have evidence of independent</p>	Low	<p>Management should ensure :</p> <p>a) Rates Remission reconciliation should be properly and independently reviewed in a timely manner evidenced and dated as such.</p>	<p>a) <b>Agree to implement.</b> We shall implement an independent review of the rates remission reconciliation as described.</p> <p>Timeline: Before end of June 2018</p> <p>Responsibility: Finance Manager</p>

Audit Issue	Risk	Recommendation	Management Comment
<p>review</p> <p>Consequence</p> <p>Lack of independent reviews could potentially lead to untimely non-detection of administrative errors and to ensure that the remission has been correctly applied in Ozone's Rating Module.</p>			
<p><b>5. Noncompliance to Rates Remission Policy regarding date of remission application</b></p> <p>Criteria</p> <p>Rates Remission &amp; Postponement Policy stipulates that the Non-profit organisations and Residential in commercial areas should submit their Rates Remission application to the Council prior to the commencement of the rating year.</p> <p>Condition</p> <p>Audit noted that all the approved 43 Non-profit organisations and 9 listed Residential in Commercial Zones remission applications, the policy were received after the issue of the first instalment invoice was issued and not prior to the commencement of the rating year as required by.</p> <p>Cause</p> <p>Lack of policy awareness or management directive to ensure that there is cut-off date to receive and process application</p> <p>Consequence</p> <p>Non-compliance to the Rates Remission and Postponement</p>	Medium	<p>Management should:</p> <p>a) Either meet the policy requirements</p> <p>or</p> <p>Amend the existing policy requirement on Rates Remission Process for the Non-profit organisations and Residential in commercial areas to ensure that it meets the current practice which is more practical.</p>	<p>a) <b>Agree to implement.</b> Next time the policy is reviewed (scheduled for 2021) this matter will be reconsidered. In the meantime the present approach is considered most practicable and will be continued.</p> <p>Timeline: Next policy review in 2021</p> <p>Responsibility: Strategy Manager Finance</p>

Audit Issue	Risk	Recommendation	Management Comment
<p>policy and potential non-compliance to the Local Government (Rating) Act 2002.</p>			
<p><b>6. No Privacy training provided to new employees or refresher training to existing employees</b></p> <p>Criteria</p> <p>As per the Privacy Act 1993, an agency collecting and storing information such as that of the Ratepayers shall ensure that the information is protected by such security safeguards and that everything is done to prevent unauthorised disclosure of the information</p> <p>Condition</p> <p>Our audit review revealed that all new and existing staff members that provide or share information to ratepayers including teams such as Customer Services Team, Planning Team, City Corporate, Contact Centre team do not undergo a formally structured Privacy training programmes. These training programmes are provided on a need by basis (last being conducted in Year 2017 where 10 to 15 staff members were nominated by managers to attend). They are not uniformly structured into the New employee Induction programme nor is there a periodic refresher courses for the existing employees.</p> <p>Cause</p> <p>Lack of management directive to include it in the new employee induction or professional development training programmes for existing employees</p> <p>Consequence</p>	<p>Low</p>	<p>Management should consider :</p> <p>a) Including Privacy training in the New Employee Induction programme (could be desk based) and</p> <p>b) Mandatory Refresher course for all existing employees or at least for staff who handle 'confidential ratepayer information' on an agreed periodic basis.</p>	<p>a) 163 staff undertook the Introduction to the Privacy Act run by the PNCC Privacy Officer in 2016. A further 22 completed the 1.5 hour session in 2017. Our intention is to run further sessions periodically for staff. Induction programme will be reviewed</p> <p>Timeline : Before end of Sep 2018</p> <p>b) Change to Privacy Act refresher course will be scheduled for 3<sup>rd</sup> quarter of 2018.</p> <p>Timeline : Before end of 3rd quarter of 2018</p> <p>Responsibility : Human Resource Manager</p>

Audit Issue	Risk	Recommendation	Management Comment
<p>Could potentially lead to intentional or unintentional disclosure of ratepayer information and thereby leading to non-compliance of the Privacy act.</p> <p><b>7. Lack of authorisation process or segregation of duties allowed for transfer of credit and remission of penalties / uneconomical balance write-offs</b></p> <p>Criteria</p> <p>Good practise indicates that there should be segregation in duties between the officer who raises/authorises the request of any transfer of funds (which in effect is a type of refund activity) and officer who actually processes the transfer of funds. Similar separation of duties should be applied for officer who calculates or raises rates instalment invoice and processes penalty remissions or writes off uneconomical balances. This is to ensure effective internal controls to minimize the occurrence of errors or fraud, to safeguard the employees.</p> <p>Condition</p> <p>Based on the process understanding gained, following was noted :</p> <ul style="list-style-type: none"> <li>Transfer of credit / fund requests are either raised by the ratepayer himself or are processed on discovery of misallocation of funds to the wrong rating units (in cases where ratepayer has multiple rating units) or when the water charges are incorrectly paid to the ratings account or vice versa. There was inadequate separation of duties between requesting transfer of credit /funds between two ratepayer</li> </ul>	<p>Medium</p>	<p>Management should ensure :</p> <p>a) Setup either system inbuilt controls that allow the separation of duties or built manual controls / authorisation process as a compensating control.</p>	<p>a) <b>Agree to implement.</b> We agree that segregation of such duties is desirable, and will implement this process.</p> <p>Timeline: Before end of May 2018</p> <p>Responsibility: Finance Manager</p>

Audit Issue	Risk	Recommendation	Management Comment
<p>accounts and actual processing of such credit balance.</p> <ul style="list-style-type: none"> <li>There was inadequate separation of duties between officer who is responsible for rate calculation or raising rate instalment invoices and who can process penalty remission / uneconomical balance write off.</li> </ul> <p>Cause</p> <p>Either lack of specific procedural requirement that covers the transfer of credit process or lack of sufficient segregation due to the small team.</p> <p>Consequence</p> <p>Lack of segregation of duties could potentially lead to both perpetrate and conceal errors or fraud. The staff lack proper protection.</p>	Medium	<p>Management should ensure that :</p> <p>a) Rates are assessed / set despite the low land value.</p> <p>b) Rates assessed should be then written off using the Rates Remission policy under the 'Miscellaneous remissions category'.</p> <p>c) All such ratepayers are sent a written notification which should include that the Council has decided not to collect rates as is allowable under the Rating Act</p>	<p><b>Agree to implement</b> all recommendations.</p> <p>Timeline: Before end of July 2018</p> <p>Responsibility: Finance Manager</p>
<p><b>8. Non – compliance to Rating Act requirement with regards to not collecting small amounts</b></p> <p>Criteria</p> <p>Local Government Rating Act 2002 states that if the local authority assesses a property with rates that are uneconomical to collect, it may decide not to collect. Furthermore, if the local authority decides to apply this provision of the act, then it must notify the ratepayer that the authority has decided not to collect rates and may include or exclude delivering the rates assessment along with the notice.</p> <p>Condition</p>			



Audit Issue	Risk	Recommendation	Management Comment
<p>Our audit review revealed that there are approximately 9 such rating units whose rates have not been assessed due to negligible land values. Furthermore, no written notification has been sent to these ratepayers as required by the Ratings Act 2002.</p> <p>Cause</p> <p>Lack of clarification of Section 54 of Rating Act 2002 on 'Power not to collect small amounts'</p> <p>Consequence</p> <p>Could potentially lead to non-compliance of the Rating Act 2002 requirement.</p>		2002.	
<p><b>9. No assurance of System protection over unauthorized access</b></p> <p>Criteria</p> <p>User access to update or edit the Rating Information Database should be restricted to only authorised users.</p> <p>Condition</p> <p>Council provides access to all the relevant employees in-house to access the Rating database to conduct their assigned duties. The Ratings database is also accessible to external users such as external IT firms who are contracted to do system development work.</p> <p>On checking the list of the internal user access levels of the staff members who are authorised to have update access to the</p>	Medium	<p>Management should ensure that :</p> <p>a) Only authorized users are provided access to the Rates module and any staff changes lead to changes in their access to the Rate module.</p> <p>b) There is management oversight or monitoring of both internal and external user activity</p>	<p>a) The reason that so many users were identified in this list is that the Rates module is intrinsically linked to the Contacts and Land Parcel modules of Ozone. As such it is no surprise that the number of users is so high. It is my understanding that the number of users with update access to the rates calculations and rate details is significantly lower than this, and is appropriately restricted to those staff who require such access to perform their jobs. <b>Agree</b> that ex-employees should not have access and we will remove access from these.</p> <p>b) <b>Agree to implement.</b> Management oversight is difficult, but we will investigate</p>



Audit Issue	Risk	Recommendation	Management Comment
<p>Rates Module, it was found that there are in total 92 staff members who have update access to different screens / task screens within Rates Module. This list includes current, ex-employees and unauthorised employees.</p> <p>On further query to the IT Architect, it was noted that council does not have any external or internal assurance to identify the extent to which personal information collected and stored in the Rating database is protected from unauthorized access and demonstrate Council's due diligence in protecting the personal privacy of information collected by the Council.</p> <p>Cause</p> <p>Lack of management oversight or update to access based on the request put through from the staff exit from.</p> <p>Consequence</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>methods to achieve this.</p> <p>Timeline 30 June 2018</p> <p>Responsibility: Finance Manager</p>
<p><b>10. Debt recovery notes not recorded appropriately</b></p> <p>Criteria</p> <p>Good practise indicates to not only note the conversation/diarise the agreements made with the customer but also to attach a soft copy of the supporting documentation in the document management system of OZONE for proper audit trail.</p>	Low	<p>Management should :</p> <p>a) Ensure Notes on debt recovery action undertaken or records created in the course of the debt recovery are clear and easily traceable with preference given to online traceability of information or use of notes field in the OZONE and records uploaded in the document</p>	<p>a) <b>Agree to implement</b>, we will investigate how this could be implemented.</p>

Audit Issue	Risk	Recommendation	Management Comment
<p>Condition</p> <p>Based on the audit review of the records maintained and filed, there was variability in the quality of documentation, handwritten notes and record keeping with respect to actions taken to pursue debts. These may not always be very clear or easily traceable in the event that it has to be used at a later date by the officer himself or in case of absence of the officer by another officer. Furthermore, it was also noted that OZONE has a Debt management module which is not active and is not used for managing debtors.</p> <p>Cause</p> <p>Possibly due to lack of using available systems or lack of clear procedural guideline.</p> <p>Consequence</p> <p>Lack of audit trail or poor record keeping could lead to issues in event the organisation wishes to transfer debt to an external debt collector, commence legal action or dispute related to write offs or can limit the management decision making</p>		<p>management of OZONE</p> <p>b) Consider activating and using the Debt Management module available in OZONE that would allow for more operational efficiencies and better internal controls</p>	<p>b) <b>Disagree.</b> The Ozone debt management module has been investigated, and we came to the conclusion that it is a cumbersome and regimented tool that was not suitable for PNCC needs. We have no plans to implement this module in the short term.</p> <p>Timeline 30 September 2018</p> <p>Responsibility: Finance Manager</p>
<p><b>11. Sequence of debt recovery actions could be prioritised based on outstanding debt to make debt collection more effective</b></p> <p>Criteria</p> <p>Good practise indicates that an organisation should proactively manage its debtors to ensure that the debts are recovered as</p>	<p>Low</p>	<p>Management could consider to :</p> <p>a) Setup an escalation process of debt recovery actions for a certain group of ratepayers with high dollar outstanding balance between the 1<sup>st</sup> and the final reminder letter sent if in cases where any response is not received by the due date mentioned</p>	<p>a) <b>Agree to implement.</b> We will look to add another step into our debt collection processes to incorporate this recommendation.</p> <p>Timeline At the appropriate time in the next</p>

Audit Issue	Risk	Recommendation	Management Comment
<p>quickly as possible.</p> <p>Condition</p> <p>All overdue accounts are followed up in an alphabetical order twice a year irrespective of the outstanding account balance. Debt recovery action is only undertaken in the 3<sup>rd</sup> and the 4<sup>th</sup> quarter as ratepayers are given the benefit of doubt as they might decide to make a lump sum payment by end of 2<sup>nd</sup> quarter.</p> <p>Sequence of debt recovery action essentially involves two reminders sent in the 3<sup>rd</sup> and 4<sup>th</sup> quarter respectively. There is no escalation of debt recovery actions taken between the 3<sup>rd</sup> and the 4<sup>th</sup> quarter such as telephone calling of debtors or sending emails. However, it must be recognised here that Council has consistently met the Rates collection KPI target of 95 % with its current Collection rate at 98 %.</p> <p>Cause</p> <p>Lack of escalation process</p> <p>Consequence</p> <p>Opportunity loss of recovering debt faster</p>		<p>in the 1<sup>st</sup> reminder letter.</p>	<p>collection cycle.</p> <p>Responsibility : Finance Manager</p>
<p><b>12. No upper limit for penalty remission set for the City Corporate which will prompt them or require them to seek formal authorisation</b></p> <p>Criteria</p> <p>As per the Rates Remission Policy, decision on remission of</p>	Medium	<p>Management should consider :</p> <p>a) Setting up an upper limit of the penalty amounts allowed to be written off. Any amount above the upper limit should require either a system built in approval or manual</p>	<p>a) <b>Disagree.</b> The rates staff are employed to administer the remission policy, including making decisions regarding penalty write offs. We are not convinced having arbitrary upper limits for management intervention</p>

Audit Issue	Risk	Recommendation	Management Comment
<p>penalties charged is delegated to officers as set out in the Council's delegation resolutions. This includes penalty remissions which might be required for several reasons as listed in the Rates Remission Policy.</p> <p>Condition</p> <p>On examination of spreadsheet maintained by the officer which records all remissions processed, audit noted following two observations :</p> <p>a) Not all penalty remissions are substantiated by reasonable explanation either in OZONE or on the paper records either.</p> <p>b) Whilst the decision to allow for penalty remission is that of the officers but within that decision, there is no specific penalty remission upper limit amount which would prompt the officers to seek higher authorisations.</p> <p>Cause</p> <p>Lack of formal authorisation process in cases where the remission amount is beyond a certain limit</p> <p>Consequence</p> <p>Can lead to inappropriate processing of generous remission amounts without management oversight.</p>		<p>approval.</p> <p>b) Ensure that all penalty remissions are substantiated by reasonable explanations either in OZONE or on the paper records.</p>	<p>will improve collection outcomes. Segregation of duties as per audit issue 7 above provides some risk reduction.</p> <p>b) <b>Agree to implement.</b> We do agree that reasons for penalty write off should be recorded in the notes, and will endeavour to improve explanations.</p> <p>Timeline : Ongoing</p> <p>Responsibility: Finance Manager</p>

Audit Issue	Risk	Recommendation	Management Comment
<p><b>13. Invoice form/ Information contained in rates invoices not signed off by a solicitor or external adviser</b></p> <p>Criteria</p> <p>Good practise indicates that the invoice form should be reviewed by a Solicitor or other external adviser who is conversant with the Rating Act, the Goods Services Tax Act and consumer law to ensure compliance to legislative requirement.</p> <p>Condition</p> <p>Based on review of the invoice form currently used by the Council, internal audit found that although it includes all the information that it is mandatorily required as per the Rating Act 2002 requirements, there is no evidence of a solicitor sign off or other external adviser sign-off that would indicate the sufficiency of the invoice form.</p> <p>Cause</p> <p>Since it's not a regulatory requirement, this has not been looked into.</p> <p>Consequence</p> <p>Could lead to potential non-compliance to legislative requirements.</p>	<p>Low</p>	<p>Management should consider :</p> <p>a) Obtaining a solicitor or external advisor sign off of the Invoice form to ensure compliance to legislative requirements.</p>	<p>a) <b>Agree to implement.</b> We will seek legal advice prior to issuing 2018/19 invoices and assessments.</p> <p>Timeline 20 July 2018</p> <p>Responsibility: Finance Manager</p>

## Appendix A

### 1. Objectives

The overall objective of the audit is to provide assurance over the adequacy and effectiveness of current controls in the Rates Activity processes. This will include review of controls that will ensure accuracy, completeness, valid & transparency of rate assessments information and collection. Furthermore, the audit review will also include assessing of level of compliance to:

- Any relevant legislative requirements related to rates activity
- Any relevant Council adopted policy & procedural requirements and /or
- Accepted good practices

### 2. Scope

In summary, the review will be carried out to evaluate and test controls over the below mentioned areas *but not limited to*:

- **Policies, Procedures & appropriate legislative requirements:** To ensure that the Rates functions are undertaken in compliance with the Council policy & legislative requirement.
- **Rates Transactions, Records & Information database** (rates module in OZONE): To check for the reliability, integrity, confidentiality and security of the system and that the ratepayer records are maintained through reliable operation of the system.
- **Valuation and rate setting:** High level review to ensure that all properties are correctly identified and billed to ensure revenue is received including notification of new and structurally altered dwellings to the City Corporate promptly so that chargeable dwellings are recorded on the RIDs system in accordance with legislative requirements.
- **Billing & Receipting processes:** To check that the details on the invoice form are in compliance with the Rating Act 2002 requirements and that the all ratepayers are billed in a timely and accurate manner in order to help ensure timely receipt.  
All income due from ratepayers has been received and recorded accurately. Only valid and authorised refunds are made. Refunds on closed credit accounts are made in a timely manner
- **Relevant Reconciliation activities:** To ensure that the Rating Information database details and totals are reconciled and independently reviewed with the valuation office database.
- **Rebate, Remission & Postponement process:** To ensure that any type allowances are only applied where applicants meet the set criteria and they are applied promptly and accurately.
- **Recovery of overdue rates payments and Enforcement processes including Write-Offs:**  
To ensure that the Council promptly identifies all accounts where the amount due is not received, and for each outstanding debt, recovery action is undertaken in a prompt, consistent and effective manner including meeting collection rates.  
Debts are only written-off after all investigation and appropriate recovery actions have been exhausted.
- **Management of queries / objections related to rates :** To ensure that the queries or objections from ratepayers are handled on a timely basis and decisions on the objections are replied in a written notification

### 3. Approach

The following procedures were adopted in accordance with the International Standards for the Professional Practice of Internal Auditing to identify and assess risks and controls and thus enable us to recommend control improvements:

- ✓ Discussions with below listed key members of staff were held to ascertain the nature of the systems in operation:

Senior Rating Officer	Rating Officer
Credit Controller	Senior Planner – Resource Consents
Head of Customer Services	Customer Services Team Leader
Head of Environmental Protection Team	Legal Counsel
Strategy Manager Finance	Business Support Officer – Customer Services
Records Information Management Team Leader	Technology Architect
Financial Systems Coordinator	

- ✓ Review of the current policies, procedures, training files and previous audit reports (both Internal & external)
- ✓ Evaluation of the current systems of internal control through walk-through and other non-statistical sample testing
- ✓ Identification of gaps and control weaknesses and potential process improvement opportunities and make appropriate recommendations
- ✓ Discussion of our findings with management and further development of our recommendations; and
- ✓ Preparation and agreement of a draft report for Project sponsor.

### 4. Finding Significance Guide

<b>High</b>	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.
<b>Medium</b>	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.
<b>Low</b>	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.





## COMMITTEE WORK SCHEDULE

**TO:** Audit and Risk Committee

**MEETING DATE:** 21 May 2018

**TITLE:** Committee Work Schedule

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### RECOMMENDATION(S) TO AUDIT AND RISK COMMITTEE

1. That the Audit and Risk Committee receive its Work Schedule dated May 2018.

### ATTACHMENTS

1. Committee Work Schedule - May 2018 [↓](#) 

## AUDIT AND RISK COMMITTEE

### COMMITTEE WORK SCHEDULE – MAY 2018

Item No.	Estimated Report Date	Subject	Officer Responsible	Current Position	Date of Instruction/ Point of Origin
1	May August 2018	Draft policy on appropriate use of closed circuit television and other remote means of monitoring	Manager, Human Resources		21 August 2017 Clause 21.4 (Audit & Risk)
2	May 2018	Establish a robust performance framework for inclusion in the Long Term Plan	Chief Financial Officer, City Corporate		20 November 2017 Clause 35.2 (Audit & Risk)
3	August 2018	Business Continuity Planning PNCC update	General Manager, City Enterprises		19 February 2018 Clause 4.2 (Audit and Risk)
4	May 2018	Process for reallocating and prioritisation of underspending on programmes	Chief Financial Officer, City Corporate		19 March 2018 Clause 14-18 (Finance & Performance)