



**WHANGANUI
DISTRICT COUNCIL**
Te Kaunihera a Rohe o Whanganui

AGENDA

Audit and Risk Committee Meeting 26 August 2019

NOTICE IS HEREBY GIVEN that a Meeting of Audit and Risk Committee will be convened on:

Date: Monday, 26 August 2019

Time: 1.00pm

**Location: Nagaizumi-cho Room
101 Guyton Street
Whanganui**

**Kym Fell
Chief Executive**

Audit and Risk Committee

Chair: To be appointed

Deputy Chair: Deputy Mayor Jenny Duncan

Members: Cr David Bennett, Cr Kate Joblin, Rex McKinnon, Eileen O'Leary (appointed 12 March 2019)

Frequency of Meetings: Quarterly

Quorum: Standing Order 10.2 (amended by Council resolution 4 April 2017).

Senior Officers: Chief Executive, General Manager Finance, General Manager Strategy

Terms of Reference

Purpose

The purpose of the Audit and Risk Committee is to assist the Council to discharge its responsibilities to exercise due care, diligence and skills in relation to the oversight of:

- a) The robustness of risk management systems, processes and practices.
- b) A forward work programme, which will consist of reviews of specific risks using the 'Deep Dive' methodology, the delivery of the internal audit work programme and a regular review of the Risk Register.
- c) The robustness of the internal control framework and financial management policies.
- d) Compliance with applicable laws, regulations, standards and best practice guidelines; and
- e) The establishment and maintenance of controls to safeguard the Council's financial and non-financial assets.
- f) Reviewing Council's Fraud and Protected Disclosures policies, and other relevant policies and procedures.
- g) The oversight of risk management and assurance across the Council's CCOs with respect to risk that is significant to Council.

The role of the committee is to gain an assurance that there is a robust process to manage risks appropriately. In fulfilling their role on the Audit and Risk Committee, members shall be impartial and independent at all times.

Delegated Authority

The Council has delegated to the Audit and Risk Committee the necessary authority to effectively carry out the tasks assigned to it. The committee shall have the delegated authority to approve the appointment of the internal auditor of risk management and internal audit programmes, audit engagement letters and letters of undertaking for audit functions and additional services provided by the external auditor.

Decision Making Powers

The Committee has no decision making powers. The Committee may request expert advice through the Chief Executive, as necessary. The Committee may make recommendations to the Chief Executive, as necessary.

Voting

Voting is limited to members of the Audit and Risk Committee and Mayor ex-officio.

Key Attributes of Members

- Members should bring the ability to act independently and objectively.
- The ability to ask relevant and pertinent questions, and evaluate the answers.
- The ability to work constructively with management to achieve improvements.
- Business acumen; and
- Appropriate diligence, time, effort and commitment.

Independent members should have the following experience:

- Broad governance experience.
- Familiarity with risk management disciplines (identification, evaluation and management).
- Understanding of internal control and assurance frameworks.
- A good understanding of the roles of internal and external audit.
- Financial reporting and analysis from a risk perspective.

Responsibilities**Risk**

Monitor the effectiveness of risk identification and mitigation measures, in addition to assessing the impact of emerging risks by:

- Reviewing the Risk Register, Risk Framework, Policy and associated procedures for effective identification and management of the Council's financial and business risks.
- Maintaining visibility of emerging risks.

Internal Audit, Internal Controls, and Fraud Controls

Assess the effectiveness of Council's internal controls and internal audit functions, by reviewing:

- The appropriateness and effectiveness of controls in place to safeguard Council's assets.
- The adequacy of Council's fraud and associated policies.
- The effectiveness of existing corporate policies and recommending changes or new policies where appropriate.
- Management's legislative compliance programme.

Treasury, Insurance and Long Term Planning

Monitor risks associated with Council's treasury function, including:

- Council's treasury policies.
- Council's annual Insurance contract, satisfying itself Council has appropriate and affordable insurance cover in place.
- Council's long term planning including its financial strategy.

External Audit

Review external audit function, including:

- Confirming processes are in place to ensure the completeness and quality of financial and operational information being provided to the Council;
- Liaising with the external auditors as required;
- Monitoring Council's external audit programme and processes;
- Receiving the Audit Management Report and monitoring progress by management on implementing recommendations contained within the Report.

Statutory Reporting

Review and monitor the integrity of the interim and annual reporting including statutory financial statements and other formal announcements relating to the Council's financial performance, including;

- The appropriateness of accounting policies and standards;
- Compliance with applicable legal requirements relevant to statutory reporting;
- The extent to which financial statements are affected by any unusual transactions and the manner in which they are disclosed;
- The clarity of disclosures generally;
- The basis for the adoption of the ongoing concern assumption;
- Significant adjustments resulting from the audit

Council Controlled Organisations (CCOs)

The committee will enquire to ensure adequate processes at a governance level exist to identify and manage risks within a Council Controlled Organisation (CCO).

Other Tasks

Other tasks as delegated to the Audit and Risk Committee by the Council, which may include the allocation of special project oversight.

Review of Terms of Reference

The Terms of Reference will be reviewed by the Council following every triennial election.

Notes:

- The Chief Executive is required to attend all meetings but is not a member and has no voting rights.
- Members that are appointed for an initial term of no more than three years that aligns with the triennial elections, after which they may be eligible for extension or reappointment.
- Appointment of external members is by contract.
- External member contracts are to be reviewed and assessed six (6) months after each triennial election.

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1 OPENING PRAYER / KARAKIA**2 APOLOGIES****3 DECLARATIONS OF INTEREST**

Elected Members will be provided with the opportunity to declare any disclosable pecuniary or other non-pecuniary interest in any matter to be considered at this meeting, or declare any new conflicts that have arisen since last completing the Elected Members' Interests Register.

4 CONFIRMATION OF MINUTES

4.1 MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING HELD ON 27 MAY 2019

Author: Anna Palamountain - Governance Services Officer

Authoriser: Kate Barnes - Senior Democracy Advisor

References: 1. Audit and Risk Committee - 27 May 2019 Minutes

Significance of decision – In terms of the Significance and Engagement Policy 2018, the recommended decision is not significant.

Recommendation

THAT the minutes of the Audit and Risk Committee Meeting held on 27 May 2019 are confirmed as a true and correct record.

Unconfirmed Minutes of a Meeting of the Whanganui District Council Audit and Risk Committee held at 1.03PM on Monday, 27 May 2019 in Function Room, Heritage House, 136 St Hill Street, Whanganui

Present: Deputy Mayor Cr Jenny Duncan (Acting Chair), Mayor Hamish McDouall, Mr Rex McKinnon, Ms Eileen O’Leary, Cr David Bennett and Cr Kate Joblin.

Apologies: No apologies.

In Attendance: Kym Fell (Chief Executive), Charlotte Almond (General Manager Strategy), Debbie Watson (Risk Manager), Kate Barnes (Senior Democracy Advisor), Sarah Pomeroy (Communications and Marketing Manager), Dion Walker (Finance & Risk Analyst).

1. Apologies

No apologies were received from members.

Apology for absence noted from General Manager – Finance Mike Fermor.

2. Declarations of Interest

None declared.

3. Confirmation of Minutes of Previous Meeting

The minutes of the Audit and Risk Committee’s Meeting held on 26 November 2018 were tabled at Whanganui District Council’s meeting on 12 February 2019. The minutes were received by the Council.

References

Audit and Risk Committee Minutes 26 November 2018.

<p>Significance of decision – In terms of the Significance and Engagement Policy 2018, the decision is not significant.</p>
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Committee’s Resolution

Proposed by Mayor McDouall, seconded by Cr Bennett:

- 3.1 THAT the minutes of the meeting of the Audit and Risk Committee held on 26 November 2018 are confirmed.

CARRIED

4. Actions Arising from Previous Minutes

	Item	Resolution	Action	% Completed
1	26 November 2018 6. Audit and Risk Committee – Work Programme 2018-2019	<u>THAT</u> Audit New Zealand is notified that the Council will seek a draft audit management letter prior to the end of the Council's triennium in October 2019, highlighting any significant issues.	Mike Fermor	100

Significance of decision – In terms of the Significance and Engagement Policy 2018, the decision is not significant.

Committee's Resolution

Proposed by Mr McKinnon, seconded by Cr Joblin:

- 4.1 THAT the information is noted.

CARRIED

5. Whanganui and Partners Limited Risk Assessment

This item was withdrawn by the Chief Executive as the Chief Executive of Whanganui & Partners was unavailable to attend the meeting.

6. Whanganui District Council Holdings Limited Risk Assurance Report

Annette Main, Chair Whanganui District Council Holdings Limited, reports:

Executive summary

The purpose of this report is to advise the Committee that Risk Governance Assurance from Whanganui District Council Holdings Limited, as referenced in the Audit and Risk Committee Work Programme, the Audit and Risk Committee Terms of Reference and the 2018 Whanganui District Council Holdings Limited Statement of Intent (SOI), has been completed as part of due diligence. The Directors have viewed and been briefed on all documents and have a good understanding of the overall risk profile of the Holdings company and the operations it is responsible for overseeing.

I can confirm that WDCHL have also received a Health and Safety briefing and induction at NZICPA. A site tour and briefing with all directors will be held at GasNet in July.

Key information

This assurance was received from Annette Main by email on 21 May 2019 and reflects the due diligence responsibilities as noted above of the Whanganui District Council Holdings Limited Directors.

Discussion

Unconfirmed Minutes

Audit and Risk Committee
27 May 2019

Members discussed whether Holdings Limited should have its own risk register in addition to those held by its subsidiaries. Council's Chief Executive noted this was probably not necessary. Cr Joblin said that members did not need full detail of risk registers, just assurance that assessments were done and mitigating actions taken. Holdings' Chair invited members to visit its sites at any time to sight relevant documentation to provide themselves assurance.

Significance of decision – In terms of the Significance and Engagement Policy 2018, the decision is not significant.

Committee's Resolution

Proposed by Cr Bennett, seconded by Ms O'Leary:

- 6.1 THAT the Whanganui District Council Holdings Limited Risk Assurance Report is received.
- 6.2 THAT correspondence from Whanganui District Council Holdings:
14 May 2019 "Risk Management Due Diligence" GasNet
14 May 2019 "Risk Management Due Diligence" NZICPA
be received.

CARRIED

7. Audit and Risk Committee Workshop – 25 February 2019 – Notes

Kim Fielder, Governance Services Officer, reports:

Due to quorum not being met, the Audit and Risk meeting held 25 February 2019 was cancelled. However, available Committee members held a workshop to discuss the matters on the agenda. Attached are the notes from this workshop (**Ref C**).

References – Agenda Attachments

- C Workshop notes

Significance of decision – In terms of the Significance and Engagement Policy 2018, the decision is not significant.

Committee's Resolution

Proposed by Cr Joblin, seconded by Mr McKinnon:

- 7.1 THAT the Audit and Risk Workshop – 25 February 2019 notes are received.

CARRIED

8. Audit Plan for Year Ending 30 June 2019

Mike Fermor, General Manager Finance reports:

Executive summary

The attached Audit Plan outlines Audit New Zealand Ltd.'s arrangements for the audit of Whanganui District Council for the year ended 30 June 2019 (**Ref D**).

Background

N/A

Discussion

Each year Whanganui District Council (WDC) is required by legislation to have the information contained within its Annual Report audited. To enable this to happen the Auditor-General has appointed Audit New Zealand as WDC's auditors. The attached Audit Plan explains the relevant parties' responsibilities, audit process and areas of focus for the 2019 audit.

WDC's final audit of its 2019 Annual Report is due to commence on 2 September 2019 with the final Annual Report adopted by Council on 1 October 2019.

Options

N/A

Key issues

N/A

Next steps

N/A

References – Agenda Attachments

D Audit Plan for year ending 30 June 2019

Discussion

Mayor McDouall asked if the stated revaluation of artwork covered all works owned by the Council. Staff responded that it was only for works at Sarjeant Gallery, and the increase was approximately \$3 million.

Significance of decision – In terms of the Significance and Engagement Policy 2018, the decision is not significant.

Committee's Resolution

Proposed by Cr Joblin, seconded by Cr Bennett:

8.1 THAT the Audit Plan for the year ending 30 June 2019 be approved.

CARRIED

9. 2019 Insurance Update

Unconfirmed Minutes

Audit and Risk Committee
27 May 2019

Dion Walker, Finance and Risk Analyst reports:

Executive summary

The purpose of this report is to update the Committee on Council's current insurance practices and risk mitigation measures, to discuss pertinent items from the 2018/19 insurance renewal and to provide options for consideration if a reduction in insurance costs is desired.

Background

In 2015 Council, via Manawatu-Whanganui Local Authority Shared Services (MWLASS)¹ and along with a number of other Local Authority Shared Services organisations and Councils, went to the insurance brokerage market with a Request for Proposals. After evaluating the proposals from the market, MWLASS proceeded to appoint AON Insurance Brokers (AON) as its insurance broker for the subscribing Councils, including Whanganui District Council. The current insurance brokerage contract expires on 1 November 2020.

Council's insurances cover a wide spectrum of events. The current list of insurance policies, coverages, excesses and premiums are summarised in **Reference E1**. The insurance policies include:

Schedule based policies

- Infrastructure Natural Disaster – above and below ground water, stormwater and wastewater assets.
- Material Damage/Business Interruption – direct physical loss and damage to property including earthquake, fire and businesses interruption.
- Fine Arts – primarily the Sarjeant Gallery collection.

Coverage for these policies is limited to those assets itemised on the schedules.

Non schedule based policies

- Motor Vehicles.
- Employers Liability.
- Statutory Liability.
- Professional Indemnity.
- Public Liability.
- Crime.
- Corporate Travel.
- Cyber Liability.
- Marine Hull.
- Port Owners and Operators Liability.

¹ MWLASS is a shared services company that was set up in the early 2000's. Its shareholders are Ruapehu District Council, Whanganui District Council, Rangitikei District Council, Manawatu District Council, Horizons Regional Council, Tararua District Council and Horowhenua District Council. It was set up so that member Councils had a mechanism whereby they could easily jointly procure various goods and services.

Council purchases its insurance with the MWLASS group as it is not big enough to go to the London insurance market in its own right. It also receives substantial premium savings by purchasing as a group because the insured MWLASS group has an overall loss limit which may be used by any one of the member Councils or shared by many Councils (up to their individual loss limits) dependent on whether the event is specific to a district or affects multiple districts. This is cheaper than Council obtaining the same level of cover on its own due to the premium and loss sharing arrangements across the group. Further information on the loss limits and sharing arrangements is contained below and in **Reference E2**.

Infrastructure Natural Disaster and Material Damage policies

Council has two major insurance policies on its assets; its Infrastructure Natural Disaster policy and its Material Damage/Business Interruption policy. These policies are based on a Maximum Probable Loss (MPL) calculated by Council with the assistance of Council's broker AON. MPL is the maximum amount of damage that Council is expected to suffer if a natural disaster occurred.

In December 2017 Council's MPL's for the Infrastructure Natural Disaster and Material Damage policies were increased following earthquake modelling work undertaken by AON and Tonkin & Taylor for the MWLASS region's MPL scenarios. The modelling has been compared to the recent actual losses to infrastructural assets from the Canterbury and Kaikoura earthquakes and has been found to be consistent.

Whanganui District Council's MPL's are now \$250M for Infrastructure Natural Disaster and \$250M for Material Damage/Business Interruption.

Council's insurance coverage for these policies is combined with the other MWLASS insurance group Councils. Whanganui District Council has its own sublimit within the MWLASS insurance group policies, and the MWLASS group as a whole has a collective loss limit. The loss limits for the MWLASS insurance group councils are \$300M for each policy.

In the event of a natural disaster affecting just the Whanganui District, Whanganui will receive its total MPL of \$250M. In the event of a region-wide natural disaster, the MWLASS loss limit of \$300M is shared between the affected Councils on a pro-rata basis, meaning there could be a shortfall between the insurance cover and the value of damage caused.

Council's Infrastructure Natural Disaster and Material Damage/Business Interruption insurances are made up of a primary and an excess layer. The excess layer is only triggered in a major event if the damages exceed the amount covered by the primary layer. Excess layers are useful as they offer cost effective insurance cover for rare, large scale events.

Further detail on Council's Infrastructure Natural Disaster and Material Damage insurance policies is contained in **Reference E2**.

Although the loss limits declared for the Infrastructure policy are for 100% loss scenarios, it is important to note that the makeup of cover for this loss is actually 40% with the Council's insurer and 60% with central government. The 60% central government funding is dependent on Council proving that it actually has the 40% covered by either an insurance policy or some other means, like a line of credit.

Insurance coverage

Council's insurance covers full replacement for Infrastructure assets and the majority of assets covered by the Material Damage/Business Interruption policy. A small number of assets in the Material Damage policy are insured for Functional Replacement, Indemnity or Demolition value rather than Replacement value. These terms are explained as follows:

- Replacement – replacement with a like asset up to the insured asset value. This cover is in place for the vast majority of Council's assets.
- Functional Replacement – replacement of the asset to a standard that is functional for the Council today, this may be something different to what is there prior to a loss. This cover is in place for assets such as the Royal Wanganui Opera House and the War Memorial Hall (although we do not know what this looks like at present) where Council may wish to rebuild something different if the current asset was significantly damaged.
- Indemnity – cover capped at the current depreciated replacement value of the asset.
- Demolition – cover for demolition of the structures on the site only.

Council has various assets that are not insured, these include:

- Roading assets except critical bridges. The Government's 61% subsidy remains in the event of a natural disaster.
- Public monuments and statues.
- Playground equipment.
- Any assets that should be covered by schedule-based policies that are not listed on the insurance schedules.

Assets are revalued for insurance purposes on a three yearly staggered basis. The art collection is being revalued by Art and Object for the 2019 insurance renewal and Annual Report.

In the last twelve to eighteen months, Council, with the assistance of Morgans Valuations, has also undertaken a comprehensive insurance valuation of its land and buildings portfolio, mitigating the risk of assets being underinsured.

Excesses

The excesses vary for each of Council's insurance policies and these can be found in **Reference E1**. In the event of a claim Council would be liable for any damage up to the value of the excess listed in the insurance schedules. It is anticipated that in a major natural disaster Council's excesses may be in the region of \$5M to \$10M.

Self-insurance

Council has a self-insurance fund with a current balance of \$3.3M. The fund was set up to pay excesses in the event Council needs to make a claim. It was initially set up to cover excesses on the Material Damage policy, but as it has grown this has extended to cover other policy excesses. The intention is to continue with this practise, so long as the fund has a balance. Council has not added to the fund since the 2017/18 financial year as it has deemed that the fund balance provides a satisfactory level of coverage at this time. If the

self-insurance fund is exhausted, Council will need to determine how excesses will be funded. This could be by rebuilding a self-insurance fund or by some other means such as targeted rates or loans.

Premiums and claims

The insurance industry is a very fickle industry, with premiums continually fluctuating from one year to another – increasing when the market hardens with increased global claims and decreasing when the market softens when global claims are lower.

Over the last five years Council has made approximately \$750,000 approximately of claims relating to Material Damage and \$1.2M approximately of claims relating to Infrastructure Natural Disaster. Approximately \$1.95M approximately of this related to the 2015 weather event. All other claims have been under excess resulting in Council paying for the damage.

Key issues

1. 2019/20 insurance renewal

Council's insurance premiums for 2018/19 are \$1.46M, up from \$1.12M in 2017/18. This reflects a hardening of the insurance market resulting from the major claims resulting from the Christchurch and Kaikoura earthquakes. In addition, increased insurance asset valuations have also increased premiums.

As part of the 2019 insurance renewal, the MWLASS insurance group and AON intend to place approximately 15% of the Material Damage policy in the London markets alongside the Infrastructure Natural Disaster policy, leaving 85% in the New Zealand market. This is a strategic move to get better premium rates across this policy.

It is intended that over a period of time 100% of this policy will be placed into the London market, and although it will not eliminate the effects of hardening versus softening markets, it should minimise the effects by removing the large swings in premiums paid when the small and volatile New Zealand market hardens or softens.

2. Other options to reduce premiums

Council could minimise the movements and reduce premiums long term by taking on more of the insurance loss risk. There are two primary ways that this can be done:

1. Remove assets from insurance schedules or decrease the level of cover e.g. choose to insure some assets for demolition only, for example those assets that Council may choose not to replace if they were damaged.
2. Increase excess levels.

Council would have to remove a significant dollar value of assets from its insurance schedules in order to make a significant difference to premiums. The most common and most effective way to decrease premiums is for Council to take on a higher degree of risk by increasing excess levels.

As an example, a premium saving of around 20% (\$300,000) could be achieved by:

- Increasing the excess for non-earthquake related claims from the current \$100,000 up to \$1M.
- For earthquake related claims:
 - Increasing the post-1935 buildings excess:
 - Current: 2.5% of site value, minimum \$10,000
 - Proposed: 10% of site value, minimum \$1M
 - Increasing the pre-1935 buildings excess:
 - Current: 10% of site value, minimum \$10,000
 - Proposed: 10% of site value, minimum \$1M

Further savings could be made by taking on even higher excesses e.g. \$2.5M or \$5M. However Council would need to have sufficient funds available to pay the excess in the event of a claim.

3. Fire Service levies

With the legislation changes around the fire service and the introduction of Fire Emergency New Zealand (FENZ), central government indicated that the funding model would likely change. This has not yet occurred but still remains a possibility with any change likely to have significant impact on premiums. The initial indication is that this could be as much as an additional \$1.2M on the Council's Material Damage policy premiums.

4. MWLASS Infrastructure Natural Disaster Insurance - Memorandum of Understanding

A group from the MWLASS insurance group member Councils and Fitzherbert Rowe (solicitors) are currently working on a Memorandum of Understanding (MOU) for the allocation of funds from the Infrastructure Natural Disaster Insurance policy in the event that more than one Council is affected by a natural disaster. A MOU is required because the MWLASS group's MPL is higher than the amount of insurance cover taken out. The MOU outlines how funds will be distributed between members and who will facilitate the distribution of funds. It is intended that a similar document for the Material Damage policy will be drafted once this MOU is complete.

5. MWLASS Infrastructure Natural Disaster Insurance - 60/40 central government/private insurance cover

Central government has indicated post Christchurch earthquakes and more recently post the Kaikoura earthquakes that it was going to look into whether their 60% funding for damages caused by natural disasters would continue. The government have engaged Tonkin & Taylor to do some loss modelling for 10 of the 84 local authorities throughout New Zealand to try and determine their exposure to losses.

More recently (post Kaikoura earthquakes) central government has developed fact sheets explaining the eligibility for the 60%. Upon reading the fact sheets it would appear that central government are tightening up on the eligibility criteria and the 60% funding should not be assumed to be a given. For example, essential infrastructure will only be 60% funded by central government if:

- 1) the damage impacts on the ability of the network or asset to perform and function as intended, or if

- 2) the damage has not yet resulted in performance issues, but failure of the asset is likely to be imminent.

This brings a level of subjectivity and uncertainty to the 60% central government funding. Council, MWLASS and AON are watching this space for developments.

6. AON insurance review

AON have recently undertaken a review of the MWLASS insurance group Councils insurance and valuation methodologies to evaluate any potential for underinsurance. An interim report has been provided by AON which suggests that the majority of Councils, including Whanganui, may have potential for underinsurance. Chief Executives of the MWLASS insurance group Councils have agreed to continue with the project in more detail.

Next steps

Officers will work through the issues identified by AON in more detail to see whether any changes to current insurance practices are required.

The Property group are currently undertaking a review of properties covered by the Material Damage/Business Interruption policy to identify if there are opportunities for premium savings, for example properties that we may not wish to replace if they were significantly damaged that we may be able to cover for Demolition only rather than Replacement. If any potential premium savings are identified, these will be brought to a future Committee meeting for discussion and approval. A major reduction in insurance cover for a significant number of assets would be required to significantly reduce premiums.

References – Agenda Attachments

- E1 Insurance policy summary
- E2 Additional information on Infrastructure Natural Disaster and Material Damage insurances

Discussion

Cr Bennett asked how the Council's self-insurance was funded. Staff responded that it was not cash in the bank but a line item that would have to be loan funded. Cr Bennett asked what options Council had to reduce its premiums, and whether perhaps Council's assets were undervalued. Staff were confident insurance values were correct and reflected replacement costs as well as demand surge costs that may occur after a large disaster. The Chief Executive said Council was covered for maximum probable loss as calculated by AON. Council has recently engaged an independent provider to audit Council's insurance arrangements to ensure they are good value. Cr Bennett noted a large increase in fire service levies. Staff said this premium was currently based on maximum probable loss but there was the possibility that it may change to premium on total current assets. The Chief Executive said that Council would object if this was the case.

Significance of decision – In terms of the Significance and Engagement Policy 2018, the decision is not significant.

Committee's Resolution

Proposed by Cr Duncan, seconded by Cr Joblin:

- 9.1 THAT the information is noted.

CARRIED

10. Whanganui District Council Accounting Policies for 2019

Mike Fermor, General Manager Finance reports:

Executive summary

Included within the Terms of Reference for the Audit and Risk Committee is the objective of ensuring the integrity and appropriateness of Whanganui District Council's (WDC) external reporting. As part of carrying out this objective, the Terms of Reference also lists as a responsibility the reviewing of the appropriateness of WDC's accounting policies. The purpose of this report is to present to the Committee those accounting policies used in producing WDC's end of year annual report.

Background

N/A

Discussion

Accounting policies are the specific principles, rules and procedures selected and followed by WDC that are used to prepare its financial statements. These policies are based on New Zealand International Public Sector Accounting Standards. These Standards are mandatory requirements for Local Authorities and are designed to ensure financial statements fairly reflect the financial performance and position of the Local Authority. They also ensure consistency of financial reporting across all New Zealand Local Authorities.

The accounting policies used by WDC in producing its 2018 annual report are attached (**Ref F**). Currently there is no indication of any significant change required in WDC's accounting policies for preparation of its 2019 annual report.

Options

N/A

Key issues

N/A

Next steps

N/A

References – Agenda Attachments

Unconfirmed Minutes

Audit and Risk Committee
27 May 2019

F Statement of Accounting Policies for year ended 30 June 2018

Significance of decision – In terms of the Significance and Engagement Policy 2018, the decision is not significant.

Committee's Resolution

Proposed by Cr Joblin, seconded by Mr McKinnon:

- 10.1 THAT the information is noted.

CARRIED

11. Audit and Risk Committee Amendment to Terms of Reference

Debbie Watson, Risk Manager, reports:

Executive summary

The purpose of this report is to advise the Audit and Risk Committee of an amendment to the Terms of Reference due to recent personnel changes (**Ref G**).

Key information

The Terms of Reference has been amended to reflect the passing of the Chair (Susan Westwood) and the appointment of a new independent member (Eileen O'Leary).

The Chair position has yet to be filled.

References – Agenda Attachments

- G Audit and Risk Committee Terms of Reference

Significance of decision – In terms of the Significance and Engagement Policy 2018, the decision is not significant.

Committee's Resolution

Proposed by Cr Joblin, seconded by Mayor McDouall:

- 11.1 THAT the Audit and Risk Committee's Amendment to Terms of Reference report is received.

CARRIED

12. Fraud and Corruption Policy Update

Debbie Watson, Risk Manager reports:

Executive summary

The purpose of this report is to advise the Audit and Risk Committee that a revised Fraud and Corruption Policy has been developed and approved by the Executive Leadership Team. The policy revision was driven by the recommendations in the 2018 MWLASS Internal Audit Fraud Risk Management Report. The revision also brings the policy into line with accepted fraud and corruption principles.

The revision supports the continuous improvement risk management process and is supported by Fraud Risk Management Workshops and resources.

The revised policy also aligns to the best practice guidance from the Ministry of Justice (as referenced by the Office of the Auditor General) and the recommended actions from the MWLASS Internal Audit.

Key information

The previous Fraud Prevention Policy was created in October 2007 and updated in June 2010.

In March 2018 a report was received following the MWLASS Internal Audit on Fraud Risk Management. The report noted a number of points in relation to the policy in place at the time.

Recommended improvements included:

- *The Policy should be enhanced to identify key factors that influence fraud and corruption risk.*
- *Documenting any fraud detection processes and procedures. Management should consider the implementation of periodic fraud monitoring controls e.g. comparison of supplier bank account details to staff banking. This serves both as a deterrent and an assurance tool.*
- *The Policy states that regular fraud advice and training will be provided to all employees. The majority of staff interviewed had not received fraud training. It is recommended that, following update, the Fraud Policy is circulated to all staff and that fraud training form part of staff induction procedures. Staff in areas most subject to fraud should receive regular refresher training and updates to ensure that they are well equipped to identify instances of fraud.*

The revised policy based on the recommendations now incorporates:

- Reference to factors that influence fraud and corruption.
- The definition and an explanation of corruption.

- An annual attestation process that is included within the Internal Control Assurance Tool (ICAT) in Quadrant One – Protecting and Enhancing our Integrity and Reputation and also in Quadrant Three – Protecting and Optimising Resources.
- Socialisation – policy has been be circulated to all staff and has also been placed in the Risk Management Landing Page on Patuna.
- A Fraud and Corruption Framework that identifies the steps and actions to prevent, detect, respond and recover from fraud incidents.

In addition, a series of Fraud Risk Management workshops for Tier 2, 3 and 4 management are scheduled in July 2019.

Significance of decision – In terms of the Significance and Engagement Policy 2018, the recommended decision is not significant.

Committee's Resolution

Proposed by Ms O'Leary, seconded by Cr Joblin:

- 12.1 THAT the Fraud and Corruption Policy Update report is received.

CARRIED

13. Health and Safety Due Diligence

Debbie Watson, Risk Manager reports:

Executive summary

The purpose of this report is to brief the Audit and Risk Committee on how the Council's Chief Executive and Executive Leadership Team (ELT) are fulfilling their statutory obligations for Due Diligence under the Health and Safety at Work Act 2015 (HSWA), Part 2, Sub Part 3, Section 44.

The Act requires those in governance roles and senior management to have a greater understanding of their organisations health and safety activities as part of due diligence.

Key information

Due Diligence

Exercising due diligence means taking reasonable steps to:

- continuously learn about, and keep up to date with, work health and safety issues.
- understand the work of the organisation.
- know the risks that workers, volunteers, and any other people who could be affected by the organisation's actions may face.
- check the organisation has processes:
 - and appropriate resources to eliminate or minimise risks to health and safety, and uses them;
 - in place to communicate and consider information about work health and safety, and to respond to that information; and

- in place to comply with any duties and requirements under HSWA, and uses them.

Attached is a schedule of Executive Leadership Team Due Diligence objectives (**Ref H**).

New Initiatives in support of Due Diligence

Lead and Lag Indicators

The Institute of Directors, WorkSafe and the Business Leaders Health and Safety Forum all reference the best practice use of lead and lag indicators for Health and Safety governance and reporting.

Lead indicators focus on proactive prevention and are designed to prevent harm and to manage and reduce risk.

Lag indicators measure actual performance and by their very nature are reactive. Lag indicators can, however, lead to a risk of under reporting depending on the relationship with other organisational targets. Lag indicators can also measure the effectiveness of Health and Safety programmes and signal opportunities for improved engagement.

The Risk Manager has developed a range of lead and lag indicators in support of effective governance that are reported on a quarterly basis to the Executive Leadership Team.

Lead Indicators

- Number of H&S Site assessments.
- Number of near misses.
- Number of TMP Inspections.
- Number of contractor reviews.
- Number of safety observations undertaken.
- Number of cease work actions.
- Number of positive reinforcements.
- New worker workplace inductions completed (line management).
- New worker organisational inductions completed.
- Management attendance and participation in H&S meetings.
- Monthly Workplace Inspections Checklist completion levels.

Lag Indicators

- Number of Notifiable Injuries.
- Number of Lost Time Injuries (LTI).
- Number of Medical Treatment Injuries (MTI).
- Number of First Aid Injuries (FAI).
- Total Recordable Injuries (TRIF).
- Number of Property Damage Incidents.
- Number of staff on reduced or alternate duties.
- Number of contractor incidents (all types).

It is important to measure the effectiveness of injury prevention and other related initiatives as part of due diligence obligations under the HSWA. The lag indicators above support this visibility.

Executive Leadership Team Reporting

The Risk Manager has developed a reporting process on a quarterly basis to the ELT. The report contributes to the due diligence of ELT members and allows for the sharing of strategies, initiatives and retrospective desirable Health and Safety lead and lag indicators.

In addition the ELT report provides an update on WorkSafe strategies, communications and reports.

The report also aligns to and supports the Strategic Objective 3.3 – *Improve and ensure consistency of processes across council.*

Employee Participation

There is a high level of employee engagement, with four work group based sub-committees meeting six weekly and representatives then reporting up to the main Health and Safety committee meeting, which also occurs on a six weekly basis.

A meeting schedule and agenda template has been developed in support of effective employee participation as required under the HSWA (Part 3 - Worker Engagement, Participation and Representation).

Where possible, ELT members will attend Health and Safety Committee meetings as part of their due diligence obligations.

Monthly Health, Safety and Wellbeing Newsletters

The newsletter is a means of communicating and considering information with recent topics covering the following:

- Influenza vaccination promotion
- H&S training opportunities
- Emergency Incident Response Flip Chart and key actions
- Focus on Near Miss reporting
- Launch of new Health, Safety and Wellbeing landing page on the intranet
- WorkSafe updates
- A monthly Health, Safety and Wellbeing Champion being recognised

References – Agenda Attachments

H Officer Due Diligence Objectives

Significance of decision – In terms of the Significance and Engagement Policy 2018, the decision is not significant.

Committee’s Resolution

Proposed by Ms O’Leary, seconded by Mr McKinnon:

13.1 THAT the Health and Safety Due Diligence report is received.

CARRIED

14. Risk and Assurance – Internal Control and Legal Compliance Update

Debbie Watson, Risk Manager reports:

Executive summary

The purpose of this report is to advise the Audit and Risk Committee of recent audit and assurance programme management activities and processes that have been implemented.

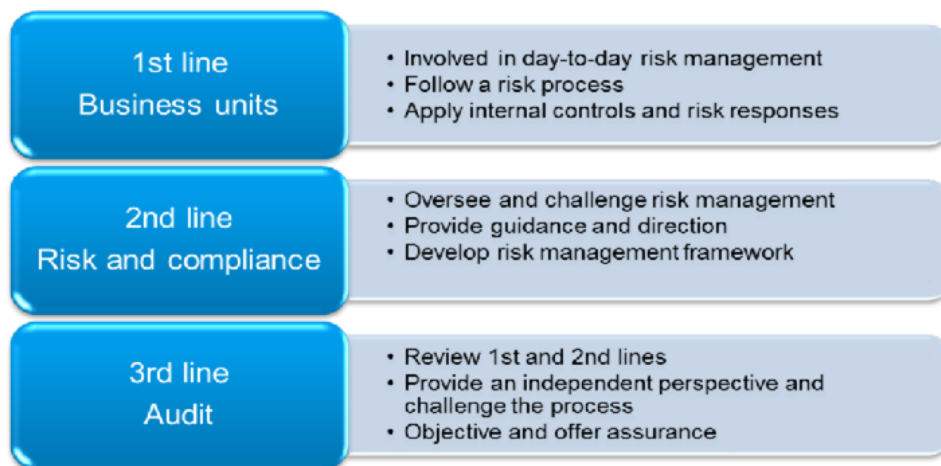
It is desirable for Council to have consistency in approach inclusive of terminology, accountability and operational guidance.

In order to address this opportunity for improvement and to provide assurance that key internal controls are understood and being applied consistently, an Internal Control Assessment Tool (ICAT) process has been implemented.

Additionally an internal assurance programme for managing Council’s Legal Compliance risk has been developed and implemented following recommendations in recent Audit Management Reports.

Both the Internal Control and Legal Compliance completion are based on a quadrant model whereby over an annual period, all elements are completed, on a quarterly basis. The quadrant approach links common elements and allows for improved compliance reporting and identification of remedial actions/learnings.

All approaches use the ‘Three Lines of Defence’ model, with the First Line of Defence being the operational business units:



First Line of Defence - Risk Owners and Managers

- Operational management have ownership, responsibility and accountability for assessing, controlling and mitigating risks and ensuring that activities are consistent with goals and objectives.
- Controls are designed into systems and processes under their guidance of operational management.

- Examples of **controls** include ICAT (Internal Control Assessment Tool), standard operating procedures, Legal Compliance guidance, training and supervision.

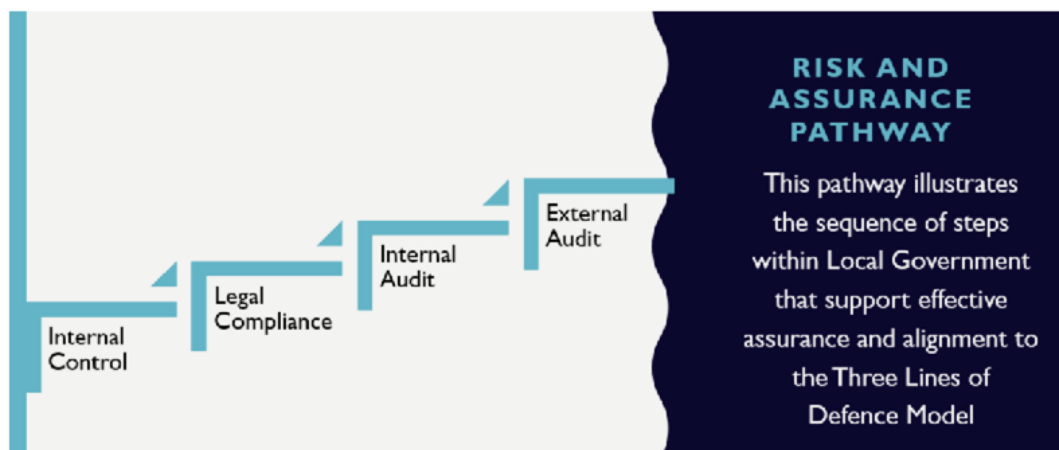
Second Line of Defence – Risk Manager and Audit and Risk Committee

- Establishes various risk management and compliance functions to help build and/or monitor the first line-of-defence controls.
- Risk Manager facilitates and monitors the implementation of effective risk management practices by the First Line.
- Risk Manager assists risk owners in defining risk exposure and risk reporting.
- Audit and Risk Committee – provides governance oversight of significant risk.

Third Line of Defence - Internal and external audit

- Independent internal audit provides assurance.
- Audit considers how effectively the organisation assesses and manages its risks.
- Audit provides assurance on the effectiveness of the first and second lines of defence.

The Risk and Assurance Pathway that supports organisational risk assurance maturity is illustrated below:



Key information

Internal Control Assessment Tool (ICAT)

A good system of internal control, integrated with organisation-wide risk management, improves performance in a cohesive and integrated manner. It ensures that operations are conducted effectively, efficiently, ethically and legally within risk limits.

The purpose, components and processes are detailed below, and have been developed in a toolkit format.

The ICAT toolkit also supports managers with guidance, standards and evidence within their Key Result Area outcomes, including financial delegations and business processes. Internal controls are all the processes, policies, devices, practices and actions that have been put in place to ensure an organisation is managing its risks and protecting organisational value.

The development, implementation, monitoring and evaluation of effective internal controls is a management responsibility.

Whanganui District Council's system of organisation-wide internal controls can be broadly divided into four areas. Specifically, those designed to:

1. Protect our integrity and enhance our reputation.
2. Protect and empower people.
3. Protect and optimise our resources.
4. Protect our information and improve our processes.

Quadrant One – Protecting and enhancing our integrity and reputation

- The internal controls have been put in place to help guide our actions, decision-making, and the way we conduct ourselves when carrying out Council duties. They provide assurance to the community that we are acting openly, ethically and within the law at all times.
- Following these policies, procedures and principles minimises risk to our reputation and enhances community trust in our integrity.

Quadrant Two – Protecting and empowering our people

- The internal controls have been put in place to ensure we are doing everything practicable to keep our workplace safe, and have an engaged, committed and capable workforce that is able to support the community when needed.
- Following these policies, procedures and principles will minimise risk to our health, safety and well-being, help make Council a great place to work and provide tools to deliver exceptional results.

Quadrant Three – Protecting and optimising our resources

- The internal controls help us protect the community assets and resources under our care. They guide us to act with probity and financial prudence, while also looking for ways to capitalise on efficiencies and opportunities.
- Following these policies, procedures and principles will minimise the risk of financial or other loss, and provide assurance to the community that Council is managing its resources and assets carefully.

Quadrant Four – Protecting our information and improving our processes

- The internal controls help us manage information appropriately. Confidential, personal or sensitive information is protected, and public records are accessible. Data and information is used to systematically improve our processes and services.
- Following these policies, procedures and principles minimises the risk of information loss or privacy breaches, and provides assurance that public records are being protected on behalf of the community.

Legal Compliance

Whanganui District Council has an obligation to comply with its legislative and accountability requirements and manage its legal risk. Legislative obligations affect all aspects of Council's work – how it operates, consults, runs meetings, makes decisions and carries out its activities. Internal rules, such as organisational policies and delegations of

authority, can also affect the lawfulness of individual decisions and actions.

Compliance with legislation is fundamental to effective and accountable governance and management. The Office of the Auditor General advises local authorities to be meticulous about complying with the law and fulfilling their statutory obligations. Local authorities must be able to respond promptly to changes in legislation and show that they are acting within the law.

The key outcome being assurance that Council is complying with its legislative obligations and the risk of non-compliance is low.

Legal Compliance is but one element in a successful Risk Management pathway, and has been developed using risk based methodology.

Using this methodology the highest level of risk is reviewed within a prioritised programme, so that appropriate resourcing and time is allocated to complete the required reviews.

Legal Compliance is aligned to the SOLGM modules and supported by a Legislative Requirements spreadsheet, Assurance Programme, record sheets, risk assessment form and a compliance incident register template.

Whanganui District Council's appetite for legal risk is low (WDC Risk Management Framework 2018) and a formal, documented approach to ensuring legal compliance has been recommended (Internal Control Report, MWLASS Internal Audit, March 2018. Audit Management Report, Audit New Zealand, November 2018).

External Influences

- Increased compliance requirements due to changing Government Policy and legislation.
- Cost shifting by Central Government.
- Increasing community expectations in relation to service levels and service delivery.
- Increasing diversity of communities
- Changes in information technology impacting the service delivery environment.
- Risk of exposure to legal challenge for losses where duty of care is owed.
- Increasing need for technical information and technical skills in order to make decisions relating to environmental pressures.
- Effects of compliance costs on local businesses.
- External audit and monitoring bodies (Audit NZ and DIA).
- G-REG initiative.

Internal Influences

- Resource considerations.
- ELT Strategic priorities 2018/19 (Improve and ensure consistency of processes across Council; Advance development of quality management systems).
- Completion of 2016/17 organisation-wide restructuring and establishment of new organisational roles.
- Stable, experienced, knowledgeable senior management team in place.
- Updated Risk Management Policy and Framework 2018.
- Updated Terms of Reference for Audit & Risk Committee.
- Recommendations from MWLASS Internal Controls Internal Audit Report (March 2018) and Audit Management Report 2018.
- MWLASS Internal Audit Programme

Significance of decision – In terms of the Significance and Engagement Policy 2018, the decision is not significant.

Committee's Resolution

Proposed by Cr Duncan, seconded by Cr Joblin:

- 14.1 THAT the Risk and Assurance - Internal Control and Legal Compliance Update report is received.

CARRIED

15. Internal Audit Programme Update

Debbie Watson, Risk Manager, reports:

Executive summary

The purpose of this report is to present to the Committee an update on the progress of the 2018-2019 Internal Audit Programme currently being completed by Cotton, Kelly Smit (CKS) previously known as Cotton Kelly.

Key information

The role of internal audit is to provide independent assurance that an organisation’s internal control processes are operating effectively.

The internal audit report will present objective findings and make recommendations for corrective measures.

The MWLASS Directors have appointed CKS to provide an internal audit function to member councils.

The internal audit scope for 2018-2019 is:

<i>Scope</i>	<i>Elements</i>	<i>Risk Alignment</i>
<i>Procurement</i>	<i>Controls and Processes excluding Tenders Board and Infrastructure</i>	<i>Financial, Reputation and Service Delivery</i>

The audit range includes a compliance review and testing of Procurement policies and processes to ensure the following:

- Approval at the correct level.
- Correct procurement rules followed for expenditure level or type.
- Supporting documentation is present.
- The presence or absence of a purchase order.
- Presence of declarations of interest.

The auditor has commenced the internal audit process with staff interviews, the requesting and receiving of financial data and procurement documentation.

The auditor is currently in the process of completing the draft reporting, which is scheduled to be received in early June 2019.

Significance of decision – In terms of the Significance and Engagement Policy 2018, the decision is not significant.

Committee's Resolution

Proposed by Cr Duncan, seconded by Cr Bennett:

- 15.1 THAT the Internal Audit Programme Update report is received.

CARRIED

16. Risk Appetite Update

Debbie Watson, Risk Manager, reports:

Executive summary

The purpose of this report is to provide additional information in respect of the item 'Risk Appetite Statement' presented at the Audit and Risk Committee workshop held on 25 February 2019.

Further detail was requested regarding the rationale for the targets set and that the financial risk appetite be framed in terms of intergenerational equity.

Key information

The Risk Management Framework and Policy were reviewed in August 2018 to bring them into line with accepted risk management principles and to provide greater guidance.

Best practice governance (Office of the Auditor General) identifies the opportunity for committees/boards to further endorse risk appetite statements.

Risk appetite is the level of risk council is prepared to tolerate or accept in the pursuit of our strategic objectives.

The risk appetite statement is intended to create an approach to risk management which is aligned to the council's strategic vision and objectives, recognising that risks are constantly changing.

A well-defined risk appetite statement results in better decision-making, as decision-makers will understand the Executive Leadership Teams' risk comfort levels and priorities. It will convey what levels of risk are acceptable and within which "boundaries" or limits of risk they should be working. It will also identify those risks that are not acceptable to Council.

Council's appetite for risks reflects the different types of risk that could impact council's ability to meet its statutory requirements and strategic outcomes, including likely reputational impact and potential financial implications.

The Risk Policy and Framework are due review in August 2019, which will include the reassessment of the risk appetite statements, including the setting of risk tolerance levels

with Elected Members, incorporation of any changes to strategic objectives and legislative considerations.

It is proposed at this time, and in conjunction with the operational policy review, to cross-reference the Risk Appetite Risk Targets to the relevant policies which will clarify the rationale. In addition the Risk Appetite Statement table contained within the Framework will be amended to cross-reference relevant strategic and operational policies.

With regard to framing the financial risk appetite in terms of intergenerational equity, this could be amended to read:

The Council aims to maintain its long term financial viability and overall financial strength. To achieve this Council has adopted a financial strategy and policies to ensure services it plans to deliver are affordable and sustainable. The financial strategy sets quantified limits on rates and borrowing, effectively adhering to the principle of inter-generational equity, i.e. ensuring each generation pays for the services it consumes.

Significance of decision – In terms of the Significance and Engagement Policy 2018, the decision is not significant.

Committee's Resolution

Proposed by Mayor McDouall, seconded by Cr Bennett:

- 16.1 THAT the Risk Appetite Statement Update report is received.

CARRIED

17. Risk Deep Dive

Debbie Watson, Risk Manager, reports:

Executive summary

The purpose of this report is to provide the Committee with an in depth view of a Strategic Risk, as referenced in the Audit and Risk Committee Work Programme for 2018-2019.

The Strategic Risk for this deep dive (**Ref I**) is:

Past and current poor customer services and communication causes lack of satisfaction with Council services which negatively impacts perceptions of Council.

Key information

The deep dive process is looking for three things:

1. Factual accuracy, relevance and understanding.
2. The alignment to an organisational objective.
3. Assurance that solutions to the risk have been identified and mitigated.

The deep dive seeks to validate the description of the risk(s), the impact the risk, if realised, will have on the organisation, and the effectiveness of the identified controls.

In addition, the deep dive seeks to demonstrate to Audit and Risk Committee members that the risk treatments are consistent with our current risk appetite and tolerance levels.

References – Agenda Attachments

- I Risk Deep Dive Strategic Risk

Discussion

The Mayor noted some gaps in recording of customers' interactions with Council. Staff noted there are still opportunities for improvement. Mr McKinnon asked if members could conclude from the document that all processes have been followed – staff said yes. Ms O'Leary asked if the Community Views survey covered a broad range of Whanganui residents. Staff said that the third party provider was tasked with covering a diversity of demographics. Cr Joblin took from the report that the renovation of the customer service centre was a success – the Chief Executive said yes, so far it had been received very positively.

Significance of decision – In terms of the Significance and Engagement Policy 2018, the decision is not significant.

Committee's Resolution

Proposed by Cr Bennett, seconded by Ms O'Leary:

- 17.1 THAT the Deep Dive Strategic Risk report is received.

CARRIED

18. Organisational Policy Reviews Update

Charlotte Almond, General Manager Strategy, reports:

Executive Summary

Internal policies serve as important forms of internal controls and mitigate risks. They also help to maintain accountability and ensure established processes and procedures are being followed.

A stocktake undertaken in January 2019 identified that many of our organisational policies were due or overdue for review. These were considered by the Executive Leadership Team and a programme for review was established.

The review period for completion spans the period March – December 2019. Progress to date is outlined below:

Progress Update

Policy or Guideline	Status/Due date
Privacy Statement	Completed
Fraud and Corruption Policy	Completed
Council Smoking Policy – no change required, incorporated into the Staff Handbook	Completed
Compulsory Closure Policy – reviewed and incorporated into Leave Policy 2019	Completed
Calculated of an otherwise working day policy - reviewed and incorporated into Leave Policy 2019	Completed
Long Service Policy - reviewed and incorporated into Leave Policy 2019	Completed
Special Sick Leave Policy - reviewed and incorporated into Leave Policy 2019	Completed
Family Violence Awareness in the Workplace – Guidelines for Managers	Completed
Crime Prevention Through Environmental Design (CPTED) Policy Statement	May 2019
Information Systems policies – currently 13, will rationalise and combine	May 2019
Mobile Device Policy	May 2019
E-road Policy	May 2019
Vehicle Policy	May 2019
References and Acting as a Referee Policy	May 2019
Media Relations Policy	May/June 2019
Customer Care Strategy & Correspondence Policy	June 2019
Exiting Staff Policy and Process	June 2019
Disciplinary Procedures Guideline	June 2019
Flexible Working Arrangements Policy	July 2019
Equal Employment Opportunity Policy	October 2019
Position Description Policy	December 2019
Staff Handbook	December 2019

Key Issues

N/A

Risks

N/A

Significance of decision – In terms of the Significance and Engagement Policy 2018, the decision is not significant.

Committee's resolution

Proposed by Cr Joblin, seconded Cr Bennett:

- 18.1 THAT the policy review programme update is noted.

CARRIED**MOTION TO EXCLUDE THE PUBLIC****Committee's Resolution****Unconfirmed Minutes**

Audit and Risk Committee
27 May 2019

Proposed by Cr Bennett, seconded by Ms O'Leary:

THAT the public be excluded from the following parts of the proceedings of this meeting:

Item No.	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 the passing of this resolution
19. Sarjeant Gallery Redevelopment Project Risk	Commercial matters	Good reason to withhold exists under section 7	Section 48(1)(a)

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 are as follows:

19. Sarjeant Gallery Redevelopment Project Risk	Enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations). (Section 7(2)(i))
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CARRIED

The meeting closed at 2.37pm.

* * *

5 REPORTS TO COMMITTEE

5.1 INTERNAL AUDIT REVIEW OF PROCUREMENT

Author: Mike Fermor - General Manager Finance

Authoriser: Kym Fell - Chief Executive

References: 1. **Internal Audit Project: Review of Whanganui District Council's controls and processes around procurement**

Significance of decision – In terms of the Significance and Engagement Policy 2018, the recommended decision is not significant.

Recommendation

THAT the Audit and Risk Committee receive the report – Internal Audit Review of Procurement.

Executive Summary

The purpose of this report is to update the Committee on the results of the internal audit of Council's controls and processes around procurement. This work was undertaken by MWLASS internal auditors Cotton Kelly Smit Limited.

Rachael Dean, Cotton Kelly Smit Limited, will be present to speak to the report.

Key information

An internal audit programme for 2018/19 was presented to the Committee at its November 2018 Committee meeting. This programme included a review of Council's adherence to its procurement controls and processes. Specifically excluded from this review was infrastructure procurement and the operations of the Tenders Board.

Discussion

The audit reviewed a total of twenty six payments across a range of financial levels. While the results of the audit show that Council has largely followed its procurement controls and processes, it has highlighted areas of improvement. These areas of improvement include:

- Wider use of purchase orders to reduce the risk of unauthorised orders being placed with Council being committed to such expenditure.
- Ensuring all conflicts of interests are discussed and documented as part of the procurement process.
- Ensuring processes are sufficiently robust to capture whether additions to existing contracts trigger a higher level of authorisation.

These areas for improvement have been noted by management with comments made in the report of how these can be implemented in Council's procurement process.

Rachael Dean, Cotton Kelly Smit Limited, will be present to expand on the report's findings and answer questions from Committee members.



Internal Audit Project

Review of Whanganui District Council's
Controls and Processes around Procurement -
Excluding Tenders Board and Infrastructure

Issued 19th July 2019



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Executive Summary

For the period 1 July 2018 to 5 April 2019, a total of twenty six payments were reviewed from five populations. This included all procurements over \$200,000 in the population tested although in the case of there being three contracts under the one procurement process (electricity supply); just one of the three contracts was reviewed. There were two unplanned procurements identified and reviewed. A further unbudgeted procurement in the sample taken between \$50,001 and \$199,999 was identified during the review.

Our review did not identify any material issues with the authorisations for any of the procurements in the samples tested. The presence of additional expenditure to an earlier contract was noted, which raises the matter of having processes in place to monitor such additions, so as to ensure that they do not move the total value of an original procurement to a higher level than already authorised.

We noted that while a contract is required for all procurements valued at \$50,000 or more, formal authorisation by way of a purchase order was not always completed for lower level procurements. This creates a potential weakness that Whanganui District Council (WDC) could be committed to such a purchase before it has been appropriately authorised. The use of purchase orders, as standard procedure for all procurements, would ensure all expenditure is correctly authorised prior to it being committed to by WDC. It would also enable timelier and better estimates of all such commitments to be reported when required for management purposes.

The use of Full Business Cases (FBC) and Procurement Plans (PP) for procurements that are either over \$50,000 in value or are high risk, or sensitive expenditure, provides a clear and transparent process for these procurements and captures information regarding conflicts of interest. Of the samples tested, there was only one issue with the completion of FBCs and PPs, and that was the omission of the conflict of interest section for one of the unplanned procurements.

The use of FBCs and PPs, if completed, provides a thorough process for capturing conflicts of interest. Where possible and practicable it would also be beneficial to formally capture conflicts of interest, or their absence, for lower level procurements.

We would like to thank the senior management team and staff of the Whanganui District Council for their support and assistance provided to us in completing this assurance project.

This report was finalised on Friday, 19th July 2019.



Introduction and background

The agreed internal audit scope by the Audit and Risk Committee of Whanganui District Council (WDC) for the year ended 30 June 2019 was a review of the controls and processes around procurement. The Tenders Board and Infrastructure were specifically excluded.

All procurements that are either over \$50,000 in value or are high risk, or sensitive expenditure, are required to have a Full Business Case (FBC) and Procurement Plan (PP) prepared by the contract manager and authorised by a Manager. Amongst other details the FBC describes the need that has been identified and what is to be procured while the PP outlines how the contract manager plans to procure. The primary objective of the procurement is to obtain best value for the whole life of the procurement.

A contract is required for all procurements that are \$50,000 or more.

For procurements starting from \$200,000 the FBC and PP are referred to the Tenders Board for approval prior to tenders being sought. The default position is competitive tendering via Tenderlink with exceptions only being permitted for special circumstances. Once the evaluation process is complete the Tenders Board makes their recommendation to the Chief Executive.

For major projects, that is those with total projected project costs in excess of \$3,500,000 the FBC and PP must be authorised by a General Manager, and both approval of the procurement methodology and contract type require full Council approval. Once the outcome of the procurement process has been evaluated by the Tender Evaluation Team (TET) the Tenders' Board must approve the tender evaluation process and the tender recommendation prior to awarding the contract. The tender recommendation is then made to the Chief Executive for final authorisation to award the contract. If it is considered that an independent peer review is required this must also be taken to Council.

With the exception of any which are high risk or sensitive expenditure, procurements below \$50,000 do not require contracts, FBCs or PPs.

The Chief Executive has the authority to expend up to \$200,000 in unplanned and additional expenditure.

The Chief Executive has the authority to implement all Council resolutions including procurement decisions originating from Annual and 10-year plans.

For procurements of \$10,001 to \$49,999 the procurement policy requires that non-direct procurements be used, for example either purchase order or agreed conditions of contract.

There is no specific policy in place with respect to the use of purchase orders; and the use of purchase orders depends on the nature of the purchase. Procurements that are \$50,000 or more require contracts and there is no requirement to also have a purchase order. Some payments relate to the provision of funds or grants and it is not considered that purchase orders are relevant in these circumstances. In the absence of purchase orders for all procurements; that is, the inability to use this mechanism to capture all liabilities at the time a commitment is made, commitments are captured as follows:



- For procurements from \$50,000 or more, commitments are captured via the monthly management accounting process of accruing for unpaid invoices and for any purchase orders that have been raised. Variance reports are prepared for each activity with the management accountant highlighting major variances to the relevant activity managers. Discussions are also held about works in progress and work not yet progressed. The Procurement Officer also monitors the contracts that are on the contracts register. At year end the contracts register is used to identify commitments for Annual Reporting purposes.
- For lower value procurements not on the contracts register, commitments are captured via the monthly management accounting process of accruing for unpaid invoices and for any purchase orders that have been raised. Invoices are recorded in the finance system as soon as they are received.

The Conflicts of Interest policy states that conflicts of interest are not easily managed by a simple set of rules as they can arise in a variety of situations. The policy places the obligation on staff to identify and disclose any conflict of interest to the relevant people and in a timely manner.

WDC's Conflicts of Interest policy specifically prohibits employees with a conflict of interest from being involved in certain activities. These activities include:

- "The decision to conduct business with a person with whom the employee has a close personal association with;
- Influencing or participating in a decision to award grants or contracts or other benefits where the employee is connected to a person or organisation that has submitted an application or tender."

Recording conflicts of interest is a standing item at Tender Board meetings. The PP template includes a section for the tender evaluation team (TET) to complete and sign declaring they have no conflicts of interest. The FBC template also has a section to be signed by the relevant WDC officers declaring no conflict of interest exists.

Objective and Scope

The original proposal discussed with CKS Audit was later extended to include a larger sample to be tested from lower value procurements. The final agreed scope was to review samples from five procurement populations to review for:

- Approvals at the correct level.
- Correct procurement rules being followed for expenditure level or type.
- Supporting documentation being present.
- Purchase orders being present or absent.
- Declarations of interest being present or absent.



As noted above in bullet point three, supporting documentation being present was essentially duplication of the other bullet points, so this has not been separately reported on in the Detailed Findings.

Processes pertaining to the set up and use of Preferred Supplier Panels (PSP) or Preferred Supplier lists were not within the scope of this review; however where inquiry revealed the use of PSPs, this information has been captured under Detailed Findings # 2.

The review also comments on any other matters considered useful to report on at this time.

Approach and Work Done

The approach for this review included the following:

- Reviewing: the Procurement Policy; the Procurement Processes Manual; the Conflict of Interest Policy and the Financial Delegations Policy.
- Examining samples from the five populations below. All samples were taken from the period 1 July 2018 to 5 April 2019:
 - Seven procurements of greater than or equal to \$200,000 were identified on the contracts register. Of these, three contract numbers were the result of a single procurement process being compartmentalized and awarded to three suppliers. The total number of procurement processes was four and all were reviewed.
 - Two unplanned procurements over \$25,000 occurred in the period and both were reviewed.
 - Payments of between \$50,001 and \$199,999. A sample of five payments was drawn from the population of 19 payments on the Creditor Transactions Report supplied.
 - Payments of between \$20,001 and \$50,000. A sample of five payments was drawn from the population of 50 payments on the Creditor Transactions Report supplied.
 - Payments of between \$10,001 and \$20,000. A sample of 10 payments was drawn from the population of 116 payments on the Creditor Transactions Report supplied.
- Some of the smaller payments were part of a series of payments with a total that moved the procurement into a level of authorization and process at a higher level. Where this was the case and the documentation was readily available (for example, original documentation was not many years old), the process examined was that of the higher level.
- Meeting with and emailing with key personnel to gather further information and obtain explanations.
- Sighting evidence.



Detailed Findings

1. Approvals at the correct level

Rating: Necessary

What we Found:

Appropriate authorisations for procurements are often required as part of the purchase order process however there was very little evidence of use of purchase orders. All invoices are however correctly authorised by being manually signed by someone with appropriate delegated authority, before being paid.

One of the two procurements identified initially as unplanned was approved at the correct level. The second was just being completed at time of the review and while a signed contract was not sighted there were no issues identified with the procurement process. One of the five procurements between \$50,001 and \$199,999 was also unbudgeted however it had been approved at the correct level

For the payments between \$50,001 and \$199,999 signed invoices at the appropriate level of authority were sighted for all five.

For the five payments between \$20,001 and \$50,000 signed documents were sighted for all five. Four were signed invoices and one a signed funding agreement.

For payments between \$10,001 and \$20,000 signed invoices were sighted for eight of the 10. Other supporting documentation or adequate explanations were provided for the remaining two payments. One of the invoices included in the description that it was extra to a 2017 main contract. This evidence of an addition to an earlier contract does raise the question of how additions to an original approved amount are monitored to ensure the total contract value does not increase to a level whereby a higher level of authorisation is needed, or if it does, that the higher level of authorisation is gained.

Recommendations

That wider use of purchase orders be considered to reduce the risk of unauthorized orders being placed and WDC committed to such expenditure. Please also refer to Detailed Finding # 3.

That WDC review its processes to ensure that additions to an earlier contract are monitored; and in the event of such additions moving the total contract value to an amount requiring a higher level of authorisation, then that the higher level of authorisation be obtained prior to the expenditure being committed.

Management comment

The process/requirement for using Purchase Orders will be pro-mapped and sent to staff as a



reminder of the requirement to use Purchase Orders.

The FBC/PP to be updated to include a question/comment on whether current procurement is part of an existing contract, and if so has the procurement moved to a higher financial threshold for approval.

2. Correct procurement rules being followed for expenditure level or type

Rating: Necessary

What we Found

All procurements that were required to go to the Tenders Board had done so. Either Tenderlink was used or the reasons for not doing so were reasonable and maintained the objective of obtaining best value procurement. For example the use of All of Government (AOG) or outsourcing the procurement process to an appropriate specialist.

All the procurements greater than or equal to \$200,000 had FBCs and PPs.

The two unplanned expenditures both had FBCs and PPs. Based on the copies we sighted the Security and Safety Fencing at Whanganui Port contract had not had the conflict of interest section completed on the PP. On the FBC, one person's name and title had been entered in the conflict of interest section but not signed.

Two of the five payments in the \$50,000 to \$199,999 sample came from an original procurement that predates the current procurement policy which requires the FBCs and PPs. Hence neither of these had FBCs or PPs. One of the remaining three procurements which also did not have FBCs or PPs was procurement through MWLASS and another was a grant that went through Council. The fifth procurement was an unbudgeted item, however it was part of a larger project, ground floor refurbishment, and no issues were found with the procurement process used.

For procurements of \$10,001 to \$49,999 the procurement policy requires that non-direct procurements be used, for example either purchase order or agreed conditions of contract. The payments in the samples below \$50,000 showed a range of procurement situations which included grants to specific organisations, situations in which there was only one supplier and being part of a larger contract which had a contract number. While the procurement process used in each case could be ascertained by examining the documentation provided or explanations were provided, purchase orders were rarely used and it was not readily apparent from the documents sighted whether agreed conditions of contract existed in all cases. See also comment under Detailed Findings # 3.

We were advised that WDC makes some use of preferred supplier panels (PSP) for procurement, that is the supplier is chosen from a panel of suppliers, who have been pre-vetted via a tenders process, a process which generally also includes fixing the charge out rates. Being placed on a PSP does not guarantee work for a supplier however Council may select anyone of the list.



We were further advised that two of the ten payments between \$10,001 and \$20,000, one of the five payments between \$20,001 and \$50,000 and one of the five payments between \$50,001 and \$199,999 used a PSP supplier.

Recommendations

That for procurements between \$10,001 to \$49,999:

- either there is improved compliance with the procurement policy of using non-direct procurements; or
- in the event that the procurements are compliant with the procurement policy, that this is clearly documented in the procurement process.

The wider use of purchase orders would also assist with this.

Management comment

The rules of procurement are now included within the induction program for new staff who are likely to be involved in procurement. Existing staff involved in procurement to be informed of the results and recommendations of this audit.

3. Purchase orders being present or absent

Rating: Necessary

What we found:

There appeared to be very little use of purchase orders with only two of the sample of ten procurements under \$20,000 showing the purchase order transaction type (CPOINV) on the transaction lists provided and only one from the sample of five payments between \$20,000 and \$50,000. We were advised that a purchase order was in place for a third payment under \$20,000.

For three of the payments under \$20,000 the following explanations were provided: one was a line item in the long term plan (Maori Wardens), one was inadvertently missed off due the procurement being done under urgency (printing of Visitor guide booklets), and the third had used a Short Form Contract.

None of the payments between \$50,000 and \$200,000 were transaction type CPOINV however procurements over \$50,000 require a contract and are required to be on the contracts register.

All the procurements greater than \$200,000 reviewed did have a contract number.

For the sample of five from \$50,000 up to \$199,999 two had contract numbers, one was via MWLASS and fourth was a grant that went through Council. The fifth was an unbudgeted procurement however no issues were found with the procurement or the approval process. Both the items of unplanned expenditure had contract numbers.

The process for capturing commitments is detailed in the Background section earlier in this



report. However in situations where the first point of capture of a commitment is at time of receipt of invoice this leaves a gap between a commitment being entered into, such as when an order is placed, and the commitment being recorded in the financials, that is when the invoice is received. This increases the risk of inaccuracies in estimates of commitments.

There is no overarching process for capturing all the liabilities of WDC at a point in time. Purchase orders, nowadays often part of an Enterprise Resource Planning (ERP) software system, are the usual mechanism by which organizations capture this data. The use of purchase orders should also ensure that a liability is authorised before a commitment is entered into. As already discussed in Detailed Finding # 1 there is a risk of unauthorised orders being placed for materials and supplies.

Recommendations

That WDC look into expanding the existing use of purchase orders, so their use becomes 'the norm'. Where exceptions are clearly practical they could be detailed as part of a purchase order policy.

Management comment

As noted in Detailed Finding #1 the process/requirement for using Purchase Orders will be pro-mapped and sent to staff as a reminder of the requirement to use Purchase Orders.

4. Declarations of interest being present or absent

Rating: Beneficial

What we Found

All procurements equal or greater than \$200,000 had completed documentation regarding conflicts of interest. This consists of the relevant people signing a declaration on the FBC, the PP and where applicable, having a declaration included in the minutes of the Tenders' Board meeting.

Based on the copies we sighted the Security and Safety Fencing at Whanganui Port contract did not have the conflict of interest section completed on the PP. On the FBC, one person's name and title had been entered in the conflict of interest section but not signed.

Of the five payments in the sample from the \$50,000 to \$199,999 population, at time of writing, three had conflict of interest in the documentation sighted. A fourth was procurement from a preferred supplier and the fifth was a grant that went through the Waste Minimisation Working Party approval process. We were advised that in this latter case conflicts are discussed as matters arise and that there were no conflicts recorded for this Grant.

One of the payments in this sample was part of the Sarjeant Gallery Redevelopment Project, which had conflict of interests recorded. A new member was also added to the Tenders Board



partly to ensure there were sufficient voting members without conflicts. This is a particular issue with respect to the Sarjeant Gallery Redevelopment due the number of people involved with it.

For procurements of below \$50,000 we are not aware of any formal process for checking if there are conflicts of interest.

Recommendation

It is recommended that all conflict of interests discussed, including establishing that there are none, are captured in writing and filed with the other contract and tender documentation.

It is also recommended that wherever possible and practicable, that formal capture of any conflicts of interest is recorded as part of the procurement process.

Management comment

Noted

5. Auditor-General's September 2018 report "Introducing our Work about Procurement"

Rating: Beneficial

The Auditor-General's September 2018 report *Introducing our Work about Procurement* referred to "...three stages in the procurement life cycle that public organizations need to improve in: the strategic analysis at the start of the procurement life cycle; contract management; and checking that intended benefits are realized".

It is noted that the WDC procurement policy references the Office of the Auditor-General, June 2008, *Procurement guidance for public entities* in the section under Procurement Policy Best Practice Guidelines which was the most recent OAG document at the time the WDC Procurement policy was revised (July 2017).

The current 2017 WDC Procurement Policy is relatively silent on the three matters the OAG's 2018 report referred to, although the FBCs include information on the justification for the purchase for example benefits to WDC and/or its stakeholders.

Recommendation

If it was not already planned to do so, when the Procurement Policy is next reviewed it is recommended that is compared against the most recent Auditor General reports on procurement to ensure matters considered of importance by the Office of the Auditor General are considered as part of the review.

**Management comment**

The Procurement Policy is due shortly for review. The review will take note and reference this updated report from the Auditor General.

**Appendix A – WDC Distribution List****Draft copy, for management comment**

Kym Fell	- Chief Executive
Bryan Nicholson	- Chief Operating Officer
Mike Fermor	- General Manager Finance
Mark Hughes	- General Manager Infrastructure
Leighton Toy	- General Manager Property
Charlotte Almond	- General Manager Strategy
Debbie Watson	- Risk Manager

Final copy, including management comment

Mrs. Jenny Duncan	- Acting Chair Audit and Risk Committee
Hamish McDouall	- His Worship the Mayor



Appendix B – Ratings Definitions

Individual finding ratings

Rating	Explanation
Priority	Needs to be addressed urgently. These recommendations relate to a significant deficiency that exposes the Council to significant risk or for any other reason need to be addressed without delay.
Necessary	Address at the earliest reasonable opportunity, generally within six months These recommendations relate to deficiencies that need to be addressed to meet expected standards of best practice. These include any control weakness that could undermine the system of internal control.
Beneficial	Address, generally within 6 to 12 months These recommendations relate to areas where the Council is falling short of best practice. In our view it is beneficial for management to address these, provided the benefits outweigh the costs.

5.2 2019 ANNUAL REPORT UPDATE**Author:** Mike Fermor - General Manager Finance**Authoriser:** Kym Fell - Chief Executive**References:** Nil**Significance of decision** – In terms of the Significance and Engagement Policy 2018, the recommended decision is not significant.**Recommendation**THAT the Audit and Risk Committee receive the report – 2019 Annual Report update.**Executive Summary**

The purpose of this report is to update the Committee on progress towards Council's and other related entities annual reports.

Key Information

The following are the annual reports Council officers are preparing, together with scheduled audit dates:

<i>Entity</i>	<i>Commencement of Audit</i>
Whanganui Airport Joint Venture	26 August 2019
Sarjeant Gallery Trust Board	27 September 2019
Whanganui District Council Holdings Limited	26 August 2019
Whanganui District Council	2 September 2019

In addition to the above, the annual reports of GasNet Limited and New Zealand Commercial Pilot Academy Limited are consolidated within Whanganui District Council Holdings Limited.

Council Controlled Organisations' have a statutory obligation of 30 September 2019 to complete their annual reports, with Council's statutory obligation being 31 October 2019 (Council is due to adopt its annual report on the 1 October 2019). The draft annual report and commentary will be sent to Elected Members prior to its adoption.

Debbie Perera (Audit Director), Audit New Zealand, will be present at the Council meeting to answer questions and comment on their draft Audit Opinion.

To-date nothing has come to light to suggest the above timeframes will not be met.

Accounting Policies

Council's accounting policies were presented, and approved, by the Audit & Risk Committee on 27 May 2019. There have been no material changes to these policies.

5.3 INFORMATION MANAGEMENT UPDATE - AUGUST 2019

Author: Michelle Malley - Information Management Officer

Authoriser: Mike Fermor - General Manager Finance

References: 1. Information Management Policy

Significance of decision – In terms of the Significance and Engagement Policy 2018, the recommended decision is not significant.

Recommendation

THAT the Audit and Risk Committee receive the report – Information Management Update – August 2019.

Executive Summary

This report is to provide the Audit and Risk Committee with an update and overview of Council's obligations in terms of the Public Records Act 2005, and the Information and Records Management Standard.

Key information

Information is a critical business asset. Using legislation and mandatory standards, Government requires greater accountability from organisations regarding the management of Information Management (IM). In context information is about what's held across all systems in all Council environments. We have made considerable improvements in managing this business asset.

The *Public Records Act 2005* (The Act) and the *Archives NZ Information and records management standard*, which gives effect to The Act, specify how local authorities manage their information. The Standard contains three principles for assessing IM, i.e.:

- **Principle 1:** Organisations are responsible for managing information and records.
To ensure information and records are able to support all business functions and operations, organisations must establish a governance framework.
- **Principle 2:** Information and records management supports business.
Information and records management ensures the creation, usability, maintenance, and sustainability of the information and records needed for business operations.
- **Principle 3:** Information and records are well managed.

In 2018, the Executive Sponsor, along with the Information Management Officer, the Business Improvements Lead and the Archivist initiated an assessment of WDCs compliance with the Standard. The review showed that while WDC has improved its compliance, there are still some areas where further work is required, specifically around information being held in systems outside Council's main information management system, i.e. Hubble.

The Information Management Officer used the Implementation Guide for the Standard to indicate perceived compliance or otherwise. The Business Improvements Lead and the Archivist also contributed to the review.

This review showed that in 2018-19 WDC considerably improved its compliance with Principle 1 while also clearly showing improvements in the other two Principles.

In the last year, Council has made significant progress towards complying with the Information and Records Management Standard by:

- Adopting the Information Management Policy (**Ref 1**)
- The Executive Leadership Team endorsing the IM Policy and reviewing it annually
- The Chief Executive is driving a stronger and more consistent digital environment across the business.
- The Executive Sponsor is actively involved in Information and Records Management, participating in relative activities, surveys, and promoting the Policy.
- We have staff with the necessary information management skills. This applies beyond “records” staff.
- Anecdotally, staff are using IM vocabulary more frequently, considering it in their actions, asking for clarification. Over the past two years this has increased considerably which suggests the organisation is maturing within the IM space.
- The Human Resources team recently completed digitising its records and loading into Hubble. This is an example of a high-risk/high-value area reviewing its processes and selecting more robust options. Statistics NZ recently lost 3,000 staff members hardcopy records when their Wellington building, damaged by the Kaikoura earthquake, was demolished. This ensures that our records are protected from loss and damage
- Approving the Policy and now engaging with the Audit and Risk Committee regarding compliance, shows that we are seriously assessing our IM practices.
- Policy and ProMapp are used for managing LGOIMA, an important instance of policy and procedure aligning with legal requirements.

Summary

Overall, Council is meeting its obligations as per the Public Records Act 2005, and the Information and Records Management Standard. Areas for improvements have been identified such as ensuring that a consistent approach in applying the Standard to all information held by Council. An example would be when third parties hold Council information. Staff are working towards establishing and ensuring that the appropriate inventories, procedures, reviews and audits are established to ensure ongoing compliance.



**WHANGANUI
DISTRICT COUNCIL**
Te Kaunihera a Rohe o Whanganui

Information Management Policy



Whanganui District Council Policy

Originator:

Executive Sponsor – Chief Operating Officer

Contact person for enquiries:

Revenue and Information Management Lead

Approved by:

Executive Leadership Team

Date approved:

July 2019

Date by which a review should be carried out:

Annual review – next review due 2020

Policy Inventory number:

83317



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Executive Summary

The Information Management Policy establishes the framework in which information is managed and the accountabilities that Whanganui District Council (Council) will uphold in managing its information. It also identifies the responsibilities of staff and the expectations they must meet when managing information and records.

It has been developed in response to the following legislation:

- Contract and Commercial Law (Electronic Transaction) Regulations 2017 (prev. Electronic Transaction Act 2002)
- Local Government Official Information and Meetings Act 1987
- Privacy Act 1993
- Public Records Act 2005

It also ensures Council's compliance with the Information and Records Management Standard (a mandatory standard issued under Section 27 of the Public Records Act by the Chief Archivist).

Additional requirements for information management come under other specific pieces of legislation such as the Resource Management Act 1991 and Building Act 2004.

It confirms a number of critical information management principles – particularly in relation to the value of information, adherence to the Treaty of Waitangi, acknowledgement of all business and legal requirements, accessibility, protection of privacy and ensuring fit for purpose.



Introduction

Purpose

Council is committed to establishing and maintaining information management practices that meet its business and statutory requirements and maintain effective and efficient processes that support customer expectations.

The purpose of this policy is to document requirements relating to the creation and management of information at Council. The term 'information management' encompasses both records and information management.

Specific procedures for managing both electronic and hard-copy information are documented in Council's Promapp system.

Scope of policy

This policy applies to:

- All employees (including contractors, consultants and authorised third parties).
- Council Controlled Organisations
- All aspects of Council's operations, in whatever manner it is conducted and in whichever location it is carried out.
- All business applications used to create information and records (i.e. *all* business information held in *any* of Council's systems, for example GIS systems, FinanceOne and P&R).

Format

This policy applies to all information regardless of media or format which is generated or received as part of Council business. It applies to all information held in all operating environments, including information held in service arrangements.

Record versus non-record material

The International Standard on Records Management (ISO 15489-1:2016) defines a *record* as, 'information created, received and maintained as evidence and as an asset by an organisation or person, in pursuance of legal obligations or in the transaction of business'.



Information is defined by this policy to include all forms of recorded data, knowledge, facts, intentions, opinions or analysis created or used by Council in the conduct of its affairs, irrespective of the media through which it is communicated or stored. Council information may therefore exist in a variety of media. For example:

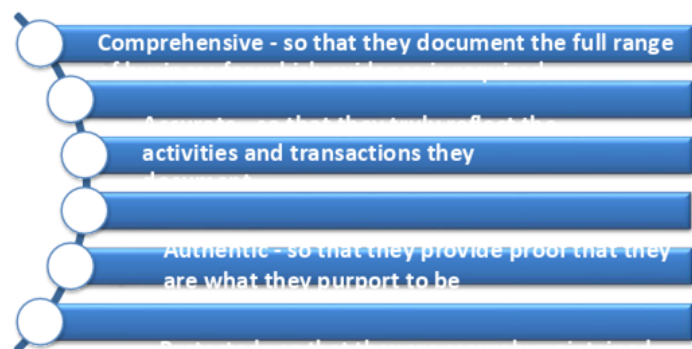
- Emails, texts
- Audio
- Databases
- CCTV
- Images
- Electronic documents
- Paper files
- CD/DVD, USBs

Authority of the policy

This policy is issued under the authority of the Chief Executive and will be reviewed and amended annually in consultation with Executive Leadership Team. Ownership of this policy rests with the Chief Operating Officer as Executive Sponsor and responsibility for its implementation rests with the General Manager Finance.

Why manage information?

Good information management allows Council to manage risk by recording business decisions and processes. This increases transparency and allows Council to make informed decisions. All employees need to adhere to the Information Management Policy to ensure full and accurate information about Council’s business activities are created and maintained. This means making sure that information and records are:





Mandatory requirements

Some information about the Council's operations is governed by statutory and regulatory requirements. Good information management practices ensure that Council creates, captures, retains and maintains evidence of compliance with these requirements. The key legislation in New Zealand concerning information management in the local authority sector that impacts on Council is as follows:

- Contract and Commercial Law (Electronic Transaction) Regulations 2017 (prev. Electronic Transaction Act 2002)
- Local Government Official Information and Meetings Act 1987
- Privacy Act 1993
- Public Records Act 2005

It is important to note that there is other legislation specific to Council operations that contains requirements for the management of certain information, such as the Resource Management Act 1991 and the Building Act 2004.

In addition, Council is required to adhere to the mandatory Information and Records Management Standard 2016 released by the Chief Archivist.



Principles

Underpinning good business practice is a set of principles (listed below). The nine principles govern the way information is to be managed and used by Council.

- Principle One** { • Information is considered a valuable organisat
- Principle Two** { • Employees will responsibly manage the organ
- Principle Three** { • We will meet Treaty of Waitangi duties and o
into the statutory scheme administered by Cō
requirement to guarantee the protection and
mātauranga Māori that reside under the auth
rangatiratanga
- Principle Four** { • Information management policies apply to in
operating environments
- Principle Five** { • Creation, collection, use, retention and dispos
subject to all legal and business requirements
- Principle Six** { • Information created and received by the Cou
equitably available and accessible - unless exp
this
- Principle Seven**
- Principle Eight**
- Principle Nine**



Policy statements

Council is committed to implementing best practice information management systems to ensure the appropriate creation, use, maintenance and protection of information. It is committed to developing its information management systems in accordance with effective and efficient information management processes and to meet compliance requirements.

5.1 Ownership

5.1.1. All information created or received¹ by Council employees² in the course of their work for Council is owned by the Council.

5.2 Format

5.2.1 The **primary** format for information within Council is **electronic**. This means that employees are expected to manage electronic information of all activities within Council's business systems according to information management policies and procedures.

5.3 Information security

5.3.1 Employees **must** use Council's business systems and information management processes to ensure that all private and sensitive information is appropriately classified and protected against unauthorised access.

5.4 Access

5.4.1 Information **will** be available and accessible to all employees unless there is a specific reason to preclude access (i.e. considerations of privacy, legal professional privilege, commercial sensitivity, statutory requirements etc.).

5.4.2 Employees will be held **accountable** for accessing information inappropriately (i.e. without a valid business reason).

¹ Unless copyrighted material.

² All reference to 'employees' throughout this document includes contractors, consultants and authorised third parties.



5.4.3 Access to information by members of the public and external organisations is governed by specific legislation (namely the Local Government Official Information and Meetings Act 1987 and the Privacy Act 1993) and may be subject to other legal considerations.

5.5 Use of information

5.5.1 All employees **must** use and manage information appropriately and efficiently to carry out Council’s business.

5.5.2 All employees **must** ensure that all information that supports the business of Council is collected and created for specified purposes and that the reasons for collection and creation are transparent.

5.6 Information disposal

5.6.1 Information disposal will be carried out in accordance with an approved retention and disposal authority as required by the Public Records Act 2005. Disposal of information must be carried out following audited disposal procedures under the guidance of the Revenue and Information Management Lead.

5.7 Using official repositories

5.7.1 Council has a number of different repositories/systems that are used to manage its information and records. Council’s information **must** be stored in approved repositories as listed below:

- Formal and well managed hard
- FDRMS for electronic
- Approved and supported line of business
- Legacy file

The authoritative (and only) source of Council’s information should **not be stored in unapproved repositories for example:**

- Electronic devices off-site
- Personal drives/personal cloud storage (e.g. Google drive/Dropbox)



- Temporary storage devices such as USB flash drives, CD/DVDs, portable hard drives
- Mobile devices such as tablets or smartphones
- Hard drives of laptops or PCs
- Website

Roles and responsibilities

The table below defines the information management roles and responsibilities of all Council employees.

Position	Responsibilities
Chief Executive	<ul style="list-style-type: none"> • Authorise the Information Management Policy • Assign responsibilities for information management • Ensure that information management practice meets statutory requirements • Ensure that the information management practice adds value to the business operations of Council • Champion high quality information management
Executive Sponsor	<ul style="list-style-type: none"> • Oversight of information management • Ensure adequate skilled information management resources are available to implement policy • Monitor, review and report on the Information Management Strategic Plan (once developed) and the Information Management Policy to ensure it meets business needs and supports compliance • Monitor, review and report on information management to ensure that it is implemented, transparent, and meets business needs. • Liaise with business units to ensure that Information and Records Management is integrated into all work processes, systems and services³ • Oversee the budget for information management

³To ensure that this policy relates to all records, in whatever system they are stored in (i.e. not just Hubble).



	<ul style="list-style-type: none"> • Ensure information management responsibilities are identified and assigned in job descriptions, performance plans and service agreements. • Ensure all new employees receive information management induction and training – with a particular focus on key systems such as Hubble and Promapp. • Establish information management policies for the Council as a whole • Respond to requests or enquiries from Archives NZ • Support and foster a culture that promotes good information management practices
<p>Revenue and Information Management Lead</p>	<ul style="list-style-type: none"> • Implement the Information Management Policy • Implement associated Information Management Procedures as documented in Promapp • Champion high quality information management • Manage the information services function for Council • Ensure Information Management staff have the appropriate skills, knowledge and expertise to manage information and records effectively and efficiently • Ensure a security policy to protect information and records is developed and implemented • Monitor, review and report compliance with Information Management Policy, and Information Management Procedures as documented in Promapp • Ensure information management is embedded into all business processes and systems • Support and foster a culture that promotes good information management practices
<p>Team Leaders⁴</p>	<ul style="list-style-type: none"> • Monitor employee understanding of and compliance with Council Information Management Policy and Information Management Procedures as documented in Promapp • Ensure all new employees receive information management induction training

⁴Team Leaders are considered to be third tier managers with responsibility for staff.



	<ul style="list-style-type: none"> • Identify employees that require refresher information management training • Champion high quality information management • Ensure information management is a design component of all systems and service environments • Ensure information management is integrated into work processes, systems and services • Support and foster a culture that promotes good information management practices • Manage access to information, where appropriate
<p>All Council employees - Including Contractors Consultants Authorised Third Parties</p>	<p>All employees need to be aware of information management requirements that affect the performance of their duties. Employees have a number of obligations with regards to the management of information, namely:</p> <ul style="list-style-type: none"> • Create and maintain full and accurate information to support the conduct of their business activities, including documenting oral decisions and commitments, meetings and telephone calls • Ensure consistent application of the Information Management Policy, principles, and procedures for all information across a variety of media and formats, including databases, documents, images, videos etc. • Register information, regardless of its format, into the official paper or electronic information management repositories • Keep information on Council’s premises. Only in exceptional circumstances and with prior approval are employees permitted to remove folders from Council’s premises • Learn how and where information is stored or held at Council • Obtain appropriate written authority prior to destroying records or transferring them to a third party • Safeguard and protect information so it is retained for as long as it is needed for business, legal and accountability requirements • Manage information according to the Information Management Procedures as documented in Promapp



- Refrain from maintaining individual or separate folders and/or information management systems (either hardcopy or electronic)

Monitoring and evaluation

Compliance with the policy and accompanying procedures will be regularly monitored and reported through to the Executive Leadership Team.

The policy will be reviewed annually by the Executive Sponsor. Any recommended changes to the policy as a result of that review will be submitted to the Executive Leadership Team for approval prior to implementation.

Further information

Who to contact

For further information about the Information Management Policy please contact the Executive Sponsor or the Revenue and Information Management Lead.

For further information about how to comply with the policy please refer to the Information Management Procedures as documented in Promapp.

Related documents

The Council documents below are related to this Information Management Policy:

- Information Systems Security Policy
- Information Services Email Security Policy
- Information Management Procedures – contained within Promapp
- Whanganui District Council Code of Conduct

5.4 HEALTH AND SAFETY ACTIVITY REPORT

Author: Debbie Watson - Risk Manager
Authoriser: Charlotte Almond - General Manager Strategy
References: Nil

Significance of decision – In terms of the Significance and Engagement Policy 2018, the recommended decision is not significant.

Recommendation

THAT the Audit and Risk Committee receive the report – Health and Safety Activity Report .

Executive Summary

The purpose of this report is to update the Audit and Risk Committee with activities, H&S statistics, and other relevant information across the Health, Safety and Wellbeing portfolio. The statistical reporting refers to the period 1 July 2018 to 30 June 2019.

The report provides a dashboard view of H&S initiatives and statistics over the preceding 12 months. Data will also be used in future reporting for trend analysis. In addition this report provides an element of due diligence.

Key information

The following policies, procedures and guidance have been reviewed or developed during the past 12 months and are due dissemination by the end of August 2019:

- Health, Safety and Wellbeing Manual (previously Health and Safety Manual 2016) – new manual now supported by a policy and Chief Executive Statement of Commitment
- Remote, Working Alone and Isolated Work Guidelines (previously Remote and Working Alone Policy) reviewed and amended
- Hazardous Substance Management Guidelines (new)
- Noise and Hearing Conservation Guidelines (new)
- Interim Contractor Management Guidelines (new and will form part of the Phase Two Contract Management Focus Group work stream)
- Permit to Work Guidelines (new)
- Asbestos Management Guidelines (new)
- Fatigue Management and Prevention Guidelines (new)
- Rehabilitation and Return to Work Guidelines - reviewed existing policy and amended to align to operational requirements including the addition of a Work Demands and Medical Restrictions process

The following procedures and guidance have been implemented in the past 12 months (summary only):

- Patuna Intranet landing/home page for Health, Safety and Wellbeing (ease of access)
- Health, Safety and Wellbeing Stations
- Monthly Workplace Inspections and supporting guidance
- Venues and Events Incident Report Template
- Health and Safety checklist for working from a residential location
- Health and Safety Subcommittee agenda
- Health and Safety Committee Terms of Reference
- Staff Support Post Incident Guidance
- Floor/Fire Warden Training material
- Safety Improvement Card (new)

SafePlus Assessment Update

In December 2018 the SafePlus assessment was completed with the recommendations for continuous improvement, as noted to the Audit and Risk Committee in February 2019, inclusive of actions to date summarised below:

Leadership	Actions to Date
Activation of Due Diligence Plan	Plan activated and completed by ELT members for year end 30 June 2019. Plan to be developed for 2019-2020 year in consultation with ELT
Upskilling managers in safety leadership	Health and Safety Governance and Leadership Training Matrix developed for delivery in 2019-2020 that includes Institute of Directors online module, Investigating Incidents, Accidents and Near Misses and Workplace H&S training
Data collection and measurement	Lead and lag indicators reported on to ELT on a quarterly basis
Sourcing an online health and safety system that is fit for purpose	Work in progress – funding dependant. Continuing to use PeopleSafe for incident reporting only.

Worker Engagement	Actions to Date
Consult and sign off on the Terms of Reference	ToR for H&S Committee approved on 26 July 2019
Encourage ELT to attend H&S committee meetings	Noted in January 2019 report to ELT
Upskilling Health and Safety Representatives around risk management	Health and Safety Governance and Leadership Training Matrix developed for delivery in 2019-2020 refer to Workplace H&S training, Investigating Incidents, Accidents and Near Misses
Explore ways to involve more staff in critical risk management	On H&S committee work plan for 2019-2020

Risk Management	Actions to Date
Risk profiling critical risks and effective measurement of controls	Full review of risk hazard registers and controls occurring by workgroup
Develop a framework for health and safety documentation, along with a review of current documentation.	Document review schedule and overview schema developed
Consider a health and safety online tool that can capture contractor management health and safety information, track corrective actions and track critical risk controls and measures.	Work in progress

Other Recommended Actions	Actions to Date
<p>Working Alone Policy</p> <p>Update the Working Alone Policy and work with the Working Alone Sub-group to complete a full stock take of who works alone and what current procedures and processes are in place.</p>	Revised policy drafted with dissemination via Health and Safety Committee to include review of work area specific plans.

Other Recommended Actions	Actions to Date
<p>Contractor Management</p> <p>Undertake more work on upskilling contract managers on the HSWA requirements for overlapping duties, and health and safety in contractor management.</p> <p>Develop a more robust framework for roles and responsibilities and reporting requirements when in contractual arrangements with all providers.</p> <p>Ensure there is consistency in health and safety processes across all contractual arrangements.</p> <p>Review the contractor pre-qualification process and update the induction process. This review could also extend to evaluating contractor health and safety performance.</p>	<p>Health and Safety Governance and Leadership Training Matrix developed for delivery in 2019-2020 that includes Other PCBUs – Dealing with contractors training for all Contract Managers.</p> <p>Interim Contractor Management Guidelines developed with a view to ensuring final document is completed within the Phase Two Contract Management Focus Group deliverables.</p>

Many of the opportunities for improvement noted in the assessment report had previously been identified by the Risk Manager.

These are noted in the [Health, Safety and Wellbeing Continuous Improvement Programme for 2018-2019](#).

The continuous improvement work plan has been designed to meet the needs of the Whanganui District Council and our unique facilities, operations and day to day Health, Safety and Wellbeing requirements.

Health and Safety Committee Realignment

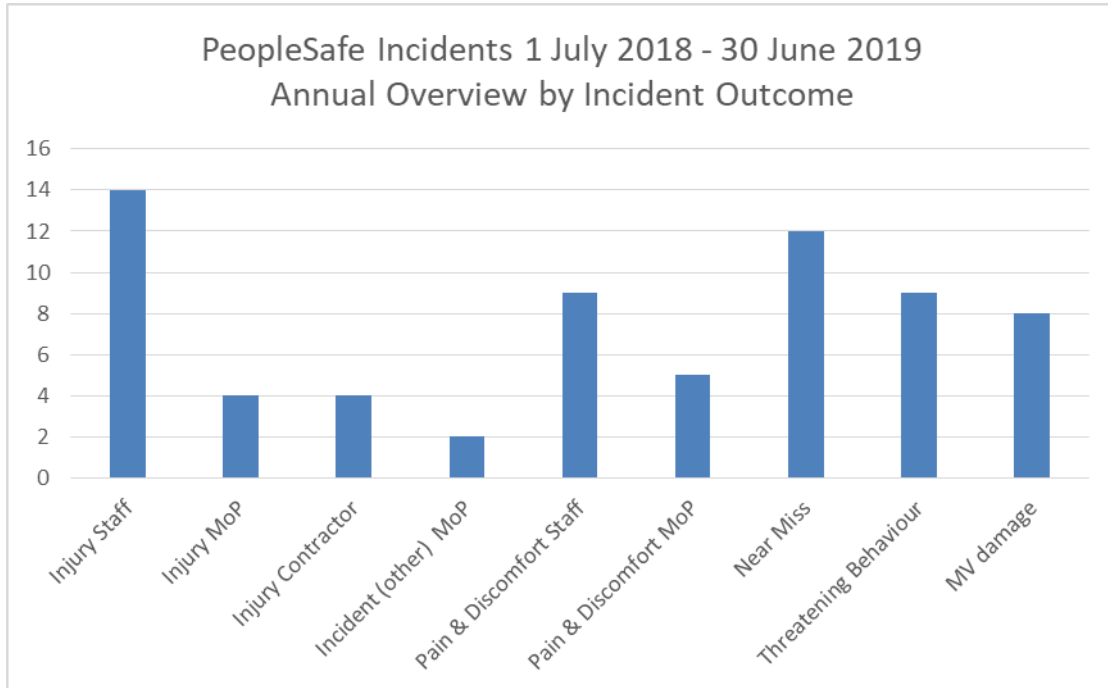
It became apparent that the Health and Safety Committee and Subcommittee process was ineffective for some work groups, as the meeting frequencies and reporting outcomes were not always demonstrative of effective Worker Engagement, Participation and Representation.

A review of subcommittee configuration was completed alongside the development of a standard agenda and a meeting schedule for the 2019 year. This change has ensured increased attendance

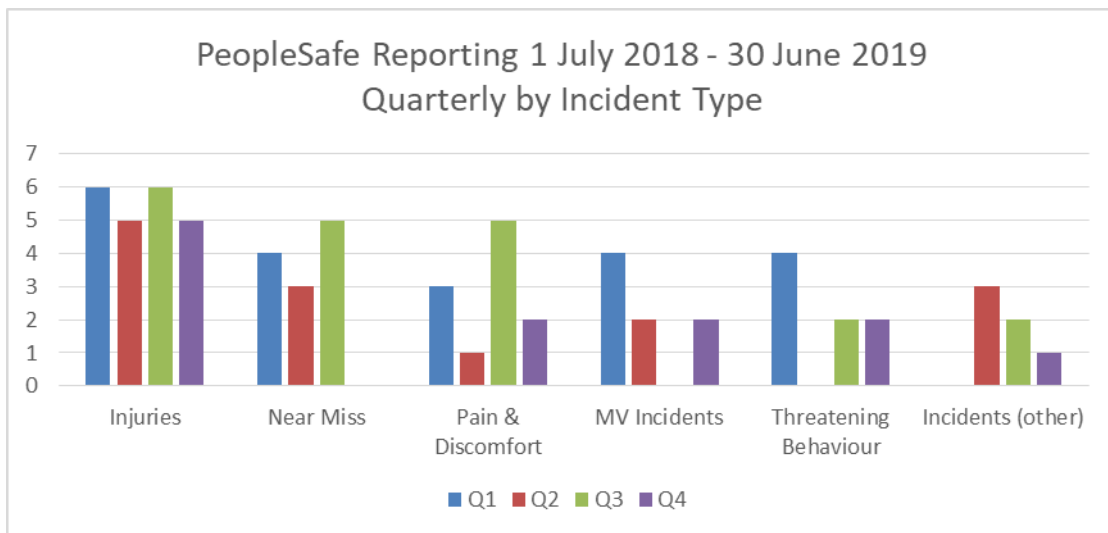
and ownership of H&S representation, which in turn supports the identification of risks, improves communication and contributes to an improved safety culture.

PeopleSafe Incident Reporting

For the period 1 July 2018 to 30 June 2019 there were 67 incidents reported in PeopleSafe. These are summarised below.



The graph above reflects incidents by various categories including staff, contractors and members of the public. For the period there were 14 injuries to staff mainly due to slips, trips and falls, with 9 reports of pain or discomfort.

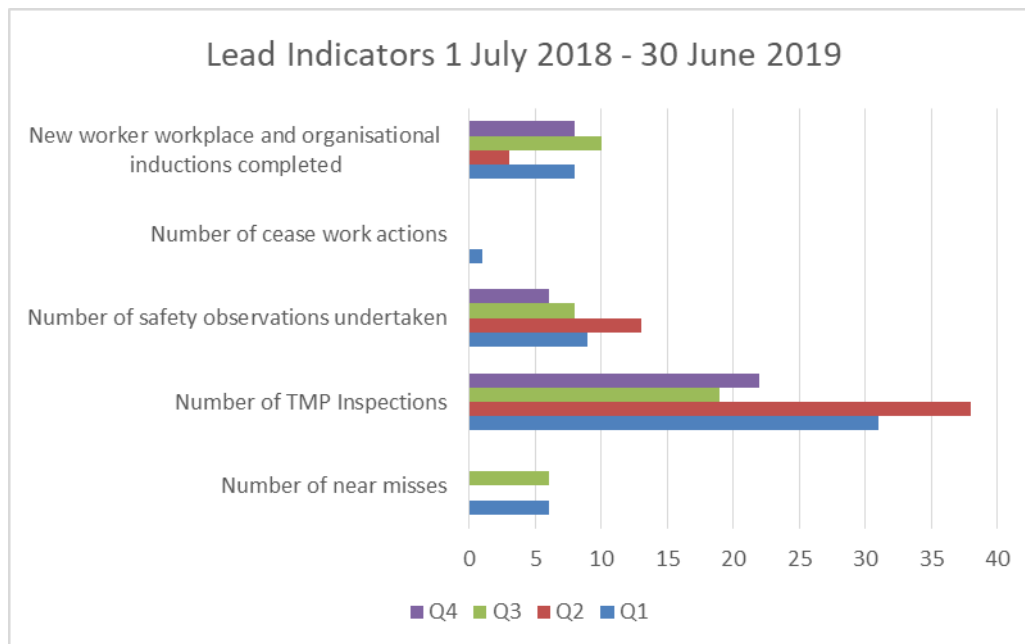


Introduction of Lead and Lag Indicators

Lead and lag indicators were developed to further identify trends and promote to H&S engagement and reporting.

Lead indicators focus on proactive prevention and are designed to prevent harm and to manage and reduce risk.

Lag indicators measure actual performance and by their very nature are reactive. They can also measure the effectiveness of Health and Safety programmes and signal opportunities for improved engagement.



The lead indicators are positive actions in support of effective health and safety management. Safety observations are the actual on site observation of work activities by Contract Managers or designated personnel and are completed by Parks and Infrastructure using Encapsulated with real time reporting. Property observations are completed using a paper based reporting system with retrospective reporting.

Cease work actions were initiated by Infrastructure against the contractor.

TMP (Traffic Management Plan) inspections are completed by Parks and Infrastructure staff to ensure compliance with the conditions of the TMP.

Health and Safety Key Performance Indicators

In line with the vision to create, maintain and improve on the culture of health and safety leadership, values and commitment to a safe workplace a [Key Performance Indicators](#) programme has been created.

The Key Performance Indicators (KPI) are mandatory deliverables to ensure the H&S culture continues to improve, defines responsibilities and also serves as a prompt for management discussions.

General Managers	Tier 3 Operational Managers	All Team Members
Put in place a H&S training plan for yourself to complete the governance and leadership training as identified in the training matrix	Put in place a H&S training plan for yourself to complete the workplace safety and Investigation Incidents training as identified in the training matrix	Identify with your line manager any H&S training required and agree a plan of action
Put in place a H&S training plan for your direct reports	Put in place a H&S training plan for your direct reports	Attend prescribed H&S training
Ensure procurement of all goods, services and/or equipment has had H&S considered in aspects such as design, procurement, purchasing, tendering and risk	Ensure procurement of all goods, services and/or equipment has had H&S considered in aspects such as design, procurement, purchasing, tendering and risk	Talk with your line management to understand procurement and purchasing hazard risk management
Undertake H&S Observations at least once per quarter and register the outcomes using the observation template and save in Hubble	Undertake H&S Observations at least once per quarter and register the outcomes using the observation template and save in Hubble	Participate in at least one risk or hazard review annually
Facilitate at least one H&S management conversation and one H&S topic brief per quarter focussing on continuous improvement	Facilitate at least two H&S management conversations/briefings on WorkSafe changes per quarter	Attend the briefing/s and keep informed

In addition Elected Members will be encouraged to complete the LGNZ Health and Safety for Councils training, which provides an overview of due diligence responsibilities from an Elected Member perspective.

5.5 ORGANISATIONAL POLICY REVIEW UPDATE**Author:** Charlotte Almond - General Manager Strategy**Authoriser:** Kym Fell - Chief Executive**References:** Nil**Significance of decision** – In terms of the Significance and Engagement Policy 2018, the recommended decision is not significant.**Recommendation**THAT the Audit and Risk Committee receive the report – Organisational Policy Review Update.**Executive Summary**

Internal policies serve as important forms of internal controls and mitigate risks. They also help to maintain accountability and ensure established processes and procedures are being followed.

A stocktake undertaken in January 2019 identified that many of our organisational policies were due or overdue for review. These were considered by the Executive Leadership Team and a programme for review was established.

The review period for completion spans the period March – December 2019. Progress to date is outlined below:

Key information

Policy	Status
Privacy Statement	Completed March 2019
Fraud and Corruption Policy	Completed March 2019
Family Violence Awareness in the Workplace – Guideline for Managers	Completed April 2019
Leave Policy 2019	Completed May 2019
Council Smoking Policy	Completed – no change required and incorporated into Leave Policy 2019
Office Compulsory Closure Policy	Completed – incorporated into Leave Policy
Calculating of an otherwise working day	Completed – incorporated into Leave Policy
Long Service Policy	Completed – incorporated into Leave Policy
Special Sick Leave Policy	Completed – incorporated into Leave Policy
Compliance and Enforcement Strategy	Completed June 2019
Exiting staff policy and process	Completed July 2019 – Process mapped
References and Acting as a Referee	Completed July 2019 – Process mapped
CCTV Policy	In progress – due September 2019
Vehicle Policies	In progress – due September 2019
Disciplinary Procedures Guideline	In progress – due September 2019

Flexible Working Arrangements Policy	In progress – due September 2019
Equal Employment Opportunity Policy	In progress – due September 2019
Media Relations Policy and Social Media Policy	Not started – due September 2019
Customer Care Strategy review and Correspondence Policy	In progress – due October 2019
Crime Prevention Through Environmental Design Policy Statement	In progress – due October 2019
Information Services Policies	In progress – due November 2019
Mobile Device Policy	In progress – due November 2019
Position Description Policy	Not started – due December 2019
Staff Handbook	Not started – due December 2019

5.6 WHANGANUI & PARTNERS RISK ASSESSMENT

Author: Anna Palamountain - Governance Services Officer

Authoriser: Kate Barnes - Senior Democracy Advisor

References: 1. Whanganui & Partners Risk Register

Significance of decision – In terms of the Significance and Engagement Policy 2018, the recommended decision is not significant.

Recommendation

THAT the Audit and Risk Committee receive the report – Whanganui & Partners Risk Assessment.

Executive Summary

Mark Ward, Chief Executive Whanganui & Partners (W&P) has provided the following report:

Introduction

The purpose of this report is to present the Risk Register of W&P for consideration by the Audit and Risk Committee.

The Risk Register aims to identify and assesses W&P risks and outline the measures and controls that are in place to mitigate these.

All identified risks have mitigation and minimisation plans developed for them.

Working alongside this risk register will be the Council Controlled Organisation (CCO) Governance Manual and Statement of Intent 19/20. These further two documents will ensure W&P has the correct skill base to operate effectively in addition to both objectives and strategic direction.

Strategic context

W&P continues to undertake a range of activities focused on delivering the short, medium and long term outcomes contained within the Economic Development Strategy and related strategies.

The risk register has been presented to the W&P at its April 2019 Board Meeting and is submitted to Audit and Risk Committee for review.

The next review by the Board and Staff is scheduled for September 2019.

Key Issues

The risk register identified the main risks to the delivery of W&P KPIs for the year and strategies to minimise the likely occurrence and mitigate the impacts should they arise.

It should be noted that global economic uncertainty/conditions and private sector business decisions have the potential to negatively impact on W&P's ability to achieve their KPIs and are largely outside the ability of staff to influence.

Also worth noting is the increasing tourism numbers, which are highlighting our limited accommodation options (in particular boutique hotel and the ability to accommodate large numbers for conferences and events). W&P continues to work with partners, potential investors and central government agencies to attract investment in this space.

Factors to consider

- **Financial considerations**

The objectives of Whanganui & Partners is to partner with the Whanganui community in delivering the economic development objectives as determined by the Whanganui District Council. Funds and set aside in the Council's economic development budget to enable delivery of these objectives.

- **Legal compliance**

W&P Risk Register takes account the effect of relevant legislation, such as the Health and Safety at Work Act 2015.

- **Policy implications**

W&P Risk Register is consistent with the Council's risk assessment policy.

- **Risks**

The risks are identified in the Risk Register.

Conclusion

This W&P Risk Register provides members with a good understanding of the overall risk profile of the Company with proposed mitigation actions.

Whanganui & Partners Risk Register
Version Dated: 12 August 2019



Introduction

This document aims to present Whanganui & Partners Risk Register highlighting the Strategic, Operational and Project risks, captured in the centralised risk database.

Matrix

The matrix (Table 1) is used to determine the risk rating by combining the consequence and

Table 1:

Likelihood	Consequence				
	Very minor	Minor	Moderate	Major	Catastrophic
Almost certain	Medium 5	High 10	Critical 15	Critical 20	Critical 25
Likely	Low 4	Medium 8	High 12	Critical 16	Critical 20
Possible	Low 3	Medium 6	Medium 9	High 12	Critical 15
Unlikely	Low 2	Low 4	Medium 6	Medium 8	High 10
Rare	Low 1	Low 2	Low 3	Low 4	Medium 5

Risk	Actions
Low	Tolerate risk and examine where un-needed action can be
Medium	Tolerate if the cost of risk elimination, transfer or reduction is
High	Executive Leadership attention to manage risk and review
Critical	Immediate action required to reduce risk and reported to CE.

Whanganui & Partners Risk Register

Version Dated: 12 August 2019



Risk ID	Category	Risk	Risk Score	Management approach to decrease Likelihood	Management approach to decrease Impact	Mitigations			Person Responsible
						Date Reviewed	Controls if Risk is Realised	Risk Score	
1	Strategic	Failure to develop and maintain close ties with potential investors or business entrepreneurs and retain our local businesses and grow capabilities may reduce employment opportunities in Whanganui	Medium	1. Working closely with the Businesses and the Business Friendly Group to help with the initial set-up. 2. Seeking out to new businesses to address gaps in the community, assisting and coaching entrepreneurs, mentoring set-ups, supporting seminars to facilitate investment or raise capital. 3. Targetted marketing campaigns both nationally and internationally. 4. Collaboration with Whanganui District Council to identify opportunities in land development, town planning and infrastructure. 5. Actively supporting existing business network events. 6. Identifying training opportunities and events that support professional development for business growth. 7. Build on education projects that identify pathways into employment opportunities.	1. Encourage new business start-ups. 2. Encourage franchise or nation-wide businesses to open branches in Whanganui 3. Explore on training opportunities to the Business Sector. 4. Supporting partners initiative in the training and capacity building space.	12-Aug-19	1. Continue to promote Whanganui as a great place to do business. 2. Retention plan in place (one on one meetings to identify the problems, and possible collaborations with Whanganui District Council).	Low	Chief Executive and Staff
2	Strategic	Failure to increase the attraction of residents and visitors to Whanganui, retain our point of difference, and attract new events to Whanganui. May cause an inability to deliver fully on the Sol Destination Marketing Objective	Medium	1. Targetted Destination Marketing Campaigns. 2. Supporting existing events and conferences in Whanganui. 3. Using major out of town events as a promotional platform for what Whanganui has to offer.	1. Increasing online media reach 2. Reaching out to the national TV programmes 3. Wider circulation of the marketing collaterals	12-Aug-19	1. Supporting events that are lead by Partners. 2. Paid media advertisements. 3. Media & Venues Famil to selected PR Agencies	Low	Chief Executive and Staff
3	Strategic	Community perception of Whanganui and Partners may cause negative media attention, increased negative focus on business initiatives and contribute to funding stream pressure	Medium	1. Maintain awareness of changing economic environment locally, nationally and internationally. 2. Maintain awareness via active communication of emerging issues	1. Reaching out to them via public meetings (Public & Stakeholder Forum), champion network meeting. 2. Actively supporting existing business network events.	12-Aug-19	1. Continue to promote Whanganui as a great place to do business. 2. Retention plan in place (one on one meetings to identify the problems, and possible collaborations with Whanganui District Council).	Low	W&P Board and Chief Executive
4	Strategic	The business cycle moving into recession may lead to local business failures, reduction in staffing levels, and/or other impacts which may cause an inability to fully deliver on Sol Business Objectives	Medium	1. Encourage new business start-ups. 2. Identifying training opportunities and events that support professional development for business growth. 3. Build on education projects that identify pathways into employment opportunities.	1. Encourage franchise or nation-wide businesses to open branches in Whanganui 2. Explore on training opportunities to the Business Sector. 3. Supporting partners initiative in the training and capacity building space.	12-Aug-19	1. Continue to promote Whanganui as a great place to do business. 2. Retention plan in place (one on one meetings to identify the problems, and possible collaborations with Whanganui District Council).	Low	Chief Executive and Staff

5	Strategic	Decrease in student numbers, education and training offerings and capability in Whanganui, and failure to increase the number of students transitioning into employment pathways may cause an inability to deliver fully on the Sol Education Strategic Objective	Medium	<ol style="list-style-type: none"> 1. Targetted marketing projects to attract new students to Whanganui (national and international). 2. Aiming for events that build on its reputation as a study destination. 3. Sourcing funding for Whanganui Education Academy. 2. Focus on development projects aimed at the New Zealand International Commercial Pilot Academy	<ol style="list-style-type: none"> 1. Leveraging off the sister-city relationships. 2. Using existing line items that could qualify for this purpose. 	12-Aug-19	<ol style="list-style-type: none"> 1. Continue partnering with Tertiary institutions and promoting them as a study destination. 2. Sponsorship/ongoing support to students aiding them to transit from education to employment. 3. Lobbying with existing project funders on the possibility of scooping funds for the development of Whanganui Education Academy. 	Low	Strategic Lead Capability and International
6	Strategic	Political implications as a result of a change in Government policy, direction and/or Governance.	Medium	<ol style="list-style-type: none"> 1. Seek existing funding opportunities such as Provincial Growth Fund to support Projects. 	<ol style="list-style-type: none"> 2. Re-look at curent Council Funding allocated. 2. Re-visit priorities. 	12-Aug-19	<ol style="list-style-type: none"> 1. Applications for PGF Funds in place. 2. Tapping into Tourism Infrastructure Funding opportunities 3. Exploring other funding areas and/or partnership opportunities. 		W&P Board and Chief Executive
7	Operational and Reputational	Councils review of CCOs leading to decrease in funding for W&P	High	<ol style="list-style-type: none"> 1. Follow reporting and governance rules to provide full disclosure-no surprises. 2. Develop clear objectives and performance measures aligned with WDC strategic direction and within W&Ps ability to influence. 3. Ensure contracts for funding are in place wherever possible (track spend against budget, maintain positive working relationships and communication with funding partners, meet all reporting and accountability requirements, deliver targeted results/outcomes) 	<ol style="list-style-type: none"> 1. Involve partners in all projects. 2. Develop alternative funding sources. 3. Build Contingency into spending plans (spread investments across all activity areas, maintain a register of alternative funding sources and have systems in place to rapidly apply for funding, identify fundings from existing funders which can branch out to cover for other projects). 	12-Aug-19	<ol style="list-style-type: none"> 1. Re-prioritize work/projects. 2. Communicate with affected parties. 3. Reduce overheads 	Medium	W&P Board and Chief Executive
8	Operational	Relationship with partners, Iwi and key stakeholders deteriorate, which may cause reputational impacts	High	<ol style="list-style-type: none"> 1. Focus on maintaining relationships and open communication/engagement. 2. Have formal representation of key partners/Iwi on W&P Board 	<ol style="list-style-type: none"> 1. Develop PR/Media plan for scenario of relationship breakdown. 2. Continue to promote Whanganui as a positive destination of choice for a range of reasons/audiences. 	12-Aug-19	<ol style="list-style-type: none"> 1. Implement appropriate Communications & Stakeholder Plan 2. Develop process for rebuilding relationship. 	Medium	Chief Executive and Staff
9	Operational	Key team members of W&P leave, decreasing ability to deliver on areas of strategic focus.	High	<ol style="list-style-type: none"> 1. Proactively engage with staff to ensure they have clear direction and are supported to undertake their roles. 2. Provide coaching and access to professional development 3. Celebrate success 	<ol style="list-style-type: none"> 1. Build a database of quality contract personnel/temps. 2. Ensure at least two team members are actively involved in every major project. 	12-Aug-19	<ol style="list-style-type: none"> 1. Engage temporary staff and contractors to deliver projects. 2. Re-prioritise work 	Medium	Chief Executive
10	Operational	Conflicting/not following business processes leading to unapproved business practises such as unapproved expenditures, loss of information and/or information unavailability.	High	<ol style="list-style-type: none"> 1. Ensure processes are simple and clearly communicated at induction and at appropriate intervals. 2. Undertake regular reviews of systems and processes to check for relevance and currency. 3. Work with Council IT team to minimize risk of system failure 	<ol style="list-style-type: none"> 1. Delegated authorities in place limited impact of any business process failing. 2. Back-Ups in place. 3. W&P IT Strategy in place. 	12-Aug-19	<ol style="list-style-type: none"> 1. Review processes and where necessary take appropriate employment action(s). 2. Implement W&P IT team procedures 	Medium	Chief Executive

11	Project	<p>River Tourism PGF Risk: time frames not met for PGF application Risk: disagreement about scope of application. High requirement to get iwi engagement. Iwi wanted to lead this but nothing has been forthcoming. W&P has been asked to work with iwi to develop a PGF application for river tourism. Engaging with iwi is time consuming and could be difficult to reach a consensus.</p>	Medium	<p>1. Use WDC cultural iwi liaison to help with engagement 2. Focus on maintaining relationships and open communication/engagement. 3. Have formal representation of key partners/Iwi on W&P Board 4. Form a steering group with iwi representation 5. Keep iwi informed every step of the way</p>	<p>1. Meet with a wide range of iwi groups. 2. Do not to rush to a conclusion.</p>	12-Aug-19	1. PGF application does not proceed	Medium	Strategic Lead Visitor Industries
12	Project	<p>Regional Brand Story Risk: Inadequate iwi engagement and/or agreement with the outcome of the regional brand story leads to iwi blocking regional brand story.</p>	Medium	<p>1. Use WDC cultural iwi liaison to help with engagement 2. Focus on maintaining relationships and open communication/engagement. 3. Keep a record of iwi engagement</p>	<p>1. Meet with a wide range of iwi groups. 2. Do not to rush to a conclusion.</p>	12-Aug-19	1. Presented to WMRTO, Nga Tangata Tiaki and Tupoho at a runanga meeting	Low	Strategic Lead Visitor Industries

6 MOTION TO EXCLUDE PUBLIC

RESOLUTION TO EXCLUDE THE PUBLIC

Section 48, Local Government Official Information and Meetings Act 1987.

Recommendation

THAT the public be excluded from the following parts of the proceedings of this meeting, namely items listed overleaf.

Reason for passing this resolution: good reason to withhold exists under section 7. Specific grounds under section 48(1) for the passing of this resolution: Section 48(1)(a)

Note

Section 48(4) of the Local Government Official Information and Meetings Act 1987 provides as follows:

“(4) Every resolution to exclude the public shall be put at a time when the meeting is open to the public, and the text of that resolution (or copies thereof):

- (a) Shall be available to any member of the public who is present; and
- (b) Shall form part of the minutes of the local authority.”

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 relevant part of the proceedings of the meeting in public are as follows:

ITEM NO.	GENERAL SUBJECT OF EACH MATTER TO BE CONSIDERED	SECTION	SUBCLAUSE AND REASON UNDER THE ACT	PLAIN ENGLISH REASON
7.1	Minutes of the Audit and Risk Committee Meeting held on 27 May 2019			Refer to the previous public excluded reason in the agenda for this meeting
8.1	Risk Management Activity and Strategic Risk Register Report	s7(2)(f)(ii), s7(2)(j)	Improper Pressure or Harassment, Improper Gain or Improper Advantage	Given the timing of the Electoral process information in this report could be used to the benefit of potential candidates without the full context of the Local Government legislative and risk profile.

7 CONFIDENTIAL CONFIRMATION OF MINUTES

7.1 MINUTES OF THE AUDIT AND RISK COMMITTEE MEETING HELD ON 27 MAY 2019

8 CONFIDENTIAL REPORTS TO COMMITTEE

8.1 RISK MANAGEMENT ACTIVITY AND STRATEGIC RISK REGISTER REPORT

9 MOTION TO REOPEN THE MEETING TO THE PUBLIC