

Audit & Risk Committee

Open Agenda



Notice is hereby given that an ordinary meeting of Audit & Risk Committee will be held on:

Date: Tuesday 11 June 2019
Time: 1:00pm
Venue: Council Chambers
35 Kenrick Street
TE AROHA

Membership

John Luxton, Chairperson

Mayor

Janet E. Barnes, JP

Deputy Mayor

James Thomas, JP

District Councillors

Neil Goodger

Brian Hunter

James Sainsbury

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1 Meeting Opening

2 Present

3 Apologies

At the close of the agenda apologies from Cr James Sainsbury had been received.

4 Notification of Urgent Business

Pursuant to clause 3.7.5 and 3.7.6 of the Standing Orders NZS 9202:2003 and Section 6A (7) of the Local Government Official Information and Meetings Act 1987, the Chairman to enquire from members whether there are any additional items for consideration which qualify as extraordinary or urgent additional business.

5 Confirmation of minutes

Minutes, as circulated, of the Ordinary Meeting of Audit & Risk Committee , held on 12 March 2019

External audit plan - KPMG

Trim No.: 2147022

Executive Summary

Two separate projects in the Health & Safety/Quality team have prompted us to consider alternative ways of providing auditing on Council activities. These are:

- A review of our Quality Management system to consider its effectiveness and what improvements can be made. Part of this review is considering our current internal audit programme and our ISO certification.
- A health & safety management system audit – refer to separate item on this agenda.

Recommendation

That:

1. the report be received.
2. the proposed audit programme for the 2020/21 year be approved.

Content

Background

Our ISO certification requires a certain level of internal auditing of our processes and systems. These audits are conducted by staff who receive auditing training.

Our internal auditors are required to conduct 2 - 3 audits per year. This has generally been at a process level and it could be questioned whether this is adding any real value. It has become increasingly difficult to keep these staff engaged with the process and to find time in their already busy roles to take on this additional work.

Our health & safety representatives also conduct internal auditing of health & safety processes. Again, we have the same issues with engaging staff, skill levels, and overall workload.

Analysis

Options considered

KPMG have a contract with Waikato LASS to provide high level auditing services and we have engaged them to prepare a draft auditing programme for us.

They met with the Executive Team and H&S/Quality Manager to get an idea of the areas that should be covered. This related to our Corporate and Health & Safety risks.

The following is the proposed audit programme and attached are the rationale and scope for each area.

Area for audit	Proposed financial year	Relevant risks
Internal Quality Assurance programme	2020 (to commence July 2019)	Regulatory change & compliance
Risk Management Maturity Assessment	2020 (to commence September 2019)	Risk management maturity
Health & Safety "Deep Dive" of Contractor Management	2020 (to commence March 2020)	Health & safety, procurement, contract management
Portfolio Governance & Project Management	2021	Project failure
Disaster Recovery & Business Continuity	2021	Natural disaster & coordination, IT systems & alignment
Compliance Framework Maturity Assessment	2022	Regulatory change & compliance
Stakeholder Engagement Management	2022	Stakeholder management

Financial Impact

i. Funding Source

Funding for these audits is already available from existing budgets.

Attachments

[A.1](#). KPMG audit plan

Signatories

Author(s)	Sandy Barnes Health & Safety/Quality Manager	
Approved by	Dennis Bellamy Group Manager Community Development	

FY2020 Internal Audit Plan

Rationale and Indicative Scope

DRAFT

INTERNAL AUDIT

RATIONALE FOR INCLUSION AND INDICATIVE SUMMARY SCOPE

Internal Quality Assurance Programme

Rationale

MPDC has identified an opportunity to review the internal quality assurance ("QA") programme with the aim of refocussing the programme using a risk-based approach and to enhance QA procedures to incorporate testing that not only looks at the operating effectiveness of key controls, but also the design of these to mitigate the key risks.

Scope

The review will assess the overall internal QA programme and make recommendations as to how the programme can be improved taking into consideration MPDC objectives of refocussing the programme using a risk based approach and enhancing QA procedures. Key factors considered as part of this review will include: what areas are the QA reviews currently covering, what is the rationale and focus for these reviews, how effective is the reporting being delivered and how do these reviews fit into the overall internal QA programme.

Risk Management Maturity Assessment

Rationale

Within the local government sector, councils are placing increased importance on developing a robust risk management culture and embedding it in their day-to-day operations. Councils are assessing their risk management maturity, developing roadmaps to strengthen their processes and also establishing risk appetite statements. An effective risk management approach should enable MPDC to identify and manage significant risks that may transpire, which could cause loss or damage to the organisation.

Scope

The review will assess the design and implementation of MPDC's risk management framework for adequacy and effectiveness, compare MPDC's risk management practices against KPMG's Enterprise Risk Management maturity framework and provide recommendations for improvement where opportunities exist. Areas of focus for this review will include:

- Risk strategy and appetite
- Risk culture
- Risk assessment and measurement
- Risk management and monitoring of risks
- Risk reporting and insight.

FY2020 Internal Audit Plan

Rationale and Indicative Scope

DRAFT

INTERNAL AUDIT

RATIONALE FOR INCLUSION AND INDICATIVE SUMMARY SCOPE

Health and Safety Deep Dive

Rationale

MPDC has been working with an independent health and safety expert to ensure that its health and safety framework is robust enough to provide comfort that MPDC is meeting its compliance obligations. At an individual site level, MPDC has identified that it would like to test the effectiveness of application of the health and safety framework with specific reference to high risk areas (e.g. contract management).

Scope

The review will assess the design and operating effectiveness of health and safety compliance controls at an individual site level. Selection of the site will be undertaken using a risk-based approach, placing focus on high risk areas.

FY2021 - FY2022 Internal Audit Plan

Rationale and Indicative Scope

DRAFT

INTERNAL AUDIT

RATIONALE FOR INCLUSION AND INDICATIVE SUMMARY SCOPE

Contract Management

Rationale

Contract management is an area of focus for MPDC as non-compliance with effective contract management processes could result in significant financial loss for MPDC. Accordingly, additional resource has been brought in to upgrade existing contract management processes and procedures. MPDC has indicated that a sense check of the uplifted contract management environment will help ensure its robustness.

Scope

The review will assess the adequacy of design and operating effectiveness of processes and controls over contract management and provide recommendations for improvement where opportunities exist. Areas of focus may include:

- Health and safety compliance and the three Cs of PCBU duties (i.e. consult, co-operate, co-ordinate)
- Adherence to contract management policies and adequacy/appropriateness of this to support current organisational needs and alignment to sound contract management practices
- Conflicts of interest management
- Maintenance of a database/register of existing contracts
- Costing, scoping and issuing of 'request for proposals'
- Tender management process including tender clarification, close, qualification, evaluation and selection process
- Adequacy of the tender evaluation team, panel and specialists (as applicable)
- Tender negotiation, contracting and de-brief process (unsuccessful tenderers)
- Process for management of retention, renewal and variations of contracts
- Assessment of regular procurement activity from suppliers with no formal contractual arrangements
- Approval of invoices in accordance with agreed terms and conditions as per delegation
- Monitoring of key contractor performance against agreed KPIs and processes for remedying poor performance
- Escalation and reporting of issues with contractor performance.

FY2021 - FY2022 Internal Audit Plan

Rationale and Indicative Scope

DRAFT

INTERNAL AUDIT

RATIONALE FOR INCLUSION AND INDICATIVE SUMMARY SCOPE

Portfolio Governance and Project Management

Rationale

Projects soak up large spend levels and attract a lot of public interest. To minimise project delivery failure risks, we have seen organisations invest early in obtaining assurance to ensure there is ongoing monitoring and governance over project portfolios and key projects. Project delivery failures can result in MPDC being unable to deliver vital council amenities and resources.

Scope

The review will assess MPDC's overarching framework for portfolio governance and project management against good practice principles and provide recommendations for improvement. The review will include assessing a sample of projects to determine whether these are effectively managed to ensure the delivery of the projects on time, within budget, and in accordance with their original intent.

Disaster Recovery & Business Continuity

Rationale

A review of MPDC's business continuity ("BC") and disaster recovery ("DR") plan will assist with ensuring continuity of key business processes in the event of a disaster.

Scope

The review will evaluate MPDC's BC and DR processes. This will include evaluation of the risks and controls associated with BC planning and policy, framework, staff training, awareness and DR planning and testing.

FY2021 – FY2022 Internal Audit Plan

Rationale and Indicative Scope

DRAFT

INTERNAL AUDIT

RATIONALE AND INDICATIVE SUMMARY SCOPE

Compliance Framework Maturity Assessment

Rationale

A robust compliance framework will enable MPDC to adapt to changes in laws and regulations over time. This review can assist MPDC with an assessment of the current environment and provide a roadmap to strengthen the compliance framework.

Scope

The review will identify and assess the processes that MPDC has in place to ensure compliance with relevant legislation, regulation and other standards and codes. In doing so, the review will use NZS/AS 3806:2006 Compliance Programmes and KPMG's Compliance Programme Maturity Model. Key areas of focus will include:

- Compliance governance and culture
- Adequacy of obligation identification and compliance risk assessment processes
- Compliance monitoring and testing
- Staff awareness of obligations/requirements, training and communication
- Breach reporting and escalation
- Change management processes to identify and incorporate changes to MPDC's compliance obligations and risks
- Policies and processes do not reflect legislative obligations/requirements and are not updated to reflect changes in legislation.

FY2021 – FY2022 Internal Audit Plan

Rationale and Indicative Scope

DRAFT

INTERNAL AUDIT

RATIONALE AND INDICATIVE SUMMARY SCOPE

Stakeholder Engagement Management

Rationale

Councils have a diverse stakeholder base with unique interests and needs and meeting all their needs satisfactorily can be challenging. Managing these stakeholders effectively is essential to ensure ongoing operation of MPDC with minimum disruption through buy-in of the respective stakeholders from early engagement.

Scope

The review will focus on the following aspects:

- Stakeholder management framework, policies and procedures
- Identification of key stakeholders
- Evaluation of stakeholders (to understand interests, positions on key topics, strength of feeling etc.)
- Stakeholder engagement strategies
- Management and reporting on matters in relation to stakeholders
- Consideration of skills/capability required for effective engagement
- Processes relating to obtaining and dealing with stakeholder engagement feedback.

Health & Safety external audit report

Trim No.: 2147021

Executive Summary

In 2017 Mr Mike Cosman was engaged by Council to conduct a review of our health & safety management system. The audit report suggested a follow-up review and this was conducted in March 2019.

A copy of the audit report is attached and Mr Cosman will be in attendance at 1:15 p.m. to discuss the report with members.

Recommendation

That the report be received.

Content

Background

To gain assurance on our direction in health and safety we engaged Mr Mike Cosman of Cosman Parkes www.cosmanparkes.co.nz to conduct a review of our health and safety management system. The initial review was done in 2017 and was followed up with this recent audit.

Issues

The 14 recommendations from the 2017 audit were allocated to appropriate staff. Seven (7) have been completed and seven (7) are partially completed. The partially completed areas relate to:

Moderation of our risks & an assurance plan for our critical risks		
Allocated to	Status	Comments
Health & Safety team	Underway	<p>A review of our risk management is one of our key projects for 2019 and a risk strategy is being finalised to manage this project. We have made several changes to our strategy based on comments from the audit.</p> <p>Mr Cosman introduced a new idea of "Risk on a Page". This concept has been extremely useful in formally assessing our critical risks. We are currently applying this to our Hazardous Substances critical risk.</p>
Health & safety clauses in our contracts		
Allocated to	Status	Comments
Procurement Officer	Underway	<p>This will be included as part of the review of the Contract Procedures Manual to commence this month.</p> <p>In the interim the H&S team have provided suggested clauses for new contracts and also advice to contract managers.</p>

Training needs analysis for “soft skills”		
Allocated to	Status	Comments
Human Resources	Not Started	The H&S Manager will be discussing this issue with the HR team. Some training has already been undertaken for staff but a proper assessment considering which roles require which skills still needs to be undertaken.
Health and safety in the solid waste contract		
Allocated to	Status	Comments
Group Manager, Service Delivery	Underway	<p>While a number of issues have been progressed since the last audit there is still a considerable amount of work to be done on H&S compliance with this contract.</p> <p>Based on recommendations from the auditor we have recently asked for some evidence from the contractor on how they are managing their own H&S assurance. This has been received and is currently being analysed.</p> <p>Mr Cosman will also be meeting with the Contractor and MPDC staff to further discuss issues around the three C's required in contract management – “consult, cooperate, and coordinate”</p>
Asbestos Management Plan (AMP)		
Allocated to	Status	Comments
Property team	Underway	The draft AMP has been developed and reviewed by Beca Limited. While great progress has been made there is still a considerable amount of work to be done to ensure compliance with the Asbestos Regulation.
Lone work		
Allocated to	Status	Comments
Group Manager, Service Delivery	Underway	This issue was further raised by some of the KVS staff and they were involved in a risk assessment of lone work with an external consultant. The project is progressing very slowly.
Temporary traffic management to COPTTM		
Allocated to	Status	Comments
Kaimai Consultants Manager	Underway	This matter is being addressed as part of the Kaimai Consultants team review currently underway.

A Health & Safety Improvement Plan has been developed to track areas which still require attention and this is reported to the E-Team monthly. The above issues are included in this improvement plan.

Attachments

[A↓](#). MPDC Follow up review

Signatories

Author(s)	Sandy Barnes Health & Safety/Quality Manager	
Approved by	Dennis Bellamy Group Manager Community Development	



Health and Safety Review: Follow up

PREPARED FOR:

Matamata Piako District Council



DATE OF REPORT: April 2019

STATUS: FINAL

AUTHOR: Mike Cosman, CMIOSH, CMNZISM, MInstD, SafePlus assessor, HASANZ accredited

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Executive Summary

This health and safety review was a follow up to the substantive assessment carried out in May 2017. It was predominately a desk top and interview based process with only one field visit.

Our primary conclusion is that MPDC has made considerable progress over the last 2 years for which it should be acknowledged, but that the response to our recommendations has been somewhat patchy. In particular we could find no evidence that there was a process by which progress with the actions was routinely monitored at either the E team or Audit and Risk Committee level. As a result we had to assess each recommendation individually rather than being presented with a report or spreadsheet that tracked items and progressively closed them out.

We have listed the 14 recommendations below and provide a high level assessment of whether the issue has been fully addressed, partially addressed or is still open. We discuss the reasons behind our view in the body of the report.

Recommendation	Status
<p>1. Reviews its operational/health and safety risk management process to ensure that:</p> <ul style="list-style-type: none"> a. The landscape in relation to critical health and safety risks is fully mapped b. The risk assessment and rating process is consistently applied c. Appropriate assurance and reporting processes are in place to monitor performance particularly of critical risks and processes d. Council's tolerance for residual risk is clearly articulated and there are delegated authorities and control processes to permit activities to continue temporarily if they fall outside this 	<p>a) Closed. The critical risk list has been revised</p> <p>b) Open. Moderation of risk assessment scores not done</p> <p>c) Open. No clear assurance plan for each critical risk</p> <p>d) Closed. The corporate risk management plan has been revised and there is a clear statement of risk tolerance for health and safety (but see below)</p>
<p>2. Builds competence and capability in relation to understanding and managing its 'overlapping PCBU¹ duties', particularly through supply chains and in areas where it is the controlling authority but may not have direct contractual control (aerodrome, events, etc.).</p>	<p>Closed. Good evidence seen in relation to events and the aerodrome but note comments below about the solid waste contract.</p>
<p>3. Ensures that all contracts for service delivery include appropriate health and safety clauses clarifying roles and responsibilities, performance standards, monitoring arrangements and provision for actions to address non-</p>	<p>Partial. New contract clause developed</p>

¹ The Person Conducting a Business or Undertaking (PCBU) is the new primary duty holder under the HSWA. MPDC is a PCBU

conformance. This may require renegotiation of some current high-risk contracts.	
4. Ensures all those staff managing operational activities and contracts are conversant with the risks and controls involved to an appropriate level of detail commensurate with their role. Individual performance monitoring arrangements should include health and safety knowledge and commitment as a key success criterion.	Closed
5. Carries out a training needs analysis for 'soft' skills associated with managing health and safety in service delivery.	Partial. Some soft skills training has been provided but it is unclear if this has been incorporated into a TNA
6. Reviews the roles and functions of worker health and safety representatives in accordance with the WorkSafe NZ guidelines in particular to determine if they have sufficient time to carry out their roles and are engaged at the appropriate time to enable them to have meaningful input into key decisions.	Closed. Review carried out -although some HSRs still feel they have insufficient time.
7. Has urgent discussions with the other Councils involved in the solid waste contract about: <ul style="list-style-type: none"> a. Clarity around health and safety requirements in the contract in particular: <ul style="list-style-type: none"> i. Traffic management at waste transfer stations ii. Control of children on waste transfer stations iii. Management of hazardous and prohibited materials including suspected asbestos containing materials in the waste stream iv. Contractor vehicle maintenance standards v. Training and competence of contractor staff vi. Complaint, Injury and incident reporting, investigation and close out vii. Provision and maintenance of welfare facilities at fixed sites b. Setting appropriate health and safety KPIs with incentives and sanctions. c. Monitoring the performance of the contractor including the frequency and nature of inspections and audits at fixed sites and on the road and the means of following up corrective actions. This should include internal audits by the contractor as well as those undertaken by the Councils and third parties. 	Open. The solid waste contract continues to be an area of concern. <ul style="list-style-type: none"> a) <ul style="list-style-type: none"> i) No TMP seen at site visit ii) Contractor staff described difficulties stopping children getting out of vehicles. iii) No evidence of a documented system for this iv) Observed daily checks on mobile plant not routinely carried out v) Observed incomplete training records vi) Investigations are monitored vii) Welfare at site visited good b) No clear KPI framework c) Weak monitoring of health and safety performance. Contractor not routinely providing evidence of their own internal assurance.
8. Develops an Asbestos Management Plan in accordance with the Health and Safety at Work (Asbestos) Regulations 2016 based on an assessment of the likely presence, condition and risk arising from asbestos containing materials (ACM) in the Council's properties.	Partial A draft AMP has been developed and is currently being peer reviewed by Beca
9. Develops arrangements to alert all those who might come into contact with ACMs of their presence and of the means of	Partial. Arrangements still being developed to ensure contractors are

preventing or managing exposure in accordance with the Regulations.	made aware of asbestos survey reports.
10. Ensures all ACMs are identified and removed prior to any refurbishment or demolition of a building.	Closed Evidence seen of pre-demolition surveys
11. Reviews the project health and safety management arrangements for the Matamata Memorial Hall rebuild to ensure clarity of roles and responsibilities, monitoring arrangements and reporting on performance between the main contractor, project manager and other key players. In particular ensures that oversight and control of the asbestos removal and demolition work is sufficient to ensure this high risk activity is safely managed.	Not assessed This project is now complete
12. Develops and implements appropriate arrangements to assess and manage risks associated with remote and lone working (staff and contractors) in accordance with Regulation 21 of the Health and Safety at Work (General Risk and Workplace Management) Regulations 2016.	Partial A review has been carried out and options are currently being assessed. Some changes in rostering and work patterns have occurred.
13. Reviews the application of its procedures for identifying and working adjacent to underground and overhead services (in particular gas and electricity) to ensure workers have the right information, equipment, skills and procedures to enable this work to be undertaken safely in all foreseeable situations.	Closed Evidence seen of additional training, contracts specify safer excavation process for retic repairs.
14. Reviews its arrangements for establishing and monitoring temporary traffic management and conformance to the NZTA Code of Practice (COPTTM) in relation to work by its staff and contractors on the road as well as in its monitoring and enforcement role as the Road Controlling Authority.	Partial There is currently limited capacity to monitor utility and other contractors undertaking work in the road as the RCA. Recruitment underway

Recommendations

We recommend that MPDC puts in place a project plan and formal monitoring programme to ensure all the remaining recommendations are tracked through to completion.

Of particular concern is the low level of assurance activity associated with the critical risks which in some instances is leading to unvalidated assumptions being made about the effectiveness of the controls described. This is most evident in relation to the solid waste contract where some of the most significant worker and public safety risks occur.

We also recommend that the E team adopts a more strategic approach to its role in relation to health and safety oversight by undertaking periodic 'deep dives' into critical risks in order to inform itself about the efficacy of its systems and processes. This in turn is likely to drive a demand for better intelligence gathering and changes to the current reporting framework.

Methodology

We spent two days with MPDC on 5/6th March 2019 engaging with key groups of managers and workers, including Union and Health and Safety Representatives, to discuss progress with implementing our recommendations. We also conducted one brief field visit to the Morrinsville Refuse Transfer Station. Prior to our visit we had been provided with and reviewed a range of policy and procedure documents.

We conducted opening and closing meetings with the E team, who were fully engaged in the process.

Our findings reflect this limited level of practical verification of the application of the new or revised policies and procedures.

Findings

MPDC, in common with all regionally based Territorial Local Authorities, faces multiple competing demands on its time and resources. It fulfils a wide range of functions often over a large and sparsely populated area. It has to balance core services it can deliver internally with utilising a sometimes limited range of external contractors. Both may struggle to recruit and retain competent staff to perform these tasks. Its risk profile is broad with many of the highest risk activities carried out intermittently and away from fixed sites.

This backdrop suggests that MPDC needs to be highly skilled and disciplined if it is to deliver its services in a way that keeps its staff, contractors and the public safe and to meet its statutory obligations.

We were pleased to note a growing maturity in the discussions we had at all levels. Health and safety is clearly a front of mind issue and considerable progress has been made. However, we also sense some confusion about how far and how fast to proceed and the opportunity for some '*out of the box*' thinking to ensure that the systems and processes being put in place are fit for purpose and not leading to unintended consequences.

The most obvious example of this is the reluctance of some small local contractors to pre-qualify through the LASS scheme leading to increased cost to engage out of region contractors and hence an inability to support local trades. We think there may be some misunderstanding of the purpose of prequalification and a '*one size fits all*' approach being adopted.

In general (with exceptions in areas such as asbestos and hazardous substances) the health and safety legislation is risk based and non-prescriptive which means organisations are free to manage **their** risks in a way that best suits **their** context. Tools that are widely used to assist in this process (such as risk registers, SOPs, JSA, SSSP, etc.) are not mandated and hence need to be used judiciously and appropriately if they are not to become a bureaucratic burden with little added value. Likewise, industry standards, guidance and good practice documents

provide examples of how risks can be managed but are not the only way of achieving the objective.

Current health and safety thinking adopts a number of principles:

- *Work as performed* rather than work as imagined. Do our systems reflect and support people in real world situations or are we setting them up to fail?
- Focus on *critical risks* -don't sweat the small stuff
- Compliance as a non-negotiable requirement but not the end point. Compliant in some areas does not necessarily mean *as safe as reasonably practicable*.
- Genuine and *effective worker engagement*. Workers as the solution not the problem
- *Agile* approaches - innovate, review, adapt.
- *Effective communication*. Carefully consider the needs of the audience(s).

We consider that MPDC should test its responses against these criteria.

Risk management (Recommendation 1)

The risk landscape has been mapped and the critical risks have been clarified and publicised in a new poster (Fig: 1). Work is ongoing to identify which business units are likely to be exposed to which risk so that attention can be focussed accordingly.



Figure 1: Critical Risk Poster

The hazard register still contains over 800 items and the process of consolidation and moderation has not yet been completed which means that the risk ratings contained within

the register are of questionable value. This issue was identified in the annual internal health and safety risk management review (Fig:2).

This same review confirms that there is not yet an agreed assurance plan around the critical risks to provide the E team with insight into how well the controls are working. We would draw your attention to some useful risk management guidance for CEOs produced by the Business Leaders Health and Safety Forum² -in particular a booklet entitled *“Digging Deeper - detailed questions to assess the effectiveness of your health and safety risk management”*.

We shared an example of a deep dive approach and a ‘risk on a page’ presentation of key information on each risk to inform meaningful discussions and suggest that this is something you might wish to consider (Fig: 3).

Section E: Review of recommendations from 2017

Recommendation	Progress as at August 2018
1. Document the following risks in Vault: Stress, bullying, Building Team risks, volunteer work, public events at MPDC owned facilities or sites.	Completed except for the building risks
2. Review Safeplus performance requirements published by WorkSafe NZ and confirmation of external health and safety audit programme for 2018.	External audit planned for 2019. The Safeplus online audit tool has been released. MPDC's annual safety climate survey was repeated for this year.
3. Prioritise the following projects for action in 2018:	
<ul style="list-style-type: none"> Risk moderation, confirmation of matrices and clarification of council risk tolerance 	<p>The MPDC Risk Policy has clarified council risk tolerance. Only two risk matrices should be in use:</p> <ol style="list-style-type: none"> As per Vault As per the Risk Management Plan <p>Risk moderation has not yet been completed.</p>
<ul style="list-style-type: none"> Review of top 10 risks and assurance around these 	Yet to be scheduled

Figure 2: Extract from Risk Management System Review (15/11/18)

The Audit and Risk Committee revised its risk policy in June 2018 and included a series of risk tolerance statements for particular types of risks (Fig: 4). Whilst this satisfies the recommendation, we do question whether the level at which this risk tolerance has been set is realistic and achievable? Setting zero tolerance for all risks leading to potential injury (regardless of severity) is a very high bar and would require that all risks are controlled to a likelihood of ‘rare’.

Currently none of the critical risks have been assessed as they apply across MPDC and hence we are unable to say whether they are within the tolerance set in the policy (we doubt they are). It is also unclear if the escalation process described in the policy is being followed (Fig: 5)

² <https://www.zeroharm.org.nz/resources/risk/>


		Critical Health and Safety Risk Heat Map	
Risk No.1	Internal Workplace Transport	Current Risk Rating: High	Assurance Rating: Moderate
Risk Description: All operational sites have a range of vehicle movements including goods inwards/outwards, staff/visitor cars, internal transport (fork trucks), contractors plant. Vehicle/vehicle and vehicle/pedestrian collisions present a risk of death and serious injuries. Relationship to other risks: Load/racking collapse is covered under racking and stacking. Occupational health risks (Diesel particulates, CO), fuels (LPG, diesel, petrol) are covered under Hazardous substances. Work at height is covered under Safe Systems of Work. Acceleration factors: <ul style="list-style-type: none"> Inexperienced staff, temps Peak periods (Xmas, mid summer) congestion, walkways blocked Bad weather- poor skid resistance in yards, reduced visibility, pooling water 	Risk Controls: Prevention <ul style="list-style-type: none"> Safe site: Signage, speed limits, one-way systems, pedestrian separation, Hi-viz, designated areas, walkways/crossings, minimise reversing, lighting, mirrors, etc Safe vehicle: Maintenance, inspection, certification (WOF/COF), fit for purpose, mirrors, horns, beacons, reversing cameras, OPS, ROPS, FOPS, seat belts, telemetry (monitoring of excess speed, braking etc), access controls, etc Safe driver: Fitness for work, licence, competent, inducted, impairment (drugs, alcohol, fatigue), ergonomics, etc. Procedures: Safe systems of work, traffic management plans, etc. 	Risk Controls: Mitigation and Recovery <ul style="list-style-type: none"> Proximity sensors (some) Air bags (only on XXX) Seat belt immobiliser (some) ERP (not NSW) First Aider Rescue equipment Spill kits. 	Assurance activity <ul style="list-style-type: none"> Driver licence verification through TORO (NZ only) Traffic management plans audited 12 monthly Competence matrix audited HSR monthly inspections
Business Unit Risk Exposure: <ul style="list-style-type: none"> Manufacturing-High XX - High Logistics NZ-High Sales NZ- Low Engineering (incl. contractors)-High Sales Aus-Low Logistics Aus-High 	Incident History (past 2 years) <ul style="list-style-type: none"> Deaths: 0 Serious injuries: 3 (one permanent disablement) All injuries: 67 Property damage incidents: 241 Reported near misses: 17 Common factors: <ul style="list-style-type: none"> Inexperience Rushing/speeding Not using designated walkways Ineffective supervision Not wearing seatbelts 	Planned activity: <ul style="list-style-type: none"> 	
Risk Owner: Risk Sponsor:	Comments from Risk Control Group	Other observation	

Figure 3: Sample "Risk on a Page"

Risk Tolerances

Specific risk tolerances are expressed in terms of the following key risk areas and indicators:

Health & safety – Council has zero appetite for death, serious harm or injury to its employees, contractors and customers. Council expects that these risks will be mitigated as low as practically possible.

Figure 4: Extract from Revised Risk Management Policy

Where there is any question whether a risk tolerance level can be achieved or a risk mitigated to a level that is acceptable to Council, the matter will be specifically referred to Council.

Figure 5: Escalation process

Overlapping duties (Recommendations 2, 3 & 4)

Good progress has been made in some areas to understand and apply the overlapping duties concept. We met the Events team who described their process for understanding who else is involved in an event and requiring an event safety management plan for anything involving significant risks. We also saw the aerodrome safety plan which clearly identifies roles and responsibilities of the various parties. As the site owner MPDC is best placed to be the convening authority to get the other parties together but responsibility for determining operational safety standards sits with the Safety Committee of users.

Contractor management is showing signs of improvement and we heard how the reticulation contract had some health and safety requirements written into the specification. Tender evaluation however still appears to be largely based on 'lowest price conforming', with

conforming simply meaning that the main contractor is (or will become) prequalified. Monitoring of the project health and safety plan appears to be hit and miss with a lack of clarity of expectations on project managers or contract owners as to what they should monitor and how often. This was particularly evident in relation to the solid waste contract (see below).

There is a greater level of understanding of what the duty involves but perhaps a need for more support in how to make it work in practice. This is an area where many organisations are struggling and where there is a shortage of good guidance other than the brief WorkSafe position statement³. Enforceable Undertakings and Court cases are helping to define expectations in this area and it would be helpful to circulate a summary of these to relevant staff managing contracts. One of the most recent and interesting examples of how this duty applies to the Engineer to the Contract can be found on the WorkSafe website⁴.

Soft skills (Recommendation 5)

The importance of soft skills such as coaching, effective communication, having difficult conversations etc was highlighted in our last visit. We saw evidence that a range of soft skills training was being provided but we are unsure if a formal training needs analysis has been carried out to determine which roles this is relevant to?

Health and Safety Representatives (Recommendation 6)

A review of the worker engagement, participation and representation arrangements has been carried out and we were pleased to meet a number of recently appointed representatives at the focus group. All had received training and there was relatively positive response from them as to the level of engagement within MPDC. Whilst time to perform their function has been agreed some still reported a perception from their manager that this was not a priority, especially given high workloads.

Steps have been taken to publicise the names and photos of both the Health and Safety and REACH representatives to encourage staff to use them as a channel to raise any concerns.

³ <https://worksafe.govt.nz/managing-health-and-safety/getting-started/understanding-the-law/overlapping-duties/>

⁴ <https://worksafe.govt.nz/laws-and-regulations/enforceable-undertakings/accepted-enforceable-undertakings/opus-international-consultants-limited/>



Figure 6: HSRs

Solid Waste Contract (Recommendation 7)

This contract with Smart Environmental Ltd (SEL) continues to be a cause for concern in that we did not have confidence that the contractor was being monitored appropriately to ensure that the standards set in the Operations and Health and Safety Manuals are being met.

We briefly visited the Morrinsville Refuse Transfer Station (as Waihou RTS was closed). The site was very tidy and appeared generally well controlled however when we enquired about the issues highlighted at the last review the answers were not all satisfactory.

There did not appear to be a site specific traffic management plan that clearly described how pedestrian/vehicle interaction was to be managed. Staff were aware of the need to protect children however the more experienced staff member said that it was OK for children to be out of the vehicle as long as their parents were supervising them. This is contrary to the policy.

There is an asbestos SOP (dated July 2013 and overdue for revision), but this does not address how SEL check incoming loads to ensure asbestos containing materials (ACM) are not included in the waste. The staff member was asked what she would do if ACMs were found dumped in the pile and her answer suggested a lack of training and systems to keep workers safe.

Daily pre-start checks are supposed to be carried out on the front end loader. The regular staff member had been absent for about 10 days and a casual driver was operating this. He had apparently not been formally inducted or signed off on the relevant SOP and was unaware of the pre-start checklist. No daily check was recorded between 24th Feb and 6th March (although earlier records did appear to be in order). A similar issue was raised in Kate Stevens audit in Dec 2018 *"Operators are not completing daily checksheets"*. We are unclear what happened following her audit and if a response was received from SEL.

We looked at the training and competence register for the two permanent staff that was contained in the health and safety folder. Both had significant gaps in their records including in areas such as 'Site hazard register, site emergency plan, spill management etc.

The figure shows two photographs of training registers. The top photograph shows a register with the following topics listed on the left: Site Emergency plan, Site Hazard Register, RTS Operator Training Manual - HSNO SHEQ-MAN-003, Working at Heights SHEQ-SOP-256, Safety Around Tailgates SHEQ-SOP-186, Housekeeping SHEQ-SOP-1018, Eastern Waikato Loaders SHEQ-SOP-345, Fire Safety Awareness SHEQ-SOP-402, Fixed Site - RTS Compactor - TCDC Sites SHEQ-SOP-341, Spill Management SHEQ-SOP-1002, Safety with Glass SHEQ-SOP-190, Metal Recovery SHEQ-SOP-136, Manual Handling SHEQ-SOP-134, Cash Handling SHEQ-SOP-329, Lock Out Procedure SHEQ-SOP-131, Emergency Preparedness & Response SHEQ-SOP-060, and Asbestos Management SHEQ-SOP-1017. The register has columns for Staff Members Name, Signed, Date, Staff Members Name, Signed, Date, and Trainer. The bottom photograph shows a similar register with the same topics listed on the left. The register has columns for Staff Members Name, Signed, Date, Staff Members Name, Signed, Date, and Trainer. Both registers show handwritten signatures and dates for the first six topics.

Figure 7: Training Registers for staff at Morrinsville RTS

The Contract Manager working on behalf of the 3 clients TLAs admitted that he was struggling to keep up with audits but that in any event these kinds of checks would not normally be done.

We reviewed the Operations and Health and Safety Manuals from SEL produced when the contract was started in 2013. These are very comprehensive documents and include a whole series of audits, reports and other checks that SEL themselves are supposed to carry out. We did not see evidence that the Contract Manager was receiving or had asked for these reports to confirm that SEL was doing its own internal monitoring.

This raised a wider issue for discussion which is about the balance between contractor self-monitoring and reporting versus client driven assurance activities. In our view, especially with a relatively large and well organised contractor such as SEL or Fulton Hogan, the emphasis should be on getting the contractor to report on the functioning of their own system as the primary means of monitoring with periodic third party or client audits as check on the veracity of the information provided. This contractor data should be the focus for regular contract meetings and in the event of issues arising it should be for the contractor to investigate and

report. As noted above we are unclear if the findings of the MPDC audit in Dec 2018 were formally raised by the Contract Manager with SEL and how MPDC was advised that they had been closed out. Apparently, they were not put into the Vault system as the Contract Manager employed by TCDC does not have access to it.

We recommend that a complete review of the contract monitoring arrangements around health and safety should be carried out by the 3 TLAs, but that the emphasis should, in the first instance, be on getting SEL to provide evidence that it is meeting its own standards that were agreed to when the contract was let.

Asbestos (Recommendations 8, 9 & 10)

Good progress has been made on managing asbestos in MPDC properties, although this is now overdue in order to meet the requirements of the Asbestos Regulations which required an Asbestos Management Plan to have been developed by April 2018. MPDC's draft plan is currently awaiting peer review by Beca, although it is already being implemented in part.

A programme of asbestos surveys is underway starting with the largest and most frequently occupied and working down towards sheds and huts that may be infrequently accessed. MPDC has engaged a competent surveyor, has a preferred licenced asbestos removal contractor and uses a licenced assessor to monitor the work and provide clearance certificates. Some remedial action has been required where ACMs in poor condition have been found, including fencing off contaminated land. Letters have also gone out to owners of buildings on land owned by MPDC. We have seen examples of pre-demolition surveys.

What is not yet clear is how information contained in the surveys is to be made available to contractors doing work on MPDC assets. Suggestions include a visual map of each location (similar to ones already identifying other hazards), QR codes providing access to the asbestos register at the entrance to the building and providing information at the time of tender.

Remote and lone working (Recommendation 12)

An external review of remote and lone working has taken place and a BowTie analysis carried out of the issues. A number of recommendations resulted from this review which are in the process of being implemented. In the interim we were advised of some changes that have been made to work patterns and crewing and a range of technology based solutions are being evaluated.

In areas such as 3 Waters considerable efforts have been made to identify the causes of out of hours breakdowns and fix these thereby reducing exposure to the risk.

Underground and Overhead Services (Recommendation 13)

Access to cable location devices for out of hours work has been improved and a new SOP developed. We were advised of how risks associated with work near underground services during replacement of the reticulated water mains had been managed including specifying

vacuum excavation techniques in the contract conditions and encouraging use of thrust boring techniques at a level below existing service. **Note:** we did not look in detail at protection from overhead services in this follow up.

Temporary Traffic Management (Recommendation 14)

MPDC works staff are trained in TMPs and use specialised contractors to develop and apply STMS as required to meet the requirements of COPTTM. In its role as the Road Controlling Authority MPDC is required to authorise and monitor utilities and other contractors wishing to work in the road corridor. The recent multiple fatality accident in the Bay of Plenty involving a highways contractor was a stark reminder of the risk associated with work in the road. Whilst the cause of that accident is not yet known it is a concern that MPDC does not currently have anyone monitoring traffic management plans within the District. A recruitment exercise is underway, but it is unclear how much of the person's time will be available to undertake this function. MPDC may wish to consider the level of oversight it should have of this activity given that its regulatory role creates an overlapping duty as it has significant influence and control over this work.

Other matters

As noted above, some concerns were raised by Health and Safety Representatives about time to perform their function (despite what is stated in the participation agreement) and whether they have the right skills to engage effectively in areas such as audits and risk assessment. HSRs are entitled to up to 2 days paid leave for training each year and we suggest that a development plan is prepared that focuses on skills required to enable them to engage effectively in the health and safety management process rather than just on their rights and responsibilities under the Act.

We also heard about workload pressures in some areas and staff not being able to take annual leave due to shortages of trained people in key roles (such as lifeguards). We were not able to validate this comment.

The risk assessment approach and resulting SOPs and other documents tend to emphasise the prevention controls but are sometimes quite light on detection, mitigation and response controls for situations where the controls fail. Such controls will typically seek to reduce the severity of harm resulting from an incident.

The development of a revised Lock Out Tag Out (LOTO) process to ensure equipment is in a zero energy state before work is carried out on it appears to have stalled.

We were unable to establish if there was an effective system in place for inspecting, maintaining and certifying safety critical plant and equipment

More widely there is not an agreed and monitored Health and Safety Improvement Plan for MPDC that assists senior leaders to set priorities, allocate resources and monitor progress

towards achieving the overall strategic objectives. Such a plan would be a key part of regular reporting to the E Team. As a result it is quite easy for items to lose momentum or for priorities to constantly change in response to events and hence to end up reacting to the urgent rather than dealing with the important. As noted above we believe a more structured and disciplined project management type approach to health and safety initiatives would help MPDC.

Conclusion

MPDC is to be applauded for its efforts to date but still has a considerable way to go to ensure it has effective systems, processes and a positive culture around health and safety in relation to all aspects of its work. We would like to thank the E Team for their continued interest in this issue and look forward to presenting our latest findings to the Audit and Risk Committee meeting on 11th June 2019.

Appendices

Persons Seen

Mike Cosman audit










































5 March 2019

Time	Meeting	Invitees	Venue
0830	Meeting with E-Team	E-Team, Sandy, Kate	Management office
0915	Discussion on previous audit & actions completed	Sandy, Kate	Sandy's office
1015	Asbestos Management	Vicki, Sandy, Kate	Sandy's office
1115	Review of solid waste actions from last audit (refer to recommendation # 7)	George, Ronnie, Sandy, Kate	Fiona's office
1300	Site visit – RTS	George, Ronnie,	Morrinsville RTS
1400	Parks & Reserves team	Todd, Dave W, Sandy, Kate, Stacey	Todd's office
1530	Event management	Rebekah, Rachael, Sheree, Sandy, Kate	Sandy's office

6 March 2019

Time	Meeting	Invitees	Venue
0830	Meeting with H&S Reps	H&S ,Union Reps	3 Waters Boardroom
0930	3 Waters team	Scott,, Kate, Stacey	3 Waters offices
1100	Discussion Works/Retic team	Kate, Will, Stacey, Christo	3 waters offices
1300	Overlapping duties Contract Administration/Management Traffic management Procurement	Roger, Grant, Mike van G, Amy, Kate, Bruce	Management office
1430	Close out meeting with E-Team	E-Team, Sandy, Kate	Management office

Documents reviewed

 1917619 H&S Due Diligence Plan for Officers.docx
 Aerodrome SMP Item 2.pdf
 AnnualRiskMgmtSystemReview .pdf
 Asbestos Attachment A - Draft general cover letter (003).docx
 Asbestos Attachment B - Draft asbestos survey.docx
 Asbestos Attachment C - Draft further information to buidling owners (003).docx
 Asbestos Demolition Survey - Former Skate Park Building - Te Aroha Domain.PDF
 Asbestos Management Policy Draft (draft only - working document).DOC
 Asbestos Management Survey - Te Aroha Council Office.PDF
 Asbestos training - 05 Mar 2019.xlsx
 CableLocator process Item13.pdf
 Contractor HS Item 3.pdf
 CorporateRiskMgmt Item 1A and D.pdf
 December 2018 January 2019.docx
 DonDueDiligence.pdf
 Draft Risk Map.pdf
 Engaging Contractor training Item 4.pdf
 EventSafety Item2.pdf
 HazRiskMgmt CBP Item1B and D.pdf
 Health and Safety and Quality Team Projects 2019.doc.docx
 HSMgmt CBP .pdf
 HSRep Audit Item6.pdf
 Item on ARC re Risk Item1A and D.pdf
 Learning Teams.PDF
 LoneWorkerExtAssessment Item 12.pdf
 LoneWorkerProject.pdf
 MPDC Audit requirements for RTS sites.xlsx
 PCBU Duties Halls.pdf
 Refuse Transfer Station Audit 2019.pdf
 Regional Framework .pdf
 Risk mapping and assurance flowchart.docx
 Risk poster.pdf
 RiskPolicy 2018 Item 1A and D.pdf
 SEL AuditFramework Item 7.pdf
 Soft Skills training list.xlsx
 Solid Waste Contract events 2 years - 05 Mar 2019.xlsx
 StaffSurveyComparisons2015to2018.docx
 Timetable.docx
 WorkerEngagement CBP Item 6.pdf
 WorkerRepReview Info Item 6.pdf
 Working Alone Item 12.pdf

Building Control Authority - 2019 Assessment

Trim No.: 2149598

Executive Summary

The Building Control Authority (BCA) accreditation and registration scheme is among a suite of Building Act 2004 reforms designed to help improve the control of, and encourage better practice and performance in, building design, regulatory building control and building construction.

International Accreditation New Zealand (IANZ) undertook an on-site audit of Council's building control functions on 19-22 March 2019. A copy of their report is attached.

Recommendation

That:

1. That the information be received

Content

Background

The Building Act 2004 requires that any territorial authority carrying out building consent, inspection and approval work must be assessed, every two years, by an external accreditation body to ensure compliance with the Building (Accreditation of Building Consent Authorities) Regulations 2006.

The Ministry of Business, Innovation and Employment (MBIE) has appointed IANZ to assess all BCA's against those standards.

Failure to meet the requirements of the assessment could lead to a territorial authority being deregistered and unable to continue to process and inspect building work in its district.

The accreditation and registration of BCAs is intended to:

- help assure the public of the quality of building controls
- help promote consistent, standardised and ongoing good quality practice in building control
- help identify good building control practice and provide mechanisms for sharing this information throughout the sector and with other interested parties
- help foster continuous improvement in building controls at national and local level
- help ensure better technical capabilities and resourcing of building controls
- provide an impetus for much closer and more formal relationships among BCAs, and between BCAs and technical consultants/contractors
- provide incentives for improving performance and raising standards in building control.

The standards focus on four functional areas:

Formal, documented policies, systems, processes and procedures

Documented policies, systems, processes, and procedures help BCAs manage the way they operate, make compliance assessments and decisions, manage risk and achieve better consistency and identified outcomes. The standards will help BCAs monitor, review and continuously improve their performance. Sound record-keeping and information-storage practices are also essential in the building control environment. These provide an audit trail of how a BCA processes consent applications, undertakes inspections and issues code compliance certificates, the decisions they make and the rationale for those decisions.

The required policies, systems, processes and procedures cover statutory responsibilities and administrative and organisational activities that do not have a statutory basis, but which affect building control functions and outcomes such as assessing alternative solutions and allocate work to building control staff.

Skills and resources

BCAs need the skills and resources to consistently meet statutory building control responsibilities and undertake the volume and nature of work involved. Skilled and experienced internal or external resources help a BCA discharge its statutory obligations effectively. Having sufficient skills, knowledge and expertise and resources helps ensure buildings comply with relevant legislation and are fit for purpose.

The accreditation standards ensure appropriate monitoring and review mechanisms to help identify skills, knowledge and expertise requirements. The right skills and experience to undertake allocated work means building controls staff can work within the limits of their technical competence and experience. Training and professional development plans are integral to ensuring BCAs have appropriate skills and expertise, and to maintaining the level of knowledge needed to perform competently.

Quality assurance systems

A sound quality assurance system strengthens decision-making and leads to better quality and greater consistency in compliance and performance of regulatory building control functions.

Staff qualifications

Qualifications help develop a viable career path for building officials and provide independent assessment of a person's competency in a particular area. Qualifications can help a BCA assess its personnel to demonstrate organisational competence. This long-term standard will improve both capacity and capability in the building control sector.

Issues

Matamata-Piako District Council's BCA was the 16th authority to be registered in New Zealand and this assessment is the sixth routine reassessed since that registration in 2008.

The full on-site assessment by IANZ included a team of technical experts reviewing the BCA's quality system and procedures, auditing a number of completed building consents, code compliance certificates, compliance schedules and various other functions, and over sight of a number of building inspections. A formal report was then produced determining compliance or otherwise with the Building (Accreditation of Building Consent Authorities) Regulations 2006 and advising the BCA of any non-compliances and/or recommendations that are required to be met. The full assessment report is attached.

The Lead assessor's noted in his report that they found the following aspects of the BCA's operations of particular note as good practice and/or performance which should be maintained:

- *BCA staff exhibited a good approach to feedback towards continuous improvement given by the assessment team during the assessment*
- *It was noted that the Waikato Building Consent Group Cluster Manual was working very well for the MPDC BCA*
- *Inspection staff were seen to be technically competent and gave good verbal delivery of information and issues during on-site inspection activities*

Corrective Action Request

Findings

The BCA had no serious non-compliances, 12 general non-compliances with a number of accreditation requirements, 6 Recommendations and 1 advisory note. The BCA must provide a plan that details how it will address the identified non-compliances and once accepted, implement the plan and provide evidence of effective implementation.

A number of non-compliances were completed and closed while the audit team was still on site.

Non-compliance

- Serious non-compliance – is where one or more of the minimum policies, procedures and systems required by the Regulations is absent or not appropriate for purpose. Serious non-compliance may also include where a BCA has failed completely to implement one or more of the required policies, procedures or systems.
- General non-compliance - is where an accredited organisation or BCA has failed to consistently and effectively implement a policy, procedure or system (or part thereof) required by the regulations.
- Recommendation - is where the future potential for non-compliance with the policies, procedures and systems required by the Regulations is identified. No current action is required for the BCA's accreditation to continue.
- advisory note - is where there is the potential to improve the required policies, procedures and systems or their implementation. No current action is required for the BCA's accreditation to continue.

Action Required:

Provide the following to IANZ for review:

- Plan of action by 26/04/2019 – the plan of action has been forwarded to IANZ and accepted.
- Remaining non-compliances to be completed and closed by 28/06/2019 – this will require a number of examples of corrected processes to be provided to IANZ.

The BCA is now working through the remaining non-compliances.

Attachments

[A4](#). IANZ Accreditation Report 2019

Signatories

Author(s)	Dennis Bellamy Group Manager Community Development	
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Approved by	Dennis Bellamy Group Manager Community Development	
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**BUILDING CONSENT AUTHORITY ACCREDITATION
ASSESSMENT REPORT**

MATAMATA-PIAKO DISTRICT COUNCIL

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INTRODUCTION

This report relates to the accreditation assessment of the Matamata-Piako District Council (MPDC) Building Consent Authority (BCA) which took place during 19 to 22 March 2019 to determine compliance with the requirements of the *Building (Accreditation of Building Consent Authorities) Regulations 2006* (the Regulations).

This report is based on the document review, witnessing of activities and interviews with the BCA's employees and contractors undertaken during the accreditation assessment.

A copy of this report, and subsequent information regarding progress towards clearance of non-compliances, will be provided to the Ministry of Business, Innovation and Employment (MBIE) in accordance with International Accreditation New Zealand's (IANZ) contractual obligations. This report may also be made publicly available by the BCA as long as this is not done in a way that misrepresents the content within. It may also be released under the Local Government Meetings and Official Information Act 1987 consistent with any ground for withholding that might be applicable.

ACCREDITATION FEEDBACK AND CONTINUING ACCREDITATION

Accreditation is a statement, by IANZ, that your organisation complies with the Regulations and MBIE BCA accreditation scheme guidance documents (as relevant). Where non-compliance with the Regulations has been identified, the Act requires that it must be addressed. This report will also highlight examples of good practice and performance.

This accreditation assessment found that the BCA was non-compliant with a number of accreditation requirements as detailed below. The non-compliances identified must be addressed before accreditation is continued.

Summary of the non-compliances identified during the assessment

Your non-compliances with the Regulations have been summarised and recorded in detail in this report. Please complete the Record of Non-compliance table/s detailing your proposed corrective actions and forward a copy to IANZ. This plan of action must be provided to IANZ by 26/04/2019.

All non-compliances must be finally addressed and cleared by 28/06/2019. To maintain accreditation you must provide evidence of the actions taken to clear non-compliance to IANZ within the required timeframe. If you do not agree with the non-compliances identified, please contact the Lead Assessor as soon as possible. If you need further time to address non-compliances, please contact the Lead Assessor as soon as possible.

Where you are seeking an extension to an agreed timeframe to address a non-compliance, your Chief Executive is required to make a formal request for an extension of the timeframe.

If you have a complaint about the assessment process, please refer to the MBIE accreditation guidance.

Summary of the good practice and performance identified during the assessment

This accreditation assessment found the following aspects of the BCA's operations of particular note as good practice and/or performance which should be maintained:

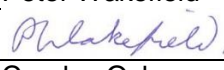
- BCA staff exhibited a good approach to feedback towards continuous improvement given by the assessment team during the assessment

- It was noted that the Waikato Building Consent Group Cluster Manual was working very well for the MPDC BCA
- Inspection staff were seen to be technically competent and gave good verbal delivery of information and issues during on-site inspection activities

NEXT ACCREDITATION ASSESSMENT

Unless your BCA undergoes a significant change, requiring some form of interim assessment, or the BCA is unable to clear the identified non-compliances within the agreed timeframe, the next assessment of the BCA is planned for March 2021. You will be formally notified of your next assessment six weeks prior to its planned date.

ASSESSMENT SUMMARY

ORGANISATION DETAILS		
Organisation:	Matamata-Piako District Council	
Address for service:	Cnr Tui & Tainui Streets Matamata 3400 New Zealand	
Client Number:	7437	
Accreditation Number:	18	
Chief Executive:	Don McLeod	
Chief Executive contact details:	DMcleod@mpdc.govt.nz	
BCA Authorised Representative:	Norman Barton	
BCA Authorised Representative contact details:	NBarton@mpdc.govt.nz	
BCA Quality Manager:	Norman Barton	
Number of BCA FTE's	Technical - 7 Administration – 2 FTE Vacancies - 0	
ASSESSMENT TEAM		
Lead Assessor:	Peter Wakefield	
Lead Assessor contact details:	pwakefield@ianz.govt.nz	
Technical Expert/s:	Brendan Guyton	
MBIE observer/s:	None	
IANZ REPORT PREPARATION		
Prepared by:	Peter Wakefield	
Signature:		
Checked by:	Carolyn Osborne	
Signature:	Carolyn Osborne	
Date:	29/03/2019	
ASSESSMENT FINDINGS		
	This assessment:	Last assessment:
Total # of "serious" non-compliances:	0	-
Total # of "general" non-compliances:	12	-
Total # of non-compliances outstanding:	9	-
Number of recommendations:	6	-
Number of advisory notes:	1	-
Date clearance plan required from BCA:	26/04/2019	

Date all non-compliances must be finally cleared:	28/06/2019
Accreditation to continue with non-compliance clearance?	Yes
NEXT ASSESSMENT	
Recommended next assessment type:	Full assessment
Recommended next assessment date:	March 2021
COMMENTS	

ASSESSMENT OBSERVATIONS

REGULATION 6A NOTIFICATION REQUIREMENTS

Non-compliance? Y/N	No
Non-compliance number/s:	-
Opportunities for improvement? Y/N	No
Number of recommendations:	0
Recommendation number/s:	-
Number of advisory notes:	0
Advisory note number/s:	-
Observations and comments, including good practice and performance	
Procedures for notification of changes within the BCA to MBIE and IANZ addressed requirements. No notifications had been sent to MBIE/IANZ as none were required.	

REGULATION 7 PERFORMING BUILDING CONTROL FUNCTIONS

Regulation 7(2)(a): providing consumer information

Non-compliance? Y/N	No
Non-compliance number/s:	-
Opportunities for improvement? Y/N	No
Number of recommendations:	0
Recommendation number/s:	-
Number of advisory notes:	0
Advisory note number/s:	-
Observations and comments, including good practice and performance	
The BCA had documented information on its website regarding how to apply and how an application was processed, inspected and certified. The information provided by the BCA was appropriate.	

Regulation 7(2)(b)-(c), and 7(2)(d)(i): receiving, checking and recording applications

Non-compliance? Y/N	Yes - resolved during the assessment
Non-compliance number/s:	GNC 1
Opportunities for improvement? Y/N	No
Number of recommendations:	0
Recommendation number/s:	-
Number of advisory notes:	0
Advisory note number/s:	-
Observations and comments, including good practice and performance	
<p>The BCA had a documented procedure for receiving, checking and recording applications.</p> <p>The BCAs documented procedure did not adequately define the process for determining the accurate date that a complete building consent application had been received.</p> <p>This was raised as GNC 1 and resolved on site with an amended procedure.</p>	

Regulations 7(2)(d)(ii): assessing applications

Non-compliance? Y/N	No
Non-compliance number/s:	-
Opportunities for improvement? Y/N	No
Number of recommendations:	0
Recommendation number/s:	-
Number of advisory notes:	0
Advisory note number/s:	-
Observations and comments, including good practice and performance	
<p>The BCA had a suitably documented procedure for assessing applications. This was appropriately implemented.</p>	

Regulations 7(2)(d)(iii): allocating applications

Non-compliance? Y/N	No
Non-compliance number/s:	-
Opportunities for improvement? Y/N	No
Number of recommendations:	0
Recommendation number/s:	-
Number of advisory notes:	0
Advisory note number/s:	-
Observations and comments, including good practice and performance	
Applications were allocated to processors for processing according to the competence of the assessor, as recorded on the Skills Matrix, and the complexity of the building work. Work could be allocated to be completed under supervision.	

Regulation 7(2)(d)(iv): processing building consent applications

Non-compliance? Y/N	Yes - See Record of Non-compliance for details
Non-compliance number/s:	GNC 2
Opportunities for improvement? Y/N	Yes
Number of recommendations:	1
Recommendation number/s:	R1
Number of advisory notes:	0
Advisory note number/s:	-
Observations and comments, including good practice and performance	
<p>The BCA had a documented procedure for processing of building consents.</p> <p>The BCA did not always implement their RFI procedures (DF_CS_24 and PR_BR_04) appropriately in relation to the processing clock management and the recording of the reasons for decisions in the resolution of RFI responses. The RFI process implemented by MPDC allowed for processing of RFI information while the processing clock was stopped, in contradiction of the intentions of the Building Act and the MBIE guidance. See GNC 2.</p> <p>A recommendation was made in that the BCA ensures that all applicable details are completed on forms and checklists, so that minor discrepancies are not generated in records held by the BCA. See R1.</p>	

Regulation 7(2)(d)(v): granting and issuing consents

Non-compliance? Y/N	Yes - See Record of Non-compliance for details
Non-compliance number/s:	GNC 3
Opportunities for improvement? Y/N	No
Number of recommendations:	0
Recommendation number/s:	-
Number of advisory notes:	0
Advisory note number/s:	-
Observations and comments, including good practice and performance	
<p>Procedures for granting and refusing to grant consents were generally appropriate and effectively implemented.</p> <p>However, the BCA did not always ensure that performance standards listed on Building Consents for Specified Systems were measureable or correct. E.g. F8 shown (Non-measureable) and CASI-7 (Incorrect). See GNC 3.</p>	

Regulation 7(2)(e): planning, performing and managing inspections

Non-compliance? Y/N	Yes - See Record of Non-compliance for details
Non-compliance number/s:	GNC 4
Opportunities for improvement? Y/N	No
Number of recommendations:	0
Recommendation number/s:	-
Number of advisory notes:	0
Advisory note number/s:	-
Observations and comments, including good practice and performance	
<p>Site visits confirmed that MPDC inspection staff were technically competent and gave good verbal delivery of the inspection areas covered and issues raised. Inspection booking systems seemed to have been implemented appropriately.</p> <p>The BCA did not always ensure that appropriate written inspection records were maintained. The reasons for decisions made during inspections were not adequately recorded for issues such as scope, compliance and non-compliance. Also, measurements taken during inspection activities were not being recorded, including directives given and discussions held on-site. See GNC 4.</p>	

Regulation 7(2)(f): code compliance certificates, compliance schedules and notices to fix

Non-compliance? Y/N	Yes - See Record of Non-compliance for details
Non-compliance number/s:	GNC 5
Opportunities for improvement? Y/N	Yes
Number of recommendations:	1
Recommendation number/s:	R2
Number of advisory notes:	0
Advisory note number/s:	-
Observations and comments, including good practice and performance	
<p>Application for a code compliance certificate</p> <p>The BCA had documented procedures for applications for CCC. Issues noted during this assessment are given below.</p> <p>Code compliance certificates</p> <p>Implementation of the statutory clock around CCC application and processing was inappropriate. E.g. The received stamp date did not line up with the start date recorded on the BCAs system. See GNC 5.</p> <p>Compliance schedules</p> <p>The BCAs process for creating Compliance Schedules as documented in DF_BW_02 was not being implemented as described. The documented procedure was revised during this assessment and was therefore resolved on-site.</p> <p>The BCA did not always ensure that the Performance Standard (PS) was documented so that it was correctly defined. E.g. Multiple PS were sometimes referenced, non-measurable PS were sometimes indicated or incorrect PS were stated. See GNC 5.</p> <p>A recommendation was made that the BCA considers revising the wording it uses to utilise 'risk group' for the fire hazard category within Compliance Schedules. See R2.</p> <p>Notices to fix</p> <p>The BCA had documented appropriate procedures for issue of notices to fix.</p> <p>Notices to fix were found to be generally appropriate.</p>	

Item 6.3

Attachment A

Regulation 7(2)(g): customer inquiries

Non-compliance? Y/N	Yes - See Record of Non-compliance for details
Non-compliance number/s:	GNC 6
Opportunities for improvement? Y/N	No
Number of recommendations:	0
Recommendation number/s:	-
Number of advisory notes:	0
Advisory note number/s:	-
Observations and comments, including good practice and performance	
<p>The BCA had documented its procedure for management of enquiries. Implementation of this procedure appeared to have been appropriate.</p> <p>However, the BCAs documented procedure did not adequately define the timeframe in which inquiries were to be responded to. The WBC Cluster manual indicated that the MPDC Desk File would contain timeframe details, which it did not. See GNC 6.</p>	

Regulation 7(2)(h): customer complaints

Non-compliance? Y/N	Yes - See Record of Non-compliance for details
Non-compliance number/s:	GNC 7
Opportunities for improvement? Y/N	No
Number of recommendations:	0
Recommendation number/s:	-
Number of advisory notes:	0
Advisory note number/s:	-
Observations and comments, including good practice and performance	
<p>The BCAs documented procedure did not adequately define the timeframe in which complaints were to be responded to. E.g. the WBC Cluster manual indicated that the MPDC Desk File would contain timeframe details, which it did not. See GNC 7.</p> <p>It was noted that implementation of complaint recording, investigation and actions taken was generally to an appropriate standard.</p>	

REGULATION 8 ENSURING ENOUGH EMPLOYEES AND CONTRACTORS

Regulation 8(1): forecasting workflow

Non-compliance? Y/N	No
Non-compliance number/s:	-
Opportunities for improvement? Y/N	No
Number of recommendations:	0
Recommendation number/s:	-
Number of advisory notes:	0
Advisory note number/s:	-
Observations and comments, including good practice and performance	
<p>The organisation undertook annual workflow forecasting as part of its strategic management review. This included review of previous workflow, forecasting upcoming workflow, and ensuring that there was appropriate capacity and capability within the organisation.</p>	

Regulation 8(2): identifying and addressing capacity and capability needs

Non-compliance? Y/N	No
Non-compliance number/s:	-
Opportunities for improvement? Y/N	No
Number of recommendations:	0
Recommendation number/s:	-
Number of advisory notes:	0
Advisory note number/s:	-
Observations and comments, including good practice and performance	
<p>The BCA had an appropriate documented procedure and had undertaken an analysis process to consider its capacity and capability and to determine how to address any identified gaps. The BCA employed contractors to assist the BCA in processing capability when required.</p> <p>Compliance with the building consent, inspection and CCC timeframes were recorded. The BCA was seen to meet statutory timeframes.</p>	

REGULATION 9 ALLOCATING WORK

Non-compliance? Y/N	No
Non-compliance number/s:	-
Opportunities for improvement? Y/N	No
Number of recommendations:	0
Recommendation number/s:	-
Number of advisory notes:	0
Advisory note number/s:	-
Observations and comments, including good practice and performance	
<p>The BCA had a documented procedure which included the utilisation of the BCAs skills matrix for the allocation of work to competent employees.</p> <p>Implementation of the BCAs procedure appeared to be appropriate.</p>	

REGULATION 10 ESTABLISHING AND ASSESSING COMPETENCY OF EMPLOYEES

Regulation 10(1) and (3): assessing prospective employees

Non-compliance? Y/N	No
Non-compliance number/s:	-
Opportunities for improvement? Y/N	No
Number of recommendations:	0
Recommendation number/s:	-
Number of advisory notes:	0
Advisory note number/s:	-
Observations and comments, including good practice and performance	
<p>The BCA had documented an appropriate procedure for assessing the competence of prospective employees.</p>	

Regulation 10(2) and (3): assessing employees performing building control functions

Non-compliance? Y/N	Yes - See Record of Non-compliance for details
Non-compliance number/s:	GNC 8
Opportunities for improvement? Y/N	Yes
Number of recommendations:	1
Recommendation number/s:	R3
Number of advisory notes:	0
Advisory note number/s:	-
Observations and comments, including good practice and performance	
<p>Competency assessments were seen to have been completed, with records maintained.</p> <p>The BCA did not always ensure that all aspects of its competency assessment system were implemented. Namely:</p> <p>(i) The BCA indicated that it was using the NCAS system, but had not completed the Appendix 2 of the NCAS system for each of the 2 competence assessors utilised by the BCA.</p> <p>(ii) The BCA had not ensured that the competency assessments covered all of the key performance indicators on an annual basis, with some covered only two yearly. See GNC 8.</p> <p>A recommendation was made that the BCA considers improving the references to evidence made in competency assessments. See R3.</p>	

REGULATION 11 TRAINING EMPLOYEES DOING A TECHNICAL JOB

Regulation 11(1) and (2)(a)-(d),(f) and (g): the training system

Non-compliance? Y/N	No
Non-compliance number/s:	-
Opportunities for improvement? Y/N	No
Number of recommendations:	0
Recommendation number/s:	-
Number of advisory notes:	0
Advisory note number/s:	-
Observations and comments, including good practice and performance	
<p>The BCA had documented procedures for the planning of training and the monitoring of training received.</p> <p>Training needs had been reviewed and training plans updated to reflect training needs identified. Training had been given as planned, or rescheduled when necessary.</p> <p>Good records of training events and professional development were maintained by staff.</p>	

Regulation 11(2)(e): supervising employees doing a technical job under training

Non-compliance? Y/N	Yes - resolved during the assessment
Non-compliance number/s:	GNC 9
Opportunities for improvement? Y/N	No
Number of recommendations:	0
Recommendation number/s:	-
Number of advisory notes:	0
Advisory note number/s:	-
Observations and comments, including good practice and performance	
<p>The BCA had a documented system for supervision of employees. The procedure had not always been implemented appropriately. The BCA did not always ensure that employees under supervision were supervised. E.g. A new employees work was only being sampled under the supervision regime being implemented. This was raised as GNC 9, and was resolved during the assessment with a full competency assessment conducted and approval to R1 category being granted.</p>	

REGULATION 12 CHOOSING AND USING CONTRACTORS

Non-compliance? Y/N	No
Non-compliance number/s:	-
Opportunities for improvement? Y/N	No
Number of recommendations:	0
Recommendation number/s:	-
Number of advisory notes:	0
Advisory note number/s:	-
Observations and comments, including good practice and performance	
<p>The BCA had documented its procedures for choosing and using contractors.</p> <p>Contract agreements were in place for each of the contractors being used. The agreements included the scope of work to be undertaken, requirements for adhering to a quality management system, actions to be taken in the event of unsatisfactory performance and performance measuring processes.</p> <p>Implementation of procedures was appropriate.</p>	

REGULATION 13 ENSURING TECHNICAL LEADERSHIP

Non-compliance? Y/N	Yes - resolved during the assessment
Non-compliance number/s:	GNC 10
Opportunities for improvement? Y/N	No
Number of recommendations:	0
Recommendation number/s:	-
Number of advisory notes:	0
Advisory note number/s:	-
Observations and comments, including good practice and performance	
<p>13(a) Identifying competency of individuals to be Technical Leaders</p> <p>The BCAs documented procedure did not capture how the system identifies technical leadership as the BCA did not utilise the Waikato Building Control Cluster Manual procedure. This was raised as GNC 10 and was resolved on-site with a revision of the BCAs procedure DF_HR_01.</p> <p>Technical leadership positions were identified on the skills matrix for both processing and inspections. These positions were consistent with the outcomes of the competency assessments.</p> <p>13(b) Granting Technical Leaders powers and authorities.</p> <p>Procedures addressed requirements and were effectively implemented.</p>	

REGULATION 14 ENSURING NECESSARY (TECHNICAL) RESOURCES

Non-compliance? Y/N	No
Non-compliance number/s:	-
Opportunities for improvement? Y/N	No
Number of recommendations:	0
Recommendation number/s:	-
Number of advisory notes:	0
Advisory note number/s:	-
Observations and comments, including good practice and performance	
<p>Procedures for ensuring necessary technical resources were seen to be appropriate and well implemented. Facilities and equipment had been maintained. Calibration records indicated that measuring equipment such as thermometers and moisture meters had been calibrated as scheduled.</p>	

REGULATION 15 KEEPING ORGANISATIONAL RECORDS

Non-compliance? Y/N	Yes - See Record of Non-compliance for details
Non-compliance number/s:	GNC 11
Opportunities for improvement? Y/N	No
Number of recommendations:	0
Recommendation number/s:	-
Number of advisory notes:	0
Advisory note number/s:	-
Observations and comments, including good practice and performance	
<p>The BCA had documented its organisational structure and lines of reporting in an organisational chart. Roles and responsibilities were recorded in job descriptions.</p> <p>A delegations register was used to record the delegation of authority from the CEO to BCA staff. It was noted that the BCAs documented procedures did not always adequately define the delegated authority for all employees performing a building control function. Namely, Customer Services Staff did not appear to have delegated authority to issue Building Consents under section 51 of the Building Act. See GNC 11.</p>	

REGULATION 16 FILING APPLICATIONS FOR BUILDING CONSENT

Non-compliance? Y/N	No
Non-compliance number/s:	-
Opportunities for improvement? Y/N	Yes
Number of recommendations:	1
Recommendation number/s:	R4
Number of advisory notes:	1
Advisory note number/s:	A1
Observations and comments, including good practice and performance	
<p>The BCA had documented a procedure for assigning each building consent application a unique number and storage of building consent files. This was seen to be appropriately implemented.</p> <p>A recommendation was made, in that it is recommended that the BCA considers linking Notices to Fix to the Building Consent file. See R4.</p> <p>The BCA is advised to consider reviewing the nomenclature system used for file records such that file labels are more user friendly and understandable by all users. E.g. Records of Work, as-built drainage plans held under CCC application documents could be hard to find. See A1.</p>	

REGULATION 17 ASSURING QUALITY

Regulations 17(1) and (2)(a): A quality assurance system that covers management and operations

Non-compliance? Y/N	No
Non-compliance number/s:	-
Opportunities for improvement? Y/N	No
Number of recommendations:	0
Recommendation number/s:	-
Number of advisory notes:	0
Advisory note number/s:	-
Observations and comments, including good practice and performance	
<p>The BCA had well written quality system documentation that covered its management and operations. The documented systems comprised of the Waikato Building Consent Cluster Manual and associated MPDC Desk Files.</p> <p>Some non-compliances with the MBIE checklist and guidance were noted. These are detailed elsewhere within this report.</p>	

Regulation 17(2)(b) and (3): A policy on quality and a quality manager

Non-compliance? Y/N	No
Non-compliance number/s:	-
Opportunities for improvement? Y/N	No
Number of recommendations:	0
Recommendation number/s:	-
Number of advisory notes:	0
Advisory note number/s:	-
Observations and comments, including good practice and performance	
<p>The BCA had a documented Quality Policy QM-02 which included quality objectives and quality performance indicators of the BCA function at a high level.</p> <p>The BCA's Quality Manager had been named and documented in its BCA procedure DF_HR_07.</p>	

Regulation 17(2)(d) and 17(5): Management reporting and review, including of the quality system

Non-compliance? Y/N	No
Non-compliance number/s:	-
Opportunities for improvement? Y/N	No
Number of recommendations:	0
Recommendation number/s:	-
Number of advisory notes:	0
Advisory note number/s:	-
Observations and comments, including good practice and performance	
<p>The BCA undertook regular meetings in the form of Building Team Meetings and Strategic Management Reviews. Minutes of these meetings were kept by the BCA.</p> <p>An annual BCA Performance report had been raised, which was last issued in June 2018. Implementation of management reporting, review and records appeared to be appropriate.</p>	

Regulation 17(4): Compliance with a quality assurance system

Non-compliance? Y/N	No
Non-compliance number/s:	-
Opportunities for improvement? Y/N	No
Number of recommendations:	0
Recommendation number/s:	-
Number of advisory notes:	0
Advisory note number/s:	-
Observations and comments, including good practice and performance	
<p>The BCA used a number of measures to ensure compliance with its quality system, such as in process checking, internal audit and management reviews.</p> <p>The BCA communicated about its quality system to its employees and contractors.</p> <p>The measures that the BCA used to ensure compliance with a quality system were found to be appropriate.</p>	

Regulation 17(2)(c): Ensuring operation within any scope of accreditation

Non-compliance? Y/N	No
Non-compliance number/s:	-
Opportunities for improvement? Y/N	No
Number of recommendations:	0
Recommendation number/s:	-
Number of advisory notes:	0
Advisory note number/s:	-
Observations and comments, including good practice and performance	
Not applicable to a BCA that is also a Territorial Authority.	

Regulation 17(2)(e) Supporting continuous improvement

Non-compliance? Y/N	No
Non-compliance number/s:	-
Opportunities for improvement? Y/N	Yes
Number of recommendations:	1
Recommendation number/s:	R5
Number of advisory notes:	0
Advisory note number/s:	-
Observations and comments, including good practice and performance	
<p>The organisation had documented an appropriate procedure for supporting continuous improvement of the organisation's performance. Continuous improvement items were recorded in a Continuous Improvement Register.</p> <p>A recommendation was raised in that the BCA ensures that records on the Continuous Improvement register indicate the status of further action to be taken, and whether or not the CI had been closed out and completed. One example was sighted, therefore this issue was not raised as a GNC. See R5.</p>	

Regulation 17(2) (h): Undertaking annual audits

Non-compliance? Y/N	No
Non-compliance number/s:	-
Opportunities for improvement? Y/N	No
Number of recommendations:	0
Recommendation number/s:	-
Number of advisory notes:	0
Advisory note number/s:	-
Observations and comments, including good practice and performance	
<p>The BCA's procedure for internal audit was found to be appropriate, with internal audits occurring to schedule. Internal audits were seen to be comprehensive in nature, with a good level of detail of examples covered. Internal audit records in the form of internal audit reports had been retained. Follow up on issues raised during internal audits was being implemented appropriately.</p>	

Regulation 17(2)(i): Identifying and managing conflicts of interest

Non-compliance? Y/N	No
Non-compliance number/s:	-
Opportunities for improvement? Y/N	Yes
Number of recommendations:	1
Recommendation number/s:	R6
Number of advisory notes:	0
Advisory note number/s:	-
Observations and comments, including good practice and performance	
<p>The BCA had developed an appropriate procedure for identifying and managing conflicts of interest. The BCA maintained a register of declared conflicts of interest.</p> <p>A recommendation was raised in that the BCA ensures that conflicts of interest (COI) records show a more complete record of action taken and reasoning as to why the action taken would be deemed by the BCA to be suitable to manage the COI issue recorded. One example was sighted where the BCA had not given a complete record of the COI action. Therefore this was not raised as a GNC. See R6.</p>	

Regulation 17(2)(j): Communicating with internal and external persons

Non-compliance? Y/N	No
Non-compliance number/s:	-
Opportunities for improvement? Y/N	No
Number of recommendations:	0
Recommendation number/s:	-
Number of advisory notes:	0
Advisory note number/s:	-
Observations and comments, including good practice and performance	
The BCA had developed an appropriate procedure for communicating with internal and external persons. The procedure had been implemented appropriately.	

Regulation 17(3A): Complaints about building practitioners

Non-compliance? Y/N	No
Non-compliance number/s:	-
Opportunities for improvement? Y/N	No
Number of recommendations:	0
Recommendation number/s:	-
Number of advisory notes:	0
Advisory note number/s:	-
Observations and comments, including good practice and performance	
The BCA had developed an appropriate procedure for raising concerns regarding building practitioners and making complaints as required. No complaints about practitioners had been raised within the past 24 month period.	

REGULATION 18 TECHNICAL QUALIFICATIONS

Non-compliance? Y/N	Yes – See Record of Non-compliance for details
Non-compliance number/s:	GNC 12
Opportunities for improvement? Y/N	N
Number of recommendations:	0
Recommendation number/s:	-
Number of advisory notes:	0
Advisory note number/s:	-
Observations and comments, including good practice and performance	
<p>The circumstances where BCA staff were exempted from holding an appropriate qualification were defined and documented. The BCA had recorded the qualifications of all staff performing building control functions. No staff members were stated to have been exempted from holding a qualification.</p> <p>The BCAs documented procedure did not reflect the correct/appropriate timescales for working towards an appropriate qualification. The MPDC procedure specified that training for 1 or 2 years from starting before achieving a qualification was appropriate, when a new employee within the first 12 months was specified in the MBIE guidance. This issue was raised as GNC 12.</p>	

RECORD OF NON-COMPLIANCE

Item 6.3

Attachment A

Non-compliance number:	GNC 2	
Breach of regulatory requirement:	Regulation 7(2)(d)(iv)	
Finding:	General Non-compliance	
Finding details:	The BCA did not always implement their RFI procedures (DF_CS_24 and PR_BR_04) appropriately in relation to the processing clock management and the recording of the reasons for decisions in the resolution of RFI responses.	
BCA Actions required:	Please develop and submit a plan to address the above finding. Please submit records that demonstrate that the plan has been effectively implemented.	
IMPORTANT DATES		
Non-compliance to be cleared by:	28/06/2019	
	Due by:	Accepted by IANZ:
Plan of action from BCA:	26/04/2019	
Evidence of implementation from BCA:	14/06/2019	
EVIDENCE		
Plan of action: <i>To be provided by BCA</i>		
Evidence of implementation: <i>To be provided by BCA</i>		
Non-compliance cleared? Y/N		
Signed:		
Date:		

RECORD OF NON-COMPLIANCE

Non-compliance number:	GNC 3	
Breach of regulatory requirement:	Regulation 7(2)(d)(v)	
Finding:	General Non-compliance	
Finding details:	The BCA did not always ensure that performance standards listed on Building Consents for Specified Systems were measureable or correct. E.g. F8 sometimes shown (Non-measureable) and CASI-7 (Incorrect).	
BCA Actions required:	<p>Please develop and submit a plan to address the above finding.</p> <p>Please submit records that demonstrate that the plan has been effectively implemented.</p>	
IMPORTANT DATES		
Non-compliance to be cleared by:	28/06/2019	
	Due by:	Accepted by IANZ:
Plan of action from BCA:	26/04/2019	
Evidence of implementation from BCA:	14/06/2019	
EVIDENCE		
Plan of action: <i>To be provided by BCA</i>		
Evidence of implementation: <i>To be provided by BCA</i>		
Non-compliance cleared? Y/N		
Signed:		
Date:		

RECORD OF NON-COMPLIANCE

Non-compliance number:	GNC 4	
Breach of regulatory requirement:	Regulation 7(2)(e)	
Finding:	General Non-compliance	
Finding details:	The BCA did not always ensure that appropriate written inspection records were maintained. The reasons for decisions made during inspections were not adequately recorded for issues such as scope, compliance and non-compliance. Also, measurements taken during inspection activities were not being recorded, including directives given and discussions held on-site.	
BCA Actions required:	Please develop and submit a plan to address the above finding. Please submit records that demonstrate that the plan has been effectively implemented.	
IMPORTANT DATES		
Non-compliance to be cleared by:	28/06/2019	
	Due by:	Accepted by IANZ:
Plan of action from BCA:	26/04/2019	
Evidence of implementation from BCA:	14/06/2019	
EVIDENCE		
Plan of action: <i>To be provided by BCA</i>		
Evidence of implementation: <i>To be provided by BCA</i>		
Non-compliance cleared? Y/N		
Signed:		
Date:		

Item 6.3

Attachment A

RECORD OF NON-COMPLIANCE

Non-compliance number:	GNC 5	
Breach of regulatory requirement:	Regulation 7(2)(f)	
Finding:	General Non-compliance	
Finding details:	<p>The BCA did not always ensure that the Performance Standard (PS) was documented so that it was correctly defined. E.g. Multiple PS were sometimes referenced, non-measurable PS were sometimes indicated or incorrect PS were stated.</p> <p>Also implementation of the statutory clock around CCC application and processing was inappropriate. E.g. The received stamp date did not always line up with the start date recorded on the BCAs system.</p>	
BCA Actions required:	<p>Please develop and submit a plan to address the above finding.</p> <p>Please submit records that demonstrate that the plan has been effectively implemented.</p>	
IMPORTANT DATES		
Non-compliance to be cleared by:	28/06/2019	
	Due by:	Accepted by IANZ:
Plan of action from BCA:	26/04/2019	
Evidence of implementation from BCA:	14/06/2019	
EVIDENCE		
Plan of action: <i>To be provided by BCA</i>		
Evidence of implementation: <i>To be provided by BCA</i>		
Non-compliance cleared? Y/N		
Signed:		
Date:		

RECORD OF NON-COMPLIANCE

Non-compliance number:	GNC 6	
Breach of regulatory requirement:	Regulation 7(2)(g)	
Finding:	General Non-compliance	
Finding details:	The BCAs documented procedure did not adequately define the timeframe in which inquiries were to be responded to. E.g. the WBC Cluster manual indicated that the MPDC Desk File would contain timeframe details, which it did not.	
BCA Actions required:	Please develop and submit a plan to address the above finding. Please submit records that demonstrate that the plan has been effectively implemented.	
IMPORTANT DATES		
Non-compliance to be cleared by:	28/06/2019	
	Due by:	Accepted by IANZ:
Plan of action from BCA:	26/04/2019	
Evidence of implementation from BCA:	14/06/2019	
EVIDENCE		
Plan of action: <i>To be provided by BCA</i>		
Evidence of implementation: <i>To be provided by BCA</i>		
Non-compliance cleared? Y/N		
Signed:		
Date:		

RECORD OF NON-COMPLIANCE

Non-compliance number:	GNC 7	
Breach of regulatory requirement:	Regulation 7(2)(h)	
Finding:	General Non-compliance	
Finding details:	The BCAs documented procedure did not adequately define the timeframe in which complaints were to be responded to. E.g. the WBC Cluster manual indicated that the MPDC Desk File would contain timeframe details, which it did not.	
BCA Actions required:	Please develop and submit a plan to address the above finding. Please submit records that demonstrate that the plan has been effectively implemented.	
IMPORTANT DATES		
Non-compliance to be cleared by:	28/06/2019	
	Due by:	Accepted by IANZ:
Plan of action from BCA:	26/04/2019	
Evidence of implementation from BCA:	14/06/2019	
EVIDENCE		
Plan of action: <i>To be provided by BCA</i>		
Evidence of implementation: <i>To be provided by BCA</i>		
Non-compliance cleared? Y/N		
Signed:		
Date:		

RECORD OF NON-COMPLIANCE

Non-compliance number:	GNC 8	
Breach of regulatory requirement:	Regulation 10(2)	
Finding:	General Non-compliance	
Finding details:	<p>The BCA did not always ensure that all aspects of its competency assessment system were implemented. Namely:</p> <p>(i) The BCA indicated that it was using the NCAS system, but had not completed the Appendix 2 of the NCAS system for each of the 2 competence assessors utilised by the BCA.</p> <p>(ii) The BCA had not ensured that the competency assessments covered all of the key performance indicators on an annual basis, with some covered only two yearly.</p>	
BCA Actions required:	<p>Please develop and submit a plan to address the above finding.</p> <p>Please submit records that demonstrate that the plan has been effectively implemented.</p>	
IMPORTANT DATES		
Non-compliance to be cleared by:	28/06/2019	
	Due by:	Accepted by IANZ:
Plan of action from BCA:	26/04/2019	
Evidence of implementation from BCA:	14/06/2019	
EVIDENCE		
Plan of action: <i>To be provided by BCA</i>		
Evidence of implementation: <i>To be provided by BCA</i>		
Non-compliance cleared? Y/N		
Signed:		
Date:		

RECORD OF NON-COMPLIANCE

Non-compliance number:	GNC 11	
Breach of regulatory requirement:	Regulation 15	
Finding:	General Non-compliance	
Finding details:	The BCAs documented procedures did not always adequately define the delegated authority for all employees performing a building control function. Namely, Customer Services Staff did not appear to have delegated authority to issue Building Consents under section 51 of the Building Act.	
BCA Actions required:	Please develop and submit a plan to address the above finding. Please submit records that demonstrate that the plan has been effectively implemented.	
IMPORTANT DATES		
Non-compliance to be cleared by:	28/06/2019	
	Due by:	Accepted by IANZ:
Plan of action from BCA:	26/04/2019	
Evidence of implementation from BCA:	14/06/2019	
EVIDENCE		
Plan of action: <i>To be provided by BCA</i>		
Evidence of implementation: <i>To be provided by BCA</i>		
Non-compliance cleared? Y/N		
Signed:		
Date:		

RECORD OF NON-COMPLIANCE

Non-compliance number:	GNC 12	
Breach of regulatory requirement:	Regulation 18	
Finding:	General Non-compliance	
Finding details:	The BCAs documented procedure did not reflect the correct/appropriate timescales for working towards an appropriate qualification. The MPDC procedure specified that training for 1 or 2 years from starting before achieving a qualification was appropriate, when a new employee within the first 12 months was specified in the MBIE guidance.	
BCA Actions required:	Please develop and submit a plan to address the above finding. Please submit records that demonstrate that the plan has been effectively implemented.	
IMPORTANT DATES		
Non-compliance to be cleared by:	28/06/2019	
	Due by:	Accepted by IANZ:
Plan of action from BCA:	26/04/2019	
Evidence of implementation from BCA:	14/06/2019	
EVIDENCE		
Plan of action: <i>To be provided by BCA</i>		
Evidence of implementation: <i>To be provided by BCA</i>		
Non-compliance cleared? Y/N		
Signed:		
Date:		

SUMMARY OF RECOMMENDATIONS

Recommendations are intended to assist your BCA to maintain compliance with the Regulations. They are **not** conditions for accreditation but a failure to make changes may result in non-compliance with the Regulations in the future.

It is recommended that:

- R1 The BCA ensures that all applicable details are completed on forms and checklists. So that minor discrepancies are not generated in records held by the BCA. Regulation 7(2)(d)(iv).
- R2 The BCA considers revising the wording it uses to utilize 'risk group' for the fire hazard category within Compliance Schedules. Regulation 7(2)(f).
- R3 The BCA considers improving the references to evidence made in Competency Assessments. Regulation 10(3)(f).
- R4 The BCA considers linking Notices to Fix to the Building Consent file. Regulation 16(2)(b).
- R5 The BCA ensures that records on the Continuous Improvement register indicate the status of further action to be taken, and whether or not the CI had been closed out and completed. One example was sighted, therefore this issue was not raised as a GNC. Regulation 17(2)(e).
- R6 The BCA ensures that conflicts of interest records show a more complete record of action taken and reasoning as to why the action taken would be deemed by the BCA to be suitable to manage the COI issue recorded. Regulation 17(2)(i).

SUMMARY OF ADVISORY NOTES

Advisory notes are intended to assist your BCA to improve compliance with accreditation requirements based on IANZ's experience. They are **not** conditions for accreditation and do not have to be implemented to maintain accreditation.

The BCA is advised to:

A1. Consider reviewing the nomenclature system used for file records such that file labels are more user friendly and understandable by all users. E.g. Records of Work, as-built drainage plans held under CCC application documents could be hard to find. Regulation 16(2)(b).

SUMMARY TABLE OF NON-COMPLIANCE

The following table summarises the non-compliance identified with the accreditation requirements in your BCA's accreditation assessment. Where a non-compliance has been identified, a Record of Non-compliance template has been prepared detailing the issue, and to enable you to detail your proposed corrective actions to IANZ. You must update and return a template for each non-compliance identified.

Regulatory requirement	Non-compliance (Serious / General)	Non-compliance identification number	Breach of regulation 5/6? (Enter Yes where applicable)						Resolved On-site? Yes/No	Date Non-compliance to be cleared by (DD/MM/YYYY) N/A where NC is resolved on-site	Date Non-compliance cleared (DD/MM/YYYY)	Number of		Brief comment (to get to the heart of the issue)
			5(a)	5(b)	5(c)	6(b)	6(c)	6(d)				Recommendations	Advisory notes	
6(A)(1)	Choose an item.													
6(A)(2)	Choose an item.													
Regulation 7														
7(1)	Choose an item.													
7(2)(a)	Choose an item.													
7(2)(b)	General	GNC 1	Y	Y					Yes					Documented procedure did not adequately define the process for determining the accurate date that a complete building consent application had been received.
7(2)(c)	Choose an item.													
7(2)(d)(i)	Choose an item.													
7(2)(d)(ii)	Choose an item.													
7(2)(d)(iii)	Choose an item.													
7(2)(d)(iv)	General	GNC 2			Y				No	28/06/2019		1		BCA did not always implement their RFI procedures (DF_CS_24 and PR_BR_04) appropriately in relation to the processing clock management and the recording of the reasons for decisions in the resolution of RFI responses.
7(2)(d)(v)	General	GNC 3	Y	Y	Y				No	28/06/2019				BCA did not always ensure that performance standards listed on Building Consents for Specified Systems were measureable or correct.
7(2)(e)	General	GNC 4				Y	Y	Y	No	28/06/2019				BCA did not always ensure that appropriate written inspection records were maintained. The reasons for decisions made during inspections were not adequately recorded for issues such as scope, compliance and non-compliance. Also, measurements taken during inspection activities were not being recorded, including directives given and discussions held on-site.
7(2)(f)	General	GNC 5	Y	Y	Y				No	28/06/2019		1		BCA did not always ensure that the Performance Standard (PS) was documented so that it was correctly defined. E.g. Multiple PS were sometimes referenced, non-measurable PS were sometimes indicated or incorrect PS were stated. Implementation of the statutory clock around CCC application and processing was inappropriate.
7(2)(g)	General	GNC 6	Y	Y					No	28/06/2019				BCAs documented procedure did not adequately define the timeframe in which inquiries were to be responded to. The WBC Cluster manual indicated that the MPDC Desk File would contain timeframe details, which it did not.
7(2)(h)	General	GNC 7	Y	Y					No	28/06/2019				BCAs documented procedure did not adequately define the timeframe in which complaints were to be responded to.
Regulation 8														
8(1)	Choose an item.													
8(2)	Choose an item.													

Regulatory requirement	Non-compliance (Serious / General)	Non-compliance identification number	Breach of regulation 5/6? (Enter Yes where applicable)						Resolved On-site? Yes/No	Date Non-compliance to be cleared by (DD/MM/YYYY) N/A where NC is resolved on-site	Date Non-compliance cleared (DD/MM/YYYY)	Number of		Brief comment (to get to the heart of the issue)
			5(a)	5(b)	5(c)	6(b)	6(c)	6(d)				Recommendations	Advisory notes	
Regulation 9														
9	Choose an item.													
Regulation 10														
10(1)	Choose an item.													
10(2)	General	GNC 8			Y				No	28/06/2019		1		BCA did not always ensure that all aspects of its competency assessment system were implemented. Namely: (i) The BCA indicated that it was using the NCAS system, but had not completed the Appendix 2 of the NCAS system for each of the 2 competence assessors utilised by the BCA. (ii) The BCA had not ensured that the competency assessments covered all of the key performance indicators on an annual basis, with some covered only two yearly.
10(3)(a)	Choose an item.													
10(3)(b)	Choose an item.													
10(3)(c)	Choose an item.													
10(3)(d)	Choose an item.													
10(3)(e)	Choose an item.													
10(3)(f)	Choose an item.													
Regulation 11														
11(1)	Choose an item.													
11(2)(a)	Choose an item.													
11(2)(b)	Choose an item.													
11(2)(c)	Choose an item.													
11(2)(d)	Choose an item.													
11(2)(e)	General	GNC 9			Y				Yes					BCA did not always ensure that employees under supervision were supervised.
11(2)(f)	Choose an item.													
11(2)(g)	Choose an item.													
Regulation 12														
12(1)	Choose an item.													
12(2)(a)	Choose an item.													
12(2)(b)	Choose an item.													
12(2)(c)	Choose an item.													
12(2)(d)	Choose an item.													
12(2)(e)	Choose an item.													
12(2)(f)	Choose an item.													
Regulation 13														
13(a)	General	GNC 10	Y	Y					Yes					BCAs documented procedure did not capture how the system identifies technical leadership as the BCA did not utilise the Waikato Building Control Cluster Manual procedure.
13(b)	Choose an item.													
Regulation 14														
14	Choose an item.													

Regulatory requirement	Non-compliance (Serious / General)	Non-compliance identification number	Breach of regulation 5/6? (Enter Yes where applicable)						Resolved On-site? Yes/No	Date Non-compliance to be cleared by (DD/MM/YYYY) N/A where NC is resolved on-site	Date Non-compliance cleared (DD/MM/YYYY)	Number of		Brief comment (to get to the heart of the issue)
			5(a)	5(b)	5(c)	6(b)	6(c)	6(d)				Recommendations	Advisory notes	
Regulation 15														
15(1)(a)	Choose an item.													
15(1)(b)	Choose an item.													
15(2)	General	GNC 11	Y	Y					Yes					Customer Services Staff did not appear to have delegated authority to issue Building Consents under section 51 of the Building Act.
Regulation 16														
16(1)	Choose an item.													
16(2)(a)	Choose an item.													
16(2)(b)	Choose an item.											1	1	
16(2)(c)	Choose an item.													
Regulation 17														
17(1)	Choose an item.													
17(2)(a)	Choose an item.													
17(2)(b)	Choose an item.													
17(2)(c)	Choose an item.													
17(2)(d)	Choose an item.													
17(2)(e)	Choose an item.											1		
17(2)(h)	Choose an item.													
17(2)(i)	Choose an item.											1		
17(2)(j)	Choose an item.													
17(3)	Choose an item.													
17(3A)(a)	Choose an item.													
17(3A)(b)	Choose an item.													
17(3A)(c)	Choose an item.													
17(4)(a)	Choose an item.													
17(4)(b)	Choose an item.													
17(5)(a)	Choose an item.													
17(5)(b)	Choose an item.													
Regulation 18														
18(1)(a)	Choose an item.													
18(1)(b)	General	GNC 12	Y	Y					Yes					BCAs documented procedure did not reflect the correct/appropriate timescales for working towards an appropriate qualification
18(1)(c)	Choose an item.													
18(3)(a)	Choose an item.													
18(3)(b)	Choose an item.													

Refuse bag sales and disposal tonnage report

Trim No.: 2149850

Executive Summary

This report is to update the Audit and Risk Committee on the progress to date of the new user pay scheme for refuse bags and the variance from budget. Included in the report is the monitoring of the refuse disposal tonnage.

Recommendation

That:

1. The report 'Refuse Bag Sales and Disposal Tonnage' be received.

Content

Background

In a presentation to a Council Workshop on 11 April 2018, the income from sale of refuse bags was stated as \$653,000 for the draft 2018/19 LTP. Subsequent to this a figure for Council offices' counter sales was included. Therefore the total income from refuse counter sales in the 2018/19 LTP is \$700,500 with a breakdown as follows:

- Annual budget of \$653,000 wholesaler sales equates to 429605 bags at \$1.52/bag (\$2.00 less GST, less supermarket commission and less delivery costs)
- Annual budget of \$47,500 counter sales equates to 27,778 bags at \$1.71/bag (includes the retail margin that would otherwise go to supermarket).

Total targeted rating properties for refuse collection is 9800, therefore the above total bag sales of 457383 represents 47 bags per user which is 90% uptake of last year's 52 bags delivered to the user.

Issues

Sales

Current YTD nett sales (including wholesale and counter sales) from the start of this year are as follows:

January (2019)	\$215,669 (31%)
February	\$245,224 (35%)
March	\$307,532 (44%)
April	\$327,731 (47%)

From the above, the sales forecast for year ending 30 June 2019 is estimated to be \$384,000 (55%). Therefore, a likely shortfall of **\$316,500**.

Relating to the YTD sales (to 30 April 2019), the number of bags sold is 212,225 which is only 22 bags per user, or 42% uptake of the 510,000 bags that was issued to users last year (i.e. one per week). Therefore, bag sales are considerable short of the 90% number of bags required to be sold to achieve sales income of \$700,500

Tonnage

The tonnage of refuse (kerbside collection and RTSs) disposed at Tirohia landfill is as follows:

- 1 July 2017 to 30 April 2018 = 4307 tonnes
- 1 July 2018 to 30 April 2019 = 4276 tonnes

Therefore, there is a marginal decrease (1%) in the total disposal volume for the equivalent time of year.

In regards to kerbside collection only, there is a decrease (2%) in the tonnage of refuse collected directly from the kerb. There is also a reduction (12%) in the sale of recyclables, mainly due to co-mingle plastics and paper having minimal sales market for these products. Tonnages are as follows:

- 1 July 2017 to 30 April 2018 = 1346tonnes (for refuse) & 1521t (for co-mingle)
- 1 July 2018 to 30 April 2019 = 1319tonnes (for refuse) & 1345t (for co-mingle)

The reduction in the number of bag sales could be due to:

- Using up existing stock that has been paid in previous years (prior to 30 June 2018)
- Bags are being completely full before placing on the kerbside ready for collection
- Reduction in tonnage of kerbside refuse collection.
- Users trying to reduce number of bags and increase recycling, however this is complicated due to considerably reduced market for sales of mixed plastics and Mixed paper.

Analysis of issues

For 2019/20, assuming there will be 9900 users and there is 58% uptake (30 bags brought per user) then to achieve sales of \$700,500, the price per bag would need to increase to \$3.00 resulting in the following sales:

Counter sales of 40,000 @ \$2.57/bag = \$102,800

Wholesaler sales of 260,000 @ 2.30/bag = \$598,000

Total \$700,800

Financial Impact

2018/19 budget for refuse bag sales income is \$700,500. The refuse bag sales income forecast to the end of the financial year is estimated at \$384,000 (only 55% uptake). This a shortfall in income of \$316,500.

Attachments

There are no attachments for this report.

Signatories

Author(s)	George Ridley Solid Waste Project & Contract Advisor	
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Approved by	Fiona Vessey Group Manager Service Delivery	
	Don McLeod Chief Executive Officer	

Annual Insurance Programme Review

Trim No.: 2143858

Executive Summary

The Audit & Risk Committee work programme includes the review of Council's insurance arrangements.

The type and extent of cover has not changed from 2018.

This report provides information to the Audit and Risk Committee to allow it to consider and answer the following questions:

- Does Council have the appropriate types of insurance?
- Is the cover adequate?

A summary of the insurance arrangements is attached to the report.

Recommendation

That:

1. The Information be received.

Content

Background

The Audit and Risk committee reviews the insurance programme annually.

The Controller and Auditor General published a report in June 2013 – Insuring Public Assets.

The report states that public entities need to consider six questions when considering insurance. These questions are included under the Issues section below.

As a member of the Waikato Local Authorities Shared Services (WaiLASS), Council places most of its insurance through AON insurance brokers (AON). The exception is liability insurance.

Liability insurance is provided through Jardine Lloyd Thompson Limited (JLT).

The annual premiums paid for the insurances are as follows:

	2017/2018	2018/2019	% Increase
AON	\$393,920	\$424,342	7.7%
JLT	\$23,232	\$ 26,275	13%

Issues

What is the assessed risk of assets not being available to provide public services in the future, and what is the most appropriate way to manage it?

Natural disaster is the main source of risk that could have widespread impact on Council assets and the availability of public services.

The extent of asset disruption has been assessed in financial terms at a high level by AON working with the WaiLASS.

It is expected that a large loss would cause \$20-\$25 million of damage to assets. This would be an infrequent event. A more likely scenario for Council is a loss of \$2-\$5 million. This is based on average assumptions (i.e. average ground conditions, average material type) and Council's spread of assets. Our risk profile is helped that our urban centres are spread across the district. Whereas a city will have a higher concentration of assets.

There has been discussion for some years within the WaiLASS to undertake further in-depth analysis to refine these loss estimates. This has been completed for some local authorities. This work has not progressed for this Council.

Council's insurance cover reflects the current state of knowledge.

The following documents and/or associated activities help Council to understand and manage risks:

- Asset Management Plans for infrastructure, community facilities and buildings are in place and are continuously improved.
- Business Continuity plans have been developed for water, wastewater and solid waste.
- Council is a member of the Waikato Lifelines Utilities group (WLU). This group has the mission to "enhance the connectivity of lifelines utility organisations across agency and sector boundaries in order to improve infrastructure resilience".

The following information is taken from the WLU web-page:

Lifeline utilities are entities and operators that provide community infrastructure services such as water, wastewater, transport, energy and telecommunications.

The Civil Defence Emergency Management (CDEM) Act 2002 requires lifeline utilities to establish planning and operational relationships with CDEM groups. At the heart of this relationship is for each lifeline utility to be able to exchange relevant information around their risk management processes and the key elements of their readiness and response arrangements. The Act also requires all lifeline utility operators to ensure they are able to function to the fullest possible extent, even though this may be at a reduced level, during and after an emergency. This is best achieved through the formation of voluntary groups of 'lifeline utility' organisations, with representatives from territorial authorities, major utility and transportation sector organisations.

Lifeline utility groups work across the 4 Rs (Reduction, Readiness, Response, and Recovery) of the emergency management continuum. They promote reduction (mitigation) and readiness work to be carried out by their members, with a focus on developing and providing best practice

information. They also provide a technical forum with appropriate degrees of confidentiality, enabling engineering and physical risk management issues of interdependency to be addressed.

The Waikato Lifeline Utilities Group (WLUG) is made up of representatives from the Waikato region's territorial authorities and major energy, telecommunications, and transportation sector organisations.

How well are risk assessments being done to inform decisions about insurance, including assessments of the likely costs to replace assets?

This is an area where further work is required.

As noted earlier, there has been some work undertaken through AON for some WaiLASS Councils.

Improvement in our risk assessments will be driven through a number of processes:

- Waikato Regional Civil Defence Emergency Management resource allocated to Council. This re to champion the development of Council and community resilience
- Improvement to the risk management practice in the organisation (eg KPMG review of the risk management framework).

It is not proposed to commission any additional work until those processes have commenced/completed.

Is the right amount and nature of insurance cover being obtained to ensure that public services can continue to be delivered?

Insurance cover is based on the financial values in asset registers. Most assets are regularly revalued. The exceptions being motor vehicles, furniture and equipment.

Valuations for the purposes of financial reporting can differ markedly from replacement costs arising from an event (eg earthquake).

The financial values will continue to be used as the basis of insurance values until better information is available (eg loss modelling work is undertaken).

AON produces a schedule of the most common classes of insurance for their local authority clients (attached to this report).

Management is comfortable that with the professional oversight of AON, there are no major omissions in insurance cover.

Is insurance being acquired in the most cost-effective way?

Council acquires most of its insurance through the WaiLASS group scheme. This collective approach is considered to be more attractive to the insurance market than if Council acted on its own.

How much can be prudently borrowed to replace uninsured assets?

Council has a debt limit under the financial strategy of 150% of revenue.

The long term plan indicates that Council's debt will be an average of 93% of revenue over the 10 year period. This leaves considerable capacity to borrow for uninsured assets.

Council could conservatively borrow \$30 million in any year of the 10 year plan to replace uninsured assets.

Has the risk of all uninsured assets been assessed centrally, and is the risk being appropriately managed?

Roadway assets are not insured. All other assets on Council asset registers are insured.

It is not considered affordable to insure all road assets.

At a previous insurance review, the Audit and Risk Committee considered the costs of insuring bridges.

It was agreed that this should be advanced subject to final costs.

The focus in the first instance was on critical bridges.

There has been protracted communication with AON about the information needed to meet the underwriter requirements.

We have yet to finalise insurance cover for these bridges.

Attachments

[A](#). Insurance Schedule 2018-2019

[B](#). AON Schedule of Insurances 2018

Signatories

Author(s)	Manaia Te Wiata Group Manager Business Support	
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Approved by	Manaia Te Wiata Group Manager Business Support	
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Description	Insurer	Rating	Notes (This is the same schedule as 2017/2018 - no new schedule issued)	Cover 2018/2019	Excess	Other
Material damage (Fire only)	AIG Insurance NZ Ltd	A	Fire including Fire occasioned by or through or in consequence of any Natural Disaster Including, but not limited to all tangible and personal property of every type and description either:- - Owned in whole or in part by the insured - and/or the interest of the insured in property of others held in commission - and/or property on consignment and/or for which they have assumed or may assume liability - and/or property of others which the insured has agreed to insure whether held by the insured or by others - and/or property for which the insured is legally liable - at the sole option of the insured, any personal property of officers and employees, subject to a specified limit	\$15m any one loss	\$ 5,000	
Crime Policy	AIG Insurance NZ Ltd	A	Insuring Clauses: Fidelity Guarantee; Third Party Crime; Electronic and Computer Crime; Destruction of Money; Criminal Damage to Property; Erroneous Funds Transfer	\$2m	\$ 25,000	
Business Interruption	AIG Insurance NZ Ltd	A	Consequential Loss resulting from Physical loss or damage to any property used by the Insured, as below Physical loss or damage of any property or any part used or to be used by the Insured leading to interruption to the business as detailed under limit of liability below, including but not limited to the destruction and/or damage caused by: - Such risks as are covered under the Insured's Material Damage Insurance Policy(s) being: - Material Damage Fire - Material Damage Excluding Fire including earthquake - Explosion/Implosion of any pressure vessel on the premises or elsewhere	\$10m and claim preparation costs \$2.5m	7-14 days	
Commercial motor vehicle	Lumley	AA-	Cover includes, but is not limited to: Section I - All vehicles, mobile plant and auxiliary equipment of every description, owned, used, leased, lent, borrowed, hired or under the Insured's care. Section II - Any liabilities causing damage, bodily injury or financial loss to third parties arising from or in connection with the Insured's use of any vehicle.	\$ 1,980,900	1% of sum insurances with \$500 minimum	
Material Damage (excluding fire)	AIG Insurance NZ Ltd (lead insurer)	A	All risks including Earthquake, but excluding Fire including Fire occasioned by or through or in consequence of any Natural Disaster Including, but not limited to all tangible and personal property of every type and description either:- Owned in whole or in part by the insured - and/or the interest of the insured in property of others held on commission - and/or property on consignment and/or for which they have assumed or may assume liability - and/or property of others which the Insured has agreed to insure whether held by the insured or by others - and or property for which the insured is legally liable - at the sole option of the insured, any personal property of officers and employees, subject to a specified limit.	\$146m any one loss and in the aggregate	Non-earthquake \$10,000 Earthquake, volcanic eruption, hydrothermal - 5% of material damage site, minimum of \$10,000	Various sub-limits applicable
Infrastructure insurance	AON Group Ltd (London)	NR	Material Damage Natural Catastrophe Insurance - including - Earthquake, Natural Landslip, Flood, Tsunami, Tornado, Windstorm, Volcanic eruption, Hydrothermal & Geothermal Activity and Subterranean Fire and Business Interruption resulting there from. Excess for Subsidence and Landslip is as per standard Council excess	\$ 255,389,306	\$ 500,000	Loss limit \$300m any one loss combined with another Council. MPDC specific sub-limit - \$50m.
Infrastructure insurance - primary layer	HDI-Gerling Industrial Insurance Company Ltd	?	Material Damage Natural Catastrophe Insurance - including - Earthquake, Natural Landslip, Flood, Tsunami, Tornado, Windstorm, Volcanic eruption, Hydrothermal & Geothermal Activity and Subterranean Fire and Business Interruption resulting there from. Excess for Subsidence and Landslip is as per standard Council excess	per infrastructure insurance	\$ 300,000	LOSS LIMIT \$6,000,000 each and every loss with \$12,000,000 in the aggregate. 1 Automatic Reinstatement at Renewal Premium Rate
Employers liability	AIG Insurance NZ Ltd	A	Liability arising out of claims made by Employees for injuries outside the scope of the Accident Compensation Corporation	\$ 2,000,000	\$ 1,000	Any one claim and in the aggregate any one period of insurance
Statutory liability	AIG Insurance NZ Ltd	A	Defence Costs, Fines and Penalties arising from unintentional breaches of the Insured Acts. Excluded Acts: Arms Act 1983, Aviation Crimes Act 1972, Crime Act 1961, Proceeds of Crimes Act 1961, Summary Offences Act 1981, Transport Act 1962, Transport (Vehicle and Driver Registration and Licensing Act) 1986 and Real Estate Agents Act 2008.	\$ 2,000,000	\$ 1,000	
Public Liability & Professional Indemnity	QBE and other London underwriters	A+	Protection for legal liability in connection with the business and arising from occurrences resulting in personal injury or property damage Protection of legal liability in respect of a breach of any professional duty arising from a negligent act, error or omission	\$300m except Environmental Impairment Liability (\$300,000)	\$ 25,000	Each and every claim and in the aggregate
Cyber-Liability Policy	Berkshire Hathaway	AA+	Rectification of computer systems arising from actual or suspected breach by viruses or unauthorised third party access of computer systems.	\$ 1,000,000	\$25,000	



UNINSURED RISKS

The following classes of insurance have been discussed members. The boxes are ticked below for the group as a whole, not all members participate in all these covers. Please refer to individual manuals. The list is not exhaustive, but it includes the most common classes of insurance. If you know of other uninsured risks, please contact us and we will advise you whether insurance is available.



Policy & Description of Cover	I	Q	D	N
PROPERTY & BUSINESS INTERRUPTION				
Advance Profits <i>Covers loss of future income where completion of a construction project is delayed by damage</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Boiler Explosion <i>Covers boilers and other pressure vessels against risk of explosion; commonly excluded from cover under Material Damage insurance</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Book Debts <i>Covers loss resulting from inability to recover debts because of damage to records</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Business Interruption <i>Covers loss of income and increased costs resulting from damage to assets; sometimes referred to as "Loss of Profits" or "Consequential Loss" insurance</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Computer Crime <i>Covers losses resulting from dishonesty in relation to computers</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Computer <i>Covers computers and computer media against a wider variety of risks than those covered under a Material Damage policy</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Computer Consequential Loss <i>Covers financial losses and extra costs, including data reconstruction, following damage covered under a computer policy</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Contract Works <i>Covers physical loss or damage and, as an option, to cover public liability arising in connection with the contract works</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Fidelity <i>Covers theft by employees; this risk is commonly excluded from cover under Material Damage insurance</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Gross Rentals (Rents Receivable) <i>Available under a Business Interruption policy. Covers loss of rent money paid or payable to you in respect of the rental of your premises from damage caused by such risks as are covered under the Material Damage policies.</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Machinery Breakdown <i>Covers breakdown risks -- these risks are commonly excluded from cover under Material Damage insurance</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Machinery Business Interruption <i>Covers loss of income and increased costs resulting from damage by a peril insured under a Machinery policy. Works as a partner to the Machinery Breakdown policy.</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Material Damage <i>A general form of policy on buildings, plant and stock</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Money <i>Covers cash and other forms of money against loss or damage whilst it is at your premises or in transit</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Stock Deterioration <i>Provides cover following accidental stoppage of refrigeration equipment for chilled or frozen goods; usually only available in conjunction with Machinery Breakdown insurance</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Terrorism <i>This risk is commonly excluded from cover under Material Damage insurance</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
LIABILITY RISKS				
Bailees Liability <i>Covers liability for damage to property held under bailment, or in your custody and/or control</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Directors & Officers Liability <i>Covers Directors & Officers against liability they might incur in carrying out the duties of a company director or officer. The insurance will also reimburse the company where it has already indemnified its directors for any such liability; cover includes associated defence costs.</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Employers Liability	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>



Covers the employer company's liability for injury to employees that falls outside the scope of ACC; cover includes associated defence costs

LIABILITY RISKS (cont)

	I	Q	D	N
Employment Disputes Liability Covers damages and costs arising out of certain employment related disputes such as wrongful termination, harassment and discrimination; cover includes associated defence costs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Environmental Impairment A special form of pollution liability insurance	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Exemplary Damages (also called Punitive Damages) Covers damages arising out of bodily injury in New Zealand where the law otherwise prevents legal action for compensatory damages	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Extra Territorial Workers Compensation Covers liabilities where employees are injured outside their normal country or state of employment and are not covered by the relevant statutory policy.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Forest & Rural Fires Act For costs imposed by statutory authorities under legislation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Legal Expenses Covers legal expenses incurred in civil action	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Liability – Consequential Loss To partially cover loss of gross profit and increased costs arising from an event that also gives rise to a valid claim on a liability policy; this limited form of cover is only available where the liability insurance is provided by the same insurer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Libel & Slander/Defamation Covers legal liability arising out of defamatory remarks made in either written or oral form; cover includes associated defence costs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Private Legal Aid Covers private persons and their families for private legal aid costs for defending a variety of criminal, traffic & civil actions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Product Guarantee Covers liability for correcting defects in products or for replacing defective products	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Product Liability Covers liability arising for damage arising out of products supplied; cover includes associated defence costs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Product Recall Covers liability for the cost of recalling products which are defective or suspected of being defective	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Professional Indemnity &/or Errors & Omissions Covers legal liability incurred by giving negligent advice or through a breach of professional duty; cover includes associated defence costs	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Prospectus Liability Covers the Company, its directors and senior executives for liabilities arising from the issue of a prospectus, information memorandum or other sale/purchase documents. This liability is generally excluded from Directors & Officers Liability policies unless they are specifically extended to cover it. Cover includes associated defence costs.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Public Liability Covers general liability for damage or injury happening in connection with the business; cover includes associated defence costs	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Statutory Liability Covers fines or penalties imposed for unintentional breaches of certain statutes; cover includes associated costs	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Trustees Indemnity Covers Trustees for personal liability arising from a breach of their fiduciary duties and to reimburse the trust when it has provided an indemnity to the trustees; cover includes associated defence costs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Warranties & Representations Liability Covers liability arising from specific representations or warranties made in an agreement between parties; particularly relevant in the sale and purchase of businesses	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

HUMAN RESOURCE RISKS

Accident Compensation Supplementary Benefits To supplement the limited cover available under Accident Compensation legislation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Employee Benefits Includes a variety of special forms of insurance including life insurance, long term disability, salary continuance, medical expenses and superannuation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Key Person To provide cash benefits to the company in the event of death or disablement of key personnel	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Personal Accident To provide cash benefits in the event of death or disablement following accident to insured person	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>



TECHNOLOGY RISKS

Intellectual Property Pursuit Coverage

Covers legal expenses to enforce intellectual property rights that are infringed by a Third Party

☐ I ☐ Q ☐ D ☒ N

Media Liability

Covers advertising injury, defamation, breach of third party intellectual property through operating on the internet or via email; includes liability to third parties from inadvertent transmission of viruses

☐ I ☐ Q ☐ D ☒ N

Network Security

Covers costs of repairing/restoring your computer systems and records damaged as a result of a virus, denial of service or hacker attack; can include resultant loss of earnings/ increased cost of working

☐ I ☐ Q ☐ D ☒ N

TRANSPORT RISKS

Aviation Hull

Covers aircraft against physical loss or damage

☒ I ☐ Q ☐ D ☐ N

Aviation Liabilities

Covers Public Liability arising out of the use of aircraft
(Public Liability insurance does not normally cover liability arising out of the use of aircraft)

☐ I ☐ Q ☐ D ☒ N

Carriers Liability

Covers liability under the Carriage of Goods Act

☐ I ☐ Q ☐ D ☒ N

Charterers Liability (Aviation/Marine Hull)

Protection tailored to meet the conditions of a Marine or Aviation charter agreement for hull and/or liabilities

☐ I ☐ Q ☐ D ☒ N

Marine Cargo

Covers shipments of goods by land, sea or air

☐ I ☐ Q ☐ D ☒ N

Marine Hulls

Covers watercraft against physical loss or damage

☒ I ☐ Q ☐ D ☒ N

Marine Liabilities

Covers Public Liability arising out of the use of watercraft

☐ I ☐ Q ☐ D ☒ N

Motor Vehicle

Covers direct loss or damage to vehicles & Public Liability (third party liability) in connection to the vehicles

☒ I ☐ Q ☐ D ☐ N

MISCELLANEOUS RISKS

Accidental & Malicious Product Damage/Tamper

Crisis Management providing cover for Product Recall, Restoration Costs, Loss of Income and Incident Response Costs (following product tamper)

☐ I ☐ Q ☐ D ☒ N

Bonds

Financial devices (rather than insurance policies) designed to avoid the need to provide a bond in cash

☐ I ☐ Q ☐ D ☒ N

Civil Defence Emergency Costs

Covering Councils for Emergency civil defence costs in relation to a formally declared Civil Defence Emergency

☒ I ☐ Q ☐ D ☐ N

Credit Insurance & Trade Debtors

Covers risk of trade debtors failing to pay debts due to their insolvency or protracted default

☐ I ☐ Q ☐ D ☒ N

Extortion

Includes kidnap, ransom and product tampering insurance

☐ I ☐ Q ☐ D ☒ N

Forest and Rural Fires Act

Covers costs and expenses of fire-fighting incurred in the capacity of Fire Authority for a Rural District under this Act

☐ I ☐ Q ☐ D ☒ N

Forest

This risk is commonly excluded from cover under Material Damage insurance

☐ I ☐ Q ☐ D ☒ N

Growing Crops

This risk is commonly excluded from cover under Material Damage insurance

☐ I ☐ Q ☐ D ☒ N

Livestock

This risk is commonly excluded from cover under Material Damage insurance

☐ I ☐ Q ☐ D ☒ N

Political Risk

Covers confiscation, expropriation or nationalisation of overseas assets and contracts; can also include cover against frustration or repudiation of a contract

☐ I ☐ Q ☐ D ☒ N

Travel

Covers baggage, medical costs and other travel related risks

☒ I ☐ Q ☐ D ☐ N

Annual Risk Management Framework/Analysis Review & Risk Management Policy

Trim No.: 2143876

Executive Summary

The Risk Policy and Risk Management Plan (incorporating the risk management framework) were reviewed in 2017 and 2018.

KPMG will be undertaking a risk management maturity assessment commencing from August to October 2019. A copy of the scope of work is attached.

It is recommended that the final review of these documents is held over until the completion of that process.

The Committee may wish to flag issues or clauses in the policy and plan that it would like to be reviewed in the interim.

Recommendation

That:

1. **The review of the Risk Policy and Risk Management Plan take into account the KPMG risk management maturity assessment.**

Attachments

- A. Revised Risk Policy 2019 Version 5
- B. Appendix A Risk Impact Criteria 2019
- C. KPMG Risk management maturity assessment - May 2019

Signatories

Author(s)	Manaia Te Wiata Group Manager Business Support	
Approved by	Don McLeod Chief Executive Officer	

Draft Risk Policy 2019

Department: Business Support

Policy Type: Internal policy

Version and date: Version 5, May 2019

Introduction

At Matamata-Piako District Council (MPDC) we work in accordance with our values, so our vision and values are part of every day life. We are committed to the highest possible standards of teamwork, respect, accountability and communication.

Council's vision is to make Matamata-Piako '*The Place of Choice*' – *Lifestyle – Opportunities – Home*. In making this vision a reality Council sees itself as enabling the community across five key themes

- Connected infrastructure
- Economic opportunities
- Healthy communities
- Environmental sustainability
- Vibrant cultural values

This vision, Council's strategies, objectives, and policies provide the context for the assessment of risks.

This policy sets out how Council will ensure that a robust system for managing risk is in place and operating effectively.

Risk Culture

Council's expectation is that risk management in the organisation:

- Will reflect:
 - the Communities expectations of a publicly owned entity
 - the inherent nature of Council's activities which in the main revolve around long term infrastructure, regulatory services and services that the free market will not provide
 - That Council has an important stewardship role that it must exercise on behalf of the district communities
- Be an inherent part of Council's business with a level of complexity and formality that is relative to Council's operating environment and the risk consequence
- Will focus staff effort on the most important risks for the organisation
- Is understood and supported by Council staff
- Will both minimise risks and where appropriate allow opportunities to be realised

Risk Strategy

Council will follow the principles of an enterprise risk management framework and practice to affect the likelihood and consequences of risks materialising which:

- Encompasses all activities of Council
- Is integrated across the activities
- Stratifies risk to facilitate management at the appropriate levels in the organisation as follows:
 - Strategic\Corporate
 - Operational
 - Tactical (Projects)
- Promotes transparency and clarity of risk management in the organisation.
- Promotes the opportunity for continuous improvement by encouraging the reporting of service, process or system successes and failures as learning opportunities

Objectives

1. Council will have a robust system for managing risks
2. Council will express and annually review its risk appetite as the basis for the evaluation and management of risks
3. The risk management framework will provide for :
 - The identification of risks
 - Consistent and appropriate evaluation of risks against Council's expressed risk appetite
 - Establishment of risk priorities
 - The management of risks at the appropriate level in the organisation
 - The identification and implementation of appropriate risk mitigation
4. Internal controls will:
 - Eliminate or reduce risks to a level that reflects Council's risk appetite
 - Be assessed to ensure they are cost effective
 - Be evaluated to help identify risk management improvements.
5. A risk improvement plan will be prepared annually specifying the proposed Risk Management improvements.
6. Review and reporting processes will:
 - Provide assurance that the risk management system is working effectively
 - Be structured to facilitate reporting on the achievement of objectives 1 to 5
 - Ensure risks are escalated to the appropriate level in the organisation when necessary
 - Alert management to areas of the organisation where risk management practices require attention

Risk Appetite

It is Council's view that the community expects Council to be prudent and business- like in its approach. That as an entity that can compulsorily tax ratepayers, the Community expects Council to be risk averse where there is a high degree of uncertainty in relation to any activity, undertaking or project.

Where there is a high degree of uncertainty and Council is of the view that there are significant benefits, this shall be considered a matter of significance.

On an ongoing basis:

- Treatment strategies for risks rated as catastrophic and major shall be reported to the Audit and Risk Committee and Council for confirmation.
- Treatment strategies for risks rated as significant shall be reported to the Executive Team for confirmation.

The Audit and Risk Committee shall review the top 20 risks annually.

Risk Tolerances

Specific risk tolerances are expressed in terms of the following key risk areas and indicators:

Health & safety – Council has zero appetite for death, serious harm or injury to its employees, contractors and customers. Council expects that these risks will be mitigated as low as practically possible.

Council water supplies – Council has zero appetite for contamination that results in Council supplied water being unsafe to consume. Council's objective is to mitigate risks to achieve this outcome.

Road safety - No serious-injury or fatality accidents on Council roads shall be attributable to road design where improvement works have been undertaken or inadequate road maintenance.

Road access – for roads rated as Secondary collector or above in the One Network Road Classification – the route will be available in moderate weather events and alternative route will be available. Clearance of incidents affecting road users and road user information will have a high priority

Legislative compliance – Council expects the organisation to comply with all relevant legislative requirements in the conduct of its business. This risk of non-compliance will be mitigated as low as practically possible.

Financial – Investment and borrowing risks shall be managed in accordance with the respective policies. Adequacy of insurance cover shall be reviewed by the Audit and Risk Committee annually. Procurement risk shall be managed in terms of the Procurement Policy. Internal controls shall mitigate the potential for financial loss and/or over expenditure to a moderate level.

Reputation/Image – the Audit and Risk Committee shall overview Council's Fraud and Protected Disclosures Policies. Council expects the organisation to achieve:

- An unqualified audit opinion for the annual report
- Recognition by the external auditor as posing a low risk
- A minimum of a BBB in the Local Government Excellence programme
- Recognition by an appropriately qualified external agency that Council has a continuous improvement environment

- Recognition by an appropriately qualified external agency that Council manages Health and Safety appropriately

Operational resilience – Business continuity plans shall be targeted to ensure the following:

- Water Supply – potable water is available for essential domestic use for Council water supplies within 12 hours of any major infrastructural or treatment failure including natural disaster equivalent to a 1: 200 Year event
- Administration services shall be available in the district during normal operational hours within 24 hours of a 1:200 year event.
- Information services – business critical applications shall be available within 24 hours except in the case of where both the Te Aroha office and Waihou back-up site are disabled. In this case applications shall be available within 20 days.
- Wastewater Treatment – contingency plans shall be agreed with the Waikato Regional Council.

Where there is any question whether a risk tolerance level can be achieved or a risk mitigated to a level that is acceptable to Council, the matter will be specifically referred to Council.

Risk Rating

Risks shall be categorised and rated in accordance with the definitions contained in Appendix A.

Risk Roles and Responsibilities.

Council shall:

- Approve the risk policy and risk management plan (incorporating the risk management framework)
- Annually review the top 20 risks

The Audit and Risk Committee shall:

- Annually review the strategic approach to risk, risk policy (including risk appetite), risk management plan and risk action plan and make recommendations to Council
- Annually review the effectiveness of risk management in the organisation including the extent to which risk objectives are being met
- Initiate actions as appropriate to obtain assurance that the risk management system is operating appropriately

The Chief Executive officer shall:

- be responsible for the overall management of risk in the organisation.
- determine how risk management activities will be coordinated in the organisation
- allocate resources to achieve the objectives of the risk policy

Risk Management Sponsor

This position will be held by an Executive Team member and will support the delivery and operation of Risk Management activities.

The Risk Management Sponsor will:

- Facilitate the integrated management of risk management across the organisation
- Identify strategies to build the risk aware culture in the organisation
- Provide a knowledge base for risk management and identify good practice standards and guidelines.
- Manage the Corporate risk register
- Report to the Chief Executive Officer on the state of risk management processes
- Prepare and report against the Risk Action Plan.
- Provide advice to the Quality Coordinator on the focus of the internal audit plan.
- Collate information and report to the Chief Executive Officer on the achievement of risk objectives
- Coordinate communications, training, education and risk management initiatives across Council

Executive Team Members

The Executive Team members will undertake a leadership role for risk management in the organisation and:

- Promote awareness of the risk culture, Council's risk appetite and risk management in the organisation
- Regularly monitor and review the Corporate risk register including the top 20 risks in the organisation
- Ensure compliance with risk management practices and procedures within their respective Groups
- Promote a learning culture where process or system successes or failures provide an opportunity to improve

Management

All managers and team leaders across MPDC are required to understand and apply the Risk Management framework to their areas of operational responsibility, to ensure that MPDC's objectives are achieved.

Each unit Manager is responsible for:

- Ensuring risk management is applied in their environment and maintaining their sections of the risk register accordingly.
- Promoting risk management to their staff
- Appointing risk owners
- Taking the required action to identify and disclose new risks and uncertainties.
- Working with the Risk Management Sponsor to monitor, identify and report on risk through the appropriate mechanisms
- Submitting the highest risk processes for annual internal audit from their respective areas
- Promote a learning culture by encouraging the reporting and disclosure of successes or failures as an opportunity to improve

Health and Safety manager

The Health and Safety Manager shall be responsible for ensuring that the process for health and safety risk and hazard assessments reflect Council's risk appetite and tolerances.

Staff

Every staff member has a responsibility to participate in the identification, mitigation and management of risks. All staff are required to understand and apply the Risk Management framework to their areas of responsibility, to ensure Council's objectives are achieved.

Staff are encouraged to embrace a learning culture where success and/or failure is an opportunity for improvement.

Staff will be appointed as Risk Owners for specific risks within their area of responsibility. They will be responsible for ensuring that:

- Risk Information is kept up to date and relevant
- Ensuring mitigating action is carried out
- Reviewing risk and updating the risk registers.

Relevant Legislation

Section 14 of the Local Government Act 2002 sets out certain principles that Council must follow. Risk management is a fundamental business practice that assists Council to adhere to those principles.

Related Policies, Strategies or Guidelines

The specific risk management strategies and processes are contained within the following:

Investment Policy
Borrowing Policy
Fraud Policy
Protected Disclosures Policy
Procurement Policy
Contract Management Policy

Council's Vision, Long Term Policy, Annual Plan, Strategies and Policies provide the context for risk assessment.

Audience

This policy applies to all Council employees and elected members in their work for MPDC.

Measurement and Review

The operation and effectiveness of this policy shall be reported in accordance with Objective 6 above.

The Audit and Risk Committee shall review the policy annually and recommend any improvements or changes to Council.

Effects and Risks

This policy provides the basis for assurance to Council, auditors and the community that the organisation has robust risk management processes in place.

Failure to follow this policy could result in inconsistent or inadequate assessment of risks in the organisation.

This could result in an un-acceptable level of risk exposure.

Relevant Legislation

- Local Government Act 2002
- Health and Safety at Work Act 2015

Authorisation

Authorised by : Audit & Risk Committee

Signed: _____

Don McLeod - CEO

Manaia Te Wiata –

Group Manager Business Support

Appendix A Risk Impact Criteria

Risk Impact Criteria					
Rating	Catastrophic 5	Major 4	Significant 3	Moderate 2	Minor 1
Financial / Economic	Loss of \$10m or greater in any 12 month period	Loss \$5m to \$10m in any 12 month period	Loss \$1m to \$5m in any 12 month period	Loss \$250K to \$1m in any 12 month period	Loss less than \$250k in any 12 month period
Health & Safety	Loss of life. Event report and event investigation to Health & safety Executive	Serious harm event with 3 + months time off Serious harm event report and investigation submitted to Health & Safety Executive	Incident requiring significant medical attention and 2 weeks to 3 months time off. Event report and investigation to Health & Safety Executive	Incident requiring moderate medical attention and up to 2 weeks time off. Event report to Health & Safety Executive.	Minor incident, no medical attention needed. Event report to Health & Safety Executive
Human Resources	Permanent staff turnover exceeds 30% p.a.	Permanent staff turnover 25 to 30% p.a.	Permanent staff turnover 20 to 25% p.a.	Permanent staff turnover 15 to 20% p.a.	Permanent staff turnover of 10 to 15% p.a.
Legal	MPDC sued or fined in excess of \$5m	MPDC sued or fined between \$1m and \$5m	MPDC sued or fined between \$50k and \$1m	MPDC sued or fined between \$50k and \$250k	MPDC sued or fined less than \$50k
Reputation / Image	Insurmountable loss in community confidence Negative media coverage nationwide for more than 2 weeks Nationwide adverse political comment for more than 1 wk	Major loss in community confidence requiring substantial time to remedy Negative media coverage nationwide for up to 2 weeks Nationwide adverse political comments for several days	A manageable loss in community confidence Negative media coverage Nationwide for several days Regional adverse political comment for several days	Loss of confidence among sections of the community Negative media coverage nationwide for up to 2 days Local adverse political comment for 1 week	Negative reaction from individuals or local interest groups Negative regional media coverage for up to 2 days Local adverse political comment for several days
Operational	Substantial loss of operational capability for over 4 weeks. Serious disruption to strategic goals and LOS	Substantial loss of operational capability for 2 to 4 weeks. Serious disruption to strategic goals and LOS	Substantial loss of operational capability for 1 to 2 weeks. Serious disruption to strategic goals and LOS	Loss of operational capability in some areas Strategic goals and levels of service temporarily affected	Isolated loss of operational capability No affect on strategic goals and only temporary affect on level of service
Natural environment	Widespread irreversible damage to aquatic and/or Terrestrial ecosystems. Permanent loss of one or more species	Widespread long term reversible damage to aquatic and/or Terrestrial ecosystems. Significant reduction in one	Widespread medium term reversible damage to aquatic and/or Terrestrial ecosystems. Moderate reduction in one or	Localised minor reversible damage to aquatic and/or Terrestrial ecosystems. Temporary reduction to one species	Localised short term reversible damage to Aquatic and/or terrestrial Ecosystems. No identifiable reduction in

		or more species	more species		species
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Appendix A (Continued) Risk Likelihood and Rating Criteria

Likelihood Criteria

Rating	%	Likelihood criteria (within 12-24 months)
1	0 - 10	Rare
2	10 - 25	Unlikely to Occur
3	25 - 75	Moderate chance of occurrence
4	75 - 90	Likely to occur
5	90 - 100	Almost certain to occur

Risk Rating = Impact * Likelihood

Impact	5	5	10	15	20	25
	4	4	8	12	16	20
	3	3	6	9	12	15
	2	2	4	6	8	10
	1	1	2	3	4	5
		1	2	3	4	5






Likelihood

Appendix A (continued)

Overall Risk Rating matrix

Likelihood					
Almost certain (5)	Significant	Significant	Major	Catastrophic	Catastrophic
Likely (4)	Moderate	Significant	Major	Catastrophic	Catastrophic
Moderate chance (3)	Moderate	Significant	Significant	Major	Major
Possible (2)	Minor	Moderate	Significant	Significant	Major
Highly unlikely (1)	Minor	Minor	Moderate	Moderate	Significant
	Minimal (1)	Minor (2)	Moderate (3)	Major (4)	Acute (5)

Severity

 	Catastrophic and Major	Risk treatment Strategies to be implemented by the Executive team and actions taken, reported to the Audit and Risk Committee and to Council for their confirmation
	Significant	Risk Treatment Strategies to be implemented by the Activity Managers and Departmental Heads and actions reported to the Executive Team
 	Moderate and Minor	Risks generally acceptable to be managed under the normal risk Identification and Control procedures



Risk management maturity assessment

Matamata-Piako District Council

DRAFT

May 2019

kpmg.com/nz

Item 6.6

Attachment C

Risk management maturity assessment

Background

Within the local government sector, councils are placing increased importance on developing a robust risk management culture and embedding it in their day-to-day operations. Councils are assessing their risk management maturity, developing roadmaps to strengthen their processes and also establishing risk appetite statements.

Matamata-Piako District Council ("MPDC") has identified that a maturity assessment of its current risk management framework is essential to understanding whether key strategic risks are being identified, managed and reported effectively. The maturity assessment will help MPDC develop a roadmap to enhance their risk management approach in the future.

This document outlines the terms of reference for the MPDC risk management maturity assessment and is subject to KPMG's Internal Audit Service Agreement with Waikato Local Authority Shared Services.

Objectives and scope

The key objectives of this review are to:

- Assess the adequacy of design and effectiveness of implementation of MPDC's risk management framework
- Compare MPDC's risk management framework and practices against KPMG's Enterprise Risk Management maturity framework
- Provide recommendations for improvement where opportunities exist.

The areas of focus for this review will include:

Areas	Descriptions
Risk strategy and appetite	A robust risk strategy allows Management to use risk management to enable the achievement of business plans, goals and strategic objectives. It includes a risk appetite statement supported by risk tolerances, limits and associated breach protocols to control risk levels throughout the organisation.
Risk governance	Structure through which an organisation directs, manages and reports its risk management activities.
Risk culture	Values and behaviours present throughout an organisation that shape risk decisions.
Risk assessment and measurement	The activities in place that allow an organisation to identify, assess and quantify known and emerging risks.
Risk management and monitoring	Management's response to manage, mitigate or accept risk and subsequent monitoring of the operation of mitigations.
Risk reporting and insight	Reporting of risk and related information (e.g. mitigation activities).
Data and technology	The use of tools and data to support the risk management framework.

The scope of this review will not include assessing MPDC's risks. However, if we come across any material key risks that MPDC may not be aware of, we will discuss these with Management.

Approach

This review will require fieldwork to be performed at MPDC's office. The approach will include the following steps:

Planning

- Obtaining and reviewing key documents relating to MPDC's risk management e.g. framework documents, risk register(s), risk reports.

- Identifying key staff for interviews and agreeing timings for the interviews.

Fieldwork

- Conducting a design effectiveness review of MPDC's risk management framework and strategy against KPMG's Enterprise Risk Management maturity framework.
- Testing the operation of MPDC's risk management practices through interviews with key staff to discuss the practical application of risk management within MPDC with a focus on the key areas as per KPMG's Enterprise Risk Management maturity framework.
- Confirming the current and desired state of risk management practices including observations on the current risk management practices and recommendations for improvement.

Reporting

- Developing a draft report detailing the review findings and opportunities for improvement / recommendations, and providing to Management for documentation of their intended action plan.
- Issuing final report including Management actions plans to address recommendations.

Deliverables

The draft report will be provided to the Project Sponsor for review, comment and approval prior to it being finalised. The report will be prepared in the KPMG Internal Audit Report template and will cover areas highlighted in the "Objectives and scope" section of this document.

Management will be made aware of significant issues as and when they are identified to provide early notification and facilitate resolution.

Project Sponsor

Manaia Te Wiata, Group Manager Business Services will be the Project Sponsor of this review. Manaia will retain ultimate responsibility for ensuring timely provision of the required information, and ensuring recommendations arising from this review are actioned.

Fees

Our estimate for this review is \$20,000 - \$22,000 plus GST and disbursements. The proposed fee is based on the assumption that we will have ready access to necessary interviewees and documentation throughout the duration of our review. We will promptly inform the Project Sponsor of any constraints in performing this review and of any additional work requested that could result in any variation of this scope.

KPMG team

Name	Title	Area of responsibility
David Sutton	Partner	Overall lead and quality control of the work performed and deliverables.
Gabrielle Wyborn	Associate Director	Manage the delivery and lead the on-ground execution of the review.

Additional KPMG resource will be used as appropriate to support the delivery of this review.

Indicative timetable

Task	Date
Planning and preparation	Late August 2019
Fieldwork – Commence	2 September 2019
Close-out meeting with Project Sponsor	W/b 16 September 2019
Draft report issued to Management	W/b 23 September 2019
Management comments received	W/b 30 September 2019
Final report issued to Management	4 October 2019

Distribution

Name	Title	Audit scope	Draft report	Final report
Don McLeod	Chief Executive	✓	✓	✓
Manaia Te Wiata	Group Manager Business Services	✓	✓	✓
Audit and Risk Committee		✓		✓

Approval of review scope

Approved by:

Approved by:

David Sutton
Partner, KPMG
Date:

Manaia Te Wiata
Group Manager Business Services, Matamata-
Piako District Council
Date:

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IT Security Audit

Trim No.: 2143883

Executive Summary

An IT Security audit is programmed to be completed annually.

The 2018 audit was delayed until 2019 due to a hardware upgrade project.

The project has been further delayed due to the withdrawal of the preferred providers from the procurement process.

Staff now seek direction from the Audit and Risk Committee to advance the audit.

Recommendation

That:

1. Staff seek quotes from KPMG and KAON to undertake the IT Security Audit

Content

Background

The Audit and Risk Committee changed the frequency of IT security audits from three yearly to annual.

This is in recognition of the rapidly changing and increasing number of cyber security threats.

The last security audit was completed in 2017.

All recommendations from that audit have been or are being implemented with one caveat identified under the Issues section below.

We were scheduled to complete the 2018 audit in December. This has not been achieved and is discussed further under the Issues section below.

Issues

Operating system software updates (patches)

The following findings were included in the 2017 audit in relation to patches:

- *The Council uses Windows Server Update Service (WSUS) for system patch management and deployment. There has been a significant improvement in this area with only a small number of system security patches missing. Timely application of security related system patches is considered to be one of the best means of protecting systems against technical security attacks.*

There are a small number of critical workstation patches missing within the selection of workstations scanned as part of this audit

We have a target to ensure security patches are loaded within a month of release. This target is consistently achieved. The exception is when a patch significantly impacts on the operation of critical business applications.

We have deliberately not loaded one Microsoft workstation patch as it causes a conflict with our core business application – Authority. We use Authority for a range of functions including general ledger, rates, receipting, building and planning consents, pay-roll, accounts payable, accounts receivable.

Civica provides the Authority application and is working with Microsoft to resolve the situation. The resulting risk is considered minimal as:

- All servers patching is up to date
- Our firewall security arrangements are not affected
- We do not allow portable device connection (eg USB) to workstations.

In these circumstances the workstations are not considered to be a ready access point for a cyber threat.

We expect that in any year a patch will not be loaded due to similar circumstances.

Security Audit

We were due to have a Security Audit undertaken in December 2018.

As we had a planned project to upgrade our server hardware in late 2018, we decided we would wait until that project was completed. The security audit would then be completed in early 2019.

Unfortunately the servers were shipped with incorrect network interface cards and insufficient spares were available in New Zealand. Further delays then occurred as our implementers were committed to other projects in January/February of this year. Our server project was completed mid-April.

KAON has undertaken our last 3 security audits and the Audit and Risk Committee requested that we seek a different provider for 2018.

Coincidentally a post on the Local Government IT Managers list-serve in late 2018 requested information and recommendations for Security Auditors.

The 4 recommendations returned were Tony K NZ Ltd (Tony Krzyzewski), MPA (Kaon), Lateral Security and SSS – IT Security Specialists.

Tony Krzyzewski is the former owner of KAON and has an exclusion period for working with KAON customers.

In April a Request for Quote was sent to Lateral Security and SSS to provide a security Audit this financial year. In early May SSS withdrew as their wish is for committed recurring audits. Lateral Security also withdrew.

It is still highly desirable to undertake a security audit as soon as practical especially given changes made to the IT environment. Staff seek direction from the Audit and Risk Committee on the preferred option to engage a provider.

It is noted that the Audit and Risk Committee is considering the KPMG internal audit plan.

The proposal identifies IT Security as a potential additional internal audit focus.

We suggest that a 3 year engagement period is considered for the 2020-2022 IT audits.

Analysis

Options considered

Option 1 Engage KPMG directly to undertake the IT Security Audit

Option 2 Seek quotes from KPMG and KAON to undertake the IT Security Audit

Option 3 Seek quotes from the wider market

Analysis of preferred option

Staff prefer Option 2 as it

- Involves two credible providers
- Will be an efficient selection process and can ensure an auditor is appointed without delay
- Ensures some contestability

It is acknowledged that if KAON is the lowest price it will be the fourth audit undertaken by that provider. Staff are recommending that we appoint the next IT security auditor for a 3 year period for 2020-2022. A delay of one year to introduce a different auditor is not considered to be a major issue.

It is felt that going to the wider market will result in a large number of proposals being received and having to be evaluated. This will slow the appointment process down and impose additional work on already stretched resources.

Legal and statutory requirements

There are no legal issues.

Impact on policy and bylaws

There are no policy or by-law issues.

Timeframes

It would be desirable to complete the audit in July as a number of IT projects will have been completed in June.

Financial Impact

i. Cost

We expect the cost of the IT Security audit to be in the vicinity of \$20,000-\$30,000.

ii. Funding Source

The audit will be funded from operational budgets.

Attachments

There are no attachments for this report.

Signatories

Author(s)	Manaia Te Wiata Group Manager Business Support	
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Approved by	Manaia Te Wiata Group Manager Business Support	
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KVS and KC Regulatory Risk

Trim No.: 2143865

Executive Summary

The Audit and Risk Committee identified a review of the regulatory risks for KVS and KC business units its last meeting.

Staff would like to discuss and confirm the scope of work to meet the Committee's expectations.

Recommendation

That:

1. The Committee confirm the scope of work in the review.

Attachments

There are no attachments for this report.

Signatories

Author(s)	Manaia Te Wiata Group Manager Business Support	
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Approved by	Manaia Te Wiata Group Manager Business Support	
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Accounting Policies

Trim No.: 2143882

Executive Summary

Council's Accounting policies were last reviewed in June 2018. There have been no changes in accounting standards affecting Council since the last review, and as such, no changes to the content of accounting policies have been recommended by staff.

Recommendation

That:

1. **The Committee recommend to Council that the accounting policies are adopted unchanged from the previous year (as part of the Annual Report adoption process).**

Content

Background

The accounting policies are reviewed annually to ensure that they continue to comply with generally accepted accounting practice (GAAP) and current practices. The policies were last reviewed in June 2018. The activities and revenue streams of Council have not changed significantly since last year. Staff have not identified any changes in accounting standards applicable for the year ended 30 June 2019.

There are no proposed changes to the accounting policies for the year ended 30 June 2018.

Attachments

There are no attachments for this report.

Signatories

Author(s)	Larnia Rushbrooke Deputy Finance Manager	
	Danny Anglesey Finance & Business Services Manager	

Approved by	Don McLeod Chief Executive Officer	
	Manaia Te Wiata Group Manager Business Support	

Sensitive Expenditure Policy

Trim No.: 2143885

Executive Summary

The draft Sensitive Expenditure Policy is presented for the review of the Committee.

Council expenditure is considered sensitive when it could be perceived as giving some private benefit to an individual staff or elected member.

The current policy was last reviewed in February 2013. Council also has an Elected Members' Expenses and Allowances Policy that was last reviewed in April 2011.

These two policies have been combined in the attached draft.

Recommendation

That:

1. **The Committee review the draft Sensitive Expenditure Policy and consider if any amendments should be recommended to Council for adoption.**

Content

Background

"Sensitive Expenditure" is expenditure by Council that could be seen as giving some private benefit to an individual staff or elected member. Travel, accommodation and hospitality spending are examples in the public sector where concerns often arise. There is heightened public sensitivity when individuals in the public sector are perceived to benefit personally from the spending of ratepayer's funds.

There is an expectation that Council have in place a policy that sets the tone and principles, and that ensure that all sensitive expenditure is subject to proper authorisation and controls, and that it is reviewed on a regular basis.

Issues

Council currently has a Sensitive Expenditure Policy in place that applies to staff. This policy was last reviewed in February 2013. Council also has an Elected Members' Expenses and Allowances Policy that was last reviewed in April 2011.

Both policies were developed based on the Office of the Auditor General's (OAG's) 2007 publication "*Controlling sensitive expenditure: Guidelines for public entities*". As such, there were a number of overlaps in the two policies, so it made sense to combine them as part of this review.

It is intended that the new policy will be reviewed on a 3 yearly basis going forward.

The other key change in this draft policy is that we have provided more guidance in the general controls and procedures section in the appendix to the policy. For example, rather than stating Council will reimburse "reasonable costs" for meals, we have taken the approach of setting dollar limits to reduce the subjectivity of what is "reasonable" for those claiming and those approving expenditure.

Legal and statutory requirements

The draft Sensitive Expenditure Policy makes reference to where Council must also comply with the Remuneration Authority's annual Local Government Elected Members Determination in respect of allowable expenses for elected members. Once approved by Council, this policy must be submitted to the Remuneration Authority for approval.

Communication, consultation and decision making processes

The process for development of this policy includes the release of the draft policy for consultation/feedback to the following groups in this order before it is to be adopted by Council:

- Chair of the Te Manawhenua Forum (specifically the "Donations and Koha section")
- Audit and Risk Committee
- Council
- Union
- Staff

Timeframes

It is intended to have the policy effective from 1 July 2019.

Attachments

[A](#). Draft Sensitive Expenditure Policy V4 May 2019

Signatories

Author(s)	Larnia Rushbrooke Deputy Finance Manager	
	Danny Anglesey Finance & Business Services Manager	
Approved by	Don McLeod Chief Executive Officer	
	Manaia Te Wiata Group Manager Business Support	

Draft Sensitive Expenditure Policy

Department: **HR/Finance**

Date, RM number and version number: [insert date the policy was adopted, the RM number and the version number]

Introduction

Sensitive Expenditure is any expenditure where there may be a perceived personal benefit to an employee or elected member, or expenditure that could be considered unusual for Matamata-Piako District Council (Council). Sensitive expenditure will have one or more of the following attributes.

- Results in a perceived or real private benefit to the individual.
- May be an unusual expenditure item for Council.
- Doesn't directly align with the core business of Council.
- Usually a discretionary or optional expenditure item.
- Could be difficult to justify to the public.
- May be considered an extravagant or excessive expenditure.

As a publicly accountable body, there is an expectation that all Council expenditure should be reasonable and subject to a standard that would be expected of a local authority and be able to withstand public scrutiny, (the "front page of the newspaper" test).

The purpose of this policy is to:

- Set out clearly the principles and decision guidelines for sensitive expenditure.
- Set out clearly defined limits for sensitive expenditure.
- Ensure that sensitive expenditure is assessed, authorised and reviewed consistently for all employees and elected members.

Audience

This policy applies to all employees and elected members of Council, as well as any other individuals who may incur expenditure on Council's behalf or seek reimbursement from Council for expenditure incurred.

Policy

Principles applicable to sensitive expenditure

- To be able to withstand the “front page of the newspaper test”, your expenditure decisions must:
 - Have a justifiable business purpose.
 - Be fair and neutral.
 - Be appropriate having regard to the circumstances.
 - Be made transparently.
- In practice, in making/approving expenditure decisions you will need to exercise careful judgement in accordance with all of these principles and this policy.
- Expenditure incurred should be reviewed and approved on a ‘one-up’ basis for compliance with this policy.

The responsibilities of employees and elected members

- Employees and elected members are responsible for complying with the principles, procedures and other controls of this sensitive expenditure policy. Managers should provide guidance and make it clear to employees what is and is not acceptable sensitive expenditure.

Good controls and judgement

- Council’s controls will have regard to the guidance set out in the Office of the Auditor General’s “Controlling Sensitive Expenditure: Guidelines for Public Entities” 2007, and any subsequent updates.
- General controls and procedures, and relevant forms are set out as appendices to this policy.

Effects and Risks

- This policy provides assurance that Council has appropriate principles, guidance, clearly defined limits and internal controls in place to ensure that all expenditure is reasonable and subject to a standard that would be expected of a local authority and able to withstand public scrutiny.
- Failure to follow this policy may result in damage to Council’s reputation, financial loss, legal action, employees facing disciplinary action, or elected members being removed from office.

Monitoring, Measurement and Review

- New employees and elected members should be guided through this policy upon induction, and all employees and elected members should be reminded of the policy on at least an annual basis.
- The Chief Executive will report any identified or potential departures from this policy to the Audit and Risk Committee and/or Council within a timely manner.

- Council will formally review this policy on a three-yearly basis, unless there is a need to change the policy. The HR and Finance Managers will be responsible for the review.

Relevant Information

- Local Government Act 2002
- Employment Relations Act 2000
- Human Rights Act 1993
- Privacy Act 1993
- Public Disclosures Act 2000
- Protected Disclosures Policy
- Gifts Policy
- Fraud and Corruption Policy
- Fraud and Corruption, Conflicts of Interest and Protected Disclosures brochure
- Managing Conflicts of Interest Policy
- Substandard Performance, Misconduct and Disciplinary Policy
- Vehicle Policy
- Computer User Form
- Employee Handbook

Authorisation

Authorised by:

J E Barnes

Mayor

D J McLeod

Chief Executive

Appendix 1

General controls and procedures

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1. General controls for sensitive expenditure

- 1.1 All requests for major travel related costs must be submitted to HR using the approved "Request for training, travel and accommodation" form, (or any future training request process in place at the time).
- 1.2 All claims for reimbursement of employees for expenses must be submitted using the approved "Request for reimbursement" form.
- 1.3 All claims for reimbursement should be submitted promptly after the expenditure is incurred, (ideally within one month to ensure that the claimant and approver can be expected to have a reasonable recollection of the expense and related detail should any explanation be required).
- 1.4 Employees and elected members are required to exercise careful judgement regarding all Council related expenditure, in the context of the principles set out in this policy.
- 1.5 Sensitive expenditure will only be reimbursed or the expense paid by Council if it is deemed to be reasonable, actual and has been incurred directly in relation to Matamata-Piako District Council business.
- 1.6 Valid original GST compliant invoices/receipts and other supporting documentation must be maintained/submitted for all sensitive expenditure. (Guidance on GST compliance can be found in Promapp – see "GST - Invoice compliance" procedure). Credit card statements are not adequate documentation for reimbursement.
- 1.7 Supporting documentation must include sufficient detail so that the person approving the expenditure can assess compliance with the principles of this policy. If the documentation is in a foreign language, a translation should be supplied.
- 1.8 All claims for reimbursement and expenditure must clearly state the business purpose of the expenditure where it is not clear from the supplier documentation supporting the expense.
- 1.9 All claims for reimbursement must document the date, amount, description, and purpose for minor expenditure (less than \$20) when receipts are not available.

2. Approval of sensitive expenditure

- 2.1 Approval must only be given where the person approving the expenditure is satisfied that a justified business purpose and other principles set out in this policy have been adequately met.
- 2.2 To determine the appropriateness/reasonableness of sensitive expenditure the principles set out at the beginning of this policy must be applied.
- 2.3 Approval should be given before the expenditure is incurred, wherever practical.
- 2.4 Approval must be within delegated authority and budget provisions.

- 2.5 Approval must be given on at least a “one-up” basis, meaning it must be approved by a person senior to the person who will benefit or might be perceived to benefit from the expenditure, wherever practical. As outlined in this policy, in some circumstances approval must also be obtained from the Chief Executive (or Mayor/Group Manager as appropriate).
- 2.6 Where approval is required from a person more senior than your direct manager, this can be achieved by;
- requesting Accounts Payable to transfer the requisition up to the required authoriser for approval (when using On-Line Requisitioning)
 - attaching the written/emailed approval to the requisition through the quotes section (when using On-Line Requisitioning)
 - attaching the written/emailed approval to the payment/reimbursement request form
 - obtaining that person’s signature on the invoice or payment/reimbursement request form.
- 2.7 The sensitive expenditure of the Chief Executive will be approved by the Mayor. The Mayor’s sensitive expenditure will be approved by the Group Manager Business Services, or other Group Manager as available. The Chair of the Audit and Risk Committee will also be provided with a copy of the Mayor’s sensitive expenditure at each meeting for their retrospective review.
- 2.8 In exceptional circumstances, and still in keeping with the principles of this policy, the Chief Executive (or Mayor/Group Manager as appropriate) will have discretion to grant an exception to this policy.

3. Travel and accommodation expenditure

- 3.1 Elected members and employees may need to incur travel and accommodation costs while conducting Council business elsewhere in New Zealand or overseas. The principles of a justified business purpose and appropriate expenditure are particularly relevant for travel and accommodation expenditure.
- 3.2 Travel and accommodation expenditure should be economical and efficient, having regard to purpose, distance, time, urgency and personal health, security and safety considerations and the domestic circumstances of the employee or elected member that may be impacted by the travel on Council business.

Air travel

- 3.3 All international travel (with the exception of travel to Australia), must be authorised by resolution of Council. The resolution must include the rationale or business purpose for the travel, list the employees or elected members to travel, and document the total estimated costs associated with the travel.
- 3.4 All air travel is to be booked by the HR department of Council, following submission of an approved “Request for training, travel and accommodation” form. The form must set out the

rationale or business purpose for the travel and document the total estimated costs. This form must be approved;

- for employees, by the employee's manager and the Group Manager or Chief Executive following submission of the request to the Executive Team for consideration.
- for the Chief Executive and elected members, by the Mayor/ Group Manager as appropriate.
- for international travel where a Council resolution has been obtained, the Chief Executive may approve the form in keeping with the decision of the Council.

3.5 Variances greater than \$1,000 between the estimated costs that were approved and actual costs must be reported to the Executive Team.

3.6 Where possible, air travel is to be booked well ahead of the actual travel date, so the expenditure is most cost-effective.

3.7 The HR department will select the most cost-effective flights, having regard for the employee or elected member's work schedule on arrival, personal health or circumstances, and safety or security concerns. Where considered appropriate, the Chief Executive (or Mayor/Group Manager as appropriate) may approve an upgrade to premium economy or business class, and/or for the employee or elected member to travel the day before. Otherwise the cost of any upgrade or additional costs due to the employees or elected member's choice of airline/travel date will be met by the employee or elected member.

3.8 Stopovers are to be approved by the Chief Executive (or Mayor/Group Manager as appropriate) on the basis that it is necessary for appropriate comfortable travel. Any private travel as part of a stopover is to be at no cost to Council.

3.9 Koro Club membership for the Mayor and the Chief Executive will be paid by Council for a term not exceeding the electoral term for the Mayor or the Chief Executive's employment term, (or else re-paid pro-rata). The membership of other elected members or employees to airline travel clubs requires the approval of the Chief Executive (or Mayor/Group Manager as appropriate).

3.10 Air points (loyalty schemes) – Air points may be used by individuals, recognising the trade-off for time of travel outside work hours and in recognition that membership of air points is an individual choice. The ability to accumulate airports will not come at a cost to Council.

Meals and accommodation when travelling

3.11 All accommodation is to be booked by the HR department of Council, following submission of an approved "Request for training, travel and accommodation" form. The form must be approved as set out above for air travel.

3.12 Accommodation is to be booked well ahead of the actual travel date, so the expenditure is most cost-effective. This must take into account the location of the accommodation relative to the event, the standard of the accommodation (which should be appropriate), any special dietary or other needs of the employee/elected member and security issues.

- 3.13 Where an employee or elected member chooses to stay in private accommodation, their manager (or Mayor/Group Manager as appropriate) may approve reasonable claims for expenditure incurred in return for hospitality received by employees/elected members staying privately. The reimbursement should not exceed \$60 per night.
- 3.14 Reasonable meal costs (including non-alcoholic beverages) will be paid/reimbursed with the total cost per person, per meal, (including GST) not expected to exceed:
- \$35 for breakfast
 - \$35 for lunch
 - \$65 for dinner
- 3.15 Under normal circumstances, alcoholic beverages will not be paid/reimbursed by Council except at the discretion of the Chief Executive (or Mayor/Group Manager as appropriate).
- 3.16 Where meals are provided as part of the meeting, conference, training, etc, no reimbursement shall be provided if employees or elected members choose to dine elsewhere.
- 3.17 Council will not pay/reimburse for meals for any accompanying partners.
- 3.18 Minibars, movies and other hotel costs – these costs will not be paid or reimbursed by Council.
- 3.19 Communication costs – All charges for business related telephone calls, email and internet access made by an employee or elected member while travelling on Council business will be reimbursed. Council will also pay for one toll call home (10-15 minutes) each day while travelling on Council business. Where employees or elected members have a Council issued mobile device, this should be used in preference to the hotel's facilities as these will result in additional charges.
- 3.20 Accommodation check out times are to be observed. Any additional costs as a result of failing to check out in time are the responsibility of the employee or elected member.
- 3.21 Charge-back of any allowable expenses outlined in this policy to your own room must be itemised on the invoice so that they can be assessed against this policy.
- 3.22 Reasonable expenses will be met for unexpected events, e.g. overnight expenses due to a cancelled plane flight.

Tipping

- 3.23 Council will not reimburse employees or elected members for tipping while they are on business in New Zealand. Council will reimburse employees and elected members for low to moderate tipping during international travel only in places where tipping is local practice and supporting documentation can be provided.

Other travel issues

- 3.24 Private travel (extended travel) linked with official Council travel. Employees and elected members may, with the approval of the Chief Executive (or Mayor/Group Manager as appropriate), undertake private travel before, during or at the end of Council travel, provided there is no additional cost to the Council.
- 3.25 Travelling spouses, partners, or other family members. Travel costs for accompanying spouses, partners or other family members are a personal expense and will not be reimbursed by Council. In those rare instances where the involvement of a spouse directly contributes to a clear business purpose and pre-approval has been obtained, then Council may contribute to all or part of the additional costs at the discretion of the Chief Executive (or Mayor/Group Manager as appropriate).
- 3.26 Private costs incurred related to private travel, travelling spouses, use of minibars etc, should be paid by employees/elected members at the time, or where appropriate, they may be invoiced for the additional costs and this is to be paid in full by the 20th of the month following invoice date.
- 3.27 Travel time will not be paid, unless approved by the employee's Manager.

4. Motor vehicles and taxi services

- 4.1 Rental cars are only available for business conducted outside the district, and where a Council vehicle is not available or practical. Rental vehicles must be booked by the HR department of Council, following written permission from the General Manager.
- 4.2 Council requires that the most economical type and size of rental car be used, consistent with the requirements of the trip. Any fines (parking or traffic offences) incurred while using a rental vehicle are the responsibility of the driver.
- 4.3 Any costs incurred as a result of private use will be reimbursed to Council.
- 4.4 Council expects the use of taxi services to be cost effective relative to other transport options. Wherever practicable shuttle or bus services are to be used in lieu of taxi services. The following reimbursements for taxi services will be reimbursed on provision of receipts:
- Airport to hotel
 - Airport to conference venue (and return)
 - Hotel to conference venue (and return)
 - Hotel/conference venue to/from official conference related events
 - Hotel to airport
- 4.5 The use of Council vehicles is covered in Council's Vehicle Policy.

Private vehicle use - employees

- 4.6 Please refer to Council's Vehicle Policy as to the acceptability of the use of a private motor vehicle.

- 4.7 Reimbursement for use of a private motor vehicle by employees should be claimed using a "Request for Reimbursement" form and will be paid at the current approved IRD rates.

Private vehicle use – elected members

- 4.8 Elected members are entitled to claim a vehicle mileage allowance for eligible meetings in accordance with the provisions set out in the Local Government Members (Local Authorities) Determination that is current at the time of the travel.

- 4.9 Eligible meetings include:

- Council meetings (including extraordinary, urgent meetings).
- Standing Committee meetings (ie ARC, COC, TMF, WMAC) if an appointed member of that committee or where requested to attend by Council or the Mayor.
- Meetings pursuant to a Council resolution.
- Meetings of outside organisations to which an elected representative is appointed by Council or the Mayor.
- Zone 2 meetings of the New Zealand Local Government Association.
- Council workshops (all Councillors are requested to attend).
- Non-Council workshops (where appointed to attend by resolution).
- Civic Functions (where official invitation issued) & citizenship ceremonies.
- Conferences and seminars (where appointed to attend by resolution).
- Annual Plan and Annual Report meetings (including public meetings).
- Meetings where Councillors/Committee members are requested to attend by Council or the Mayor.
- Working party meetings (including working groups and briefing sessions).
- Any of the following that meet the requirements of the Local Government Members (Local Authority) Determination – clause 11. *Vehicle Mileage Allowance*:
 - Meetings with Council officers
 - Consultative group meetings
 - Meetings arranged to discuss Council business
 - Specified site visits
- Any of the above meetings re-convened to another day.

- 4.10 There is a 100km limit on mileage claims (except for Zone 2 meetings, LGNZ events, joint local authority meetings and Hauraki Gulf Forum meetings where you are an appointed Council representative).

- 4.11 No allowance/reimbursement is payable if attendance is via audio/audio visual means.

- 4.12 Reimbursement for use of a private motor vehicle by elected members should be claimed using a "Councillor and Committee Members Claim" form.

Car parking expenses

- 4.13 Car parking expenses related to business will be reimbursed on provision of receipts. If available, employees or elected members parking at Hamilton Airport should request the parking card from HR (option included in the "Request for training, travel and accommodation" form).

5. Entertainment and hospitality expenditure

- 5.1 Entertainment and hospitality can cover a range of items such as coffee, biscuits, catering, meals, alcohol and gifts. Expenditure on entertainment and hospitality is sensitive because of the range of purposes it can serve, the opportunities for private benefit and the wide range of opinions on what is appropriate. Specific business purposes of entertainment and hospitality expenditure have been identified as follows;

- building relationships
- representing Matamata-Piako District Council
- reciprocity of hospitality where there is a clear business purpose and the expenditure is appropriate and reasonable – acceptance of hospitality should be on the same basis.
- recognising significant business achievement
- training and development programmes
- appreciating employees

- 5.2 All entertainment and hospitality expenditure must be pre-approved in writing (where practical) by your Manager, and the expense or reimbursement must always be supported by clear documentation. This documentation must identify the date, venue, reason for the event, costs, recipients and the specific business purpose for the expenditure. Where the cost of entertainment or hospitality is expected to be more than \$100, pre-approval of the event and approval of the expense or reimbursement must be sought from the Chief Executive (or Mayor/Group Manager as appropriate).

- 5.3 Consideration must be given to any taxation consequences resulting from proposed expenditure, as this may result in a higher cost being incurred than initially expected. These include:

- Any cash payments to employees are considered monetary remuneration and may be subject to PAYE
- Gifts such as flowers, restaurant meals, accommodation and vouchers may be subject to Fringe Benefit Tax (FBT). If the employee can enjoy the entertainment benefit when he or she chooses, and the benefit is not consumed or enjoyed in the course of employment duties, then it will likely be subject to FBT. GST is also payable on the value of FBT.

- Generally FBT does not apply to an event that is on Matamata-Piako District Council's premises or for which the time, place and venue are controlled by the Council rather than the individual.

If a manager is unsure of the taxation implications of a particular payment for or on behalf of an employee, then they should seek advice from Finance and Business Services.

Non-allowable expenditure

5.4 The use of Matamata-Piako District Council's funds should not be authorised for the following:

- Entertainment expenses that are, or may be perceived to be, lavish or extravagant under the circumstances
- The purchase of property, goods or services for personal use or for a non-business reason
- Events to promote an election campaign of an individual Councillor or candidate
- Events to celebrate birthdays, personal anniversaries of employees or elected members (not including recognition of long service as covered elsewhere in this policy).
- Food, coffee or other refreshments for routine employee catch-ups, team meetings or work breaks.

Potentially allowable expenditure

5.5 Meals or refreshments for employees that have been required to work additional hours over a meal time due to an emergency/network recovery situation or for any other justified business purpose in accordance with the employee's employment agreement.

5.6 Catering may be provided for onsite meetings where the meeting runs for a duration of more than four hours, or where the provision of a meal is considered necessary to keep the attendees present and engaged in the meeting. The total cost per person (including GST) should not generally exceed:

- \$7 for morning/afternoon tea
- \$15 for lunch
- \$30 for dinner

5.7 If a catered lunch or dinner is being provided, then morning or afternoon tea should not normally also be externally catered unless special circumstances exist. The meeting organiser may use petty cash to purchase a suitable light snack for the meeting, e.g. crackers, biscuits, or fruit.

5.8 Meals or refreshments for meetings offsite where there is a justifiable business purpose. The total cost per person (including GST) should not generally exceed:

- \$35 for lunch

- \$65 for dinner

- 5.9 Expenditure on alcohol for certain Matamata-Piako District Council events or occasions may be approved at the discretion of the Chief Executive (or Mayor/Group Manager as appropriate). Council's Drug and Alcohol and Vehicle policies must be adhered to.
- 5.10 Approval may be given by the Chief Executive (or Mayor/Group Manager as appropriate) for expenditure related to one-off team celebrations of business achievements, or for team building exercises. This approval must be sought in advance.
- 5.11 Approval may be given for entertainment expenditure or gifts provided to an employee or elected member as an award or prize (e.g., prizes awarded in line with Council's Visions and Values programme). Such expenditure shall be reasonable, having regard to the likelihood that it may be subject to FBT.
- 5.12 Approval may be given on an annual basis by the Chief Executive for a maximum amount per person that Matamata-Piako District Council will contribute towards the cost of Council hosted Christmas functions (including employees and elected members). The maximum amount will be inclusive of transport, venue, catering, alcohol, decorating, entertainment and cleaning, and should not exceed \$80 per head. Partners may be invited to attend at their own cost.
- 5.13 Approval may be given on an annual basis to provide \$1,500 for employee health and wellbeing initiatives (eg funding towards the annual inter-council sports tournament).

6. Council events

- 6.1 Council currently hosts a number of events on an annual basis (including for example, Anzac Day services, Business Night Out Awards, Industry Graduation Awards, etc). Attendance at these events, in order to represent the Matamata-Piako District Council is expected for some elected members and employees (as determined by the Chief Executive (or Mayor/Group Manager as appropriate), and other than those involved in the organisation of the event). As such, the Council will cover any costs of admission to the event for these elected members or employees. Council will not cover the cost for the spouses/partners of these elected members or employees to attend.
- 6.2 Moderate refreshments and/or alcohol may be provided for elected members, employees and guests at these events at the discretion of the Mayor or Chief Executive.

7. Goods and services expenditure – disposal of surplus assets

- 7.1 This section covers obtaining, disposing or using goods and services that are not covered by the terms and conditions of employment.
- 7.2 Sale of surplus assets – as part of normal business Council will from time to time dispose of assets. Typically this is when the assets have become obsolete, worn out or surplus to requirements. Council's disposals are intended to be both transparent and fair.

- 7.3 The principles of preserving impartiality and integrity are particularly relevant. Council expects employees disposing of assets not to benefit personally from the disposal. All disposals are to be handled in a manner that ensures the employee's personal judgement or integrity are not compromised.
- 7.4 To ensure transparency, fairness and receipt of best value for Council, the disposal of assets which have become obsolete, worn out or surplus to requirements, shall normally be conducted on the open market or by way of trade-in on a replacement asset, unless the assessed value of the assets are minimal (less than \$1,000).
- 7.5 The assessment of market value will be made by the manager responsible for the sale of that type of assets. The IT Manager will oversee the sale of all computer/electronic equipment. The Customer Services Manager will oversee the sale of all mobile phones and accessories, and the Kaimai Consultants Manager will oversee the sale of furniture and fittings.
- 7.6 Surplus vehicles will normally be sold through a public auctioneer, tender or sale by public advertising, and will be the responsibility of the Kaimai Valley Services Manager.
- 7.7 Assets with an assessed market value of less than \$1,000 will be made available for sale to employees or elected members through the internal intranet auction process.
- 7.8 The sale of assets with an assessed value over \$1,000 will only be offered for sale to employees at the discretion of the Chief Executive, having regard to the principles above.
- 7.9 Payment for assets must be made before possession is taken.

8. Goods and services expenditure – loyalty reward scheme benefits

- 8.1 Loyalty reward schemes provide a benefit to the customer for continuing to use a particular supplier of goods or services. Generally, the rewards tend to be given in the name of the individual who obtains the goods or service, regardless of who has paid for them.
- 8.2 Where a reward/prize is obtained by chance and without inducement, it will be the property of Council. If there is no business use for the reward/prize received, it may become the property of the individual, after being considered under Council's Gift Policy.
- 8.3 Air points schemes, are covered under section 3 of this policy.

9. Goods and services expenditure – private use of Council assets

- 9.1 Any physical item owned, leased or borrowed by Council is considered an asset for the purpose of this policy. This includes photocopiers, telephones, cell phones, cameras, means of accessing the Internet, stationery, plant and equipment.
- 9.2 Where the personal use of Council assets by staff or elected members would likely result in just minimal additional expenditure, wear and tear, potentially negative public perception, risks to the asset or service capacity, or health and safety issues, then the use may be agreed by discussion with your manager.

- 9.3 Where the Manager considers the personal use of Council assets may result in more than just minimal additional expenditure, wear and tear, potentially negative public perception, risks to the asset or service capacity, or health and safety issues, then approval should be sought from the Chief Executive (or Mayor/Group Manager as appropriate).
- 9.4 The personal use of Council assets should be short-term only, unless otherwise approved by the Chief Executive (or Mayor/Group Manager as appropriate).
- 9.5 The costs to Council of private use will be recovered, unless it is impractical or uneconomic to separately identify those costs.
- 9.6 Council assets cannot be used in any private business that any employee or elected member may operate.

10. Goods and services expenditure – Council use of private assets

- 10.1 Council may decide that reimbursing employees for use of private assets is appropriate for reasons such as cost, convenience or availability. Council may also decide to do this in circumstances where it would not fully use an asset of the same type if it acquired it directly. Examples include private motor vehicles, private cell phones and private computers.
- 10.2 The main issue associated with Council's use of private assets is the risk of the Council paying or reimbursing amounts that inappropriately benefit the employee or elected member. Therefore pre-approval at the Group Manager level is required. In assessing the request the Group Manager will pay particular attention to the principles of a justified business purpose and preserving impartiality and integrity.
- 10.3 Employees must not approve or administer payments to themselves for the Council's use of their private assets.

11. Goods and services expenditure - Private use of Council suppliers

- 11.1 From time to time employees may qualify for discount-priced goods through a Council supplier that they would not otherwise be able to access. The Council expects that the availability of such privileges will not impact on an employee's decision in respect of their choice of suppliers, (refer to Managing Conflicts of Interest Policy). Private use of suppliers must not be taken into account when choosing suppliers. The selection of the suppliers must be in the best interests of the Council at all times (refer to the Procurement Policy).
- 11.2 Private use of Council suppliers is subject to:
 - the use of such privileges being moderate.
 - any discount being offered by the supplier must be the same discount offered to all Council employees and not be particular to individual employees.
 - all purchases are to be issued on a cash sale basis only and the employee must arrange and pay for the goods and services directly with the supplier (i.e. the supplier should not invoice Council for the goods/services).

- Council not being used as a source of credit.
- the private use of Council fuel cards is prohibited.

11.3 In some circumstances a Council order may cover expenditure with a personal component, e.g. travel or accommodation booking. In this case, Council will issue an invoice to the employee for the personal component and payment to Council should be made as soon as possible, but at least by the 20th of the month following the invoice date.

11.4 Elected members may have preferential access to goods or services through Council's suppliers on the same basis as employees, provided there is no real or perceived conflict of interest.

12. Employee support and welfare expenditure – clothing

12.1 Group Managers will approve departments or individuals who are required to wear a corporate uniform. Employees pay for their own clothing unless they are required to wear a corporate uniform or health and safety related clothing.

13. Employee support and welfare expenditure – care of dependants

13.1 The care of dependants is a personal expense of the employee. In exceptional circumstances such as when the employee is unexpectedly required to perform additional duties at very short notice, the Chief Executive may authorise the reimbursement of actual and reasonable costs.

14. Employee support and welfare expenditure – farewells and retirements

14.1 Expenditure on farewells and retirements includes spending on functions, gifts and other items when employees or elected members are leaving or retiring from Council.

14.2 Most farewell morning teas will be provided by the employee leaving with assistance from their work mates or department. Other than where the Chief Executive has used their discretion, there will be no cost to Council.

14.3 Expenditure on farewells or retirements is at the discretion of and to be pre-approved by the Chief Executive (or Mayor/Group Manager as appropriate), and will be dependent on the years of service completed with Council.

14.4 Expenditure on farewells and retirements should not be extravagant or inappropriate to the occasion. The principle of moderate and conservative expenditure is particularly relevant.

15. Employee support and welfare expenditure – recognition of long service

15.1 Expenditure on the recognition of long service includes spending on functions, gifts and other items when employees or elected members have completed a significant number of years of service with Council.

15.2 Expenditure on the recognition of long service should not be extravagant or inappropriate to the occasion. The principle of moderate and conservative expenditure is particularly relevant.

15.3 For every tenth year of service from 20 years onwards, the employee will be invited to a morning tea with the Mayor and Councillors to acknowledge their service. They will be invited to bring their spouse/partner and a small number of work mates. The employee will receive a certificate and a gift to the value of \$250.00

16. Employee support and welfare expenditure – sponsorship of employees or others

16.1 Sponsorship should have a justified business purpose, which could include the promotion of Council's objectives. The cost to Council must be moderate and conservative. If the sponsorship does not have a justified business purpose, the cost is a donation.

16.2 Any sponsorship should be within existing budgets and must be moderate. All sponsorship must be pre-approved by the Chief Executive.

17. Other types of expenditure – donations and koha

17.1 A **donation** is a payment (money or by way of goods or services) made voluntarily and without the expectation of receiving goods or services in return.

17.2 **Koha** is a gift, a token, or a contribution given on appropriate occasions made in the context of Maori custom, and without the expectation of receiving goods or services in return. It could include money, vouchers or goods and services.

17.3 Council must ensure that any donations or koha gifted to a third party are transparent and subject to appropriate scrutiny.

17.4 Donations or the gifting of koha may be appropriate in circumstances where:

- There is a clearly identified relationship between the Council and the recipient of the donation or koha; and
- It can be clearly demonstrated that the donation or gift satisfies the compliance obligations of this policy and either:
 - In the case of koha, is justified in cultural terms; or
 - In the case of a donation, is justified in terms of its alignment with the Council's objectives.

17.5 For donations, Council requires these to be:

- lawful in all respects
- made to a recognised organisation by normal commercial means (not to an individual) and non-political

- for donations of money, these should be paid directly to the recipient's bank account, following completion of a 'Request for payment to a supplier' form, setting out the rationale for the donation, and be approved by the Chief Executive.
- If the donation is required to be given/awarded in a ceremony of some kind, this can be achieved by presenting a certificate/letter informing the recipient that funds have been deposited into their bank account.
- for donations of goods or services, a journal request form should be completed (recognising the donation as an expense coded to resource 622), and supporting documentation attached including the rationale for the donation, and approved by the Chief Executive.
- disclosed in aggregate in the Council's annual report (ie coded to resource 622)

17.6 For payments of koha:

- No payment is to be made as "koha" (ie tax free) when the actual circumstances surrounding the payment carry an obligation to pay tax (eg goods/services are being provided). It must be an unconditional gift.
- Any koha given on behalf of Council should reflect the occasion and Council's relations with Tangata Whenua.
- When employees or elected members are attending a gathering/cultural event in a personal capacity, then any koha will be the personal responsibility of the employee or elected member concerned.
- If there is a group or collective of Council representatives, only one koha should be given that represents the Council as a whole.
- Payment will often be made to a recognised organisation (eg a Marae Committee holding a function), but may also in some circumstances be made to an individual (eg on attendance of a tangi, koha may be paid to the family of the deceased).
- Payment can be requested following completion of a 'Request for payment to a supplier' form, setting out the rationale for the koha, and be approved by the Chief Executive. In most cases, the intended recipients should be asked to provide verification of their bank account, and payment should be made directly to the recipient's bank account,
- The act of giving the koha at the function can be achieved by presenting a certificate/letter informing the recipient that funds have been deposited into their bank account. For attendances on a Marae, in addition to presenting this certificate/letter, you should also include at least \$10 in cash, (sometimes more depending on the significance of the occasion). This cash can be obtained from petty cash.
- Only in exceptional circumstances where a bank account cannot be provided for payment, the Chief Executive may at their discretion approve the full payment to be made in cash.

- The total payments should be disclosed in aggregate and included with donations in the Council's annual report (ie coded to resource 429).

17.7 Any donations or koha should be within existing budgets and must be moderate and conservative in the circumstances.

18. Other types of expenditure – communications technology

18.1 Communications technology – such as cell phones, telephones, email and internet access is widely used in the Council workplace. While some personal use of this technology may be unavoidable, excessive use incurs costs, including lost productivity to Council.

18.2 Council's policies on general and personal use of communications equipment is contained within Council's Computer User Form and Employee Handbook.

18.3 Where it is administratively possible and cost effective Council will require reimbursement of personal use.

18.4 Excessive use will be monitored by managers and reported to the Executive Team as soon as practical.

18.5 Elected members may claim a communications allowance in accordance with the provisions set out in the Local Government Members (Local Authorities) Determination that is current at the time.

19. Other types of expenditure – gifts and prizes

19.1 A gift is usually given as a token of recognition of something provided by the recipient, or may be given as a tribute, (for example flowers given on the passing of a family member). A prize may be provided as an incentive to encourage participation.

19.2 Gifts given to employees or elected members for long service or on retirement are covered in sections 14 and 15 of this policy.

19.3 On the passing of an immediate family member or spouse/partner of an employee or elected member, a request can be made to the HR department to send flowers (up to a maximum value of \$80), or to arrange a donation in lieu of flowers (see section 17). It must be arranged centrally by the HR department to avoid duplication.

19.4 The giving of any other gifts or prizes of more than \$50 requires the pre-approval of the Chief Executive or Mayor.

19.5 The giving of gifts and prizes must be appropriate, transparent and reasonable.

19.6 Any such gifts should be coded to the unauthorised expenditure (GL 3005) so that they can be identified for fringe benefit tax calculation purposes.

19.7 The receiving of a gift or prize is not strictly sensitive expenditure however it is a sensitive issue. The receiving of gifts is covered in Council's Gifts Policy.

20. Issue and operation of Council credit cards

- 20.1 Using credit cards is not a type of sensitive expenditure. However they are a common method of payment for such expenditure.
- 20.2 The issue of credit cards is tightly restricted, with just 2 cards currently on issue to the Manager of Finance and Business Services (with a limit of \$12,000), and the Executive Assistant to the Mayor (with a limit of \$1,000). The cards are able to be used only for:
- International and online purchases
 - Purchases/registrations/subscriptions where credit card is the only available payment option
- 20.3 Should the need for an additional credit card, or an adjustment to the limit on the existing credit cards arise, a business case should be submitted to the Executive Team for consideration. The Chief Executive may approve the issue of additional cards (and limits) or an adjustment to an existing limit where they are satisfied that doing so will lead to administrative efficiencies.
- 20.4 Credit card use is monitored monthly with statement approval being obtained from the Finance and Business Services Manager and the Group Manager Business Support, (or those acting in their positions in their absence) following reconciliation of card transactions to the statement and review of the supporting invoices.
- 20.5 Credit card payments must be requested using the 'Request for payment to a supplier' form, and authorised in accordance with the delegated purchasing authority table.
- 20.6 On the card holder's termination of employment the card will be returned to Finance and Business Services who will arrange with the bank to cancel the card, physically destroy the card and confirm this to the Group Manager Business Support.
- 20.7 The use of Council credit cards for private expenditure or for cash advances is not permitted.
- 20.8 All credit card transactions must be supported by tax invoices (where appropriate) or other original documentation to explain and corroborate transactions.
- 20.9 Credit card payments over the internet need to reflect good security practice:
- Purchases must be pre-approved
 - If the reputation of the company is not known to Council then some research should undertaken to satisfy yourself before transacting with the company.
 - The purchaser must print and attach a copy of the online order form and invoice to support the payment.
 - Credit card details must not be saved on internet websites for future purchases.
 - Online purchases must comply with Councils normal purchasing policies and controls.

Appendix 2

Relevant forms

The current forms can be found in RM - search by title of the form as noted below.

Form	Use when	Submit completed form to
Request for training, travel and accommodation	Submitting a request to E-team to approve attendance for training/conference and related travel expenses	HR
Request for payment to a supplier	Making payments to suppliers that; <ul style="list-style-type: none"> • are not set up as creditors in Authority (non-creditor), or • need to be paid by Visa or International telegraphic transfer, or • require payment outside of Council's normal monthly payment run. 	FABS - Accounts Payable
Request for reimbursement	Requesting reimbursement of expenses to staff including mileage.	FABS - Accounts Payable
Councillor and Committee Members Claim	Elected members and committee members are claiming travel and meeting allowances.	HR

Draft Pre-Election Report 2019

Trim No.: 2150693

Executive Summary

The Local Government Act 2002 requires that the Chief Executive of a local authority must prepare a Pre-election Report to provide information about Council in the lead up to the election on 8 October 2016. This must include information about the current Council's performance against the adopted Financial Strategy as well as the forecast position for the incoming Council.

The Pre-election Report is independently prepared by the Chief Executive, with no input from elected members. The draft Pre-election Report is attached to this report, for information. The Report will be finalised following the adoption of the Annual Plan 2019/20.

A warrant of fitness on the draft –pre-election report is attached for the committee's information

Recommendation

That:

1. The report is received.

Content

Background

The Local Government Act 2002 requires that the Chief Executive of a local authority must prepare a Pre-election Report to provide information about Council in the lead up to the election on 12 October 2019. This must include information about the current Council's performance against the adopted Financial Strategy as well as the forecast position for the incoming Council.

The Pre-election Report is independently prepared by the Chief Executive, with no input from elected members.

While the Pre-election Report is not audited, much of the information required is sourced from independently audited documents such as the Annual Reports and Long Term Plan.

The Report will be finalised and published following the adoption of the Annual Plan 2019/20.

Legal and statutory requirements

The Pre-election Report is a requirement of the Local Government Act 2002, this Act stipulates what information is required in the Pre-election Report as set out below;

99A Pre-election report

- (1) The chief executive of a local authority must prepare a pre-election report containing the information required by clause 36 of Schedule 10.
- (2) However, the chief executive of a local authority that has an ordinarily resident population of fewer than 20 000 people need not comply with clause 36(1)(a) and (2) of Schedule 10 for the financial year ending in the same year as the election.
- (3) Instead of complying with clause 36(1)(a) and (2) of Schedule 10, the chief executive of the local authority referred to in subsection (2) may include in a pre-election report the information set out in clause 37 of Schedule 10.
- (4) The purpose of a pre-election report is to provide information to promote public discussion about the issues facing the local authority.

(5) A pre-election report must be completed and published no later than the day that is 2 weeks before the nomination day for a triennial general election of members of a local authority under the Local Electoral Act 2001.

(6) A pre-election report must not contain a statement by, or a photograph of, an elected member of the local authority.

Schedule 10 part 36 Pre-election report

1) A pre-election report must include,—

a) for the 3 financial years immediately preceding the date of the election,—

i) the funding impact statement referred to in clause 30; and

ii) a summary balance sheet based on the financial statements referred to in clause 29(1)(a) that discloses public debt and financial assets separately; and

iii) a statement that compares—

A. rates, rate increases, and borrowing with the quantified limits specified in the financial strategy; and

B. returns on investments with the quantified targets for returns on those investments specified in the financial strategy; and

b) for the 3 financial years immediately following the date of the election,—

i) the information included in the funding impact statement in accordance with clause 15(2)(b) and (c); and

ii) a summary balance sheet based on the forecast financial statements referred to in clause 12(1) that discloses public debt and financial assets separately; and

c) the major projects planned for the 3 financial years immediately following the date of the election.

2) Despite subclause (1)(a), the information to be included in the pre-election report for the financial year ending in the same year as the election in accordance with that subclause may—

i) be based on estimated information; and

ii) need not be audited.

Timeframes

The Pre-election Report 2019 will be finalised and published following the adoption of the Annual Plan 2019/20. The Pre-election Report 2019 must be published no later than two weeks prior to the before opening of nominations for the local body elections, which means that it must be published by 2 August 2019.

Attachments

- [A](#). Pre-election report warrant of fitness
[B](#). Pre-election report 2019 DRAFTv2

Signatories

Author(s)	Rebecca Shaw Graduate Policy Planner	
Approved by	Michelle Staines-Hawthorne Corporate Strategy Manager	
	Don McLeod Chief Executive Officer	

WARRANT OF FITNESS PRE-ELECTION REPORT (PER)

June 2019

1. Compliance with the Local Government Act 2002 (LGA)			
	Y	N	NA
1.1 Does the pre-election report include the following mandatory information as required by clause 36 of schedule 10 of the LGA:			
a) The funding impact statement referred to in clause 30 for the 3 financial years immediately preceding the date of the election? <i>Page 6</i>	✓		
b) A summary balance sheet based on the financial statements referred to in clause 29(1)(a) that discloses public debt and financial assets separately for the 3 financial years immediately preceding the date of the election? <i>Page 9</i>	✓		
c) A statement that compares— (i) rates, rate increases, and borrowing with the quantified limits specified in the financial strategy; and ii) returns on investments with the quantified targets for returns on those investments specified in the financial strategy for the 3 financial years immediately preceding the date of the election? <i>Page 5</i>	✓		
d) The information included in the funding impact statement in accordance with clause 15(2)(b) and (c) for the 3 financial years immediately following the date of the election? <i>Page 13</i>	✓		
e) A summary balance sheet based on the forecast financial statements referred to in clause 12(1) that discloses public debt and financial assets separately for the 3 financial years immediately following the date of the election? <i>Page 12</i>	✓		
f) The major projects planned for the 3 financial years immediately following the date of the election? <i>Page 7</i>	✓		
1.2 As required by legislation, will the PER be completed and published no later than the day that is 2 weeks before the nomination day for a triennial general election of members of a local authority under the Local Electoral Act 2001?	✓		

<i>Required by 2 August 2019 we are aiming to publish on our website by mid- July</i>			
1.3 As required by legislation, have we confirmed that the PER does not contain a statement by, or a photograph of, an elected member of the local authority? <i>Confirmed</i>	✓		
2. Sources of financial information			
2.1 Has the information included in the PER for the 2 financial years ending in the year before the election been sourced from previously published and audited information? <i>The 2016/17 and 2017/18 financial information and financial strategy targets (on pages 5,8,9), is sourced from the audited Annual Reports of those years.</i>	✓		
2.2 If showing information for the current election year (not required by legislation), has the information been sourced from the most recent versions of the Annual Plan and Long Term Plan? <i>The financial info for the 2019/20 year (on pages 10-11), is sourced from the Annual Plan due to be adopted on 26th June 2019.</i>	✓		
2.3 Has the information included in the PER for the 3 financial years immediately following the date of the election been sourced from previously published and audited information? <i>The financial info for the 2020/21-2022/23 years has been sourced from the audited 2018-28 Long Term Plan.</i>	✓		
2.4 If the information included in the pre-election report for the financial year ending in the same year as the election is based on estimated information (as allowed for in the Act), are you satisfied that the information is based on the best estimates at this point? <i>The 2018/19 figures and financial strategy targets included in the PER (on pages 5,8,9), are based on the actual performance up to 31 March 2019, and then projected figures through to 30 June 2019 (as presented to Council). The projections were developed after thorough consultation with budget managers related to their operational and capital spending expectations to the end of June. We also considered development activity that impacts on the likes of contributions and vested asset income.</i>	✓		
Where information presented has been restated from its original presentation in any way (ie, because of a change in accounting standards or legislation) has disclosure of this restatement been made in the PER document? <i>There has been no restatement required</i>			✓
Where necessary, has information been provided to the reader to explain significant variances in balances from year to year?	✓		
3. Sources of other information			

3.1 Has the information included in the PER for the major projects planned for the 3 financial years immediately following the date of the election been sourced from previously published and audited information? <i>Sourced from either the audited Long Term Plan 2018-28 or the unaudited Annual Plan 2019/20 which is due for adoption on 26 June 2019</i>	✓		
3.2 Is the information presented elsewhere in the PER (but not required by legislation) consistent with previously published information (or information that will be published by the time that the PER is made available to the public). <i>Information presented on pages 1, 2 – 5 including the Chief Executives message, the financial summary, the Council visions and outcomes as well as the 2019/20 major projects are sourced from audited documents such as our Long Term Plan and Annual Report as well as our unaudited Annual Plan 2019/20 due to be adopted on 26 June 2019.</i>	✓		
4. Conclusion			
4.1 Are you satisfied that no matter in PER is misleading?	✓		
4.2 Considering the PER as a whole, do you consider that the purpose of the PER (as outlined in the legislation), being to “provide information to promote public discussion about issues facing the local authority”, been met as it is currently presented in the document?	✓		

Completed by:	
Strategic Policy Manager	
Deputy Finance Manager	
Reviewed by:	
Chief Executive	

PRE-ELECTION REPORT 2019



From the Chief Executive

The Pre-election Report provides information about Council in the lead up to the local government election on 12 October 2019.

This document is designed to draw the public's attention to the key issues over the coming years, and to the Council's performance against the adopted Financial Strategy. It also covers the forecast financial position for the incoming Council.

The Pre-election Report provides:

- historic information for the last three years (2016/17 - 2018/19)
- an overview of the current election year (2019/20)
- the Council's forecast financial position for the next three years (2020/21 - 2022/23).

While this report has not been audited, much of the information included has already been audited by independent auditors.

In particular:

- The first two years' (2016/17 and 2017/18) retrospective financial data has been audited as they have been taken directly from the relevant Annual Report.
- The three years' (2020/21-2022/23) prospective financial data from the Long Term Plan 2018-28 has been audited in conjunction with service performance targets and planned projects.
- The retrospective financial information from the most recent financial year (2018/19) has not yet been audited. Similarly information for the current year (2019/20) is drawn from our current Annual Plan.

The preparation and timing of the Pre-election Report is required by the Local Government Act 2002. It is independently prepared, without input from elected members.

Today we are in a healthy position. We have:

- Sound existing infrastructure and assets that provide the services our community wants.
- Comparatively affordable rates
- A comparatively low level of external debt
- The prospect of medium-high growth, which means more ratepayers to spread costs over.

There are some interesting projects underway and planned in the coming years.

I hope this document is helpful in providing a high level overview of Council's strategic direction, financial performance, and our plans for the future and how we will continue to meet the needs of our communities.

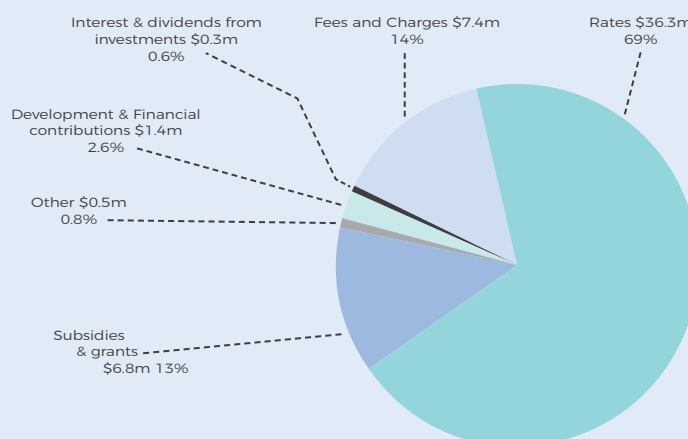
Further details about our performance and plans for the future are available in our Annual Report and Long Term Plan on our website.

Don McLeod
Chief Executive



Our income

While rates are our main source of income, we also receive money from other sources to fund the services we provide. The graph on the right shows your expected income from different sources. This includes funding for capital (e.g. buildings) and operational (day to day) items.



Matamata-Piako - The Place of Choice

Lifestyle. Opportunities. Home.

As part of its work for the long term plan in 2018 Council created a new vision and set of outcomes for the District. The intent was to offer a unique town and country lifestyle and provide opportunities for growth and investment. Most importantly Matamata-Piako is identified as home - a place we love, a place we are proud of and a place where we belong. Council also reviewed its community outcomes, which form the basis of Council's vision for our community.

Connected
Infrastructure



Economic
Opportunities



Healthy
Communities



Environmental
Sustainability



Vibrant
Cultural Values



The road ahead – how are going to get there?

The Infrastructure Strategy and Financial Strategy are our key strategies that aim to ensure we can provide quality infrastructure while maintaining a healthy financial position well into the future. It's important that these strategies responses align with our vision, our priorities and what we are trying to achieve for our community. The diagram below shows the relationship between our key strategies, and how they address our future challenges.

Full copies of the strategies are available in the Long Term Plan 2018-28

Common external drivers

Infrastructure strategy responses

- The use of technology ■
- Additional capital and operational expenditure ■
- Compliance with national standards ■
- Planning for sustainable growth ■
- Managing demand ■
- Levels of service ■
- Renewals / Funding depreciation ■
- Optimising our investments ■
- Asset Management ■

Future challenges

- Compliance
- Growth and demand
- Affordability
- Resilience

Financial strategy responses

- 4% rates - smoothing and prioritising work/outcomes
- Debt levels - investments/ swaps
- Funding approaches, Dc's and partnerships, as well as funding sources
- Renewals/ funding depreciation



Financial Strategy limits and targets

Our Financial Strategy is set out as part of the Long Term Plan (LTP). The Strategy sets self-imposed limits for Council's debt levels, rates affordability benchmarks and targets for financial returns on investment. The Financial Strategy is reviewed every three years in line with the review of the LTP.

To deliver on the vision for our district, it's Council's role to make decisions on the services and resources required to get us there. The Financial Strategy is a tool to help guide these decisions – to ensure they are prudent, and to ensure that we and the community, fully understand the effect of these decisions on our services, our rates and our debt.

Our financial strategy goals

The key goals set in the current Financial Strategy in order to achieve Council's vision are:

- To maintain the current levels of service we provide.
- To improve some levels of service where this complements our vision.
- To keep our rates at an affordable level.
- To ensure our debt is manageable and that we allow ourselves some headroom to respond to emergencies or opportunities that may arise.

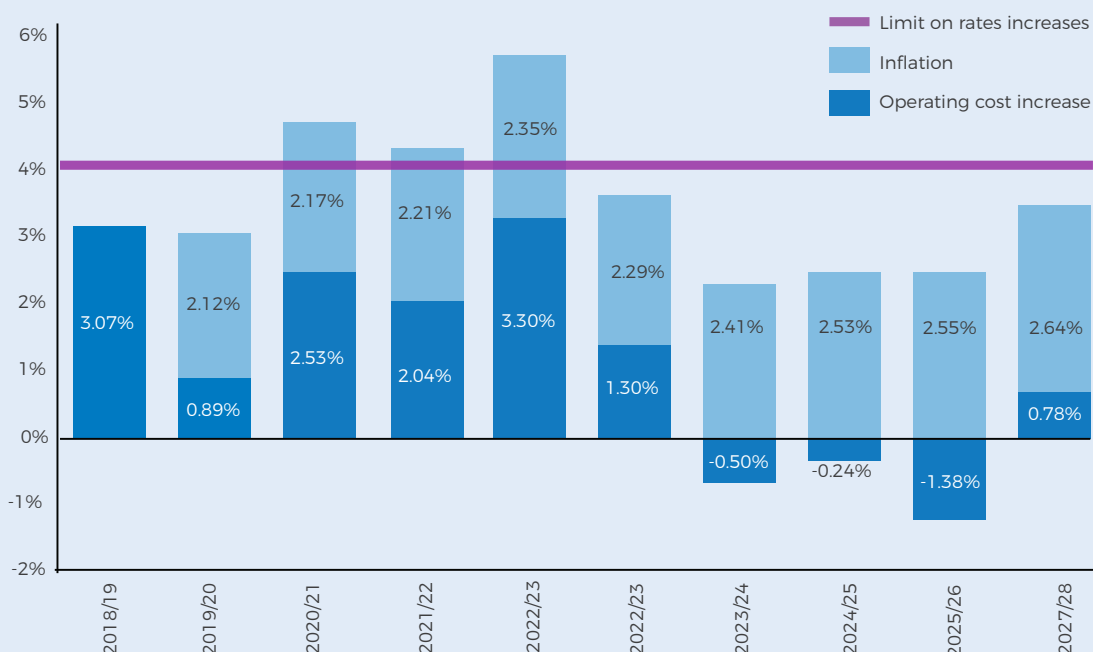
**Annual
Rates
revenue
will not
increase
by more
than
4%**

Rates affordability

Council's strategic goals are to maintain existing levels of service, whilst ensuring affordability to our rate payers. Council has set a limit that over the next ten years Annual rates will not increase by more than 4%.

Council is forecasting at this stage however, that rates increases will exceed the 4% limit in years 2021, 2022 and 2023. Council has made this call, as difficult as it is, because it is felt the time is right to invest in our District. Council has a chance to review budgets on an annual basis, so it will reassess progress, and actively seek to live within the 4% limit where this is achievable, and yet will still enable the community to make progress.

Total forecast rates increase over the next 10 years as per the 2018/28 Long Term Plan



How are we doing?

This section provides an overview of how we have met our Financial Strategy obligations for the past three years. 2016/17 and 2017/18 results are compared to the 2015-25 LTP Financial Strategy, and 2018/19 results are compared to 2018-28 LTP Financial Strategy. We have achieved lower than expected rates increases each year over the past three years. Council has managed to decrease our debt levels, and are currently operating well within our self-imposed limit for debt to revenue ratio of 150%. Our investment funds delivered a lower return than forecast due to the downturn in international and domestic financial markets.

	Limit	Actual	Limit	Actual	Limit	Year end forecast
	2016/17	2016/17	2017/18	2017/18	2018/19	2018/19
Rates affordability benchmarks						
Limits on rates (income) affordability	\$33,355,000	\$31,599,000	\$34,690,000	\$32,019,000	\$33,198,000	\$32,862,411
Limits on rates (increases) affordability	4.00%	0.05%	4.00%	1.33%	4.00%	2.63%
Debt affordability benchmarks						
Net debt as a percentage of total revenue will not exceed 150%	150%	55%	150%	49%	150%	43%
Return on investments						
	Target	Actual	Target	Actual	Target	Year end forecast
Treasury investments	4.05%	3.17%	4.05%	3.21%	3.85%	3.20%

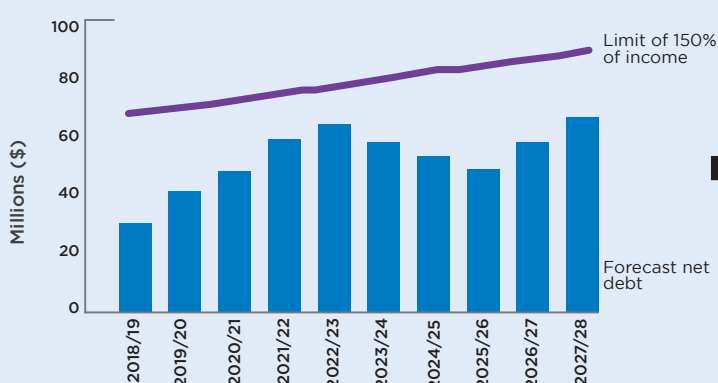
^ 2018/19 figures are based on actual performance up to 31 March 2019, then forecast to 30 June 2019.

Debt affordability

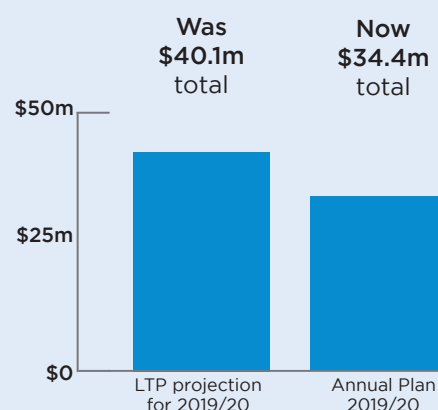
For a council with a lot of assets that can last for as long as 100 years in some cases, having some long term debt makes sense. But having a high level of debt and living beyond our means would be unfair for current and future generations, and could mean we can't take up new opportunities when they arise. To balance this, Council has set a limit to not borrow more than 150% of our annual revenue. Our existing borrowing is significantly lower than the recommended maximum debt level.

Debt

Our forecast debt for the next 10 years as per the 2018/28 Long Term Plan



Estimated debt levels 2019/20



Return on Investments

Our Investment Policy (available at mpdc.govt.nz) sets out the detail of the type of investments we can hold, and our objectives and risk management strategies related to holding these investments. We hold cash and treasury investments, such as term deposits, as part of managing our cash flow to finance our day to day operations and capital expenditure programme. We have targeted an average rate of return on cash and treasury investments of 3.85% over the 10 years of the Long Term Plan.

Council also holds a range of strategic investments. We are a shareholder of two Council Controlled Organisations (Waikato Local Authority Shared Service Limited and Waikato Regional Airport Limited), and we hold interests in other shared ventures such as NZ Local Government Insurance Company, New Zealand Local Government Funding Agency Limited and Hauraki Rail Trail Charitable Trust. Council does not set a targeted rate of return on strategic investments.

Major projects

This section outlines the major projects currently underway or planned for the next four years. The project information has been sourced from the Annual Plan and/or our Long Term Plan.

Projects for 2019/20

- We are planning a feasibility study to create a Matamata bypass to improve traffic flow and safety, with a budget of \$1 million, with an additional \$1 million set aside for 2020/21 for a detailed design.
- We are planning to upgrade the existing pipe of the Te Aroha falling main. The upgrade is to provide for the increased future flows and replacement of pipes which are at the end of their lives, with a total budget of \$3 million.
- We are planning to acquire and develop land to extend the River Walk from Studholme Street to Holmwood Park, Morrinsville. \$270,000 has been budgtd for this.

Projects for 2020/21

- We are planning to extend the current cycleway to Piaere where it will meet Te Awa and the Waikato River Trail, with a projected budget of \$1.5 million. We plan to upgrade the existing carpark at Waharoa Rest Area to meet increasing demand, Council have budgeted \$200,000.
- We are planning to invest in an indoor sports court in Matamata with a budget of \$2 million from Council contributed to the project.
- Upgrades to the pavement and stormwater for Factory Road, Waharoa is planned with a budget of \$250,000.
- We are planning to upgrade the Morrinsville Wastewater Treatment ponds with concrete lining, \$1.4 million is budgeted for this projected.
- Matamata Wastewater Treatment Plant will be upgraded to ensure compliance for nitrogen discharge, Council have budgeted \$2.5 million for this upgrade for the first year, with an additional \$2.5 million in our budgets for the second year.
- We are planning to continue to invest in road safety improvements with a total budget of \$850,000 set aside for this.
- Redevelopment of Te Aroha and Morrinsville CBD streetscapes has been planned, with a budget of \$1,000,000 set aside.
- We have set aside \$250,000 to upgrade our drinking water standard District wide.
- Plans to improve pedestrian connectivity in Matamata has been planned, \$250,000 has been set aside for this.
- upgrade to water in the Bolton Road, Morrinsville Industrial area have been planned. \$250,000 has been budgtd for this.
- Development to the Waharoa airfield bore supply and construction of a treatment plan are planned with \$450,000 budgtd for this project.



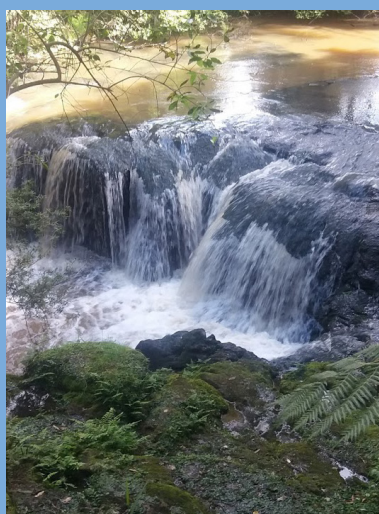
Projects for 2021/22

- We are planning to provide for capital works as a result of a consent renewal to our Morrinsville Wastewater Plant with a total budget of \$15 million set aside for this from development contributions.
- We are planning to continue to invest in road safety improvements with a total budget of \$850,000 set aside for this.
- We have set aside \$250,000 to upgrade our drinking water standard District wide.
- A cycleway extension has been planned for Hinuera to Piarere. \$750,000 has been budgeted for this project.
- A walkway/cycleway from Tower Road, Waharoa to Okaia Springs, Matamata has been planned with \$600,000 budgeted for this project.
- an upgrade to the Matamata Wastewater treatment to address compliance is planned. \$2,500,000 has been budgeted for this in year 2.



Projects for 2022/23

- We plan to undertake a Swap Park Matamata development. \$250,000 is budgeted for this project
- Upgrades to the Wastewater bulk sewer on Burwood Road, Matamata have been planned. \$480,000 has been budgeted for this project.
- Upgrade to the Wastewater pump station on Tower Road, Matamata and installing a new rising main to the treatment plant have been planned. \$320,000 is budgeted for this program.
- Improvements to road safety around the district have been identified with \$850,000 budgeted to address these improvements.



The past three years 2016/17 - 2018/19

This section contains financial information from the past three financial years, which run from 1 July to 30 June. Information from 2015/16 and 2017/18 has been drawn from our Annual Reports for those years, which have been independently audited. Information for the 2018/19 financial year is based on our actual results to 31 March 2016, and forecast through to 30 June 2016 using our best estimates at that time. The 2018/19 information will be audited in September 2019 and the final Annual Report adopted on 2 October 2019. As such, it is possible that material differences could occur between this report and the final Annual Report 2018/19.

Summary statement of financial position

The summary statement of financial position is also known as the summary balance sheet. It shows what Council owned or was owed from others (assets) and what Council owed to others (liabilities) at the end of the financial year. Total assets less total liabilities is referred to as 'net assets' – this is the net worth of Council – providing a 'snapshot' of Council's financial position at 30 June each year.

Current financial assets

Deposits held in the 2016/17 and 2017/18 were higher as a result of the delay in the completion of the capital works programme. In 2018/19 surplus funds have been used to reduce debt as it has matured.

Non-current financial assets

the value of roading, utility and property assets have increased due to revaluations, and capital spent to renew or add to the network.

Borrowings

have reduced over the last 3 years as surplus cash has been utilised to reduce external debt, and the delay in the completion of the capital programme has meant that the debt levels forecast have not been required.

	Annual Report		Year end forecast ^a
	2016/17	2017/18	2018/19
	\$000	\$000	\$000
Current assets			
Financial assets	21,930	16,806	9,398
Other current assets	4,886	5,612	3,747
Total current assets	26,816	22,418	13,145
Non-current assets			
Financial assets	13,709	13,814	13,511
Other non-current assets	581,883	610,356	638,251
Total non-current assets	595,592	624,170	651,762
Total assets	622,408	646,588	664,907
Liabilities			
Current liabilities			
Borrowings	5,191	8,616	5,000
Other current liabilities	8,552	8,428	11,408
Total current liabilities	13,743	17,044	16,408
Non-current liabilities			
Borrowings	24,616	19,000	17,900
Other non-current liabilities	2,704	2,843	993
Total non-current liabilities	27,320	21,843	18,893
Total liabilities	41,063	38,887	35,301
Total equity	581,345	607,701	629,606



Funding impact statement

The funding impact statement below shows how Council funded its activities in the past three years. It shows where the funding came from, including income from rates and how the funds were applied. It separates funding for the purposes of operating (which covers the day to day operations and services of Council), and capital (which covers the replacement, upgrade or spending on new assets).

General and targeted rates

General rates have increased steadily over the last 3 years to fund a number of projects, the major ones including the Te Aroha Events Centre, Matamata Civic and Memorial Centre, and the Te Aroha to Matamata Cycleway extension, as well as increased spending on economic development and in the last year an increased budget to improve the upkeep of our public spaces. Revenue from targeted rates has decreased over the same time as less rates were required for interest (as total borrowings have decreased) and income from metered water has decreased due to a drop in consumption by two major industrial users.

Fees and charges

Revenue from fees and charges has increased over the last year particularly due to increased building and resource consent activity and good attendance numbers across a number of our district facilities.

Interests and dividends from investments

Investment income has been higher than budgeted as the delay in capital spending in this and previous years has resulted in more cash being available for investing.

Payments to staff and suppliers

Payments to staff have remained relatively static over the last 3 years with a number of vacancies not being filled. Payments to suppliers have increased steadily across a number of activities, including building and resource consent processing, aquatic facilities, parks and tracks, and footpath maintenance. In the last year in particular there were some extra-ordinary one-off costs in the Water and Rubbish and Recycling activities and grants for the Hauraki Rail Trail.

Finance costs

Finance costs have reduced due to the \$5 million repayment of external debt, and the lower interest rate environment.

Subsidies and grants for capital expenditure

The main capital subsidies received are for the renewal of our districts roads, received from the New Zealand Transport agency. This last year also included a significant Government grant for the Te Aroha to Matamata Cycleway extension.

Development and financial contributions

A continuing increase in the level of development within our district has resulted in significant increases in revenue received to fund the growth in our infrastructure networks

Improvement to levels of service

Significant projects in 2018/19 included the cycle trail extension from Te Aroha to Matamata, installation of UV at the Matamata South and Tawiri water treatment plant, and the Te Aroha West water connection.

Replacement to existing assets

Significant renewal projects in 2018/19 included roading resurfacing and rehabilitation, water and wastewater reticulation, and pensioner housing renewals.

	Actual 2016/17 \$000	Actual 2017/18 \$000	Year end forecast^ 2018/19 \$000
Sources of operating funding			
General rates, uniform annual general charges, rates penalties	20,190	21,300	22,568
Targeted rates	13,812	12,799	12,214
Subsidies and grants for operating purposes	2,763	2,690	2,697
Fees and charges	6,640	6,643	6,836
Interest and dividends from investments	549	622	653
Local authorities fuel tax, fines, infringement fees, and other receipts	261	283	263
Total operating funding (A)	44,215	44,337	45,231
Applications of operating funding			
Payments to staff and suppliers	30,482	32,162	35,678
Finance costs	1,349	1,335	1,270
Other operating funding applications	-	-	-
Total applications of operating funding (B)	31,831	33,497	36,948
Surplus (deficit) of operating funding (A - B)	12,384	10,840	8,283
Sources of capital funding			
Subsidies and grants for capital expenditure	4,597	4,141	5,541
Development and financial contributions	524	1,790	2,367
Increase (decrease) in debt	4,820	(2,191)	649
Gross proceeds from sale of assets	670	21	112
Lump sum contributions	77	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding (C)	10,688	3,761	8,669
Applications of capital funding			
Capital expenditure			
—to meet additional demand	120	299	-
—to improve the level of service	6,298	9,345	8,619
—to replace existing assets	10,660	9,457	14,768
Increase (decrease) in reserves	(1,287)	1,108	-
Increase (decrease) of investments	7,281	(5,608)	(6,435)
Total applications of capital funding (D)	23,072	14,601	16,952
Surplus (deficit) of capital funding (C - D)	(12,384)	(10,840)	(8,283)
Funding balance ((A - B) + (C - D))	-	-	-

^ 2018/19 figures are based on actual performance up to 31 March 2019, then forecast to 30 June 2019.

This year

1 July 2019 - 30 June 2020

This section contains forecast information for the current financial year. Council adopted its Long Term Plan 2018-2028 in June 2018, covering the planned activities and projects for the district for the next ten years, including the 2019/20 financial year. Council is required to revise these projects and forecasts every three years. The 2018/28 Long Term Plan was adopted on the 27 June 2018.

Forecast summary statement of financial position

The summary statement of financial position is also known as the summary balance sheet. It shows the forecast of what Council will own or be owed from others (assets) and what Council is forecast to owe to others (liabilities) at the end of this financial year. Total assets less total liabilities is referred to as 'net assets' – this is the net worth of Council – providing a 'snapshot' of Council's forecast financial condition at 30 June.

Total current assets

Forecast cash holdings have changed in line with spending and funding changes

Total non-current assets

The revaluation of Council's assets at 1 July 2018, which is reflected in the Annual Plan forecast, was significantly more than forecast at the time the Long Term Plan was adopted.

Total non-current liabilities

The delay in the completion of our capital works programme has meant that revised debt forecast to 30 June 2020 is lower than planned in the Long Term Plan.

	Long Term Plan	Annual Plan
	2019/20	2019/20
	\$000	\$000
Current assets		
Financial assets	10,690	6,945
Other current assets	3,546	6,077
Total current assets	14,236	13,022
Non-current assets		
Financial assets	13,447	13,814
Other non-current assets	645,896	666,045
Total non-current assets	659,343	679,859
Total assets	673,579	692,881
Liabilities		
Current liabilities		
Borrowings	7,000	7,000
Other current liabilities	4,271	8,224
Total current liabilities	11,271	15,224
Non-current liabilities		
Borrowings	44,112	35,617
Other non-current liabilities	893	893
Total non-current liabilities	45,005	36,510
Total liabilities	56,276	51,734
Total equity	617,303	641,147



Forecast funding impact statement

The funding impact statement below shows how everything that Council plans to do this year is intended to be funded. It shows where the funding will come from, including income from rates and how the funds will be applied. It separates funding for the purposes of operating (which covers the day to day operations and services of Council), and capital (which covers the replacement, upgrade or spending on new assets).

Sources and applications of operating funding

General rates required increased slightly compared to the LTP, due to a number of minor shifts in budgets across a number of activities

	Long Term Plan	Annual Plan
	2019/20	2019/20
	\$000	\$000
Sources of operating funding		
General rates, uniform annual general charges, rates penalties	23,282	23,836
Targeted rates	12,831	12,513
Subsidies and grants for operating purposes	2,776	2,773
Fees and charges	6,916	6,988
Interest and dividends from investments	267	257
Local authorities fuel tax, fines, infringement fees, and other receipts	266	266
Total operating funding (A)	46,338	46,633
Applications of operating funding		
Payments to staff and suppliers	33,201	34,115
Finance costs	1,637	1,096
Other operating funding applications	-	-
Total applications of operating funding (B)	34,838	35,211
Surplus (deficit) of operating funding (A – B)	11,500	11,422
Sources of capital funding		
Subsidies and grants for capital expenditure	3,224	4,084
Development and financial contributions	1,397	1,370
Increase (decrease) in debt	11,996	16,860
Gross proceeds from sale of assets	-	-
Lump sum contributions	-	-
Other dedicated capital funding	-	-
Total sources of capital funding (C)	16,617	22,314
Applications of capital funding		
Capital expenditure		
—to meet additional demand	677	-
—to improve the level of service	13,550	19,346
—to replace existing assets	13,898	14,171
Increase (decrease) in reserves	(8)	219
Increase (decrease) of investments	-	-
Total applications of capital funding (D)	28,117	33,736
Surplus (deficit) of capital funding (C – D)	(11,500)	(11,422)
Funding balance ((A – B) + (C – D))	-	-

Sources and applications of capital funding

Debt is expected to increase as we catch up on capital spending.



The next three years

2020/21 - 2022/23

The information in this section has been sourced from Council's Long Term Plan 2018-28, which was adopted in June 2018 and covers the planned activities and projects for the district for the next ten years. The information in the Long Term Plan 2018/28 is now over a year old, and there have been some changes in work programmes and budgets since then that are not reflected in these forecasts. Keeping that in mind, these forecasts are only intended to give a reasonable indication of the major projects and forecast financial position and funding for the next three years. It is based on the best information we had available at the time when the Long Term Plan 2018/28 was prepared. Revised forecasts are published in June each year in the form of an Annual Plan.

Forecast summary statement of financial position

The summary statement of financial position is also known as the summary balance sheet. It shows the forecast of what Council will own or be owed from others (assets) and what Council is forecast to owe to others (liabilities) at the end of these financial years. Total assets less total liabilities is referred to as 'net assets' – this is the net worth of Council – providing a 'snapshot' of Council's forecast financial position at 30 June each year.

	Long Term Plan		
	2020/21	2021/22	2022/23
	\$000	\$000	\$000
Current assets			
Financial assets	10,880	11,059	11,309
Other current assets	3,305	3,289	2,994
Total current assets	14,185	14,348	14,303
Non-current assets			
Financial assets	13,447	13,447	13,447
Other non-current assets	672,288	697,080	718,716
Total non-current assets	685,735	710,527	732,163
Total assets	699,920	724,875	746,466
Liabilities			
Current liabilities			
Borrowings	-	4,000	2,000
Other current liabilities	4,237	4,411	4,362
Total current liabilities	4,237	8,411	6,362
Non-current liabilities			
Borrowings	60,136	65,856	73,770
Other non-current liabilities	879	865	850
Total non-current liabilities	61,015	66,721	74,620
Total liabilities	65,252	75,132	80,982
Total equity	634,668	649,743	665,484

Forecast funding impact statement

The funding impact statement below shows how everything that Council plans to do over the next three years is intended to be funded. It shows where the funding will come from, including income from rates and how the funds will be applied. It separates funding for the purposes of operating (which covers the day to day operations and services of Council), and capital (which covers the replacement, upgrade or spending on new assets).

	Long Term Plan		
	2020/21	2021/22	2022/23
	\$000	\$000	\$000
Sources of operating funding			
General rates, uniform annual general charges, rates penalties	24,140	25,030	26,234
Targeted rates (other than a targeted rate for water supply)	13,612	14,280	15,218
Subsidies and grants for operating purposes	2,794	2,856	2,923
Fees, charges, and targeted rates for water supply	7,220	7,381	7,554
Interest and dividends from investments	303	349	386
Local authorities fuel tax, fines, infringement fees, and other receipts	272	278	284
Total operating funding (A)	48,341	50,174	52,599
Applications of operating funding			
Payments to staff and suppliers	34,152	34,998	35,951
Finance costs	2,058	2,466	2,993
Other operating funding applications	-	-	-
Total applications of operating funding (B)	36,210	37,464	38,944
Surplus (deficit) of operating funding (A – B)	12,131	12,710	13,655
Sources of capital funding			
Subsidies and grants for capital expenditure	3,293	4,139	3,418
Development and financial contributions	1,425	1,410	1,438
Increase (decrease) in debt	9,026	9,719	5,915
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding (C)	13,744	15,268	10,771
Applications of capital funding			
Capital expenditure			
—to meet additional demand	392	722	5,201
—to improve the level of service	11,906	9,075	3,631
—to replace existing assets	13,583	18,190	15,605
Increase (decrease) in reserves	(6)	(9)	(11)
Increase (decrease) of investments	-	-	-
Total applications of capital funding (D)	25,875	27,978	24,426
Surplus (deficit) of capital funding (C – D)	(12,131)	(12,710)	(13,655)
Funding balance ((A – B) + (C – D))	-	-	-

Any questions?

If you are reading this pre-election report you may be considering standing for Council or simply wish to be better informed as a voter in the lead up to the local body elections. In this pre-election report we have drawn information from the Long Term Plan 2018-28, Annual Reports and Annual Plan 2018/19 All of these documents are available at www.mpd.govt.nz. However, if you haven't found the information you would like or if you have any questions please get in touch. You can:

- write to us at PO Box 266, Te Aroha 3342
- phone us on 0800 746 467
- email us at info@mpdc.govt.nz

Standing Item - Quarterly Procurement Report

Trim No.: 2143894

Executive Summary

This report summarises internal auditing and analysis of procurement performance over the third quarter, January to March 2018/2019. It is the third report summarising procurement performance, since the recommendation from BDO to report to the Audit and Risk Committee on a six monthly basis. The Procurement Manual was implemented 1st of August 2017, and it is becoming well used across Council. Awareness of Councils procurement profile is also growing with increased data analysis allowing Council to identify areas for improvement and opportunities for consideration. This report covers auditing and analysis of procurement through the use of Purchase Orders (PO's).

Audits of PO's are undertaken to review compliance with procurement requirements and the embedding of the manual and procedures. Findings are collated to identify trends and track staff performance. Any instances of non-compliance are reported back to managers to discuss with their staff.

Analysis of PO data also enables greater awareness of spend via person, department or supplier. Identifying persons with large spend profiles and spends with the same supplier across different departments. This identifies opportunities for bundling of contracts as well as staff who may need more procurement support, to ensure procurement is undertaken effectively to gain the best value over whole of life.

Recommendations and findings from previous audits have been implemented into Councils Procurement Manual and procedures to ensure all areas for improvement are addressed and recommendations are applied.

Audits and analysis of PO data will continue to be undertaken to ensure the embedding of processes into practises. Whilst working towards taking advantage of opportunities as they are identified.

Recommendation

That:

1. The report be recieved

Content

Background

BDO undertook a review of the Procurement Policy, processes and control environment in December 2017. The report on these findings was received by Council in February 2018. One of the findings suggested that there was an opportunity for analysis and auditing findings to be reported to the Audit and Risk Committee on a six monthly basis.

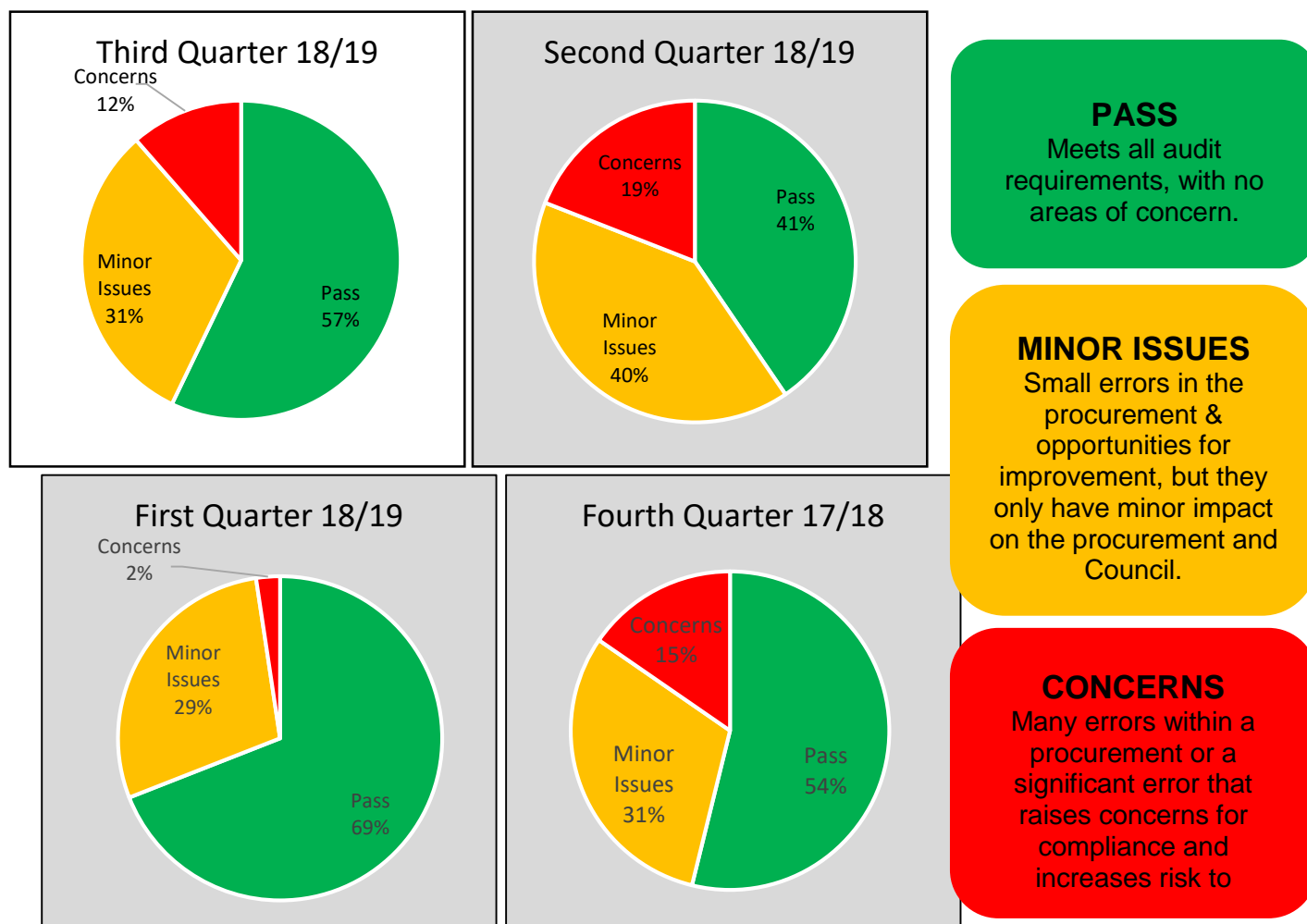
This recommendation was accepted by the Audit and Risk Committee, based on advice from of BDO to further monitor the embedding of the policy auditing and analysis of Councils procurement.

Issues

Auditing Findings

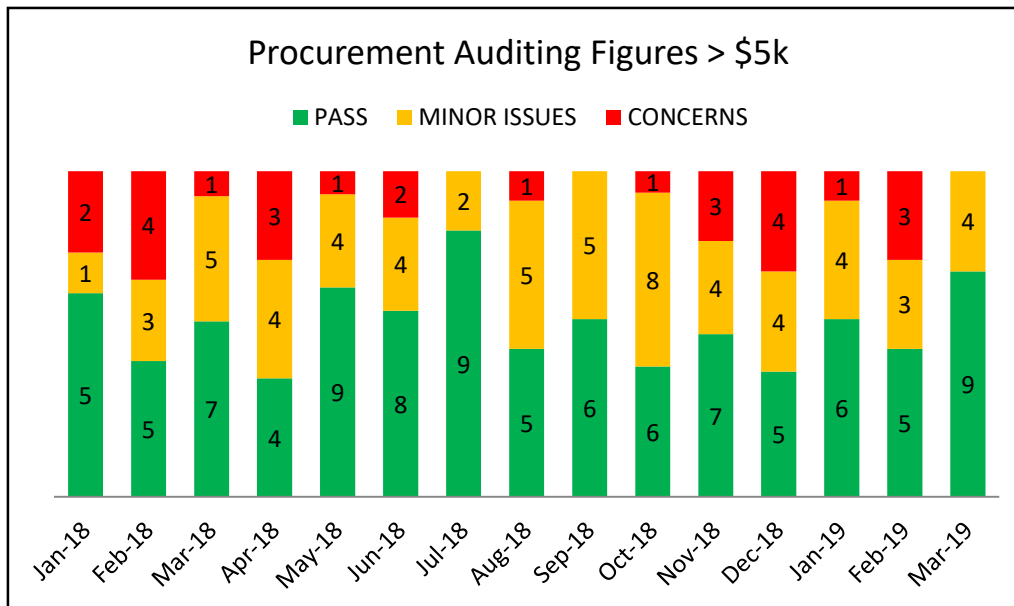
Audit findings are continuing to be reported to managers to discuss with their staff. This ensures staff are made aware of any non-compliance whilst also reminding those approving what to look for when reviewing a requisition for approval. As you can see in the graphs below auditing results for this quarter have improved on the previous quarter. Overall the findings suggest increased compliance in specialised procurements which have heavily contributed to minor issues/concerns.

Graph 1: Auditing results categorised

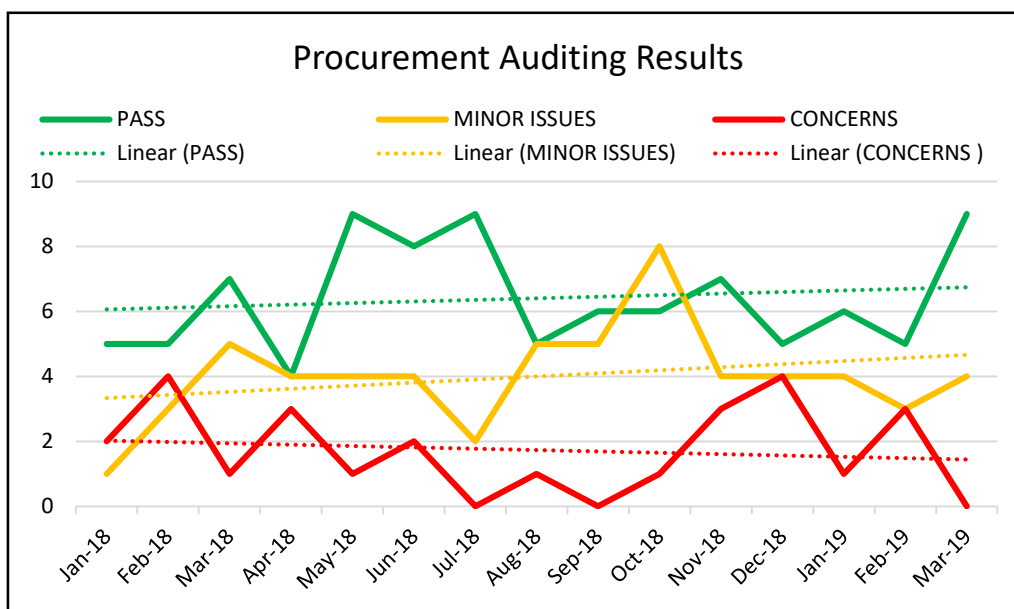


This quarter 12% of audited procurements were classed as concerns. Currently all non-conforming procurements are passed onto the relevant manager and a summary of all concerns is reported quarterly to E Team.

Graph 2: Auditing results by month



Graph 3: Auditing results trends



Should be Under Contract

All suppliers with spend more than \$100,000 with on an annual basis should be under a contract (excluding one off purchases). The table below outlines suppliers who we spent over \$100,000 to

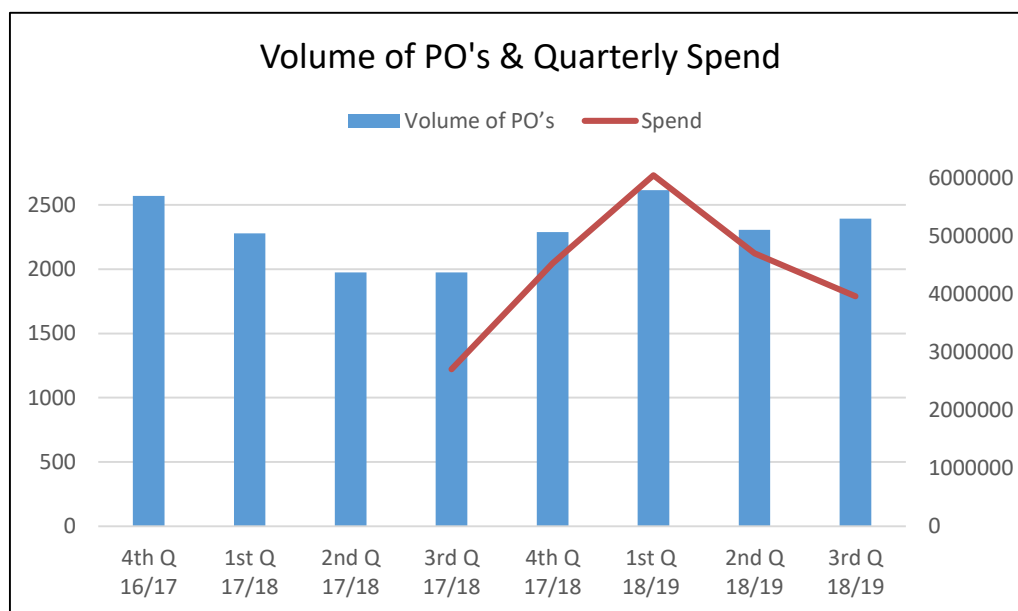
date in 18/19 that need to be reviewed. The introduction of the WLASS Professional Services Panel has covered some consultants previously on this list.

Supplier	Value	Comments
Arthur D Riley & Company Limited	\$106,462	Scadda
Environmental Research & Technological Services	\$124,445	
HACH Lange NZ Trading As Hach Pacific NZ	\$137,490	

Volume of PO's

2,391 PO's were raised this quarter. See graph 4 below for the comparison of PO's raised for this quarter. It appears that the volume of PO's is slightly increasing with cyclical highs in the 1st and 4th quarters. 800 more PO's were raised in the last four quarters compared to the previous four quarters. The volume of PO also correlates to the total spend each quarter, with the 1st quarter also having the highest spend.

Graph 4: Volume of PO's & Quarterly Spend



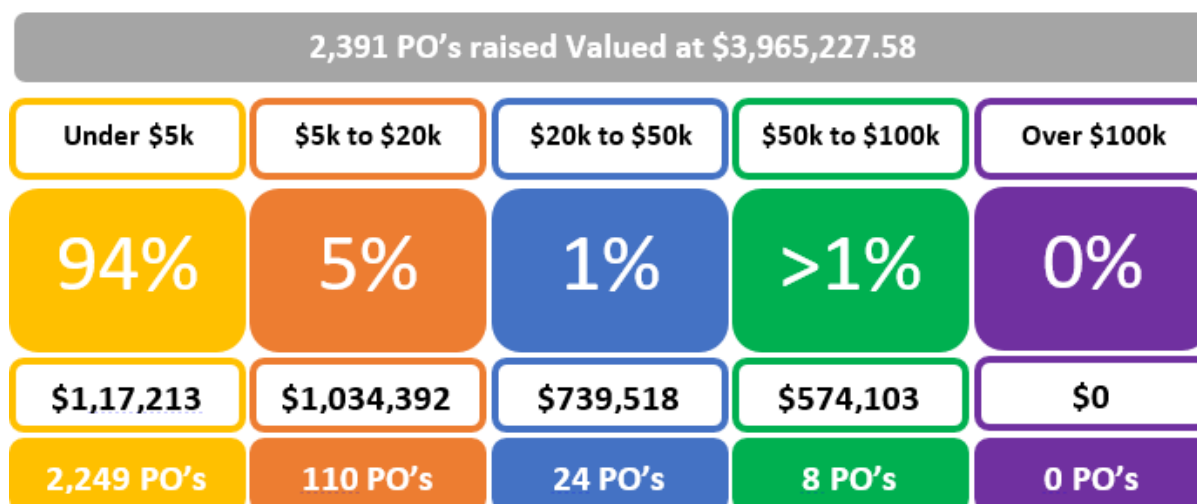
34% of these PO's were raised with 20 suppliers listed below. ArcBlue estimated that the costs associated with processing one PO was \$73. The cost of processing PO's this quarter is estimated to be \$174,543. Therefore, there is an advantage to trying to reduce the total volume of PO's being raised.

The following table outlines the top 20 suppliers who had the most PO's raised this quarter. It also outlines the total spent with suppliers this quarter and the average value of PO's raised per supplier. Also included is the last quarter's data for those that were in the top 20 previously.

#	Name	3rd Quarter 18/19			2nd Quarter 18/19		
		Vol	Total Value	Average Value of PO	Vol	Total Value	Average Value of PO
1	Officemax New Zealand Ltd	122	\$66,363	\$544	93	\$86,703	\$932
2	Wesfarmers Industrial and Safety (NZ)	63	\$19,862	\$315	46	\$20,086	\$437
3	Bunnings Limited	58	\$12,317	\$212	64	\$10,468	\$164
4	J A Russell Limited Auckland	54	\$34,282	\$635	53	\$18,124	\$342
5	Pump R & M Limited	46	\$148,774	\$3,234	36	\$118,180	\$3,283
6	Waikato Wide Locksmith Services Ltd	44	\$12,763	\$290	42	\$12,788	\$304
7	Allied Investments Limited	43	\$4,092	\$95	29	\$2,623	\$90
8	Select Alarms Limited	41	\$36,822	\$898	25	\$30,451	\$1,218
9	Electrico Limited Matamata	40	\$16,670	\$417	29	\$7,354	\$254
10	R J Hill Laboratories Ltd	39	\$16,626	\$426	27	\$8,476	\$314
11	TC Property & Garden Care	37	\$15,461	\$418	33	\$13,594	\$412
12	Te Aroha Plumbing & Drainage Limited	34	\$17,510	\$515	41	\$18,242	\$445
13	Epic Systems Limited	30	\$105,833	\$3,528			
14	MEA Mobile Limited	28	\$14,053	\$502	33	\$12,349	\$374
15	Ixom Operations Pty Limited	25	\$124,210	\$4,968			
16	Kaiser Ag Limited	25	\$16,729	\$669	29	\$14,877	\$513
17	Plumb.Co (2004) Limited	25	\$8,079	\$323	19	\$13,210	\$695
18	Brookfields Lawyers Manukau Office	23	\$53,329	\$2,319			
19	Kinsey Kydd Building Supplies Limited	23	\$2,615	\$114			
20	Resolve Group Limited	23	\$105,231	\$4,575	38	\$155,153	\$4,083

Number of PO's – Threshold breakdown

In the second quarter 2,391 purchase orders were raised. See below for the thresholds breakdown. As shown below 94% of PO's raised fall under the \$5,000 threshold. With majority of the PO spend being low value it is vital to ensure procurement is undertaken correctly at every level.



Top 10 Spenders per Department

The boxes below show the dispersion of PO's across the four departments. Highlighting each departments top 10 spender's contribution to the total quarterly spend.

Community Development Top 10		Service Delivery Top 10	
126 PO's	\$107,021	991 PO's	\$1,734,241
5% of Total PO's	3% of Total Spend	41% of Total PO's	44% of Total Spend
Business Support Top 10		Corporate Top 10	
263 PO's	\$573,659	157 PO's	\$289,111
11% of Total PO's	14% of Total Spend	7% of Total PO's	7% of Total Spend

The table below outlines the top 10 spenders for each group (ranked highest to lowest) and the volume of PO's they have raised.

This highlights who the biggest spenders are, so that Council can ensure high spenders have the procurement capabilities needed to effectively procure and meet policy and procedural requirements.

#	Total Spent in 3rd Q	Value of Top 10 3rd Q	Total PO 3rd Q	Total PO with Top 10	% Total Spend w/ Top 10
Community Development					
1	\$ 47,908	\$ 47,886	25	22	100%
2	\$ 21,020	\$ 21,020	27	27	100%
3	\$ 12,994	\$ 12,743	35	29	98%
4	\$ 10,936	\$ 10,936	9	9	100%
5	\$ 6,426	\$ 6,426	6	6	100%
6	\$ 3,100	\$ 3,100	4	4	100%
7	\$ 2,464	\$ 2,464	8	8	100%
8	\$ 1,680	\$ 1,680	6	6	100%
9	\$ 471	\$ 471	5	5	100%
10	\$ 22	\$ 22	1	1	100%
Service Delivery					
1	\$ 369,626	\$ 327,897	89	42	89%
2	\$ 245,566	\$ 219,180	80	20	89%
3	\$ 232,268	\$ 197,647	175	107	85%
4	\$ 224,642	\$ 168,935	109	46	75%
5	\$ 198,454	\$ 183,108	90	61	92%
6	\$ 164,719	\$ 128,519	290	170	78%
7	\$ 84,010	\$ 61,585	131	56	73%
8	\$ 80,843	\$ 80,843	5	5	100%
9	\$ 76,599	\$ 76,599	8	8	100%
10	\$ 57,513	\$ 57,461	14	13	100%
Business Support					
1	\$ 141,624	\$ 141,624	8	8	100%
2	\$ 117,392	\$ 94,916	103	30	81%
3	\$ 96,978	\$ 96,935	25	25	100%
4	\$ 90,190	\$ 90,190	3	0	100%
5	\$ 30,292	\$ 26,872	62	47	89%
6	\$ 26,134	\$ 26,234	2	2	100%
7	\$ 25,036	\$ 25,033	11	11	100%
8	\$ 19,811	\$ 19,811	4	4	100%
9	\$ 13,766	\$ 12,788	34	20	93%
10	\$ 12,435	\$ 12,435	11	11	100%
Corporate					
1	\$ 99,851	\$ 99,851	8	8	100%
2	\$ 38,769	\$ 38,769	2	2	100%
3	\$ 38,247	\$ 29,652	53	32	78%
4	\$ 25,676	\$ 25,676	9	9	100%
5	\$ 24,554	\$ 24,554	1	1	100%
6	\$ 17,910	\$ 17,910	10	10	100%
7	\$ 17,397	\$ 17,247	22	19	99%
8	\$ 11,416	\$ 11,395	16	14	100%
9	\$ 7,683	\$ 7,480	21	18	97%

10	\$	7,609	\$	7,609	15	15	100%
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Savings

Savings obtained through joining AoG, n3, WLASS contracts and establishing contracts in house are tracked below. Initiatives that have recently been entered are coloured the same as the financial year they were implemented.

Organisation	Supplier	Estimated savings per year	Actual savings achieved	
			17/18	18/19
n3	J A Russell Ltd	25%	\$ 39,442	
n3	Z Energy 2015	7%	\$ 14,191	
n3	NZ Safety Blackwoods	37%	\$ 11,990	
n3	Bridgestone New Zealand Ltd	22%	\$ 9,525	
n3	Mico New Zealand Ltd	44%	\$ 6,320	
n3	Argus Tracking Ltd	16%	\$ 2,664	
n3	Bunnings Warehouse	17%	\$ 2,070	
n3	Placemakers	21%	\$ 1,669	
n3	Resene	24%	\$ 1,080	
n3	BOC Ltd	31%	\$ 475	
n3	Others	Varies	\$ 3,689	
WLASS	Energy			
WLASS	Waikato Aerial Photography Syndicate			
WLASS	Contractor H&S Pre-qualification			
WLASS	Infometrics online			
WLASS	Postal and Courier Services			
WLASS	Insurance Brokerage			
WLASS	Historic Aerial Photos Archive			
WLASS	Health & Safety Training			
AoG	Advertising Media	-	Saving not reported	
AoG	Banking Services	35%	\$ 3,973	\$ 2,019
AoG	Consultancy Services	-	No Spend	
AoG	Motor Vehicles	10%	\$ 51,224	\$ 33,009
AoG	Mobile Voice and Data Services	13.9%	\$ 13,500	
AoG	Office Supplies	22%	\$ 23,779	\$ 16,288
AoG	IT Hardware	\$ 10,000	Joined in 4Q	
AoG	Retail Fuel	\$ 18,180	\$ 3,429	\$ 17,783
TOTAL SAVINGS			\$ 189,020	\$ 69,099

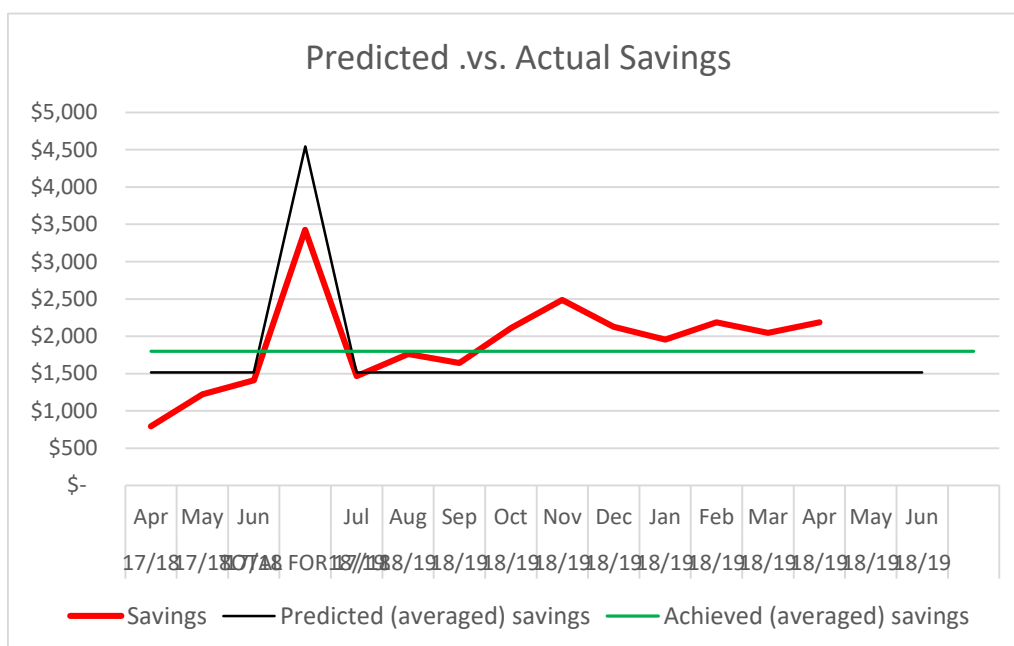
Recent Initiatives

1. AoG Retail Fuel Contract – BP

The use of Caltex in Morrinsville is being audited on a monthly basis. Any use is reported back to team leaders/managers to discuss with staff. The uptake of the use of BP has been positive, with little use of Caltex in Morrinsville.

Savings predictions based of consumption and discount per litre estimated a saving of \$1,515 per month. Graph 5 shows that these estimates have been exceeded.

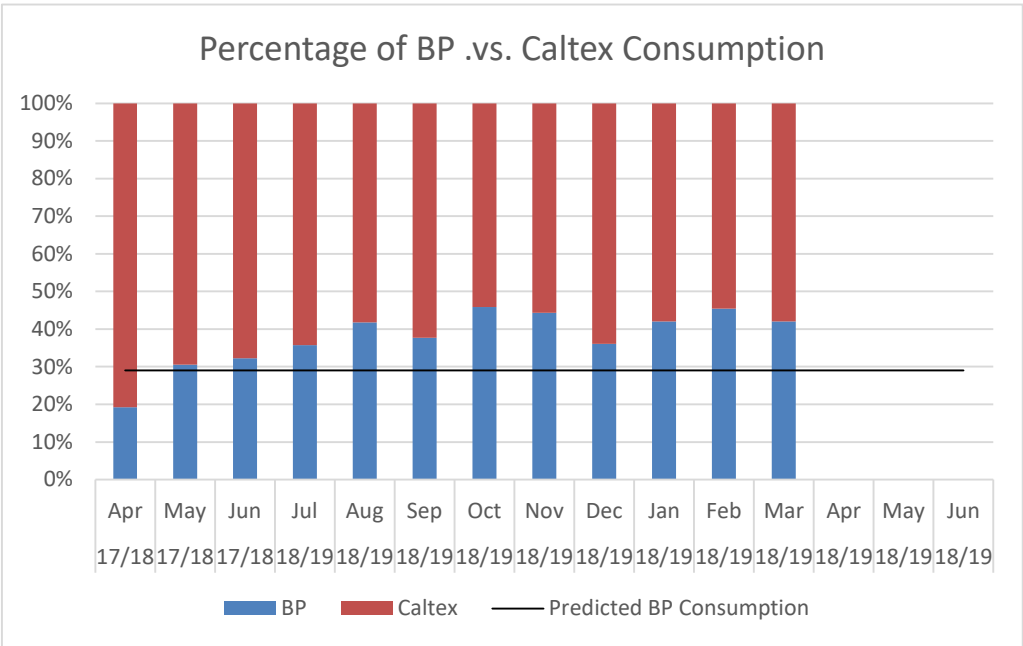
Graph 5: Savings



Based on historical data, 29% of fuel is purchased in Morrinsville. Therefore, consumption through BP should equate to at least 29%. Staff are encouraged to use BP whenever possible to take advantage of the higher discounts.

Graph 6 below shows the percentage of fuel purchased from BP compared to Caltex. As shown the percentage of fuel purchased from BP is consistently sitting above 29%. This quarter consumption of fuel from BP has been between 42%-45%, equating to an average monthly saving of \$2,061 each month.

Graph 6: Consumption distribution



2. WCLASS Professional Services Panel (PSP)

The Panel will support participating Councils' business units in carrying out their responsibilities for those assets and associated business activities.

The scope of the Professional Service Panel has been broken into the following Discipline Areas:

- Discipline 1: Building Services
- Discipline 2: Three waters
- Discipline 3: Flood Hazard Management
- Discipline 4: Urban Design
- Discipline 5: Planning
- Discipline 6: Support Services
- Discipline 7: Roading and Transportation
- Discipline 8: Parking

Evaluations have taken place negotiations will begin with successful consultants shortly, with the panel going live on the 1st of August.

Benefits the panel contract delivery model offers are:

- Robust contract documentation already in place with panel members;
- Pre-agreed discounted hourly rates from professional service providers that reflect the value of the total Council business;
- Quicker and more efficient engagement of Professional Services Providers than through public tender;
- The ability to competitively offer any work package within the Panel and gain bundled or Lump Sum offers if required;
- The ability for Professional Service Providers to work with Council to provide innovative solutions;
- Panel members build up significant knowledge of Council organizations to better understand the requirements for project delivery;
- Access to a wide range of intellectual property and knowledge held by Professional Service; and
- Assurance that Council staff are utilising the correct suppliers with limited risk.

Opportunities - AoG Contracts

There are 73 contracts available through AoG, Council is currently signed up to 7. Although not all contracts are applicable to Council, all relevant AoG contracts should be reviewed to determine if more can be utilised. This will ensure all opportunities have been considered and savings gained.

The following contracts have been identified for further review:

- Uniforms and apparel
- Commercial household goods and appliances
- Lubricants

The following are currently being assessed:

- Cleaning
- Air Travel
- Travel Management

Analysis

Options considered

There are no options to be considered in this report.

Analysis of preferred option

Not applicable

Legal and statutory requirements

The Office of the Auditor General provide the framework for good procurement practise by public entities.

Good practice principles, government policies, and rules.

Basic principles that govern all public spending.

- Accountability
- Openness
- Value for money
- Lawfulness
- Fairness
- Integrity

Impact on policy and bylaws

The Procurement Policy outlines Councils vision and commitment to procurement. Whilst also influencing risk and value management. All procurements are undertaken with the overarching guidance provided in the policy.

Consistency with the Long Term Plan / Annual Plan

Not applicable

Impact on Significance and Engagement Policy

This has no impact on the Significance and Engagement Policy.

Communication, consultation and decision making processes

Not applicable

Consent issues

There are no consent issues.

Timeframes

Quarterly reports are presented to E Team each quarter, alongside six monthly reports to the Audit and Risk Committee.

Contribution to Community Outcomes

Financial Impact

i. Cost

The financial cost involved with procurement is the staff time required. In some instances consultants are engaged for specialist procurement assistance.

ii. Funding Source

Procurement activities are funded within existing budgets.

Attachments

There are no attachments for this report.

Signatories

Author(s)	Amy Pollock Procurement Officer	
Approved by	Fiona Vessey Group Manager Service Delivery	
	Don McLeod Chief Executive Officer	

Annual Report 2018/19 - Audit NZ Interim Report review

Trim No.: 2143852

Executive Summary

The Local Government Act 2002 requires Council to prepare and adopt an annual report for each financial year. The annual report is required to be audited by independent auditors. The auditors appointed to audit Council by the Auditor-General are Audit New Zealand (Audit NZ).

During each financial year Audit NZ carries out an interim audit (completed in May/June 2019) prior to the final audit conducted in August/September. The purpose of this report is to advise the Audit and Risk Committee members of the findings of the interim audit and present the Draft Interim Management Report.

At the time of writing this report Audit NZ have not provided Council with the Draft Interim Management Report, this is due to the interim audit being scheduled later than usual this year. Staff will endeavour to circulate the report prior to the meeting - however if it is not available in time this item will need to be deferred.

Recommendation

That:

1. The report is received.
2. The Audit and Risk Committee considers providing feedback to Council regarding the Draft Interim Management Report for 2019.

Content

Background

Section 98 of the Local Government Act 2002 requires Council to prepare and adopt in respect of each financial year an annual report. The annual report contains information regarding the Council's financial and non-financial performance for that year against budgets and specified performance targets. The annual report is required to be audited by independent auditors. The auditors appointed to audit Council by the Auditor-General are Audit New Zealand (Audit NZ).

During each financial year Audit NZ carries out an interim audit (completed in May/June 2019) prior to the final audit conducted in August/September. The purpose of this report is to advise the Audit and Risk Committee members of the findings of the interim audit and present the Draft Interim Management Report. At the time of writing this report Audit NZ have not provided Council with the Draft Interim Management Report, this is due to the interim audit being scheduled later than usual this year. Staff will endeavour to circulate the report prior to the meeting - however if it is not available in time this item will need to be deferred.

Analysis

Options considered

The Committee has the opportunity to make recommendations to Council regarding the content of the Draft Interim Management Report.

Legal and statutory requirements

Section 98 of the Local Government Act 2002 requires Council to prepare and adopt an annual report each financial year.

Consistency with the Long Term Plan / Annual Plan

Funding is allocated in each Long Term Plan/Annual Plan to produce and audit the Annual Report.

Timeframes

Key audit dates for the Annual Report 2018/19 are as follows:

Annual Report	Date
Interim Audit	27 May – 7 June 2019
Interim Audit report approved by Council	11 June 2019
Draft Report and Summary to Corporate & Operations Committee	28 August 2019
Final Audit	26 August – 13 September 2019
Final Annual Report, Summary and Audit Report to Audit & Risk Committee for review	01 October 2019
Final Annual Report, Summary and Audit Report approved by Council	02 October 2019
Annual Report and Summary published in local newspapers. (Published on website, available in offices/libraries as soon as practicable following approval)	30 October 2019

Attachments

There are no attachments for this report.

Signatories

Author(s)	Rebecca Shaw Graduate Policy Planner	
	Niall Baker Senior Policy Planner	

Approved by	Michelle Staines-Hawthorne Corporate Strategy Manager	
	Don McLeod Chief Executive Officer	

Annual Plan Project Update

Trim No.: 2145564

Executive Summary

Council is required to prepare and adopt an Annual Plan (AP) under the Local Government Act 2002 (LGA) every year (except for the year a Long Term Plan (LTP) is required). This report is to provide the Committee with a project update on the AP process 2019/20. The AP is due to be adopted by Council at its meeting on 26 June 2019.

Recommendation

That:

1. The information be received.
2. The Audit and Risk Committee considers providing feedback to Council regarding the Annual Plan 2019/20.

Content

Background

Council is required to prepare and adopt an AP under the LGA. The AP sets out whether Council is on track with what it set out in the LTP regarding, activities, budgets, financial strategy and key financial policies of the Council. If Council's reality does not match what was set out in the LTP then consultation would be required. This year that was not the case and no consultation was required. The AP 2019/20 must be adopted by Council by 30 June 2019 for implementation from 1 July 2019.

The following table provides a high level overview of progress to date and upcoming milestones. The overall project is considered to be on track and is almost complete.

Are you satisfied that the proposed AP...		
does not include significant or material differences from the content of the LTP?	Yes	There are no significant or material differences from the LTP or the last AP. As part of the LTP 2018/19 we consulted the community on a number of projects. These projects are still planned to go ahead as per what was consulted on in 2018/19 with no other major projects changing timing or budget significantly. On 12 December 2018 at the Corporate and Operations Committee, the Committee confirmed that there were no significant or material changes from the LTP and confirmed that it would not conduct formal consultation on the AP 2019/20. Council also resolved to inform key stakeholders and the wider community that consultation on the AP would not be taking place but consultation on other documents will be, how this occurred is

Item 6.14

		detailed in the AP communications plan.
will be adopted before the commencement of the year to which it relates	Yes	It is planned to adopt the AP on 26 June 2019 in time before the commencement of the financial year to which it relates
provides for integrated decision making and co-ordination of resources	Yes	The AP had been workshopped once with Council prior to having the draft budgets approved, this provided opportunities for integrated decision making and a coordination of resources.
contributes to the accountability to the community	Yes	<p>Whilst not 'consulting' the community on the AP 2019/20 we will still 'inform' the community of what we are planning which is the same as we said last year and letting them know the impact on rates etc. See the AP communications plan for various ways we are informing our community and key stakeholders.</p> <p>The AP is an easy to read document which sets out our plan for the next year. Producing a two page newspaper spread which is easy to read for the whole community and visiting key stakeholder meetings contributes to being accountable to the community.</p>
contains appropriate references to the LTP whilst minimising duplication	Yes	In Part 3: What we do there are appropriate references to the LTP rather than duplicating them. Sections regarding our vision, growth and demand, community outcomes, significant effects, how we fund it, key legislation, policies and plans, projects, levels of service and performance measures refer the reader to the LTP rather than duplicating these. This has made the document much smaller and easier to read whilst still directing the reader where to find further information if desired
will be made publically available and copies sent to statutory requirements within the required timeframe	Yes	The AP will be made available on our website and at Council offices and libraries and sent to statutory requirements as soon as practicable after adoption and well within the one month timeframe.
is prepared in accordance with the principles and procedures that apply to the preparation of the financial statements and funding impact statement	Yes	Prepared on the same basis as the financial statements and FIS
contains the annual budget, forecast	Yes	Variations to the LTP has been explained on a

financial statements for the current and previous year identifies any variation from the LTP and is presented in a way that allows the public to compare the information		group of activity basis and on the forecast financial statements
includes a funding impact statement which identifies <ul style="list-style-type: none"> - the sources of funding - the amount of funds expected to be produced from each source - how the funds are to be applied 	Yes	FIS included in format as required by legislation
If the sources of funding include a general rate- include particulars of the valuation system on which the general rate is to be assessed <ul style="list-style-type: none"> - state whether a uniform annual general charge is to be included, how it is calculated and a definition of a separately used or inhabited part of a rating unit, if applicable - state whether the general rate is to be set differentially, and if so the categories of rateable land to be used, the objectives of the differential rate in terms of the total revenue sought from each category of rateable land or the relationship between the rates set on rateable land in each category 	Yes	The rates calculation in the FIS and the rates resolution have been independently reviewed for legislative compliance by Simpson Grierson.
If the sources of funding include a targeted rate - specify the activities or groups of activities for which the targeted rate is to be set <ul style="list-style-type: none"> - include particulars of the category, or categories, of rateable land to be used - for each category state how liability for the targeted rate is to be calculated - definition of a separately used or inhabited part of a rating unit, if applicable - if the targeted rate is set 	Yes	The rates calculation in the FIS and the rates resolution have been independently reviewed for legislative compliance by Simpson Grierson. Example properties can be found on pages 8-9 of the AP 2019/20.

<p>differentially, state the total revenue sought from each category of rateable land or the relationship between the rates set on rateable land in each category</p> <ul style="list-style-type: none"> - state whether lump sum contributions will be invited in respect of the targeted rate - If the sources of funding include a general or targeted rate, the funding impact statement must include examples of the impact of the rating proposals on the rates assessed on different categories of rateable land with a range of property values 		
<p>the projected number, total capital value and total land value of rating units within the district at the end of the preceding financial year</p>	Yes	<p>These can be found on page 7 of the AP 2019/20.</p>
<p>identify each reserve fund</p> <ul style="list-style-type: none"> - the purpose of the fund - the activities to which the fund relates - the amount expected to be in the fund at the commencement and end of the year - the amount expected to be deposited and withdrawn during that year 	Yes	<p>These can be found on page 25 of the AP 2019/20.</p>

Analysis

Legal and statutory requirements

Council is required to adopt an AP under the Local Government Act 2002.

Impact on policy and bylaws

As part of the preparation of the AP, the draft AP was checked against Council's LTP to ensure there was no material or substantial changes.

The AP was not being consulted on but Council did consult on the following documents:

- General Policies Reserve Management Plan,
- Dog Control Bylaw,
- Wastewater Bylaw,
- Land Transport Bylaw,
- Public Safety Bylaw,

- Legal Highs Policy,
- TAB Board Venue Policy,
- Gambling Venue Policy,
- Earthquake Prone, Dangerous and Unsanitary Building Policy, and
- Fees and Charges for 2019/20.

Impact on Significance and Engagement Policy

The AP did not materially diverge from what was written in the LTP, therefore consultation for the AP was not required, but the community was kept informed and provided the opportunity to read or review the draft AP at any point during consultation. Consultation was carried out for the documents mentioned above and during this period the community was reminded why the AP was not being consulted on.

Communication, consultation and decision making processes

The AP is subject to the special consultative process under the LGA if there are any material or significant changes to equivalent year in the LTP. The consultation process for the documents being consulted on is a structured one-month submission process with a hearing for those who have submitted and wish to speak to their submission. The consultative process has now been completed as has the hearing which was conducted on the 15 May 2019.

Timeframes

The AP must be adopted prior to 1 July 2019. The following timeline details the key dates for the remaining steps of the project:

Process	Start	Finish
Audit and Risk Committee update	11 June 2019	11 June 2019
Council adopt final AP and Rates struck for 2018/19	26 June 2019	26 June 2019
AP in force	1 July 2019	30 June 2020

Financial Impact

i. Cost

The total budget for the AP 2019/20 is \$24,000, approximately \$4,000 has been spent. The project is expected to be under budget as consultation was not undertaken.

ii. Funding Source

This is funded from existing budgets.

Attachments

There are no attachments for this report.

Signatories

Author(s)	Ellie Mackintosh Graduate Policy Planner	
	Niall Baker Senior Policy Planner	

Approved by	Michelle Staines-Hawthorne	
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	Corporate Strategy Manager	
	Don McLeod Chief Executive Officer	

Exclusion of the Public: Local Government Official Information and Meetings Act 1987

The following motion is submitted for consideration:

That the public be excluded from the following part(s) of the proceedings of this meeting.

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

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, as follows:

C1 Provincial Growth Fund projects

Reason for passing this resolution in relation to each matter	Particular interest(s) protected (where applicable)	Ground(s) under section 48(1) for the passing of this resolution
The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.	<p>s7(2)(b)(iii) - The withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information.</p> <p>.</p> <p>s7(2)(i) - The withholding of the information is necessary to enable the local authority to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).</p> <p>.</p>	<p>s48(1)(a)</p> <p>The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.</p>