



NAPIER
CITY COUNCIL
Te Kaunihera o Ahuriri

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AUDIT AND RISK COMMITTEE

Open Agenda

Meeting Date: Thursday 20 June 2019

Time: 1pm

Venue: Council Chamber
Hawke's Bay Regional Council
159 Dalton Street
Napier

Committee Members John Palairet (In the Chair), Acting Mayor Faye White, David Pearson, Councillor Claire Hague and Councillor Kirsten Wise

Officer Responsible Director Corporate Services

Administration Governance Team

Next Audit and Risk Committee Meeting
Thursday 5 September 2019

ORDER OF BUSINESS

Apologies

Mayor Dalton

Conflicts of interest

Public forum

Nil

Announcements by the Acting Mayor

Announcements by the Chairperson

Announcements by the management

Confirmation of minutes

That the Minutes of the Audit and Risk Committee meeting held on Thursday, 28 March 2019 be taken as a true and accurate record of the meeting.37

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AGENDA ITEMS

1. RISK MANAGEMENT REPORT JUNE 2019

<i>Type of Report:</i>	Information
<i>Legal Reference:</i>	N/A
<i>Document ID:</i>	759266
<i>Reporting Officer/s & Unit:</i>	Ross Franklin, Consultant

1.1 Purpose of Report

To provide the Audit and Risk Committee (Committee) with an update on progress with risk management work and to report on the highest paid risks.

Officer's Recommendation

The Audit and Risk Committee:

- Note the Risk Management work being undertaken by the Napier City Council Risk Committee
- Note the current Major Project risks
- Receive the Risk Report Dated 11 June 2019

Chairperson's Recommendation

That the Committee resolve that the officer's recommendation be adopted.

1.2 Background Summary

Napier City Council (NCC) has a programme of work to develop and mature its enterprise risk capability. A risk maturity roadmap has been developed to guide this work.

The Committee supports this work by acting in a monitoring and advisory role. This report provides an update to the Committee on progress against the roadmap and reports the highest rated risks to ensure they are being actively managed.

NCC has a Risk Management Framework document together with a Risk Management Strategy. These documents set out the NCC risk appetite and the risk management roles, responsibilities and reporting requirements.

NCC risks are recorded in a risk management software solution known as "Sycle". Each risk is assigned a risk owner and the risk is rated based on an assessment against the NCC risk matrix and based on the level of residual risk once any control measures and actions (or work programmes) designed to prevent or mitigate the risk have been identified and implemented.

NCC has an internal Risk Committee made up of officers from different areas of the organisation. The role of the risk committee is to coordinate the risk management process; monitor the risk profile, risk appetite and effectiveness of controls; monitor &

review high and extreme risks and report extreme and high risks to Council's senior leadership team. The committee is chaired by the Manager Business Excellence & Transformation.

The Risk Management Strategy requires high and extreme risks to be reported to the Audit & Risk Committee. Recognising the level or NCC risk maturity all high\extreme strategic risks and extreme operational risks are reported to each Audit & Risk Committee meeting.

1.3 Issues

Since our last report to the Committee progress has continued to be made in the following areas:

- Further development of the Sytle Projects module
- Continuation of a Business Continuity Management programme of work
- Review risk processes, systems and of the risk register

Sycle Projects Module

As reported to the last meeting work continues to progress on the implementation of the projects module in Sytle.

Business Continuity Management

Work continues on Business Continuity Management (BCM) at NCC. A draft BCM policy and the draft Business Impact Analysis were presented to the committee at the March meeting. The next stage is to identify the BCM risks for each site, based on the business impact analysis and capture any key risk into the Corporate Risk Management framework

The BCM framework responds to the strategic risk SR5 – 'Event causing disruption or destruction of critical business functions and/or production and delivery of council services'.

Risk Management at NCC

With the appointment of the Manager of Business Excellence & Transformation to another role within the organisation we have not been able to progress the update to the policy and framework further at this stage. A position description is currently being prepared for new dedicated risk management role to be added early in the new financial year. With this appointment there will be a significant uplift in the organisation's capability and focus on risk management.

1.4 Significance and Engagement

There are no external consultation requirements for this report.

1.5 Implications

Risk

There are currently 5 strategic and 169 operational risks in the risk register. (Project risks have been excluded from reporting). Ten risks have been removed from the registers and two have been added since the last meeting of the Committee.

There are five risks to report to the Committee as the highest rated risks; one is an operational risk rated Extreme (OR164) and four are strategic risks rated High (SR2, SR3, SR5 and SR6).

These risks are reported in the attached spreadsheet. (Attachment A).

All five risks have treatment actions to further manage the causes or consequences of each risk.

Extreme Risks

The Extreme risk in the operational risk register is:

- OR164 Bluff Hill – fall from cliff top

These risks were previously reported to you on 28 March.

The previous risk relating to the Pandora Pond facility (OR 155) has been removed from the register as the water play facility will not be reinstated at Pandora Pond.

The project to replace the fence around the cliff top on Bluff Hill is underway and the fence is expected to be complete by the end of June.

High Risks

The four high risks in the strategic register are:

- SR2 Removal of three waters delivery and management
- SR3 Increased number and/or severity of major/natural disaster events
- SR5 Event causing disruption or destruction of critical business functions and/or production and delivery of council services.
- SR 6 Risk management practices

These risks were previously reported to you on 28 March and they have not changed.

The risks are outside the control of NCC. The risks treatments listed against these risks are ongoing.

1.6 Options

N/A

1.7 Development of Preferred Option

N/A

1.8 Attachments

A Schedule of Extreme and High Risks as at 11 June 2019 [↓](#)

Napier City Council Risk Register

11-Jun-19

Risk Code	Risk Issue	Causes	Treatment Actions	Primary Category / Sub Category	Inherent			Revised			
		Inherent			Consequence	Likelihood	Risk Rating	Consequence	Effectiveness of Controls	Likelihood	Risk Rating
OR164	Bluff Hill - fall from cliff top	Easy access to cliff top	- Construct a more suitable fence to significantly deter people crossing fence and accessing the clifftop.	Health and Safety	Severe	Possible	Extreme	Severe	Partially Effective	Unlikely	Extreme
SR5	Event causing disruption or destruction of critical business functions and/or production and delivery of council services.	Natural disaster or event, malicious attack, critical failure of assets, infrastructure, or systems	- Business Continuity Framework developed for NCC - Each Directorate must develop business continuity plans for its operations. - Information Services have a disaster recovery plan	Service Delivery	Severe	Possible	Extreme	Major	Partially Effective	Possible	High
SR6	Incomplete risk management processes fail to manage risk related to Infrastructure Services	Risk delegates lack competence. Operational tempo. Process gaps around asset knowledge, assurance, and follow up. Processes not being fully implemented.	- Develop and deploy and tune network models for infrastructure networks - Improve asset condition and performance data through deployment of maintenance management transformation programme. - Risk management and control training to be deployed to directorate risk owners. - Set up risk reviews as standing agenda item in 1:1 meetings with reports.	Service Delivery	Major	Likely	Extreme	Major	Partially Effective	Possible	High
SR3	Increased number and/or severity of major/natural disaster events	Earthquake. Tsunami. Volcanic ash. Flooding. Epidemic or pandemic.	- Evaluate Council's insurance cover - Review and test Business Continuity Plans and procedures	Service Delivery	Severe	Rare	High	Severe	Partially Effective	Rare	High
SR2	Removal of 3 waters delivery and management	Central government water enquiry. Repeated non-compliance with water quality standards. Public health issues. Public outcry.	- Guide change with the objective of delivering a regional solution - Improving 3 waters asset management practices - Improving 3 waters operations - Planning for additional resources - Submission to the Water Enquiry	Service Delivery	Moderate	Possible	High	Moderate	Partially Effective	Likely	High

2. HEALTH AND SAFETY REPORT

<i>Type of Report:</i>	Information
<i>Legal Reference:</i>	N/A
<i>Document ID:</i>	758627
<i>Reporting Officer/s & Unit:</i>	Sue Matkin, Manager People & Capability

2.1 Purpose of Report

The purpose of the report is to provide the Audit and Risk Committee with an overview of the health and safety performance as at 31 May 2019.

Officer's Recommendation

The Audit and Risk Committee:

- a. Receive the Health and Safety report as at 31 May 2019.

Chairperson's Recommendation

That the Committee resolve that the officer's recommendation be adopted.

2.2 Background Summary

The Health and Safety report as at 31 May 2019 is shown at **Attachment A**.

2.3 Attachments

- A Health and Safety report as at 31 May 2019 [↓](#)

INFORMATION PAPER

TO:	NCC Staff
REPORT DATE:	1 June 2019
PREPARED BY:	Michelle Warren
SUBJECT:	HEALTH & SAFETY STATISTICS
AGENDA ITEM	MAY H&S REPORTING

PURPOSE

The purpose of this report is to provide all NCC Staff, Council and Risk & Audit with an overview of the health and safety performance as at **31st May 2019**.

SUMMARY – KEY PERFORMANCE INDICATORS

May LTIs = 1

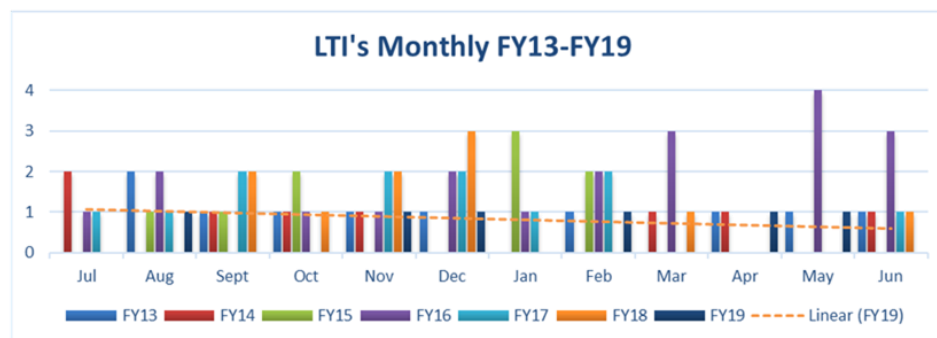
Reported Incidents (Total Company)	Mar 2018	Mar 2019	Apr 2018	Apr 2019	May 2018	May 2019	YTD 2018	YTD 2019	Targets FY19
Lost time injuries (LTIs):	1	0	0	1	0	1	9	6	<=10
Medically treated injuries (MTIs):	1	1	0	2	0	1	20	20	<=40
Total recordable injuries (MTIs + LTIs):	2	1	0	3	0	2	29	26	<=50
Near miss/hit & property damage reporting	19	8	7	5	17	14	150	100	>=180
Incidents involving Public using our facilities	12	13	15	17	7	15	219	120	<=200
Significant Incidents or Accidents involving Contractors	1	0	0	1	0	0	7	5	<=10

LTIs and MTIs YTD as at 31 May 2019 (Comparison between FY18 and FY19)

- 33.3% decrease in LTIs
- No change % to MTIs
- 10.3% decrease in TRIs

25 days since last LTI

	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
FY13	0	2	1	1	1	1	0	1	0	1	1	1	10
FY14	2	0	1	1	1	0	0	0	1	1	0	1	8
FY15	0	1	1	2	0	0	3	2	0	0	0	0	9
FY16	1	2	0	1	1	2	1	2	3	0	4	3	20
FY17	1	1	2	0	2	2	1	2	0	0	0	1	12
FY18	0	0	2	1	2	3	0	0	1	0	0	1	10
FY19	0	1	0	0	1	1	0	1	0	1	1		6



HEALTH AND SAFETY PERFORMANCE LEAD INDICATORS AS AT MAY 2019

Lead Indicators	Detail	Mar 19	Apr 19	May 19	YTD 19	Full Year Target FY19
Body discomfort reporting (1 in 5 people)	An early intervention programme to resolve the cause of the discomfort in the workplace and/or medical treatment before developing into chronic pain and an injury. Online e-learning videos are part of the programme. Resolutions:	2	2	6	35	=<50
Work Station Assessments (10 / 10)	New employees receive workstation assessments and e-learning videos. Re assessments completed as required or where new areas or equipment set up. <ul style="list-style-type: none"> New Employees Existing Employees in different BU/Area/New desks or chairs 	2	4	7	56	100%
Near miss incident reporting	Incidents without an injury reported. 510/12 months = 42pm	8	5	14	100	180
Incident investigations	All LTIs and MTIs investigations commenced within seven days of the event. <ul style="list-style-type: none"> Depot – City Cleaning 	0	1	1	8	100%
Health and Safety Meetings	Health and safety meetings at each workplace. <ul style="list-style-type: none"> Civic Committee Community Services City Services 	4	3	3	35	30
Internal Health and Safety Audits (1 per week)	Health and safety audit of health and safety management system at nominated workplaces. <ul style="list-style-type: none"> Gardens & nursery Sportsgrounds Drainage – Asbestos Removal 	4	1	3	32	52
Contractor Health & Safety Audits and/or Safety Observations	Contractor Audits / Safety Observations <ul style="list-style-type: none"> Boulevard Services Extravaganza Fair Latleys Demo 1 – Asbestos Removal Higgins 2x 	0	2	6	28	26
Planned visible leadership - workplace health & safety observation & conversation	Workplace health and safety observations, including a conversation with staff during a workplace visit by a core management team member. Walk around chats HS safety observation 1 per quarter Attend HS mtgs e.g. toolbox 3 per year	43	25	33	283	240
Planned visible leadership – participating in a health and safety meeting	SLT team member participating in a workplace or work group health and safety meeting at the workplace or joining a conference call.	19	11	25	208	250
Inductions	New Staff inducted to Napier City Council or staff who have moved business unit and re-inducted	11	11	8	104	100%
Safety Alerts	Safety alerts published to educate and prevent the same or similar injury occurring again. <ul style="list-style-type: none"> N/A 	0	0	0	1	10

HEALTH AND SAFETY PERFORMANCE LAG INDICATORS AS AT MAY 2019

Lag Indicators	Detail	Mar 19	Apr 19	May 19	YTD 19	Full Year Target FY19
Number of Total Recordable Injuries	Injuries requiring treatment by a professional health provider e.g. Doctor Injuries includes MTIs and LTIs	1	3	2	25	<=50
Lost Time Injuries	Total incapacity – unable to work any hours. • City Cleaning	0	1	1	6	<=10
Medically Treated Injuries	Capacity to work normal duties or restricted duties. • City Cleaning	1	2	1	19	<=40
Days Since Last LTI	Total number of days since the last lost time injury for employees.	44	3	25	25	>=200
ACC Work Injury Entitlement Claims	Entitlement claims are where the injured worker is off work for more than 7 calendar days on weekly compensation. • N/A	0	0	0	3	90%

HEALTH AND SAFETY OTHER REPORTING

Other	Detail	Mar 19	Apr 19	May 19	Result YTD 18/19
Significant incident	An event in a different circumstance may result in serious harm. • N/A	0	1	0	0
Significant Issues or Incidents Involving Contractors	An event involving a Contractors causing significant concern. • N/A	0	1	0	4
HSWA, Regulations, WorkSafe Updates and/or notifications	Any updates communicated to management. • N/A	0	0	0	0
Return To Work in Progress	Employees who are on a return to work programme. • City Cleaning – Since April 2018 • Parking • I-Site	0	0	3	3

Training	No Staff
First Aid	1
EWP	2
Breath Apparatus	11
STMS	2
Total trainings for May	16

3. EXTERNAL ACCOUNTABILITY - INVESTMENT AND DEBT REPORT

<i>Type of Report:</i>	Operational
<i>Legal Reference:</i>	N/A
<i>Document ID:</i>	758624
<i>Reporting Officer/s & Unit:</i>	Caroline Thomson, Chief Financial Officer

3.1 Purpose of Report

To consider the snapshot report on Napier City Council's Investment and Debt as at 31 May 2019.

Officer's Recommendation

The Audit and Risk Committee:

- a. Receive the snapshot report on Napier City Council's Investment and Debt as at 31 May 2019.

Chairperson's Recommendation

That the Committee resolve that the officer's recommendation be adopted.

3.2 Background Summary

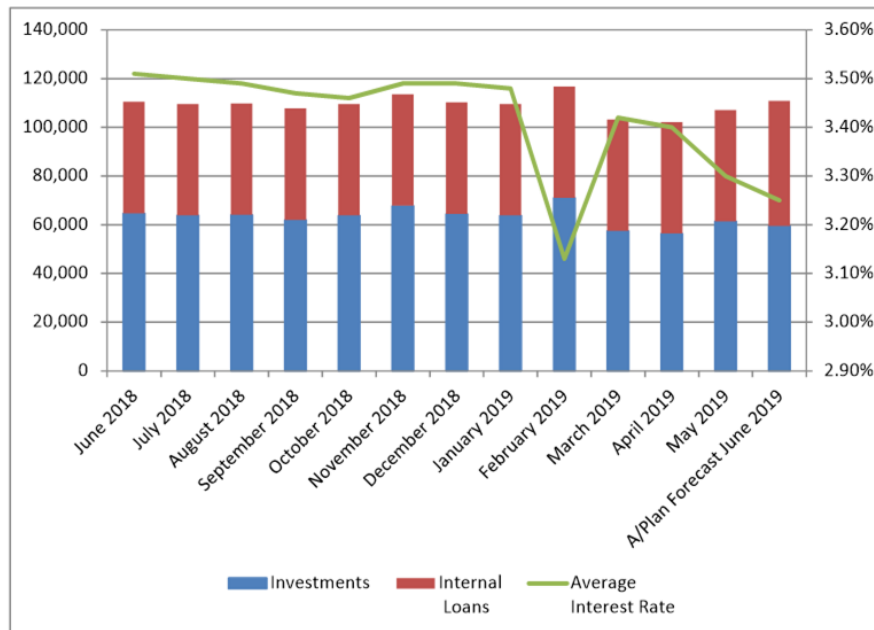
The snapshot report on Napier City Council's Investment and Debt as at 31 May 2019 is shown at **Attachment A**.

3.3 Attachments

- A Investment and debt report to 31 May 2019 [↓](#)

Treasury Graphs for 11-Month Period 1 July 2018 to 31 May 2019

Month	Investments	Internal Loans	Average Interest Rate
June 2018	64,672	45,735	3.51%
July 2018	63,825	45,735	3.50%
August 2018	64,011	45,735	3.49%
September 2018	61,952	45,735	3.47%
October 2018	63,792	45,735	3.46%
November 2018	67,760	45,735	3.49%
December 2018	64,473	45,735	3.49%
January 2019	63,694	45,735	3.48%
February 2019	71,038	45,735	3.13%
March 2019	57,485	45,736	3.42%
April 2019	56,339	45,735	3.40%
May 2019	61,395	45,735	3.30%
A/Plan Forecast June 2019	59,400	51,415	3.25%
AVERAGE	63,064	46,172	3.45%



Note: The weighted average interest rate for February 2019 reduced due to a large term deposit invested on 20 February 2019 for 26 days at an interest rate of 1.80%.

4. INTERNAL AUDIT - SENSITIVE EXPENDITURE MONITORING

<i>Type of Report:</i>	Operational
<i>Legal Reference:</i>	Local Government Act 2002
<i>Document ID:</i>	760266
<i>Reporting Officer/s & Unit:</i>	Caroline Thomson, Chief Financial Officer

4.1 Purpose of Report

To table to the Committee the internal audit on sensitive expenditure monitoring undertaken by Council's internal auditors, Crowe Horwath.

Officer's Recommendation

The Audit and Risk Committee:

- a. Receive the report from Crowe Horwath titled 'Sensitive Expenditure Monitoring'.

Chairperson's Recommendation

That the Committee resolve that the officer's recommendation be adopted.

4.2 Background Summary

Napier City Council is a significant employer serving the Napier Community. Council has a responsibility to ensure that:

- It maintains good and effective governance: this includes financial responsibility, compliance and a good employer.
- It identifies and mitigates risks to both Council and staff. This necessarily extends to the health and safety of all staff.
- Appropriate policies, procedures, practices and controls are in place and complied with.
- Legislation and contractual arrangements are complied with.

Council continues to monitor and review its compliance through its Internal Audit programme.

4.3 Issues

The objective of the sensitive expenditure review was to assess the volume of sensitive expenditure by the Council in the current financial year to date and to identify the general principles followed with regard to its incurrence and approval and general level of compliance with relevant policies.

Key areas of focus were:

- Donations
- Sponsorship of staff or others
- Travel & Accommodation

- Entertainment and hospitality
- Conducting business overseas
- Training
- Private use of Council's suppliers
- Clothing and grooming
- Farewells and retirement

The review did not identify any expenditure inconsistent with policy, approvals were appropriate, purpose was identifiable and supporting documentation was adequate.

The testing methodology and summary of results is contained in the report attached.

4.4 Significance and Engagement

N/A

4.5 Implications

Financial

N/A

Social & Policy

N/A

Risk

The review did not identify any expenditure inconsistent with policy, approvals were appropriate, purpose was identifiable and supporting documentation was adequate

4.6 Attachments

A Crowe Horwath - Sensitive Expenditure Monitoring Report [↓](#)



Napier City Council

Internal Audit – Sensitive Expenditure Monitoring
For the period July 2018 to March 2019

Audit Report
May 2019

Confidential

Prepared for: Caroline Thompson, Chief Financial Officer

Prepared by: Phil Sinclair, Senior Partner – Audit & Assurance
Martyn Solomon, Associate Partner – Audit & Assurance

Audit | Tax | Advisory | Financial Advice



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1. Executive Summary

1.1 Objective and scope

A full audit of the Council's sensitive expenditure policies and procedures was undertaken during 2018.

The objective of this audit was to assess the volume of sensitive expenditure by the Council in the current financial year to date and to identify the general principles followed with regards to its incurrence and approval and general level of compliance with relevant policies.

In addition, a sample of 30 potentially sensitive expenditure transactions was reviewed for reasonableness and compliance.

Council staff provided us with an expenditure file containing transactions for the period from July 2018 to March 2019 and we performed word searches (refer to the methodology per Appendix 1) to identify potentially sensitive expenditure for review within the following categories:

- Donations
- Sponsorship of staff or others
- Travel & Accommodation
- Entertainment and hospitality
- Conducting business overseas
- Training
- Private use of Council's suppliers
- Clothing and grooming
- Farewells and retirement

The review was conducted primarily by testing on a sample basis.

2.1 Audit conclusion

Our testing on a sample basis did not identify any expenditures that appeared inconsistent with the Sensitive Expenditure Policy.

In general, we observed from our sample:

- Approvals for expenditure were appropriate (expenditure approved by someone other than the person benefiting, consistent with financial delegations, the Sensitive Expenditure Policy and on a "one-up" basis);
- The business purpose of the expenditure was readily identifiable from the transaction descriptions and supporting documentation supplied; and
- Supporting documentation was adequate.

The High-Level Summary of Test Results and Methodology in Appendix 1 provides an overview of our testing methodology and a summary of the results. The Visual Analysis in Appendix 2 shows the highest transaction values identified in each category of expenditure. Ensure the transactions highlighted are consistent with expectations.

3.1 Basis and Use of this Report

This report has been prepared in accordance with the scoping document dated 19 March 2019 and subject to the limitations set out in Appendix 3 - Basis and Use of the Report.

The relationship you can count on

3

5. INTERNAL AUDIT - PROPOSED PROGRAMME FOR 2019/20

<i>Type of Report:</i>	Operational
<i>Legal Reference:</i>	N/A
<i>Document ID:</i>	760952
<i>Reporting Officer/s & Unit:</i>	Caroline Thomson, Chief Financial Officer

5.1 Purpose of Report

To table to the Committee the internal audit programme for 2019/20 from Crowe Horwath. Recommendations, feedback and any other review priorities the Committee deems relevant, is sought

Officer's Recommendation

The Audit and Risk Committee:

- a. Resolve that the internal audit programme for 2019/20 from Crowe Horwath is received and approved

Chairperson's Recommendation

That the Committee resolve that the officer's recommendation be adopted.

5.2 Background Summary

In June 2017 Council engaged Crowe Horwath for the provision of internal audit services for an initial contract term of three years. The following table sets out the internal audit programme for the remainder of 2018/19 and the 2019/20 financial year.

Audit project	2018/19 plan	2019/20 plan
Sensitive Expenditure	Apr-19	
Fraud Gap Analysis	May-19	
Grants	Jun-19	
Follow up activities		Sep-19
Contract Management		Nov-19
Payroll procedures & practices		Feb-20
Business Continuity & Disaster Recovery Planning		Apr-20

5.3 Issues

The internal audit of Sensitive Expenditure has been completed and is the subject of a separate report. The internal audit of grants and the fraud gap analysis are currently underway (internal audit planning memorandum documents attached). The findings and recommendations will be reported to the Committee at its next meeting.

5.4 Significance and Engagement

N/A

5.5 Implications

Financial

N/A

Social & Policy

N/A

Risk

N/A

5.6 Attachments

- A Fraud Gap Analysis - planning memorandum [↓](#)
- B Grants Management - planning memorandum [↓](#)



Napier City Council

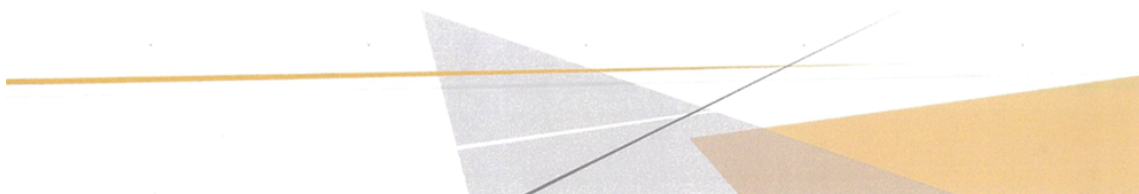
Internal Audit – Fraud Gap Analysis Planning Memorandum

26 March 2019

Confidential

Prepared for: Caroline Thomson, Chief Financial Officer

Prepared by: Phil Sinclair, Senior Partner – Audit & Assurance
Martyn Solomon, Associate Partner – Audit & Assurance





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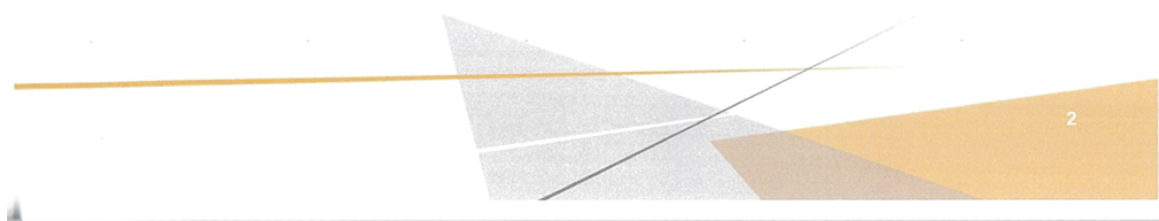
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1 Introduction

Fraudulent, unethical and illegal behaviour are a part of the modern business environment. Such behaviour exposes organisations to significant financial loss. There is also potential collateral damage from tarnished reputations, eroded staff morale, impaired customer and supplier relationships, and the non-productive expenditure of management energy and time.

Clearly, it is best for organisations to prevent fraud and other unacceptable behaviours if at all possible. If properly applied, preventative measures can be highly effective.

Fraud risk management covers a range of proactive and reactive measures to manage fraud risks inherent in business. Current leading practice in fraud risk management involves the use of strategies which prevent, detect and respond to the risk of fraud. By taking proactive steps and developing effective programs, organisations can reduce the risk of fraud and misconduct from occurring.

2 Approach

The Fraud Risk Gap Analysis assesses the effectiveness of the existing fraud and corruption risk management strategies, in terms of prevention, detection and investigation of fraud, and aims to provide a clear action plan on how to deal with identified performance gaps.

The analysis assesses the Council's performance against 15 key attributes of a better practice fraud control programme drawn from the following guidance:

- AS 8001-2008 Fraud and Corruption Control¹;
- AS 8002-2003 Organisational Codes of Conduct¹ and;
- AS 8004-2003 Whistleblower Protection Programs for Entities¹; and
- Our own experience in this area

We note that it would be exceptional for all attributes to operating at a best practice level prior to a review being undertaken. The 15 key attributes can be placed under 4 general headings and are the following:

Heading	Attribute
Strategy	<ul style="list-style-type: none"> ▪ Fraud control strategy ▪ Senior management commitment - 'tone at the top' ▪ Responsibility structures
Prevention	<ul style="list-style-type: none"> ▪ Ethical frameworks ▪ Fraud risk assessment ▪ Fraud awareness ▪ Internal controls ▪ Pre-employment screening ▪ Third party due diligence
Detection	<ul style="list-style-type: none"> ▪ Fraud detection programme ▪ Line manager responsibility ▪ Internal audit
Response	<ul style="list-style-type: none"> ▪ Fraud reporting systems ▪ Investigations ▪ Insurance

¹ Issued by Standards Australia



3 Deliverable

We will provide a report detailing specific recommendations where practical actions can be taken to move toward better practice in each of the 15 attributes listed.

4 Estimated hours

We estimate that 70 hours will be required to complete this assignment.

5 Acknowledgement and Acceptance

The details of the above scoping document have been read and understood and I am authorised to accept them for and on behalf of the Napier City Council.

Signed: 

Name: Caroline Thomson

Position: CFO

Date: 29/4/19

PO No: 62501

Caroline Thomson
Chief Financial Officer
Napier City Council



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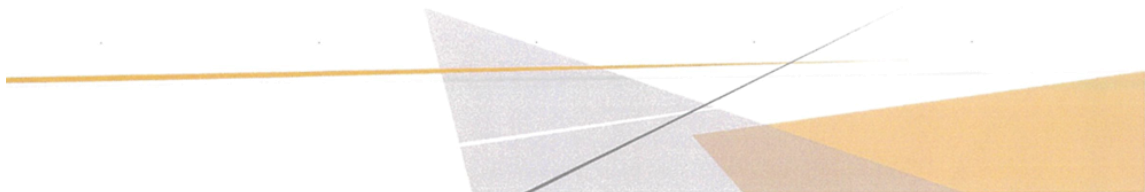
Internal Audit – Grants Management Audit Planning Memorandum

26 March 2019

Confidential

Prepared for: Caroline Thomson, Chief Financial Officer

Prepared by: Phil Sinclair, Senior Partner – Audit & Assurance
Martyn Solomon, Associate Partner – Audit & Assurance





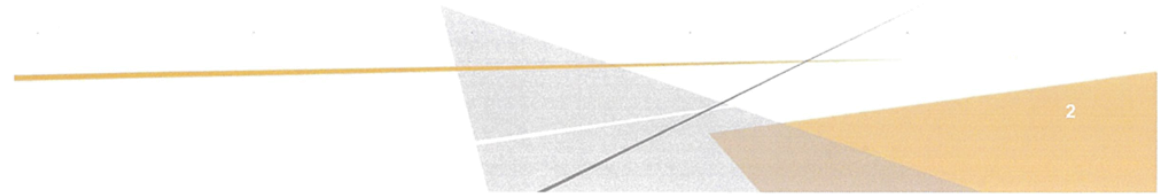
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1 Objectives and Scope

The Napier City Council (NCC) provides various types of community grants to help community-based organisations provide programmes and activities in Napier.

Community groups can apply to the Napier City Council for a Community Services Funding or a Creative Communities Grant. These grants are contestable and depend on the criteria, priority of the respective grant and the grants money available for allocation.

The scope of the audit will incorporate the following steps:

- A benchmark of the Council's policies and procedures with regard to contract tendering, selection and management of member's interests against the following good practice guidelines:
 - The OAG's good practice guide: *Public sector purchases, grants, and gifts: Managing funding arrangements with external parties*
 - The OAG's good practice guide: *Principles to underpin management by public entities of funding to non-government organisations.*
 - Our own experience with local government and other public sector entities

Key expectations at the various stages of the grants process are listed below and these will be tested by a review of policies and procedures and sample testing of a representative sample of grants.

- Planning Stage:
 - Clear policies are in place identifying the purpose and criteria of grants that the Council will fund.
 - Policies and procedures are in place to ensure that public information on the availability of funds and process for applying are appropriately made available.
 - The purpose of grants aligns with the NCC's objectives.
- Selection stage
 - Policies and procedures are in place to ensure that applications are considered following a consistent and transparent process.
 - Policies and procedures are in place to ensure that conflicts of interest are identified, declared and appropriately managed.
 - An analysis of the benefits of the grant is undertaken in relation to the grant amount sought.
 - Formal levels of approval for the awarding of grants are in place and are adhered to.
 - Appropriate conditions are formalised to ensure appropriate use of grants, accountability for the use of grants and the extent and type of monitoring.
 - Clear documentation exists of terms of the grant and what is being funded and consequences if conditions of the grant are not met.



- Monitoring Stage:
 - Regular reporting, monitoring or other checks are undertaken to ensure compliance with the conditions of the grant and to assess whether further funds should be released.
 - Procedures are in place enforcing penalties where conditions are not met.
- Review Stage:
 - Full reporting of results achieved by the grant against the intended objectives exist.
 - Actions are taken where requirements of the grant have not been met.
 - Information on the achievement of grant objectives is retained to assist with future funding decisions.
 - Records are maintained to give an overall assessment of public benefits delivered by grants.

2 Deliverable

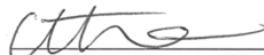
We will provide you with a detailed report of our findings and recommendations we consider appropriate to mitigate any risks identified.

3 Estimated hours

We estimate that 80 hours will be required to complete this assignment.

4 Acknowledgement and Acceptance

The details of the above scoping document have been read and understood and I am authorised to accept them for and on behalf of the Napier City Council.

Signed: 

Name: _____

Position: _____

Date: 20/4/19

PO No: 62501

Caroline Thomson
Chief Financial Officer
Napier City Council



Contact Us

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6. LEGISLATIVE COMPLIANCE - UPDATE REPORT

<i>Type of Report:</i>	Operational
<i>Legal Reference:</i>	Local Government Act 2002
<i>Document ID:</i>	760953
<i>Reporting Officer/s & Unit:</i>	Caroline Thomson, Chief Financial Officer

6.1 Purpose of Report

To update the Committee on a number of legislative compliance reviews taking place.

Officer's Recommendation

The Audit and Risk Committee:

- a. Note the Legislative reviews being undertaken including the Rating review

Chairperson's Recommendation

That the Committee resolve that the officer's recommendation be adopted.

6.2 Background Summary

Council is currently undertaking a full review of its funding policy through a series of Council seminars.

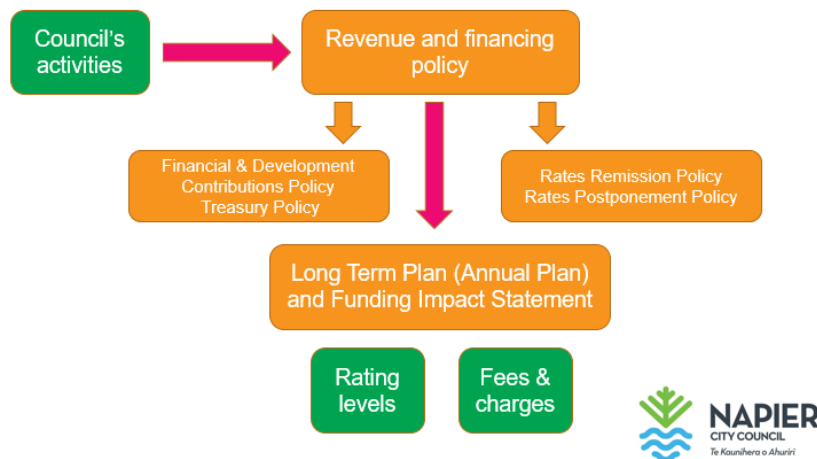
The funding review process is split into two parts. Step one allows the incumbent Council to utilise its knowledge and understanding of the Local Government Act and process to form a view of how the operational and capital costs for each Council activity should be funded under Section 101 of the Local Government Act (2002). Step one involves considering for each activity:

- the community outcomes to which the activity primarily relates to
- who benefits
- period of benefit
- whose act creates a need (exacerbator)
- separate funding
- funding sources
- rationale

At the conclusion of step one a report will go to Council in September to formally approve the funding approach for each activity.

This will form the basis for the new Council (after the elections on 12 October) to complete step two which involves assessing the overall allocation of liability for revenue needs on the community.

The following chart shows the elements that make up the funding review process:



Reviews of the following Council policies are also underway as part of the full funding review:

- Revenue and Financing Policy
- Financial and Development Contributions Policy
- Rates Remission policy
- Rates Postponement Policy

6.3 Issues

No Issues

6.4 Significance and Engagement

There will be policy changes as a result of the above reviews. These will be consulted on as part of the next Annual Plan process once the work has been completed and approved by Council.

6.5 Implications

Financial

There may be changes to the way the activities are funded. Any changes to existing policies will be consulted with the community as part of the Annual Plan/Long Term Plan process.

Social & Policy

The current reviews will impact the following policies:

- Revenue and Financing Policy
- Financial and Development Contributions Policy
- Rates Remission policy
- Rates Postponement Policy

Risk

N/A

6.6 Attachments

Nil

PUBLIC EXCLUDED ITEMS

That the public be excluded from the following parts of the proceedings of this meeting, namely:

AGENDA ITEMS

1. Judicial Review

The general subject of each matter to be considered while the public was excluded, the reasons 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 were as follows:

General subject of each matter to be considered.	Reason for passing this resolution in relation to each matter.	Ground(s) under section 48(1) to the passing of this resolution.
1. Judicial Review	<p>7(2)(f)(ii) Maintain the effective conduct of public affairs through the protection of such members, officers, employees and persons from improper pressure or harassment</p> <p>7(2)(j) Prevent the disclosure or use of official information for improper gain or improper advantage</p>	<p>48(1)A That the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist:</p> <p>(i) Where the local authority is named or specified in Schedule 1 of this Act, under Section 6 or 7 (except 7(2)(f)(i)) of the Local Government Official Information and Meetings Act 1987.</p>

AUDIT AND RISK COMMITTEE

Open Minutes

Meeting Date:	Thursday 28 March 2019
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Time:	1pm-1.40pm
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Venue	Council Chamber Hawke's Bay Regional Council 159 Dalton Street Napier
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Present	John Palairet (In the Chair), Mayor Bill Dalton, David Pearson, Councillor Claire Hague and Councillor Kirsten Wise
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In Attendance	Chief Financial Officer, Director Infrastructure Services, Director City Services, Manager People and Capability, Manager Property, Ross Franklin – Consultant, Manager Communications and Marketing
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John Schellekens – Price Waterhouse Cooper

Administration	Governance Team
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Apologies

Nil

Conflicts of interest

Nil

Public forum

Nil

Announcements by the Mayor

Nil

Announcements by the Chairperson

The Chair welcomed David Pearson to his first meeting as a new member of the Audit and Risk Committee.

Announcements by the management

Nil

Confirmation of minutes

Councillor Hague / Mayor Dalton

That the Minutes of the meeting held on 6 December 2018 were taken as a true and accurate record of the meeting.

Carried

AGENDA ITEMS

1. ANNUAL PLAN 2019/20 UNDERLYING DOCUMENTS

Type of Report:	Operational
Legal Reference:	Local Government Act 2002
Document ID:	715731
Reporting Officer/s & Unit:	Adele Henderson, Director Corporate Services Caroline Thomson, Chief Financial Officer

1.1 Purpose of Report

That the Committee review and provide feedback to Council on the Annual Plan 2019/20 underlying documents prior to the final adoption of the reports.

At the Meeting

The Chief Financial Officer spoke to the latest version of the Draft Annual Plan and Consultation Document (*tabled at the meeting*), and highlighted the following points:

- On 15 March 2019, Council were advised that there would be an average rates increase of 5.9% for 2019/20. Since that meeting information has been received indicating that kerbside recycling costs would increase further bringing the average rates increase to 6.4%.
- It is proposed to spread the increased costs of recycling across a three year period to smooth the rating impact.
- Council has received expert advice that recycling is likely to cost \$72-\$95 per ratepayer, and officers have budgeted on the higher figure of \$95 per ratepayer.

In response to questions it was clarified that the updates and amendments to the underlying documents are simply tidying up policies, which will be fully reviewed in the 2019/20 year ahead of the Long Term Plan.

It was noted that any feedback from the Committee would be required over the next few days, and prior to the documents being taken to Council on 2 April 2019.

Committee's recommendation

David Pearson / Councillor Wise

That Council:

- a. Receive the Annual Plan 2019/20 underlying documents:
 - Draft Annual Plan
 - Revenue and Financing Policy
 - Rates Remission Policy
- b. Recommend to Council for information to be approved for consultation

Carried

2. RISK MANAGEMENT REPORT MARCH 2019

<i>Type of Report:</i>	Information
<i>Legal Reference:</i>	N/A
<i>Document ID:</i>	715748
<i>Reporting Officer/s & Unit:</i>	Adele Henderson, Director Corporate Services

2.1 Purpose of Report

To provide the Audit and Risk Committee (Committee) with an update on progress with risk management work and to report on the highest rated risks.

At the Meeting

Ross Franklin spoke to the report noting that there have been no significant changes. It was noted that work within the register has been limited due to current workloads and the Manager Business Excellence and Transformation being seconded to another area of Council. Once the team returns to full capacity the draft updated policy and strategy will be reviewed and will then be brought to the Committee.

In response to questions, the following points were clarified:

- Council's major projects are not currently sitting within the Sytle risk register as they are dealt with on a project by project basis. Each project has a project risk register and a governance structure in place to monitor this. Any significant risks identified through this governance structure are elevated to the senior leadership team to be assessed and identified as strategic organisational risks.
- Newly identified risks can always be added to Sytle but only significant risks are raised with the Committee. There will always be risks that Council has no control over, but risks identified in the risk register are those that Council is able to mitigate and manage.
- The Bluff Hill project is currently underway and expected to be downscaled shortly.
- The increase of insurance premiums has been identified as a new risk as this was raised by Council's insurance brokers. This is addressed in the insurance arrangements item.

Committee's recommendation

Councillors Wise / Hague

That Council:

- Note the risk management work being undertaken by the Napier City Council Risk Committee.
- Note the current Major Project risks.
- Receive the latest Risk Report Dated 7 March 2019.

Carried

3. RISK MANAGEMENT - INSURANCE ARRANGEMENTS

<i>Type of Report:</i>	Operational
<i>Legal Reference:</i>	N/A
<i>Document ID:</i>	711491
<i>Reporting Officer/s & Unit:</i>	Bryan Faulknor, Manager Property

3.1 Purpose of Report

To outline Council's current insurance programme, discuss any issues and to provide the opportunity for the Committee to provide feedback for insurance arrangements for the upcoming financial year 2019/20.

At the Meeting

The Manager Property spoke to the report which notes the current insurance arrangements, and invited the Committee to provide feedback into the arrangements for 2019. He advised that an exercise in loss modelling is currently being carried out by AON for the five Hawke's Bay Council's together with the Manawatu Councils, noting that benchmarking is necessary to ensure the valuation of infrastructure is sound and there is a good understanding of replacement values. The current figure of \$120Million is from 2015 and it is timely to reassess this. Council intends to feed the new figure into the insurance arrangements for 2019; however, that can be updated at any time.

In discussing the settlement claim, insurance providers indicated that there may be ramifications in future but this is unknown.

Committee members requested that the Manager Property investigate increasing the indemnity limit for crime insurance as well as cyber-crime cover.

Committee's recommendation

Mayor Dalton / David Pearson

That Council:

- a. Resolve to receive the report on current insurance arrangements.
- b. That any feedback from the committee be considered for incorporation into the insurance arrangements for the insurance year commencing 1 July 2019.

Carried

4. RISK MANAGEMENT - BUSINESS CONTINUITY PLAN UPDATE

Type of Report: Operational

Legal Reference: N/A

Document ID: 715767

Reporting Officer/s & Unit: Adele Henderson, Director Corporate Services

4.1 Purpose of Report

Update on progress towards the development of a Business Continuity Management programme for Napier City Council.

At the Meeting

It was noted that the intention is to extend the impact analysis to include payroll and accounts. The risk analysis is essentially completed through the process of confirming the impact analysis and timeframes. It is expected that this exercise should be complete in around six months' time.

Committee's recommendation

Councillors Hague / Wise

That Council:

- a. Receive the Draft Business Continuity Plan update.
- b. Receive the Draft Business Impact Assessment.
- c. Provide feedback to Council officers for inclusion in final plans.

Carried

5. HEALTH AND SAFETY REPORT

<i>Type of Report:</i>	Operational
<i>Legal Reference:</i>	N/A
<i>Document ID:</i>	712384
<i>Reporting Officer/s & Unit:</i>	Sue Matkin, Manager People & Capability

5.1 Purpose of Report

The purpose of the report is to provide the Audit and Risk Committee with an overview of the health and safety performance as at 31 December 2018.

At the Meeting

The Manager People and Capability spoke to the report, highlighting the following:

- There were eight lost time injuries at this time last year compared to only three in this period.
- Safe work practices have resulted in less medically treated injuries.
- Continued participation at the Health and Safety meetings from various areas of Council has helped to increase together with good information sharing amongst committee members.
- In relation to the Site Wise programme for contractors, there are now only seven contractors in the red with this number continuing to improve.
- A number of Council staff are currently taking part in various activities planned for health and safety wellbeing awareness week.
- Council are developing a domestic violence/ family violence policy and currently applying for White Ribbon accreditation. Council officers intend to select a number of White Ribbon ambassadors from within Council, including the Chief Executive, to help raise awareness.

Committee's recommendation

Councillor Wise / David Pearson

That Council:

- Receive the Health and Safety report as at 31 December 2018

Carried

6. EXTERNAL ACCOUNTABILITY - INVESTMENT AND DEBT REPORT

<i>Type of Report:</i>	Operational
<i>Legal Reference:</i>	N/A
<i>Document ID:</i>	713474
<i>Reporting Officer/s & Unit:</i>	Caroline Thomson, Chief Financial Officer

6.1 Purpose of Report

To consider the snapshot report on Napier City Council's Investment and Debt as at 28 February 2019.

At the Meeting

The Chief Financial Officer spoke to the report noting that the average interest rate decreased due to a large sum having to be held on short term deposit. As at the end of March there is around \$50Million on term deposit but this amount will fluctuate with the rate take coming in.

It was noted that Council's Treasury Policy must be adhered to in relation to investments:

- 30-80% must be invested between 0-6 months,
- 20-70% must be invested between 6-12 months,
- An upper limit of 50% can be invested between 1-3 years, and
- Up to 20% can be invested between 3-5 years.

Committee's recommendation

David Pearson / Councillor Hague

That Council:

- Receive the snapshot report on Napier City Council's Investment and Debt as at 28 February 2019.

Carried

7. EXTERNAL AUDIT - AUDIT ARRANGEMENTS FOR YEAR ENDING 30 JUNE 2019

Type of Report:	Operational
Legal Reference:	Local Government Act 2002
Document ID:	713477
Reporting Officer/s & Unit:	Caroline Thomson, Chief Financial Officer

7.1 Purpose of Report

To outline the audit arrangements for the audit of the Napier City Council for the year ending 30 June 2019.

At the Meeting

The Chief Financial Officer spoke to the report and the Draft Audit Plan for the year ending 30 June 2019 (*tabled at the meeting*), which sets out what the auditors intend to cover at the year-end audit scheduled for 12 August 2019. It was noted that the Audit New Zealand are currently on site completing the 2018/19 interim audit and there appears to be a particular focus on bribery and corruption. Audit New Zealand have requested to come back in June to get a head start on the year end audit.

The Committee were advised that they now have an opportunity to comment on any specific areas that they want the auditors to look at, that have not already been indicated as an area of focus.

It was confirmed that capital projects are already noted in the plan. The Director Infrastructure Services has completed the project management framework, which will come through to the senior leadership team shortly. This is a comprehensive programme linking through to Sytle and will include the financial information for these projects also.

The Chief Executive advised that the current focus on bribery and corruption is a direction from Parliament's Finance and Expenditure Committee, and that Council has already updated the code of conduct to make stronger linkages to the State Services Commission standards of integrity and conduct for public servants.

The Chair directed the Committee to review the draft audit plan and provide any feedback directly to Council officers.

Committee's recommendation

Councillor Hague / Mayor Dalton

That Council:

- Resolve that the audit arrangements for the year ending 30 June 2019 as set out in the audit arrangement letter from Audit New Zealand is received.

Carried

PUBLIC EXCLUDED ITEMS

Mayor Dalton / Councillor Wise

That the public (with the exception of John Schellekens from Price Waterhouse Cooper) be excluded from the following parts of the proceedings of this meeting, namely:

1. Control Framework - Freeholding Framework

Carried

The general subject of each matter to be considered while the public was excluded, the reasons 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 were as follows:

General subject of each matter to be considered.	Reason for passing this resolution in relation to each matter.	Ground(s) under section 48(1) to the passing of this resolution.
1. Control Framework - Freeholding Framework	7(2)(i) Enable the local authority to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)	48(1)A That the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist: (i) Where the local authority is named or specified in Schedule 1 of this Act, under Section 6 or 7 (except 7(2)(f)(i)) of the Local Government Official Information and Meetings Act 1987.

The meeting moved into committee at 1.40pm.

Approved and adopted as a true and accurate record of the meeting.

Chairperson

Date of approval