



NAPIER
CITY COUNCIL

Te Kaunihera o Ahuriri

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AUDIT AND RISK COMMITTEE

Open Agenda

Meeting Date: Thursday 4 April 2024

Time: 9.30am

Venue: Breakout Room 2
War Memorial Centre
Marine Parade
Napier

Committee Members **Chair:** Bruce Robertson

Members: Mayor Kirsten Wise, David Pearson, Councillor Sally Crown (Deputy Chair), Councillor Greg Mawson and Councillor Hayley Browne

Ngā Mānukanuka o te Iwi representative - Joe Tareha

Officer Responsible Deputy Chief Executive / Executive Director Corporate Services

Administration Governance Team

Next Audit and Risk Committee Meeting
Friday 14 June 2024

2022 TERMS OF REFERENCE - AUDIT AND RISK

<i>Reports to:</i>	<i>Council</i>
<i>Chairperson</i>	<i>Bruce Robertson (External Independent)</i>
<i>Deputy Chairperson</i>	<i>Councillor Crown</i>
<i>Membership</i>	<i>The Mayor</i> <i>Deputy Chair of Sustainable Napier Committee</i> <i>Chair of Prosperous Napier Committee</i> <i>External independent appointee</i> <i>Ngā Mānukanuka o te Iwi (Māori Committee) (1)</i> <i>Note: The Chief Executive and External Auditor are required to attend all meetings but are not members and have no voting rights.</i>
<i>Quorum</i>	<i>3 - One of which is an external appointee</i>
<i>Meeting frequency</i>	<i>At least quarterly and further as required</i>
<i>Officer Responsible</i>	<i>Deputy Chief Executive / Executive Director Corporate Services</i>

Role

The role and scope, as well as any delegations of the Audit and Risk Committee are defined in the Audit Charter (*Doc Id 325090*).

Delegations

The role and scope, as well as any delegations of the Audit and Risk Committee are defined in the Audit Charter.

The Committee can make recommendations to Council or the Chief Executive as appropriate.

ORDER OF BUSINESS

Karakia

Apologies

Nil

Conflicts of interest

Public forum

Nil

Announcements by the Mayor

Announcements by the Chairperson including notification of minor matters not on the agenda

Note: re minor matters only - refer LGOIMA s46A(7A) and Standing Orders s9.13

A meeting may discuss an item that is not on the agenda only if it is a minor matter relating to the general business of the meeting and the Chairperson explains at the beginning of the public part of the meeting that the item will be discussed. However, the meeting may not make a resolution, decision or recommendation about the item, except to refer it to a subsequent meeting for further discussion.

Announcements by the management

Confirmation of minutes

That the Minutes of the Audit and Risk Committee meeting held on Wednesday, 13 December 2023 be taken as a true and accurate record of the meeting.133

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Minor matters not on the agenda – discussion (if any)

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AGENDA ITEMS

1. OMBUDSMAN REPORT - COUNCIL MEETING AND WORKSHOP SETTING AMENDMENTS

<i>Type of Report:</i>	Operational
<i>Legal Reference:</i>	Local Government Official Information and Meetings Act 1987
<i>Document ID:</i>	1745863
<i>Reporting Officer/s & Unit:</i>	Anna Eady, Team Leader Governance

1.1 Purpose of Report

In October 2023 the Ombudsman released a report “Open for Business”, which followed an investigation into local council meetings and workshops. This report will set out our proposed improvement programme and the Council direction to meet the Ombudsman’s key recommendations.

Officer’s Recommendation

The Audit and Risk Committee:

- a. **Receive** the report titled Ombudsman Report – Council Meeting and Workshop setting amendments.
- b. **Note** officers have undertaken an assessment of Napier City Council’s current practices in relation to the Ombudsman’s *Open for Business* report and will make improvements to these practices.
- c. **Note** open Audit and Risk Committee meetings will be recorded and published on the Napier City Council website.

1.2 Background Summary

The Ombudsman reviewed eight local authorities’ to see whether their meetings and workshops complied with the Local Government Official Information and Meetings Act 1987 (LGOIMA).

The report is available at: <https://www.ombudsman.parliament.nz/resources/open-business-report-chief-ombudsmans-investigation-local-council-meetings-and-workshops>

The key issues highlighted in the Ombudsman’s findings are:

1. Whether council workshops should be held in public or public excluded;
2. If workshops are to be made more public, how that should be done;
3. How councils decide that meetings or workshops should be held in public excluded;
4. Public accessibility; and
5. The need for training for staff and elected members.

Napier City Council (NCC) is performing well in some of these areas, but there are areas which require attention. An improvement programme for NCC has been agreed to by the Elected Members and will now be put into action.

Issue 1: Workshops in public or public excluded?

The key issue for workshops is whether they should be held in public or in public excluded. NCC's practice has been that all workshops are by default public excluded. The Ombudsman's report makes it clear that this is not acceptable. It has now been agreed that the default setting for workshops is changed, and all workshops will be held in public unless they are covered by one of the relevant grounds in section 6 or 7 of the LGOIMA. If it is deemed necessary to hold a workshop in public excluded staff would be required to provide the reasoning.

A question that followed from this is whether Audit and Risk Committee meetings should have the same public accessibility setting as workshops. This Committee does not have the ability to make resolutions but makes recommendations to Council. In this regard, the Committee meetings are similar to workshops and therefore the decision has been made to have the same public access.

Issue 2: If workshops are to be made more public, how should it be done?

Workshops can be made more publicly accessible in the following ways:

(a) Before a workshop - notification

- at the beginning of each month a list of upcoming workshops will be published to the NCC website. The list will include:
 - o the topic of the workshops;
 - o the venue for the workshops;
 - o whether the workshops will be held in public or public excluded (and if public excluded, the reason for that);
- before each open workshop, or as soon as practicable after the workshop, workshop papers, presentations, and workshop notes are made public via a workshop page on the NCC website.

(b) At a workshop – how to make it public

It was decided the NCC will:

- Record the workshop and publish either a transcript, an audio recording, or a audio-visual recording on the NCC website, along with written workshop materials, and
- Make the workshop open for members of the public to attend in person.
- Keep written records of workshops and publish these.

The initial setting for public participation will be as observers only, similar to Council meetings, whilst the focus is on opening the workshops up and meeting the principles of openness and transparency. This is a setting which can be reviewed in the future.

Issue 3: How Councils decide that meetings or workshops should be held in public excluded

Council meetings are currently held in public unless it decides under section 48 of the LGOIMA that the meeting should be public excluded.

The Ombudsman notes that although the LGOIMA requires that a resolution to exclude the public needs to be recorded, it is not sufficient to only quote the ground of the LGOIMA that forms the basis for the decision.

The approach NCC will take is to make available:

- the general subject for the item; and
- the grounds under section 6 or 7 of the LGOIMA for excluding the public; and
- a plain English explanation, in reasonable detail, of how the ground from the LGOIMA applies to the subject matter (i.e. not just quoting the wording of the LGOIMA), and also how this was weighed against any countervailing public interest arguments for non-exclusion.

Staff will provide and record more detailed advice to elected members about the grounds for moving a meeting or workshop into public excluded, including advice relating to the public interest (when relying on a ground listed in section 7).

c) Release of public excluded material

The Ombudsman also notes that councils should consistently revisit public excluded material to reconsider whether it should be released when the reason for it being withheld no longer applies. This is an area where NCC could improve its practice.

Officers will ensure public excluded meeting reports include a sentence in the resolution stating whether the paper can be released to the public in due course and when that would be, for example either on a date or at the achievement of a particular milestone. For a public excluded workshop, a release statement could accompany the workshop material.

NCC does not currently have the capacity to go back through meeting and workshop information to manually release material into the public realm. However, if the above recommendation is followed it would be an easier process to release information proactively in the future, and in response to Official Information Requests.

Training with the Ombudsman's Office is scheduled for 9 April for staff and elected members, and this is one of the topics that will be discussed at that session, along with LGOIMA fundamentals and the differences between a meeting and a workshop.

Issue 4: Public accessibility

The Ombudsman's report also addresses the public's ability to access meetings and workshops, taking into account any disabilities or other challenges to attending meetings (for example because of the time at which a meeting is held).

Publishing recordings of workshops and the open Audit and Risk Committee meetings will assist with improving public accessibility.

An accessibility audit will be carried out by staff after the first tranche of changes have been implemented to assess if there are any barriers to public accessibility and how these can be remedied.

Issue 5: Need for training for staff and elected members.

The Ombudsman recognises that meeting all of his recommendations will have resource implications for councils. He also appreciates that this may be more difficult for smaller councils.

The Ombudsman's expectations are that councils will ensure they have resources to meet their obligations under LGOIMA, with arrangements in place to provide coverage for when key staff are away. Staff (including senior staff) should have regular training, good

resources and guidance material, and also be able to call on specialist expertise as required.

As already mentioned, initial training has been scheduled for elected members, senior leaders, and relevant staff. A training and induction plan will be developed as part of this project.

1.3 Issues

Simpson Grierson has stated that the Ombudsman's recommendations are just that, recommendations. They are not legal requirements. Each recommendation has been weighed against NCC's ability to implement them.

Changing the approach for workshops has financial, administrative and resource implications.

Moving to open workshops does place workshop presenters and elected members under more public scrutiny. The Ombudsman's view is that elected members have chosen to take a public role so acceptable levels of increased public scrutiny is part of that. The Ombudsman does not address the burden his recommendations place on council staff.

As Standing Orders do not apply in a workshop, guidelines for public workshops will need to be developed to give, the Chair especially, some tools to fall back on if required and manage any issues of liability.

As already stated, training for staff and elected members is required, to assist in assessing whether a topic for discussion meets the grounds for public exclusion, or whether the public interest outweighs those grounds.

1.4 Significance and Engagement

Community engagement is important to enable transparency and to inspire confidence in the Council's decision-making processes. If council workshops are accessible by the public, it promotes community engagement and provides the community with the information elected members are receiving prior to a decision being made.

1.5 Implications

Financial

There will be budget implications to for the workshop and Audit and Risk Committee meeting setting change. There will also be impacts on administrative resources to take notes at workshops and also to publish documents and recordings to the website. It is hard to quantify the financial impacts until the changes are underway. The estimated cost of venue hire, live streaming and recording currently for Council meetings is approximately \$10k - \$20k per annum.

Social & Policy

Nil

Risk

There is a risk that the tone or nature of workshops may change, due to increased public scrutiny. Attendees may not be as relaxed and inclined to discuss the material in the same way as they would in a closed session. Setting guidelines on Council Workshops will help to give clarity to officers and elected members on how to best use this mechanism. These guidelines will be developed as part of the improvement programme.

There may be situations where, due to technical difficulties a recording cannot be made. Whilst every effort will be made to ensure the recording will run smoothly if it does not the

workshop will proceed regardless and written notes and other documentation from the workshop will be made available in lieu of the recording.

As far as practically possible, it is not intended that there be recorded footage of the public released on NCC's online platforms, however there could be incidental capture of visitors. A sign will be put on the door of the workshop or meeting venue notifying public of the recording and the Chair will announce a recording is being taken at the start of a session that has public present. By remaining in the room following notification of recording it is understood that the public give consent to their image being inadvertently broadcast.

Public meetings and workshops are an open forum of statements, questions, and responses. Occasionally comments could be made which may be regarded as offensive, defamatory, inaccurate, or contrary to law. With publishing recordings of workshops and Audit and Risk Committee meetings, the potential audience is increased, which also increases the likelihood and/or severity of potential liability.

No protection is afforded to Councillors, employees or the public for comments made during meetings which are subsequently challenged in a court of law and determined to be inaccurate or defamatory. Whilst Council may not be liable for any inaccurate or defamatory comments made by an individual at a meeting, it may however, be liable if it publishes that material; albeit inadvertently.

To counter this risk, in the guidelines given to elected members and staff it will advise inaccuracies can be corrected, or in exceptional circumstances the recording can be interrupted or terminated as necessary. Following a recorded session, it is also possible for the full recording or part of a recording to be excluded from publication under the relevant section of LGOIMA.

1.6 Options

The options available to the Committee are as follows:

- a. To receive the report and note the intended actions by officers.
- b. To recommend alternative actions by officers for Council to consider.

1.7 Development of Preferred Option

If the preferred option is adopted, officers will continue to put the new processes in place as per the attached timetable in the Project Initiation Planning Guide.

1.8 Attachments

- 1 Summarised Project Initiation (Doc Id 1740461) [↓](#)

Project Initiation

PLANNING GUIDE

Background:

The office of the Ombudsman issued a report on the use of workshops and meetings of local councils titled 'Open for Business'. This report contains findings and can be considered a best practice guide for councils.

The former Governance Manager wrote a report to ELT with options and issues to consider regarding the findings. The Team Leader Governance took this report to ELT in December 2023.

In January 2024, Team Leader Governance wrote a draft report to Council for their consideration, however it became clear that before putting recommendations to Council, officers needed to think through how to implement improvements. Team Leader Corporate Planning worked with Team Leader Governance and undertook an assessment of our practices in relation to each of the Ombudsman's findings. The assessment highlighted that improvements can be made to Napier City Council's practices.

Description:

Develop and deliver an improvement programme of governance practices to meet the key findings of the Ombudsman's 'Open for Business' report.

Objectives:

To deliver an improvement programme so that Napier City Council is compliant with the findings of the Ombudsman's best practice report 'Open for Business'.

- To explore cost effective and efficient ways to best realise the intent of the 'Open for Business' report.
- To expedite the opening of workshops to the public.
- To make it easier for public accessibility of the end to end decision-making process from workshops to formal meetings.
- To enhance Napier City Council's reputation with the public in respect to being open and transparent.
- To improve the capability of Napier City Council staff to use LGOIMA provisions and champion being transparent to the community and open for business.

Deliverables:

Due to dependencies and resource availability, the project will be broadly phased as follows:

1. Phase One – (April - June) - open workshops to public to physically attend (immediate). This will include only the workshops where the business unit is happy that all content can be made publicly available immediately.
2. Phase Two – (July - September) – improved application of public excluded provisions, including improved staff capability across both Council meetings and workshops; and creating the right environment for workshops to be used appropriately.

3. Phase Three – (October – December) – improved release of public excluded information for Council meetings and workshops; review and monitoring.

Broad Timetable

	2023/24 – Q3 Jan-Mar 2024	2023/24 – Q4 Apr-Jun 2024	2024/25 – Q1 Jul-Sep 2024	2024/25 – Q2 Oct-Dec 2024	2024/25 - Q3 Jan-Mar 2025
Project set-up	Project plan set				
Open workshops to public	Policy position set Procedures set Implementation	Invite public to open workshops Workshop material made available Audio-recording of workshops			
Improved application of public excluded reasoning for meetings and workshops		Procedure set Tools set	Workshop topics with public excluded content made publicly known with reasoning for px.		
Improved staff capability to use public excluded in both meetings and workshops		Review and training plan set ctnd Training plan implemented	Training plan implemented Comms plan set	Training plan implemented	
Release of public excluded information from both meetings and workshops			Procedure set	Procedure implemented	
Create the right environment for workshops to be used appropriately	Procedure set Monitoring and review plan set			Monitoring and review plan implemented	

2. HEALTH AND SAFETY REPORT

<i>Type of Report:</i>	Information
<i>Legal Reference:</i>	N/A
<i>Document ID:</i>	1722342
<i>Reporting Officer/s & Unit:</i>	Adam McDonald, Health, Safety and Wellbeing Lead

2.1 Purpose of Report

The purpose of this report is to provide the Audit & Risk Committee (ARC) an overview of Health Safety & Wellbeing (HSW) activity, inform on the progress of initiatives underway to improve health, safety, and wellbeing, as well as key performance indicators covering the period December 2023 through to February 2024. The report enables the ARC to provide assurance to Council for the capability and functioning of Council's health, safety and wellbeing hazard and risk management system and associated programmes.

Officer's Recommendation

The Audit and Risk Committee:

- a) **Receive** the Health and Safety Report for the period December 2023 to February 2024.

2.2 Background Summary

Napier City Council (NCC) has duties under the Health and Safety at Work Act 2015 and subsequent regulations to ensure the safety of employees, and all other persons, at, or impacted by the work of Council. Duties of Council are upheld through the implementation of NCC's health and safety management system, that is guided by legislation, codes of practice, and is designed to address operational health and safety risks.

- a) Councils' strategic health and safety risk (SR14) has changed from a low risk assessment to high, with the operational health and safety risks (OR183 and OR328) unchanged and out of appetite.
- b) The health and safety quality improvement plan has been finalised and reviewed by the executive leadership team (see attachments). The plan aims to strengthen Councils Health and Safety Management system to effectively manage strategic and operational health and safety risks, and protect the health and safety of workers, workplaces, and those accessing Council services and facilities.
- c) There were two serious health and safety incidents, including one lost time injury, and one medically treated injury. There was one notifiable event to Worksafe, and one investigation for an incident involving a member of public.
- d) Health and safety performance indicators remain on track for the reporting period. The full breakdown of all quarterly health and safety reporting is included in the **attachments**.

Analysis and Advice

1. Reporting Period

Health, safety, and wellbeing data is captured and reviewed at the end of each month. The following report covers the period of December 2023 through to February 2024.

2. Health and Safety Manager Report

A highlight in this quarter has been the development of the health and safety quality improvement plan that aims to reduce the strategic and operation health and safety risks, and to progress the Councils goal of implementing best practice guidelines and international safety standards. The plan is set over an 18-month period to ensure legislative compliance and to strengthen Councils health and safety management system, covering policy, procedures, and relevant codes of practice. Built from the recommendations of the recent health and safety management system audit, the plan has been reviewed by members of the executive leadership team and ready for implementation.

Asbestos

Recognising the need for asbestos awareness training, the health and safety delivered training to all affected workers by mid-January 2024. To ensure full compliance with the asbestos regulation, asset specific asbestos management plans are required. This work is currently being coordinated by a project team within the infrastructure directorate and due for completion by end of March 2024 to ensure compliance.

Inductions

The People and Capability team continue to review and refine onboarding processes, which includes an induction for new and returning staff. We are balancing our people's time and investment in current manual processes, with investing in new system implementations / technology and content for online induction / onboarding. While this remains a work in progress, the health and safety team continue to work with managers and executive directors to ensure attendance to monthly inductions, using face to face delivery until a long-term solution is identified.

Quality Improvement (System improvement)

As we improve our approach to managing hazards and risks, the health, safety, and wellbeing team have begun implementation for the quality improvement plan.

Key activities over this reporting quarter have included the review and refresh of Councils health and safety policy and the upgrade of the MySafety 2.0 reporting system. Tasks and priorities for the ensuing quarter can be found in the attachments.

Overall, there has been good momentum for improving councils' approach to health, safety, and wellbeing with an opportunity to capitalise on the progress to date.

3. Risk Management

Risk no	Risk Issue	Inherent RA	Revised RA	Target RA	Risk Movement
SR14	Failure to maintain a safe and healthy workplace and safe systems of work (ie we do not proactively navigate H&S threats)	Extreme	High	Low	Low to High
OR183	Failure to manage health, safety, and wellbeing in the workplace	Extreme	High	Low	Nil
OR328	Failure to comply with the Health and Safety at Work Act 2015 and subsequent regulations.	Extreme	Medium	Low	Nil

Table 1: Health and safety strategic and operational risks

4. Hazards

Table 2: Hazards that require continuous and ongoing management at Council are outlined in the table below.

Hazard	Description	Current Controls	Planned Treatment Actions
Psychosocial harm	Factors in the work environment that can cause stress, strain, or interpersonal problems for the worker.	<ol style="list-style-type: none"> Wellbeing support provided by P&C, and HSW team. Employee Assistance Programme Mates4Life programme implementation 	<ol style="list-style-type: none"> Psychosocial risk assessment. Wellbeing project, strategy and action plan.. Mental health training for leaders and managers (L&D initiative).
Human behaviour	Aggressive and intimidating behaviour of members of public towards Council staff.	<ol style="list-style-type: none"> Security placed in high-risk facilities. Presence of city assist in high-risk areas. Aggressive customer training. 	<ol style="list-style-type: none"> Safety by design. CCTV surveillance. Proactive use of security guards
Dangerous work activity	Councils high risk work activity includes handling of hazardous substances, confined spaces, excavations, lockout / tag out, working from heights, roof access, hazardous waste disposal, excavations, and operating heavy machinery.	<ol style="list-style-type: none"> Staff training as required. Risk assessment and safety operating procedures. Permit to work system. 	<ol style="list-style-type: none"> Critical project and operational risks captured in the Council register. Internal audits.
Asbestos	Council owned assets that contain asbestos.	<ol style="list-style-type: none"> NCC Asbestos Management Policy. Documented policy and procedures for asbestos related work. 	<ol style="list-style-type: none"> Development of asbestos management plans for council owned assets. Ensure asbestos management plans for Council assets are provided to contractors. Delivery of asbestos awareness training.

<p>Contractors</p>	<p>Oversight of contractors to meet Councils duties as a PCBU that has control or influence over the work completed.</p>	<ol style="list-style-type: none"> 1. Contractor pre-qualification requirements. 2. Standardised health and safety requirements for contractors. 3. Review of safety plans and documentation. 	<ol style="list-style-type: none"> 1. Increasing emphasis on higher quality H&S pre-qualifications including Totika, ISO45001, SHE prequal, IMPAC. 2. Improved procurement processes to ensure contractors have sufficient health and safety prequalification and safety management. 3. Continued work with Project Managers for conformance with Council policy and procedures. 4. Increasing focus on contractor monitoring and auditing for health and safety performance. 5. Post contract evaluations for health and safety performance.
<p>Pool facilities</p>	<p>Council owned and operated pool facilities including ocean Spa, Napier Aquatic Centre and the pool located at Kennedy Park.</p>	<ol style="list-style-type: none"> 1. Health and safety training 2. Placement of lifeguards 3. External consultant support 4. Safety operating procedures 5. Pool safety operating manual. 6. Monitoring of water quality 	<ol style="list-style-type: none"> 1. Risk management training for managers 2. Quarterly risk reviews

5. Serious events

Table 3: Serious events in the December 2023 - February 2024 quarter

Type	Date	Location	Details	Treatment actions
Lost time injuries	29.02.24	Napier Library	Library worker tripped over a laptop bag that was left on the ground resulting in an upper and lower limb injury	<ol style="list-style-type: none"> 1. Worker required 10 days off work for rest, recovery, and rehabilitation. 2. Worker referred to occupational physiotherapist for return-to-work plan. 3. Trips and fall hazard included in hazard register. Manager to ensure workers are trained adequately to identify and eliminate trip hazards.
Medically treated injuries	16.02.24	City Services	Unsecured sheet of wood fell from 2-3m high landing on a worker's head causing a mild head injury.	<ol style="list-style-type: none"> 1. Worker attended The Doctors Napier for a medical assessment and treatment. 2. Corrective actions to ensure material and equipment is secured.
Notifiable events	12.12.24	Latham street pump station	High levels of ammonia detected.	<ol style="list-style-type: none"> 3. Notification to Worksafe. 4. Health and safety senior advisor engaged to assist in a risk assessment, and to adopt controls to minimise the risk of injury or illness in collaboration with subject matter experts.
Investigations	17.11.23	War memorial events centre	Member of the public tripped on a raised lip into a water feature causing significant injury	Please refer to investigation report in the attachment for further detail.

6. Performance reporting

Annual reporting

The following tables includes annual reporting for lead and lag health and safety performance indicators.

Table 4: Lag reporting in 2023

Reported Incidents (Total Company)	Q1 23	Q2 23	Q3 23	Q4 23	Total 2023	Annual target
Lost time injuries (LTIs)	2	1	3	0	6	<=8
Medically treated injuries (MTIs)	1	2	2	1	6	<=40
Total recordable injuries (TRIs)	3	3	5	1	12	<=48
Damaged property / Near Miss reports	21	36	45	60	162	<=180
Significant incidents or accidents involving contractors	1	2	2	0	5	<=5

Table 5: Lead reporting in 2023

Reported Incidents (Total Company)	Q1 23	Q2 23	Q3 23	Q4 23	Total 2023
Health and safety meetings	22	26	71	76	186
Internal health and safety audits	2	25	11	15	53
Inductions	74	99	78	43	294
Safety observations	29	57	90	109	273
Near miss reporting	21	33	41	56	151

Table 6: Lag reporting from 2020 - 2023

• Incomplete data

Reported Incidents (Total company)	2020	2021*	2022	2023	Annual Target
Lost time injuries (LTIs)	6	-	3	6	<=8
Medically treated injuries (MTIs)	11	-	3	6	<=40
Total recordable injuries (TRIs)	17	-	6	12	<=48
Damaged property / Near Miss reports	94	-	133	162	<=180
Significant incidents or accidents involving contractors	5	-	0	5	<=5

Table 7: Lead reporting from 2022 & 2023

Reported Incidents (Total Company)	Total 2022	Total 2023
Health and safety meetings	155	186
Internal health and safety audits	81	53
Inductions	104	294
Safety observations	200	273
Near miss reporting	126	151

7. Continuous improvement

Pivotal to protecting and enhancing the health, safety and wellness of Napier city council workers and workplaces is the continued improvement of Councils health and safety management system.

After developing the Health and Safety Improvement plan, the Executive Leadership Team reviewed and supported the plan and approach to ensuring the organization is fully compliant with legislation and initiates a program of work for a health and safety management system that aligns with best practice guidelines and international standards. All relevant documents are included in the attachments.

2.3 Attachments

- 1 Health and Safety report attachments (Doc Id 1746172) [↓](#)


Investigation Report




Incident #20830 Investigation Report

Title	Member of public tripped on raised lip at war memorial water feature and fell into water feature causing significant injury
Incident Date	01/11/2023 11:41am
Incident Location	War memorial Eternal Flame Water Feature

Management Review and Sign-off

Director		
Comments:		
Name: [REDACTED]	Signature: 	Date: 17/11/2023

Team Leader/Manager		
Comments:		
Name: [REDACTED]	Position: Conferences & Events Manager	Signature: 
		Date: 17/11/2023

Investigation Report



Executive Summary

Mr & Mrs [REDACTED] were sitting at the remembrance roll outside seating area at the Napier War Memorial. Mr [REDACTED] started to return towards the entrance way of the war memorial soon followed by Mrs [REDACTED]. As Mrs [REDACTED] was making her way towards the entry door of the war memorial, she caught the metal upstand on the walkway with her right foot. This action caused Mrs [REDACTED] to fall onto the ground and subsequently land into the water feature. Mr [REDACTED] has then tried to pull his wife out of the water feature but was unable to do so. Several other members of public had been passing by and observed Mr [REDACTED]. They arrive to help retrieve Mrs [REDACTED] out of the water feature. [REDACTED] has come outside to see what was happening as she noticed several persons gathering outside from the reception area where she was working. [REDACTED] has then returned into the war memorial reception area to alert [REDACTED] of the incident in the honor roll area. [REDACTED] has arrived at the incident scene and has attempted to provide some basic first aid to comfort Mrs [REDACTED]. A member of public has called the ambulance who arrive and provide pain relief to Mrs [REDACTED] then transport Mrs [REDACTED] to the Hawkes Bay hospital.

Summary of investigation findings:

- Metal lip to aide in wheelchair safety has caused a trip hazard for other general users.
- Area has poor design around the corners towards the seating area at the honor roll.
- Metal lip is in a position that is hard to identify when walking in the area.
- No area HAZOP carried out before opening to identify any potential hazards.
- No formal identification of the trip Hazard prior to the incident.
- Operational staff where unaware of the possible trip hazard on the walkway.

Key actions:

- Place trip hazard signs on metal poles around the area to warn MOP of the hazard.
- Place reflective tape on the raised metal lip to aide in identification for users.
- Redesign the metal lip area by either removing it or placing handrails that fit within the design of the area.
- Ensure area lighting is sufficient for any low light situations.

Key Learnings (within and across BU's):

- Safety in design should be priority when area/facility is going to be used in high traffic MOP use.
- Age of potential users should be considered at design stage.
- HAZOP & Hand over to be carried out on new installations before public use.

Investigation Report



Incident Summary

Incident Details					
What happened?	MOP tripped on raised metal edge on walkway causing her to fall into the water feature by the eternal flame				
When did it happen?	1/11/2023	What time did it happen?	10:55am	MySafety Number	Event# 20830
What site did it happen on?	War memorial	Business Unit	Community Services		
Who is in the investigation team?	[REDACTED]				
Who is Lead Investigator?	[REDACTED]	Is Lead Investigator ICAM trained?	Yes / No		
What actions to control the risk did you put in place immediately afterwards?	<ul style="list-style-type: none"> Warning signs added to the roof support poles. Reflective tape on the metal upstand to warn users of the location of the trip hazard. 				
Employment type of people involved?	<input type="checkbox"/> Employee <input type="checkbox"/> Contractor <input checked="" type="checkbox"/> MOP		Contracting Company (if involved)	Nil	
Has this incident occurred before	No		External notifications	Nil	
What was the Risk Category for the incident?	Slips, Trips & Falls				

Investigation Report



Investigation Data

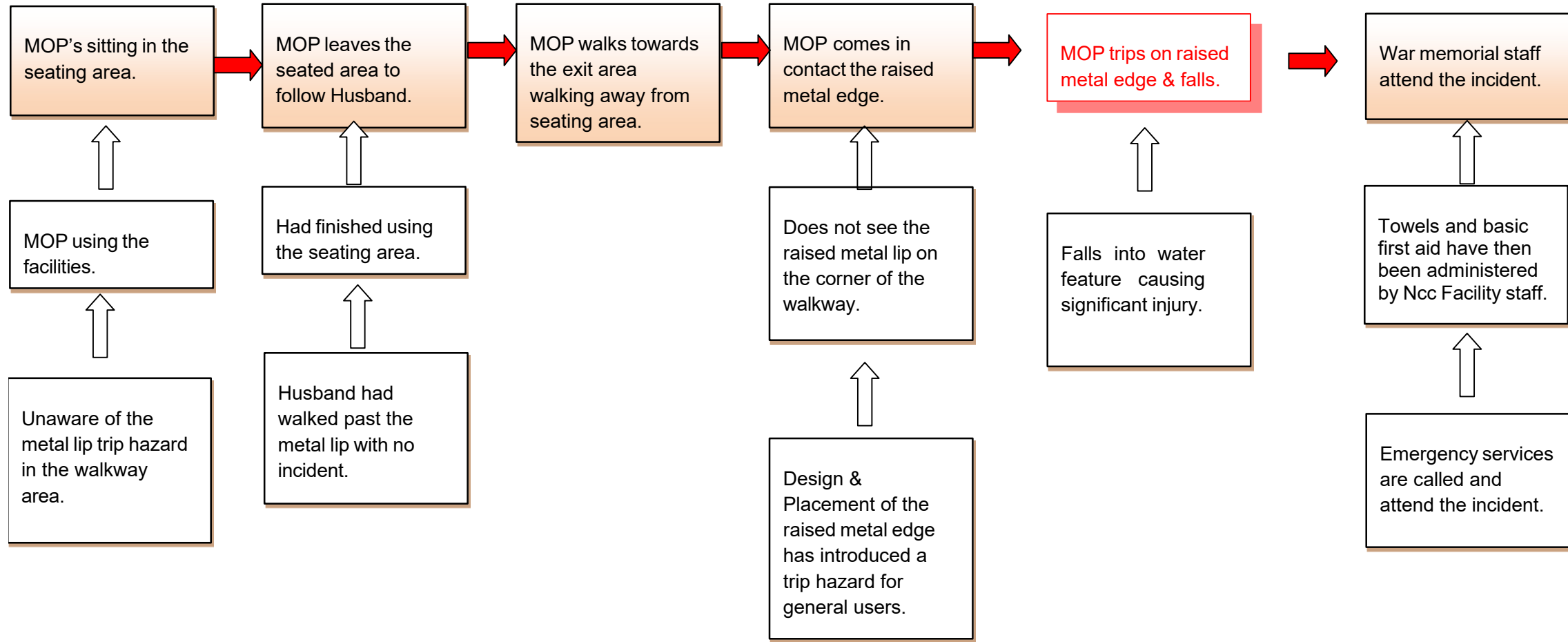
PEEPO

People	Equipment	Environment	Procedures	Organisation
<p>█ Names of individuals: Mr & Mrs █ (MOP) █ █ █ █ █ █</p> <ul style="list-style-type: none"> • Events that happened: MOP tripped & fell into the water feature. • Employment status: Members of public & NCC Employees • Communication adequacy: No hand over of area or communication of operational issues/features installed. • Physical limitations a factor: Senior members of the community 	<ul style="list-style-type: none"> • Design: Wheelchair safety feature introduced a trip hazard for general users. • Fit for purpose: Area is fit for purpose with design been accepted by council. • Inspection regime in place: None • Maintenance schedules in place and current: None • User checks completed: None carried out as team did not know what they should be checking. • Construction Standard complied with: Construction drawings have been approved for works .Meets building standards 	<ul style="list-style-type: none"> • Weather: Fine sunny day • Noise levels: normal ambient sounds • Lighting and visibility: excellent • Surface and ground conditions: Dry foot path • Housekeeping: area was clean & tidy 	<ul style="list-style-type: none"> • Existence of: No formal procedures in place for the area • Awareness of: No training for staff of the new area 	<ul style="list-style-type: none"> • Formal vs informal communication: no communication of area Hazards • Training provided: None • Hazards/risks identified and managed: No hand over of area and no HAZOP carried out to identify any potential hazards

Investigation Report



5 WHY Chain of Events Template



Investigation Report



Analysis of Causal Factors:

Organisational Factors			Causal Factors
Code	Org. Factor	Root Cause	(Identified by 5 Why Chain of Events)
HW	Hardware	<input checked="" type="checkbox"/> YES	Metal upstand has introduced a trip hazard for general users
TR	Training	<input checked="" type="checkbox"/> YES	No training on the area to facility operations staff
OR	Organisation	<input checked="" type="checkbox"/> YES	No procedure or process for new installations to be handed over to facilities
CO	Communication	<input checked="" type="checkbox"/> YES	No communication of new installation to asset owner
IG	Incompatible goals	<input type="checkbox"/> YES	
MC	Management of change	<input checked="" type="checkbox"/> YES	No change management carried out
PR	Procedures	<input type="checkbox"/> YES	
MM	Maintenance management	<input type="checkbox"/> YES	
RM	Risk management	<input type="checkbox"/> YES	
DE	Design	<input checked="" type="checkbox"/> YES	Safety in design fell short to identify the trip hazard caused by the instalment of the metal upstand for wheelchair safety near water feature
CM	Contractor management	<input type="checkbox"/> YES	
OC	Org. culture	<input type="checkbox"/> YES	
RI	Regulatory influence	<input type="checkbox"/> YES	
OL	Organisational learning	<input checked="" type="checkbox"/> YES	Safety and design must be fit for purpose around water features , we must not substitute one hazard and inadvertently create another. The likely user of the area needs to be considered and factored into design
VM	Vehicle management	<input type="checkbox"/> YES	
MS	Management systems	<input type="checkbox"/> YES	

Document #

Reviewed 05/07/2023

Page 6 of 9

Investigation Report



Controls to be implemented:

Control	Hierarchy	Responsible Person	Due for Completion Date	Monitoring
Signage to be placed around area to warn public of the trip hazard	Administrative Controls	WM Manager	2/11/2023	H&S & facility manager to monitor-Completed
Reflective tape to be added to the metal upstand area	Engineering Controls	WM manager	8/11/2023	H&S & facility manager to monitor-Completed
Hazard registers to be updated for the site in MySafety	Administrative Controls	H&S	14/11/2023	H&S & facility manger-Completed

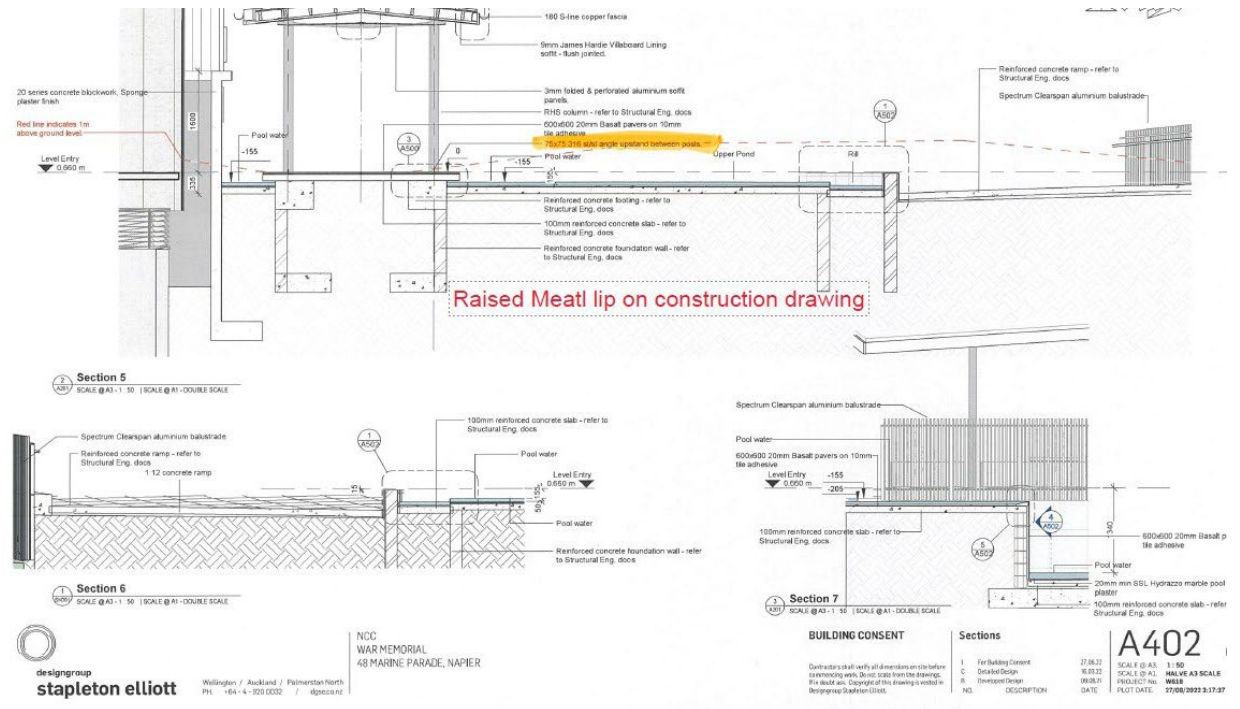
Corrective Actions:

Action	Corrective Action Type	Responsible Person	Due for Completion Date	Monitoring
Redesign the area where it widens towards the honor roll by either removing the metal upstand or redesign its application	Absent/failed controls	PM & Facility manager	30/11/2023	H&S – redesign completed Installation TBC -Rails have been installed to help minimise the potential fall risk., additional rails will be installed in the area to add to the effective controls
Safety in design to be incorporated into all design for public spaces, including but not limited to being accessible to all users.	Organisational factors	Projects & Design teams	30/12/2023	Projects & Design teams – Discussion o be held with Program Delivery Lead - ongoing.
When new facilities/installations are added or changed a HASOP must be completed before the facility or area opens to the public & staff use.	Absent/failed controls	Projects, Design team & H&S	30/12/2023	H&S along with Projects – Facility project acceptance document has been completed which includes question that asks for this to be completed for Projects & Facilities
	Choose an item.		Click here to enter a date.	

Investigation Report



Photos:



Investigation Report

Incident into MySafety Report:



Event #20830 - Accident - Lady tripped and fell into pond - 1-Nov-2023 10:55 AM

Overview

State	0. Investigation	ID	20830
Lodged By	[Redacted]	Date Lodged	1-Nov-2023 11:41 AM
Last Changed By	[Redacted]	Date Changed	6-Nov-2023 3:32 PM
Start Date	1-Nov-2023 11:41 AM	Category	Event Management

Reported By

Reported By Type	Employee
Reported By	[Redacted]

Initial Details

Event Type	Accident	Event Date/Time	1-Nov-2023 10:55 AM
Brief Description	Lady tripped and fell into pond		
Description	[Redacted] kicked the metal lip surrounding the pond and tripped and fell into the water		
Department	Conference Centre - Venues - Visitor - Community Services - NCC		
Location Manager	[Redacted]		
Exact Location	Napier War Memorial - Eternal Flame Pond		
Contributing Factors	Metal lip is a trip hazard		
Interim Measures Taken	Ambulance called and taken to hospital		
Was the Police involved?	No		

Accident Details

Outcomes	Injured Person				
Injured Persons		Description	Injury Type	Severity of Injury	Agency of Accident
		Injured Person #20831 - Other - Bruising, Dislocation	Dislocation, Bruising	(Unspecified)	(Unspecified)

Medical Details

Injured Persons		Description	Injury Type	Severity of Injury	Agency of Accident
		Injured Person #20831 - Other - Bruising, Dislocation	Dislocation, Bruising	(Unspecified)	(Unspecified)

Involved Parties

People Involved	List Name	Staff ID	Cellphone
	Member of Public	(Unspecified)	(Unspecified)
Witnesses Details	Details not obtained		

Notifiable Event

Is Notifiable?	No
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HEALTH AND SAFETY IMPROVEMENT PLAN 2024-2025



NAPIER
CITY COUNCIL
Te Kaunihera o Ahuriri

Health and safety improvement plan: 2024-2025

Preface

Napier City Council cares deeply for our people and recognises our obligation to protect and enhance the health, safety and wellbeing of workers and the wider community. Developing and implementing a robust health and safety management system (HSMS) is vital to achieving this.

The Health and Safety at Work act 2015 (HSWA 2015) provides a balanced framework and delivers several drivers that contribute to the high prioritisation of health and safety, including the responsibility for officer due diligence, guidance for liability, and the accountability for workers at all levels to fulfil their duty of care. The following improvement plan builds on the foundations of HSWA 2015 and our current management system, to develop and integrate a refreshed HSMS that guarantees legislative compliance, builds towards best practice and supports our overarching vision for **'enabling places and spaces where everybody wants to be'**.

Implementation planning, delivery and monitoring

Councils Health and Safety improvement plan (2024-2025) incorporates recommendations from the recent HSMS audit that will act to strengthen our approach to hazard management and reducing the risks of injury and illness. The improvement plan proposes a HSMS that is contemporary, flexible and supports the strategic priorities of the Council.

Councils' health, safety and wellbeing team will establish systems and processes that facilitate the implementation of this plan. However, it is imperative that all people recognise their responsibility for health, safety and wellbeing, with leaders, managers and workers playing a critical role.

Roles and responsibilities

The health, safety and wellbeing manager will be responsible for the improvement plan and key performance indicators that translates into practical delivery.

Directorates and business units will be required to integrate relevant elements into planning and operations.

Health and safety advisors will provide complementary expertise, support, and monitoring related to health and safety. This involves.

- Developing, implementing, and continuously improving health and safety practices (including internal control) at a process, systems, and organisational level.
- Achievement of health and safety risk management objectives, such as: compliance with legislation and regulations, codes of practice and assurance.

Health and safety's lead committee is ultimately responsible for monitoring the effective implementation of the improvement plan and associated delivery.

Executive leaders maintain dialogue with **Audit and Risk Committee (ARC)**, and provide updates for planned, actual, and expected outcomes linked to the objectives of the organisation for health and safety. Executive leaders are also responsible for ensuring that they support and endorse the improvement plan and seek appropriate assurance on delivery.

As the governing body, the **ARC** is responsible for creating expectations for health and safety performance and holding management to account for meeting them.

Our Vision: Home safely, every day.

Guiding principles

The following principles will underpin the approach for health and safety improvement across Napier City Council

1. **Visibility** - ensuring health and safety is valued and visible at all levels of the organisation.
2. **Accountability** – ensuring that our people are fulfilling their health and safety roles and responsibilities.
3. **Collaboration** - working together and supporting one another to achieve our health and safety goals and objectives.
4. **Integration** – system and processes that are embedded into all business operations.
5. **Consistency** – standardised systems, processes and practices that are easily accessed, understood and implemented.
6. **Confidence** - checking, monitoring and reviewing health and safety performance, and providing assurance to stakeholders that the improvement plan is achieving the intended benefits, and health and safety hazards and risks are managed effectively.

Focus areas

Below are seven focus areas that will guide our health and safety improvement plan. Each focus area is further divided into priority areas and resulting actions, with a suggestion of key deliverables.

1. System improvement including integration.
2. Risk management
3. Leadership
4. Capacity
5. Communication
6. Engagement
7. Assurance

Measuring success

Assessing progress for the delivery of the health and safety improvement plan will require the following actions prior to implementing the improvement plan.

1. Set health and safety goals, objectives and performance indicators for the organisation that are challenging although realistic.
2. Determine key milestones and deliverables to ascertain progress for the goals and objectives of this plan.
3. Establish performance indicators for all people, from executive directors, to managers, and workers.
4. Measure the indicators and ensure all people are held to account for health and safety roles, responsibilities and performance.

System Improvement

The first focus area ensures the development of a robust health and safety management system that is integrated throughout the organisation and works to eliminate hazards and reduce the risks of illness and injury. This includes information, tools and resources that are accessible, easy to use, and embrace the digital future.

Priorities

- Establish a Health and Safety Management System that supports the Council and the scope and nature of work activity.
- Ensure that the management system is created to cover legal compliance and builds towards best practice.
- Promote the Health and Safety Management System widely and confirm that policies and procedures are accessible to all workers, easy to understand and can be applied across the different areas of the organisation.
- Integrate health and safety management system and processes throughout the Council and ensure there is consistency and continuity in their application.
- Clarify roles, responsibilities and accountabilities for the implementation and performance of the health and safety management system.
- Hold all workers accountable for health and safety performance and outcomes.
- Encourage the use of digital systems that improve oversight for the performance of the management system.
 - Ensure the reporting system support effective incident reporting and hazard management.
 - Ensure the wellbeing of our staff and links between health and safety and the Council's Wellbeing Strategic Plan.

Actions

- Develop a strategic health and safety improvement plan, with the goal of implementing best practice guidelines, setting ambitious yet achievable objectives with clear measurement criteria to assess progress and achievement.
- Refresh the workplace health and safety policy statement and framework, with input from workers at all levels and the directors, intended to reset the approach to managing risks to worker health and safety.
- Develop charters that includes commitments to due diligence with regard to the health and safety of work and workers.
- Review health and safety roles and responsibilities and ensure responsibilities are assigned to the appropriate people (eg Job descriptions should cover the legislative responsibilities of directors, managers, team leaders and workers).

- Establish digital systems and processes that improve recording, monitoring and assurance for health and safety performance, with an emphasis on the management of high priority hazards and risks.
- Establish a central repository for health and safety data, information, resources, tools, and information to ensure ease of management system auditing. i.e., Inductions, SOP, SWMS, Risk Assessments.
 - Capture and report on lead or positive performance indicators (not just lag)
 - Develop annual health and safety management plans to ensure health and safety risks are proactively managed to prevent injury or illness in the workplace.
- Invest in MySafety capability to enable Council to capture and report on lead or positive performance indicators (not just lag)
- Create a central location for training records, that can be easily located, accessed, reviewed and / or audited.

Risk Management

A risk management approach focuses efforts of the organisation based on the nature and level of health and safety risks and prioritising the management of risks based on the potential to cause harm or damage.

Priorities

- Council has an effective and integrated risk management system.
- Profile and prioritise health and safety risks accordingly and ensure proportional and appropriate management of medium and high-risk activities.
- Responses are proportional and effectively manage risks.
- Health and safety reporting framework reflect the critical health and safety risks of the organisation.
- Consistent approach across specialist and high-risk areas.
- Executive Leaders Team, and the Audit and Risk Committee are fully engaged on organisational health and safety matters and informed of organisation risks.
- Effective management of contractors and subcontractors, as one of the critical operational health and safety risks.
- All contractors are covered by a contract for service which includes minimum health and safety risk management related clauses.
- Health and safety advice, support and expertise is provided to safety critical activities and roles.

Actions

- Develop policy and risk management standards for all critical risks.
- Develop an ELT health and safety reporting framework that aligns to Institute of Directors guidance and focuses on critical risks.
- Update reporting to executive leadership team and the audit and risk committee to reflect a risk management approach.
- Develop an education programme that informs and builds knowledge regarding health and safety risk management.
- Review procurement processes including the selection criteria of contractors to include health and safety performance.
- Review contract manager duties and responsibilities and develop a system for measurement and review against key performance indicators.
- Develop a risk-based contractor induction program, focusing on the key information the contractor needs to know and share, based on the risks related to the work being done and the work environment.

Leadership

Health and safety leadership at all levels creates a workplace culture where health and safety is visible and valued.

Priority areas

- Proactive leadership, through active due diligence where leaders complete work site visits and regularly discuss health and safety matters with their teams and workers.
- Leaders understand health and safety legislation, regulations and codes of practice.
- Leaders demonstrate a commitment to safety through their actions and reinforce its importance.
- Foster open dialogue about safety concerns, encourage reporting and create a positive, open and challenge culture for health and safety.
- Implement ongoing training to keep leaders informed and up to date on safety related matters.
- Regularly assess workplace risks and take proactive measures to mitigate risks.
- An engaged network of safety leaders, representatives, and workers.
- A culture of continuous improvement, where the lessons learnt from incidents are used to enhance safety measures.
- Health and safety team are known and are visible across the organisation.

Actions

- Develop a health and safety induction and training programme for managers and leaders to ensure they understand their health and safety responsibilities and accountabilities.
- Provide training and professional development opportunities for directors and managers in the leadership and governance of work health and safety.
- Implement an incentive and programme for workers for health and safety performance.

Capability

Comprehensive learning and development programmes emphasise the importance of knowledge, where the delivery of training enables our workforce to be fully informed and achieve a high standard of health and safety performance.

Priorities

- Training for both general and specific health, safety and wellbeing topics is provided to all workers, and more specifically to those who need it.
- Induction training is provided for all, and the employee onboarding process equips workers to fulfil their health and safety roles and responsibilities.
- Roles, responsibilities and accountabilities are defined and understood, and training is delivered to support all workers to fulfil their roles and responsibilities.
- Base level Health & Safety training that is determined suitable platform implemented for delivery and recording (e.g., MySafety, Hazard Identification & Risk Assessment, Contractor Management).
- Competence is ensured and checked regularly (annually).
- Refresher training is provided where identified and for critical roles. Example annual health and safety inductions.
- Council supports, celebrates and reinforces good practice and behaviours with incentives and rewards.
- Council has a competent and knowledgeable Health and Safety team, to provide advice and support.
- The use of digital tools to enhance delivery of health and safety practices.

Actions

- Review induction process, material, and scheduling, and determine level of effectiveness.
- Complete a training needs assessment for the management staff and develop a plan to implement training.
- Develop Occupational Health & Safety training modules based on the needs assessment. Develop suite of H&S resources and information that adds value to tasks and reflects relevant Occupational Health & Safety risks.
- Develop H&S induction and scheduling for completion by all staff Communication

Communication

Communication can make the difference for promoting health and safety. Vital information can be ignored or misunderstood if the correct tools and skills are not employed to communicate effectively.

Priorities

- Create meaningful health and safety communication channels.
- Use communication to promote a positive health and safety culture.
- Encourage the use of digital tools and platforms to deliver communications.
- Communication, including constructive feedback on health and safety is embedded into existing systems and channels, for example, through MySafety, Health and safety representatives, committees.
- As an organisation, we encourage open feedback, listen and take appropriate action.

Actions

- Develop communications plan and deliver communication on health and safety matters through existing channels and networks that meet the varied needs of business units and workers.
- Create a health and safety platform to store and access vital health and safety information, tools, and resources.

Engagement

Everyone benefits when workers are fully engaged in work health and safety. The Council is a healthier and safer place for everyone, and performance and productivity increases.

Priorities

- Communication, including constructive feedback on health and safety is embedded into existing systems and channels (MySafety, through HSR, through committees).
- Encourage open feedback, listen and take appropriate action.
- Establish, implement, and maintain processes for the consultation and participation of workers at all levels and functions.
- Digital tools and platforms are used to deliver communications.
- Build and support an engaged workforce for health and safety best practice.
- Confirm our committees are representative of the workforce, are adequately trained and are provided the time and resource to report back to their respective teams.

Actions

- Establish channels for workers to remain engaged and informed for workplace health and safety.
- Implement training pathways and programmes for health and safety representatives.

- Review Health and safety committee terms of reference, and health and safety representative responsibilities, and accountabilities.

Assurance

Building a highly effective HSMS is supported with audit and assurance processes. Our commitment to health and safety includes the constant reflection and continual evolution of our systems, processes and practices.

Priorities

- There is effective and proactive monitoring of health and safety performance indicators.
- Annual auditing processes enable teams and workers to provide feedback for quality improvement.
- Consistently review health and safety performance indicators and the status.
- Implement an audit programme to identify strengths and weaknesses in management of health and safety risks and recommend improvements to protect the health and safety of workers.
- Track corrective actions with timely completion, ensuring managers are held to account.
- Executive leaders, and the Audit and Risk committee are fully engaged on organisational health and safety matters and informed of organisation risks.
- Lessons learnt are recorded, are accessible and contribute to continuous health and safety improvement.

Actions

- Develop an audit schedule based on the profile and priority of risks.
- Develop and implement a schedule of health and safety reporting to enable effective monitoring and reviewing of health and safety performance based on strategic objectives and KPIs.
- Review the effectiveness of internal controls in place to manage such hazards, and to ensure compliance with legislation and regulation.
- Establish a health and safety reporting dashboard that is accessible to executive leaders and senior management.

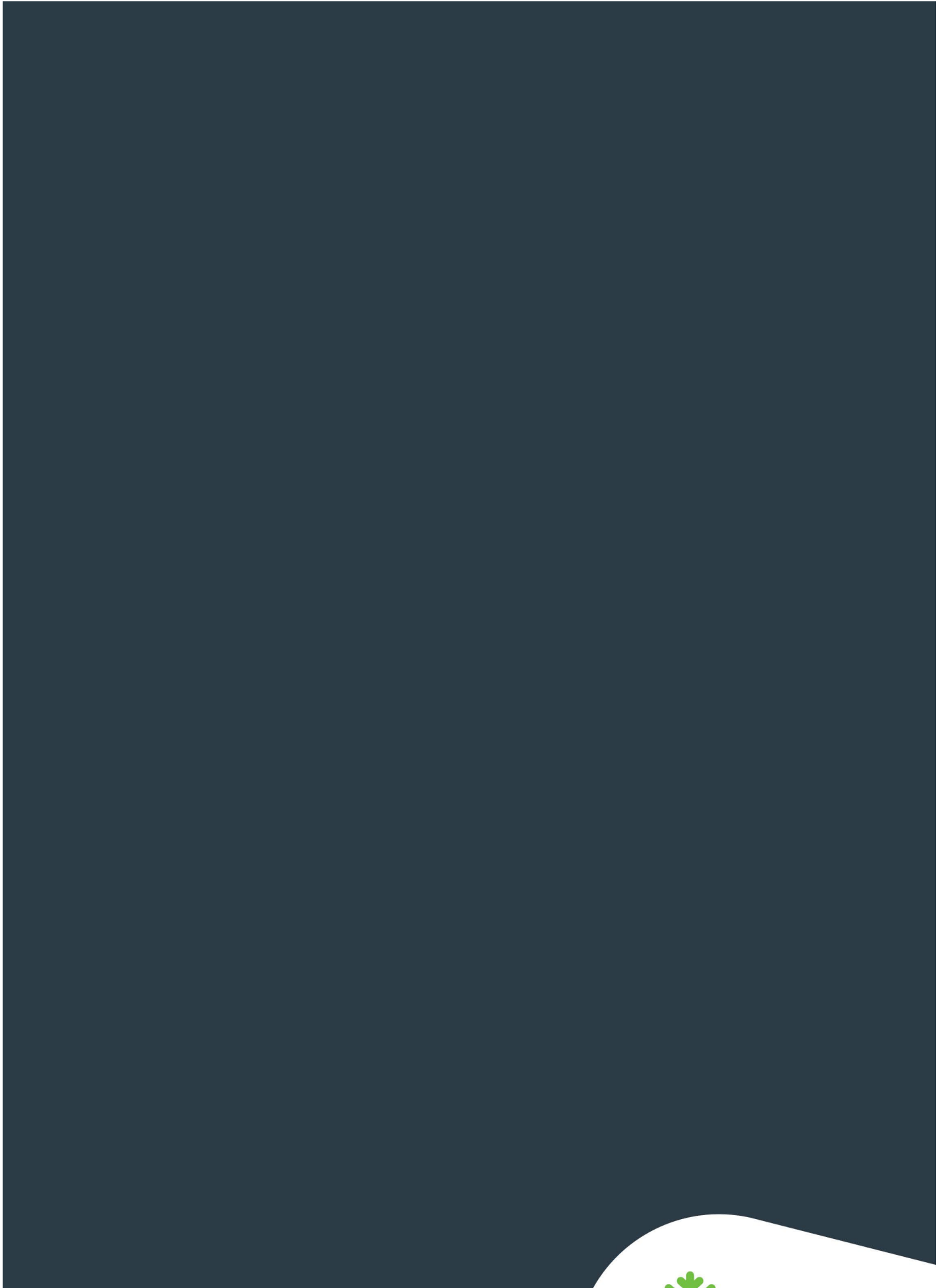
Alignment

Below is a table to show how the seven focus areas of Napier City Council improvement plan align with the internationally recognised standards *AUS/NZ ISO45001:2018* and the *Plan, Do, Check, Act Cycle*

PDCA	NCC focus areas	ISO45001
Plan	System Improvement Risk management	Organization and context Leadership Planning
Do	System Improvement Risk management Leadership Capability Communication	Support Operation
Check	Assurance Engagement	Performance evaluation.
Act	Assurance.	Continual improvement

What's next?

- Develop H&S work schedule for 2024-2025, itemising the key actions from the improvement plan and associated deliverables, and determining *estimated* timeframe for completion.
- Assign owners to each action / task to ensure accountability for the completion of the task and deliverable(s).
- Lead HS committee will meet every 6 weeks to assess and review progress of the improvement work plan holding the HSW manager to account for practical delivery.
- HSW manager to report to the Audit and Risk committee for the work schedule progress and management of operational H&S risks.
- Once tasks and deliverable are complete, the HSW team will support the organisation to embed each of these into business operations. Example – providing training to ensure teams, managers and workers understand how to implement each product, such as the upgrade of the MySafety app and reporting system software.
- Complete all tasks and deliverable and ensure ease of implementation into business as usual.



File Ref: CAS-08235-N0S6Q0

11 March 2024

Napier City Council
215 Hastings Street
Napier 4110

Dear Andrew Wallace

Assessment Outcome Advice

This letter is in response to the workplace health and safety assessment conducted at your premises located at Merser Street, Pandora on 06.03.2024.

A workplace health and safety assessment is a *sample* of a workplace or work activity to assess the effectiveness of health and safety management. On the day of the assessment no matters that required an enforcement response were identified.

You are reminded that it is Napier City Council's responsibility to comply with the relevant health and safety legislation. This includes regular review and monitoring of your health and safety systems and processes to ensure they are, and remain effective.

Refer to our website for more information: www.worksafe.govt.nz.

Yours sincerely,



Jay McCoy
WorkSafe Health and Safety Inspector

Health, safety, and Wellbeing quarterly reporting

December 2023 – February 2024 Lead reporting

	Dec 2023	Jan 2024	Feb 2024	Total
Training delivered	16	12	46	74
Health and safety meetings	11	9	19	39
Internal audits	3	7	2	12
Safety Observations	44	46	51	141

December 2023 – February 2024 Lag reporting

	Dec 2023	Jan 2024	Feb 2024	Total
Incidents	0	0	4	4
Accidents	7	13	7	27
Reported near miss	19	16	22	
Medical treated injuries	4	5	4	
Lost time injuries	0	0	1	
Event	19	41	37	
Hazard	10	9	8	
Return to work programmes	0	3	0	

December 2023 – February 2024 Health monitoring and surveillance

	Dec 2023	Jan 2024	Feb 2024	Total
Fitness to work testing	5	5	6	16
Annual health monitoring	33	18	0	
Trace metal testing	1	1	8	
Referrals to Audiologist/GP	6	4	1	
Hepatitis A & B vaccinations	10	10	15	
Zoonotic disease notifications	1	1	0	

October 2023 – February 2024 Enhanced EAP Utilisation

UMBRELLA Enhanced EAP Organisation Report

For the period Oct - Dec 2023

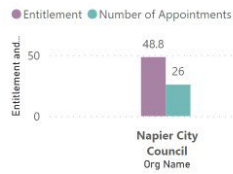
Org Name

Napier City Council



Org Name	Org Size	Contract Uptake Rate	Entitlement No. Sessions per client	Max Org Entitlement per quarter
Napier City Council	650	5%	6	48.8

#Appts vs Entitlement for the Quarter



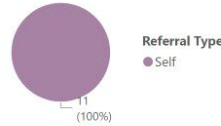
Appointments by Month



First Appointments by Month



Referral Type



Issue Themes



Entitlement: Number of sessions contracted per quarter
Utilisation: Total number of appointments per quarter vs entitlement
Uptake: Number of clients with first appointments divided by (Org size/4)

UMBRELLA Enhanced EAP Organisation Report

For the period Jan - Feb 2024

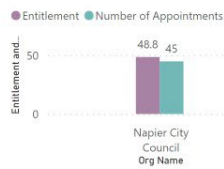
Org Name

Napier City Council



Org Name	Org Size	Contract Uptake Rate	Entitlement No. Sessions per client	Max Org Entitlement per quarter
Napier City Council	650	5%	6	48.8

#Appts vs Entitlement for the Quarter



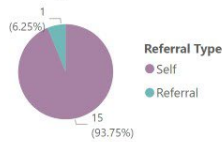
Appointments by Month



First Appointments by Month



Referral Type



Issue Themes



Entitlement: Number of sessions contracted per quarter
Utilisation: Total number of appointments per quarter vs entitlement
Uptake: Number of clients with first appointments divided by (Org size/4)

December 2023 – February 2024 Health and Safety Training

	Dec-23
Confined Space	3
Chemical Awareness	5
TMO-P	3
First Aid	1
Asbestos Awareness	16
Cardan Shaft	16
OxyGen + AED Therapy	27
GrowSafe	1
STMS Cat A Practicing	4
	76
	Jan-24
Confined Space	3
First Aid	7
	Feb-24
STMS Cat B Practising	1
SWMS 12-03	9
SOP 307	7
Health and Safety Representative	7
STMS Cat A NP	1
Site Safe	14
First Aid	7
	46

3. RISK MANAGEMENT REPORT

<i>Type of Report:</i>	Operational
<i>Legal Reference:</i>	N/A
<i>Document ID:</i>	1744348
<i>Reporting Officer/s & Unit:</i>	Dave Jordison, Risk and Assurance Lead Alister Edie, Business Improvement Manager

3.1 Purpose of Report

To update the Committee on current developments and workstreams within the risk management framework and inform on the status of Council's strategic and operational risk profile and any emerging risks.

Officer's Recommendation

The Audit and Risk Committee:

- a. **Receive** the report titled "Risk Management Report" dated 4 April 2024.

3.2 Background Summary

We have yet to complete a full review of the recommendations from the previous strategic risk workshop. New strategic risks were proposed, and various further actions and reviews of risk appetites were recommended. We will workshop these recommendations further with ELT, check our updated strategic priorities have sufficient risk assignment, before reporting back to this Committee.

A review of our risk management framework and risk maturity level is also being carried out by our internal audit provider. We will assess those recommendations when available and propose required improvements.

Various operational risks are out of appetite because sufficient review work has not been undertaken. We have reviewed the extreme revised risks where we believe controls are more sufficient or likelihood is less than reported. We will complete this review with risk owners and further review the high operational risks.

3.3 Issues

N/A

3.4 Significance and Engagement

N/A

3.5 Implications

Financial

N/A

Social & Policy

N/A

Risk

Strategic Risks

At the meeting in September 2023 the Committee approved moving the following risks from strategic to operational:

- SR 14 Work Health & Safety - Failure to maintain a safe and healthy workplace and safe systems of work,
- SR24 Compliance & Liability – Failure to comply with legislation and other requirements, and
- SR27 The Council does not have the right people with the right capabilities.

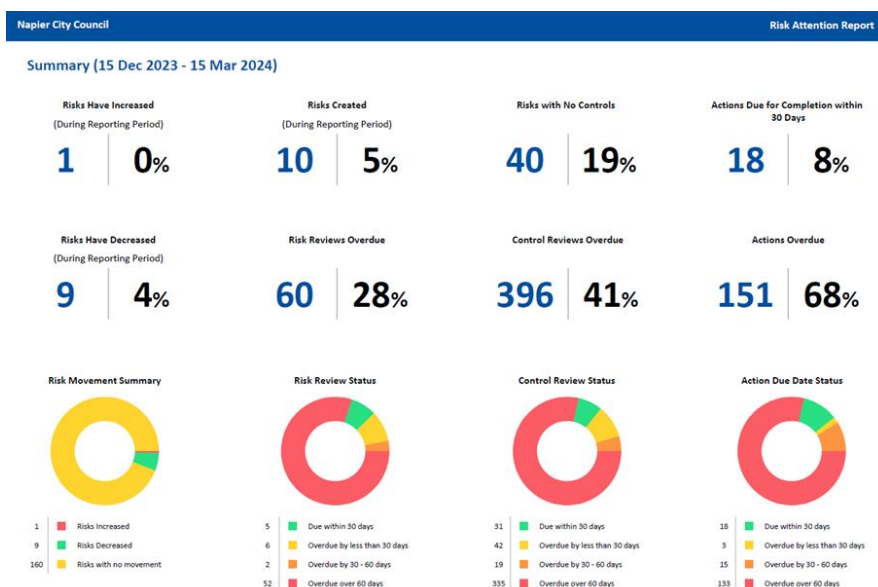
Strategic Risk SR14 Work Health & Safety - Failure to maintain a safe and healthy workplace and safe systems of work (i.e. we do not proactively navigate H&S threats) has also been increased to a high revised risk level. This was agreed with the chairman of the Audit and Risk committee because of the outcome of the internal audit of the Health and Safety activities. This now indicates that the level of effectiveness of controls need to be improved to meet our risk appetite level.

Operational Risks

A total of 81 operational risks exist, with 61 at high and 20 at extreme revised risk levels. This compares to the previous quarter’s total of 87, where 70 were high and 17 were extreme.

The primary cause of this increase is that additional risks have been created but the analysis and set up, including documenting the controls and revised risk level, has not been completed. Most of these new high and extreme risks are categorised as risks with no controls (40), so their revised risk level is equal to their inherent risk level e.g. extreme.

We have reviewed these extreme risks further ourselves, decreasing the revised risk level where we believe this is the real situation. 3 operational risks remain at extreme with the remainder moving to lower revised risk levels. We will review these risks thoroughly with risk owners, and complete the same exercise for high operational risks.



28% of risk reviews are showing as overdue because of staff not prioritizing the risk management process - or in some instances not understanding the process of amending

dates for the risk review, the control review, and adherence to the treatment action due dates.

To reduce overdue risk reviews and the overall usability of risk metrics, we are planning further training for Directors and tier 3 & 4 managers and are improving the documentation of the risk review process and procedures.

Two Operational risk reviews have resulted in an escalation of risk level:

- Operational risk OR332 Napier Aquatic Centre - Member of the public drowning, and
- OR316 Ocean spa - Member of the public drowning.

Both risks have been revised from a low to medium risk rating, resulting in an escalation through the director to the Chief Executive to accept the increased revised risk level. We are currently working through the risk analysis for the Kennedy Park pool, and this may also produce similar revised risk results.

There are also several instances where risk owners are creating new operational risks with the view of consolidating existing ones. The previous risks remain active until the setup of the new risks is complete, decreasing the useability of risk metrics.

Out of Appetite

There are currently 50 Operational risks showing as out of appetite, down from 120 in the previous period. This improvement is due to the required risk reviews taking place and the revised risk rating moving within appetite.

There are currently 6 strategic risks showing a revised risk level of out of appetite, predominantly due to the risk analysis being incomplete – this needs attention.

Emerging Risks

The following emerging risk has been added during the period:

- OR 334 Serious harm or fatality of Staff and/or Public from trade waste non-compliance.

The risk analysis for this operational risk is yet to be concluded, but currently the controls are showing very ineffective and require further work.

3.6 Preferred Option

Receive this risk management report

3.7 Attachments

Nil

4. SENSITIVE EXPENDITURE - MAYOR AND CHIEF EXECUTIVE

<i>Type of Report:</i>	Procedural
<i>Legal Reference:</i>	N/A
<i>Document ID:</i>	1742723
<i>Reporting Officer/s & Unit:</i>	Raewyn Fowler, Internal Audit Lead Talia Foster, Financial Controller

4.1 Purpose of Report

To provide the information required for the Committee to review Sensitive Expenditure of the Mayor and Chief Executive for compliance with Council's Sensitive Expenditure Policy.

Officer's Recommendation

The Audit and Risk Committee:

- a. **Receive** the 31 December 2023 quarterly report of Sensitive Expenditure for the Mayor and Chief Executive and review for compliance with the Sensitive Expenditure Policy.

4.2 Background Summary

The Sensitive Expenditure Policy approved by the Chief Executive on 17 March 2023 and endorsed by Council requires a report of all sensitive expenditure by the Chief Executive and by the Mayor to Audit and Risk Committee meetings (clauses 6.3 and 6.4). The policy also states that the expenditure items will be reviewed by the Chairperson or the Deputy Chairperson of the Audit and Risk Committee for compliance with this policy.

4.3 Issues

No issues

4.4 Significance and Engagement

N/A

4.5 Implications

Financial

N/A

Social & Policy

All sensitive expenditure transactions for the quarter ended 31 December 2023 are compliant with Council's Sensitive Expenditure Policy.

Risk

N/A

4.6 Attachments

- 1 Mayor Sensitive Expenditure report Oct to Dec 2023 (Doc Id 1746441) [↓](#)
- 2 CE Sensitive Expenditure report CE Q2 Oct to Dec 2023 (Doc Id 1746440) [↓](#)

Mayor Sensitive Expenditure

Report for Audit and Risk Committee Meeting

Transactions processed for periods 202310 to 202312

Transaction Date	Transaction Source	Supplier	Value	Details in Ledger	Compliant with Policy
Entertainment					
Dec-23	AP	Thee Doors Up	\$ 617.39	Canapes 15th Dec and venue hire - ELT & Councillors end of year function	✓
Total Entertainment			<u>\$ 617.39</u>		
Mayor's Travel & Accommodation					
Nov-23	AP	Orbit travel	\$ 350.77	Costs re attendance at LGNZ Choose Localism conference	✓
Total Mayor's Travel & Accommodation			<u>\$ 350.77</u>		
Conferences					
Total Conferences			<u>\$ -</u>		
Total For Quarter			<u>\$ 968.16</u>		

Transaction Source key:

EC	Transaction approved through expense claim process
CC	Transaction processed through NCC's corporate card
AP	Transaction approved through normal purchasing & payables process

Chief Executive Sensitive Expenditure

Report for Audit and Risk Committee Meeting

Transactions processed for periods 202310 to 202312

Transaction Date	Transaction Source	Supplier	Value	Details in Ledger	Compliant with Policy
Entertainment					
Dec-23	AP	Design Cuisine Limited	262.00	Catering for CE & Mayoral forum held 27 Nov 23	✓
Total Entertainment			\$ 262.00		
Travel & Accommodation					
Nov-23	AP	Corporate Cabs	299.37	Taxi fares - meetings attended in Wellington during Nov 23 (R&P, Civic Board)	✓
Nov-23	CC	Hawke's Bay Airport parking	33.87	Parking fees attendance R&P meeting Wgtn	✓
Total Travel & Accommodation			\$ 333.24		
Conferences					
Oct-23	CC		\$ 990.00	Taituara 2023 Conference	✓
Oct-23	CC		\$ 108.30	Future by Local Government	✓
Total Conferences			\$ 1,098.30		
Total For Quarter			\$ 1,693.54		

Transaction Source key:

EC	Transaction approved through expense claim process
CC	Transaction processed through NCC's corporate card
AP	Transaction approved through normal purchasing & payables process

5. INTERNAL AUDIT RECOMMENDATIONS PROGRESS REPORT

<i>Type of Report:</i>	Information
<i>Legal Reference:</i>	N/A
<i>Document ID:</i>	1742724
<i>Reporting Officer/s & Unit:</i>	Raewyn Fowler, Internal Audit Lead

5.1 Purpose of Report

The purpose of this report is to provide the Committee with a summary of the internal audit recommendations progress to date.

Officer's Recommendation

The Audit and Risk Committee:

- a) **Receive** the Internal Audit Recommendations Progress Report.

5.2 Background Summary

Napier City Council contract to Crowe to provide internal audit services. The internal audits performed by Crowe include a written report on issues found with recommendations and agreed management actions to be taken by Council staff to address the issues raised. In addition, PWC provide Council regular taxation internal audits – these are also included in the progress report provided. The agreed management actions are now being followed up by the relevant Council management and progress on actions to date is being tracked and reported (refer attachment).

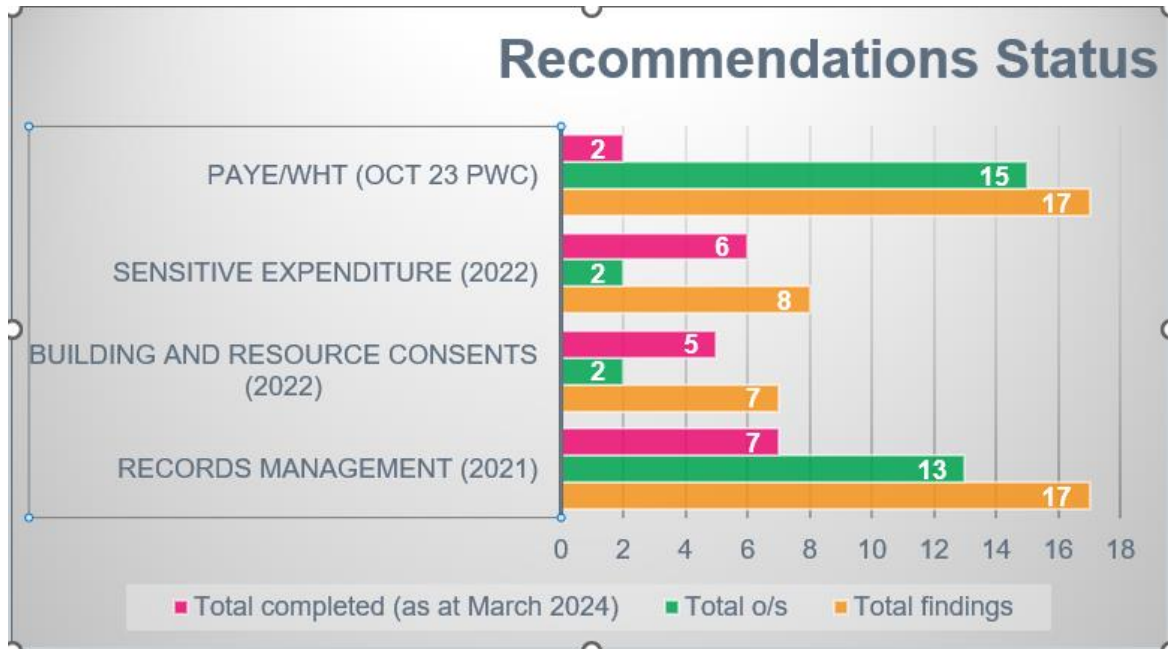
5.3 Issues

There are four internal audits that have outstanding actions (in progress) these being:

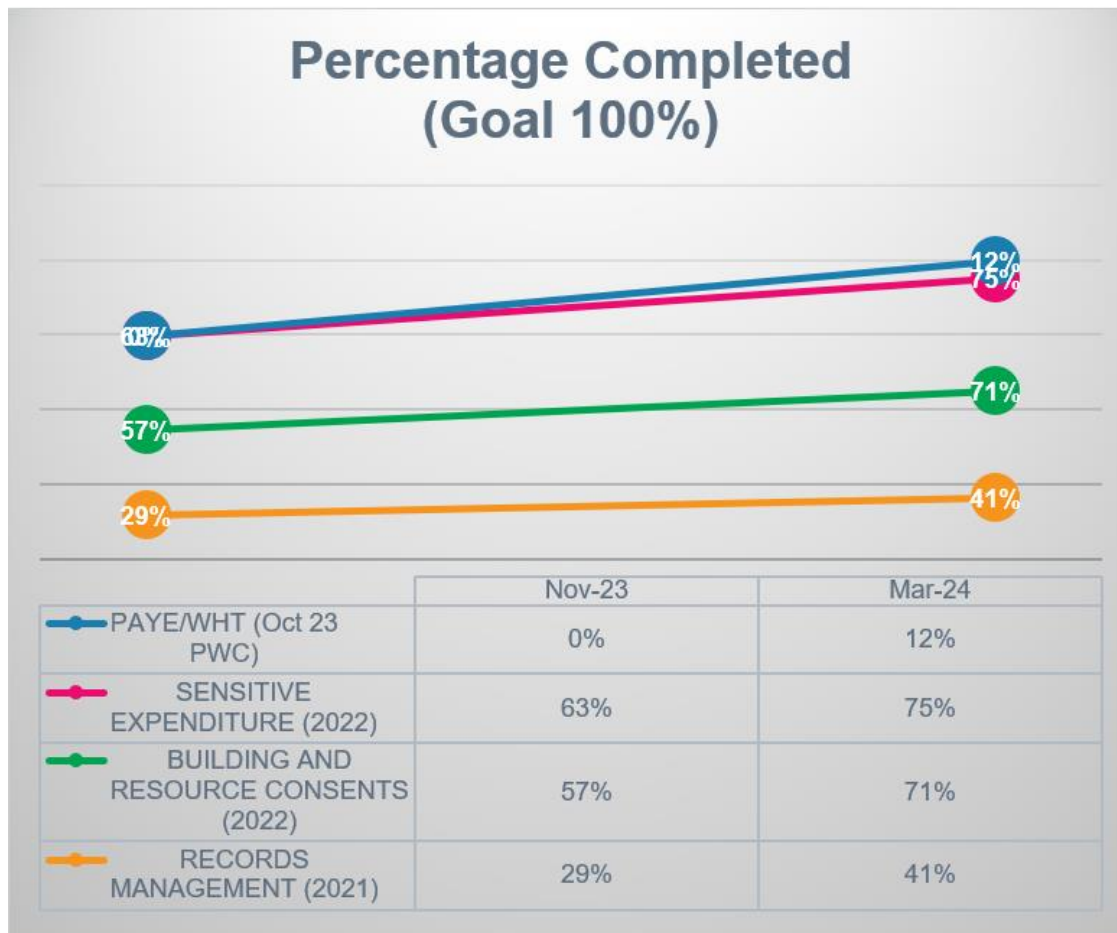
- Building and Resource Consents (Crowe)
- Sensitive Expenditure (Crowe)
- Records Management (Crowe)
- PAYE & WHT (PWC)

Please refer graphs below - Graph 1 below provides the status of recommendations (as at March 2024). Graph 2 shows the progress of these recommendations being implemented since last report presented to the Committee (November 2023)

Graph 1: Recommendations Status



Graph 2: Percentage completed since last report.



.4 Significance and Engagement

N/A

5.5 Implications

Financial

N/A

Social & Policy

N/A

Risk

The internal audit programme monitors and significantly reduces risk across the organisation. By monitoring the recommendations to ensure they are implemented we are further reducing risk. Any outstanding actions do pose a risk to the organisation.

5.6 Development of Preferred Option

Recommend the committee receive the Internal Audit Recommendations Progress Report.

5.6 Attachments

- 1 Internal Audit recommendations progress status (Doc Id 1746260) [↓](#)

Audit	Ref #	Audit scope and findings	Risk Status	Recommendations	Actions	Person Responsible	Planned Implementation date	Progress Nov 2023	Progress March 2024	Commentary Nov 2023	Commentary March 2024
Records Management (2021)	1	Information and records management must be directed by strategy and policy, and reviewed and monitored regularly.	High	The Council should implement a regular process to monitor how people at the Council are applying strategies and policies	6 monthly report to the SLT on organization of application and strategy identifying concerns. To present final audit report to SLT with update, scheduled for June 2021. CE to remind staff quarterly on requirements to adhere to correct Records Management emphasizing their importance. First communication scheduled June 2021 (post receiving final Audit report) Training program to be rolled to all appropriate staff as compulsory sessions	CIT (Not specified)	1/06/2021	In progress	In progress	Status quo - still scheduled for Q1/24	Review activities in InfoSource and M365/Sharepoint and develop report for June reporting
Records Management (2021)	2	Information and records management must be the responsibility of senior management. Senior management must provide direction and support to meet business requirements as well as relevant laws and regulations.	High	Refer to recommendation 1.1 above in relation to developing and adopting a records management policy. The policy should: • list the senior executive team as responsible for managing information and records. • reflect the legislative responsibilities of chief executives for example under the State Sector Act 1988 (section 32(1)), and the Local Government Act 2002 (section 42(2)).	As per 1.1, including develop of an education and awareness program for tier 1, 2, 3 managers. The State Sector Act 1998 was repealed in August 2020, and it appears to be directed at central government not local government. We have added I&RM segment into the regular "Corporate" training seminar schedule. 6 monthly reminder to CMT on responsibilities, and ensuring all staff are compliant.	CIT (Not specified)	Not specified - refer dates above 1.1	In progress	In progress	Status quo - still scheduled for Q1/24	Preparing material for uploading to the new Learning Management System (LMS) - which is expected to be available Q3/24
Records Management (2021)	5	Business owners and business units must be responsible for ensuring that information and records management is integrated into business processes, systems and services.	High	Refer to 1 and 2 above	As per 1, add as key competency for all staff, regular training, and regular reminders from CE and monitoring reports to SLT. M365 project to streamline RM by utilizing Office, SharePoint, Teams, OneDrive environment. Close of traditional file shares for file storage	CIT (Not specified)	Not specified - refer dates above 1.1	In progress	In progress	Once IM Strategy is approved, engage with P&C team - Q1/24	1.1 and 1.2 should address business managers needs
Records Management (2021)	6	Staff and contractors must understand the information and records management responsibilities of their role. They must understand relevant policies and procedures.	Low	Review and update relevant records management policies (refer 1.1 above) and communicate them to the Council's staff and contractors. Skills, capabilities and responsibilities must be assigned in role descriptions and performance plans.	As per 1.1 & 1.5, including ensuring IM policies form part of new staff/contractor induction process Manager training on responsibilities for contractors Contractors to be provided with Councils policy on Records Management and their requirement to provide 'records' with council. A new policy for contractors will be developed and provided as part of the services contract. We are currently using Microsoft Teams with external providers to capture information, e.g. 3 Waters NCC believe this section should be "Partially Met", as IM & R&D Policies are awaiting council approval, IT Acceptable use is current under review.	CIT (Not specified)	Not specified - refer dates above 1.1	In progress	In progress	Once IM Strategy is approved, engage with P&C and Infrastructure teams - Q1/24	LMS will improve staff inductions. Improved process and modules to be developed for onboarding contractors - Q3/24
Records Management (2021)	8	Information and records management must be monitored and reviewed to ensure that it is accurately performed and meets business needs.	High	The Council should develop a process to regularly monitor its information and records management activities to ensure they are effective and meet the Council's requirements. This could be achieved by a periodic self-assessments against the requirements of the Standard and regular reporting to the Executive Sponsor.	As per 1.1, add as key competency for all staff, regular training, and regular reminders from CE and monitoring reports to SLT. Bi-annual internal audit by external consultant to assess compliance to see improvements of this baseline. Use this audit as a template for periodic self-assessment reporting to the Executive Sponsor.	CIT (Not specified)	Not specified - refer dates above 1.1	In progress	In progress	No change - still scheduled for Q2/2024	Will review with ALGIM on suitable timing of an audit
Records Management (2021)	1	Information and records required to support and meet business needs must be identified.	High	The Council should appraise its records and information to define its key information and records requirements and enable the Council to meet its statutory obligations and support its business needs The Council may use the Archives New Zealand guidance to perform the appraisal.	Physical Records: A dedicated Archivist role was established to appraise unapprised documents surrendered following the exit of council's earthquake prone premises. This work is ongoing. True Archives and high value records had already been identified prior to this. Digital Records: High risk, high value records such as HR files or Property Files are held in separate secure libraries with access controls. The M365 project aims to centralize records and make them more identifiable. As this work is underway and partially complete NCC believe a status of "Partially Met" better reflects this section.	CIT (Not specified)	No date specified	In progress	In progress	Archives room upgrade - PO has been raised. Site visit for camera, to Wellington late Nov '23 by both Archivists	Still waiting for equipment to arrive for Minute Book digitisation. Have identified the need to digitise the Leasehold Property files - working on a timeline for this.
Records Management (2021)	4	Information and records must be managed across all operating environments	Medium	The Council should store all information in EDRMS. This requirement should be reiterated and further awareness training should be provided to staff if required. In parallel with the appraisal process (refer 2.1), the Council should document the lifecycle of its information and records, including where it is created, stored and disposed.	Senior Management to reiterate the need for Records compliance. Additional training to be rolled out. As part of 2.2, identification of significant records by department and lifecycle will be developed by September 2021 Disparate systems do not always allow "all information" to be stored in eDRMS – the M365 project will address some of these issues. EDRMS is already promoted as the "single source of the truth" as part of the training process	CIT (Not specified)	Sep-21	In progress	In progress	As above - M365 now progressing	As above - M365 now progressing
Records Management (2021)	2	Information and records must be reliable and trustworthy.	Low	The Council should perform regular assessments or audits to demonstrate that management controls of business rules, procedures and systems are operating correctly. This provides assurance of the integrity of the information and records stored in the system. This recommendation is similar to 3.1 and 1.8 above.	Noted. We propose ALGIM perform an assessment benchmark audit bi-annually that will also provide recommendations going forward.	CIT (Not specified)	No date specified	In progress	In progress	No change - still scheduled for Q2/2024	Will review with ALGIM on suitable timing of an audit
Records Management (2021)	4	Information and records must be protected from unauthorised or unlawful access, alteration, loss, deletion and/or destruction.	Low	Develop and implement an Information Security policy that specifically covers information and records held physically and digitally. Perform regular assessments and audits of access security controls to ensure they are operating effectively.	Information Security policy being developed. Records area has restricted access via card control system. Digital assets (eDRMS) controlled by rights management Scheduling of access audit now scheduled annually. Additional access controls will be added to the Archives room.	CIT (Not specified)	No date specified	In progress	In progress	No progress - still to be developed	No progress - still to be developed
Records Management (2021)	5	Access to, use of and sharing of information and records must be managed appropriately in line with legal and business requirements.	Low	Perform regular assessments and audits of records management practices to verify that access to, use and sharing of information and records is managed in line with business requirements and legal obligations.	This will be embedded into the training program with quarterly communication from the CE Our new AV tool (Cloud Strike) can report on transfers to USB drives and other sharing platforms. Quarterly reporting and user training will be done.	CIT (Not specified)	No date specified	In progress	In progress	We have checked the Cloud Strike reporting capability, it can only produce on demand, not automated, USB drive activity reports.	About to engage with Microsoft and review their Purview Tool for data security

Audit	Ref #	Audit scope and findings	Risk Status	Recommendations	Actions	Person Responsible	Planned Implementation date	Progress Nov 2023	Progress March 2024	Commentary Nov 2023	Commentary March 2024
Building and Resource Consents (2022)	5	Insufficient revenue controls – Building and Resource Consents	Medium	<p>"Revenue reconciliations</p> <ul style="list-style-type: none"> We recommend a monthly review of applications lodged and not yet billed by Administrators, to ensure that building and resource consents revenue is complete and accurate. The monthly reconciliation should be documented. <p>Other revenue recommendations</p> <ul style="list-style-type: none"> We recommend the implementation of a review process among the administrators to improve the efficiency (by decreasing erroneous invoicing) and accuracy of the invoicing process. This may be in the form of one administrator processing the invoice and a second administrator reviewing and issuing the invoice. We recommend the NCC investigate the ability to use exception reporting from Alpha One data which would identify if any changes had been made to applications after the date the invoice has been issued and reviewed on a monthly basis. This review should be evidenced by way of signature and dated by the reviewer." 	<p>Actions</p> <p>In both resource consents and building consents, staffing resources are limited and we consider the benefits gained by fewer errors would be outweighed by the additional staff time. Therefore, a two-step invoicing process is considered inefficient. However, we acknowledge the importance of picking up errors and commit to finding ways to check and reduce erroneous invoicing.</p> <p>Resource Consents to implement a monthly report of applications accepted and invoiced.</p> <p>Building Consents will work with the finance and IT teams to create reconciliations between Magiq and Alpha One, and will also investigate an API to bring invoices from Alpha One automatically into Magiq to reduce errors and discrepancies.</p>	TLRA (for resource consents), Manager Building Consents (for Alpha One)	1/04/2022	In progress	In progress	Manager Building Consents confirmed the integration between Magiq and AlphaOne is still in progress and currently sitting with NCC IT team	IT have confirmed with Alpha One their platform upgrade won't impact existing integration. Waiting for Alex (building team) to return to work from maternity leave, to work with her as the SME to explore how we can work with this integration
Building and Resource Consents (2022)	7	Conflict of interest – Resource Consents	Medium	<p>To meet the expectations of the OAG's Good practice guide: Managing conflicts of interest: Guidance for public entities we recommend documenting and adopting procedures for dealing with conflicts of interest that cover the processes for:</p> <ul style="list-style-type: none"> identifying and disclosing conflicts of interest (primarily the responsibility of the director or employee concerned); and deciding what action (if any) is necessary to best avoid or mitigate any effects of the conflict of interest (primarily the responsibility of the public entity) <p>The procedures should include at least the following:</p> <ul style="list-style-type: none"> requirement to document the conflict on file requirement to document the recommended action and safeguards that were put in place; whether the conflict was raised with the customer. <p>The Resource Consents team should implement effective procedures to meet these obligations (there is potential to align this process with existing Conflict of Interest procedures such as is used by the Building consents team).</p>	<p>Actions</p> <p>Conflicts of Interest procedure to be implemented. This will include a conflicts form for a staff member to complete identifying the conflict as well as a conflicts log.</p>	TLRA	1/04/2022	In progress	In progress	COI Register not yet implemented. Currently with IT and procurement team. Expected completion Q1 2024	In progress. Expected completion now Q2 (June 2024)
Building and Resource Consents (2022)	8	Internal Gift policy review and tailored fraud related training - Resource and Building Consents	Medium	<p>As noted further awareness of the Council's fraud related policies should be implemented to ensure staff are aware of fraud risks and their obligations in regard to identifying and responding to suspicious actions.</p> <p>It should also be ensured that policies are reviewed on a timely basis to ensure they remain relevant and up to date.</p>	<p>Actions</p> <p>The Fraud Policy has recently been reviewed and is awaiting approval from our Executive Leadership Team (complete)</p> <p>Once approved, communications will go to all staff to inform them of the updates and provide the opportunity to review the new policy (complete).</p> <p>Our new policies process will help to ensure that future reviews are completed on a timely basis. The Gifts and Gratuities Policy will be reviewed in this process (in progress)</p> <p>Work is also underway to ensure new staff are trained on the Fraud Policy and we expect this will be implemented by the end of the financial year (complete)</p>	Business Analyst and Accounting Manager	31/07/2022	In progress	In progress	The Gifts and Gratuities Policy went to the ELT meeting on 10 October for approval, however changes have been requested and are in progress	No change from Nov commentary.
Sensitive Expenditure (2022)	1	Policies and procedures - gap analysis against OAG guidance	Low	<p>The following is recommended:</p> <ul style="list-style-type: none"> The review dates of policies should be followed and should take into account the updated 2020 guidance issued by the OAG. The Credit Card Policy should be updated to include specific reference to the use of credit cards for cash advances. Technology enhancements since the beginning of the COVID-19 pandemic have allowed for organisations to reduce significantly the requirement for travel and 'in person' meetings. To reflect this and the OAG guidance, the Travel Policy should be updated to include consideration of technology-enabled solutions prior to organising any travel. 	<p>Credit Card Policy: The policy has been updated to reflect the OAG 2020 guidance issued and is currently with ELT for final review and approval (August 2022)</p> <p>Travel Policy: The policy will be updated to reflect the OAG 2020 guidance as outlined.</p> <p>Gift Policy: This policy is currently under review.</p>	Talia Foster (Financial Controller)	Sep-22	In progress	In progress	The Credit Card Policy was approved at the ELT meeting on 10 October. The Travel Policy is intended to go to the December meeting.	The Travel Policy has not yet been reviewed.
Sensitive Expenditure (2022)	4	Gifts received	Low	<p>It should be ensured that appropriate evidence of approval of gifts received is documented, in particular those with value exceeding the \$50 limit.</p> <p>Periodic compliance monitoring of the gift register should be undertaken.</p>	<p>For those gifts exceeding \$50 limit, the gift register form on The Source will be amended so that approval is required by email from the relevant manager (currently it is just a Y/N option)</p> <p>A review and report on the Gifts Register will reported annually to the Audit & Risk Committee</p>	Raewyn Fowler (Internal audit lead)	Sep-22	In progress	In progress	IT have advised expected completion date to be completed 1st half of 2024.	IT advise not yet started, but expected to start within next 4-6 weeks.

Audit	Ref #	Audit scope and findings	Risk Status	Recommendations	Actions	Person Responsible	Planned Implementation date	Progress Nov 2023	Progress March 2024	Commentary Nov 2023	Commentary March 2024
PAYE/WHT (Oct 23 PWC)	1	Procedural Documentation	Low	We recommend Council continue to regularly develop and update the payroll procedural documents to ensure these are complete and up to date. This is often a useful exercise for new payroll administrators/staff members to work through to test whether the procedural documents are fit for purpose and can be easily followed. We note that where taxpayers can produce an up-to-date, comprehensive procedural document, this instills IRD with a high degree of confidence in an organization's compliance. Further through IR'S tax governance campaign the importance of comprehensive policy, process and procedural documentation has become highlighted.	We are in the process of recruiting two new staff in the payroll team which will provide the opportunity to test the current documentation and provide additional capacity to continue updating the documentation as part of BAU.	Operations Manager (Finance)		N/A	In progress	n/a	One new staff member has joined the team since this audit was undertaken. This is helping with documentation but it is an ongoing process.
PAYE/WHT (Oct 23 PWC)	2	Communication between HR, Payroll, and Finance	Process Improvement	We recommend that Council continues to work at improving communication between these departments.	We will initiate regular catchups and we will ensure these meetings cover of any issues in a constructive, positive and timely manner. This will be done by taking meeting minutes, recording actions that arise, and follow up of these actions at the following meeting.	Financial Controller		N/A	In progress	n/a	Regular catchups are booked.
PAYE/WHT (Oct 23 PWC)	3	New system	Process Improvement	We recommend that Council undertake appropriate due diligence testing of the existing system prior to the implementation of any new system that data is migrated to the new system is correct. Additionally, it would be appropriate for Council to undertake a review of the new system post-implementation to obtain confidence in the tax settings and calculation	We have our Payroll/Accounts Payable Team Leader completing a data cleanse project currently. This is expected to be finished by December. If we go ahead with a new payroll system, due diligence will be undertaken which would include consideration of tax settings and calculations.	Operations Manager (Finance)		N/A	N/A	n/a	A project for a new HR system is in progress, but the payroll system will not be replaced for the foreseeable future. Given this stance, we do not believe this action is relevant.
PAYE/WHT (Oct 23 PWC)	4	Meal Allowances	Medium	We recommend that prospectively Council align the non-taxable meal allowance conditions in the CEA's with the legislative requirement.	P&C will review the current conditions and look to make changes at the first opportunity. Bargaining in June and Oct 2024 is likely to be the first opportunity for review, unless we are able to seek a variation.	Chief People Officer		N/A	Not started	n/a	This review cannot happen until bargaining later this year.
PAYE/WHT (Oct 23 PWC)	5	Accommodation	Low	Council should continue to ensure that the rental value of these properties is regularly re-assessed to ensure it appropriately reflects the market rent.	A Property Officer has recently started with Council. Part of their role will be ensuring the regular inspection and rental assessment for these properties.	Financial Controller		N/A	In progress	n/a	This action has been added to the Property Officer's role, and rental valuations for non-social housing, including those occupied by staff, are currently being scheduled. This valuation will be completed by an external valuer.
PAYE/WHT (Oct 23 PWC)	6	Relocation payments	Low	Council should ensure Determination 09/04 is considered where any unusual or new relocation payments are sought by an employee. In general, we note that the list is comprehensive and covers a wide variety of relocation associated payments.	Finance will work with P&C to ensure the process is robust, including correct information included in policies and contracts that meets determination 09/04 and that finance are aware of all relocations to ensure we can review for compliance.	Financial Controller		N/A	In progress	n/a	Both teams are now aware of this requirement which does lead to more communication, but official processes are not finalised.
PAYE/WHT (Oct 23 PWC)	7	ESCT	Medium	We recommend that Council specifically ensures the ESCT rates for all new staff are manually checked. We note that after two years, Council can place more reliance on the payroll system to determine the correct ESCT rate.	With the new payroll staff being recruited, we will have capacity to review our current process to ensure it is robust. We will also complete our own review of the rates currently in the system to provide further assurance.	Financial Controller		N/A	In progress	n/a	Rates for new staff are checked, however we are not yet at a capacity which has allowed the additional checking of rates currently in the system.
PAYE/WHT (Oct 23 PWC)	10	Identifying WHT obligations	High	We strongly recommend that Council develop a process for identifying where a WHT obligation may arise as a matter of priority. WHT should be considered by the procurement team in the first instance when procuring new contractors through the new supplier onboarding form. However it will also fall on AP to identify the obligation at time of payment. As such we recommend training is provided to both groups of employees. An IR330C should be obtained from contractors where a WHT obligation arises so that Council can deduct at the appropriate elected rate. We note that the obligation to deduct WHT falls on the payer (Council) rather than the contractor. As such, Council can be liable to penalties if this is not correctly complied with.	Procurement are undergoing a review of the supplier on-boarding process to ensure data around WHT obligations are captured. This will be completed by end of 2023. Further training will be provided to the AP team to identify payments which may have WHT considerations as they arise. Training will also be provided by the end of 2023.	Procurement Finance		N/A	In progress	n/a	The expectation was that additional resources in procurement would enable this review to happen, however there has not been enough capacity due to the significant procurement activity within Council that requires support from this team. Finance will take on this review as soon as practical. However, we are now more aware of these issues. A project is underway for a new accounts payable/e-invoicing system which is expected to improve these processes.
PAYE/WHT (Oct 23 PWC)	11	NRCT	Medium	Council should ensure the identification of non-resident contractors is included in their contractor onboarding policies and procedures.	Procurement are undergoing a review of the supplier on-boarding process to ensure data around WHT obligations are captured. This will be completed by end of 2023.	Procurement Finance		N/A	In progress	n/a	from this team. Finance will take on this review as soon as practical. However, we are now more aware of these issues. A project is underway for a new accounts payable/e-invoicing system which is expected to improve these processes.
PAYE/WHT (Oct 23 PWC)	12	New supplier onboarding form	High	We recommend that Council update the new supplier onboarding form to include a field for whether the individual will be performing a schedular activity. This could include the list of schedular activities which can be found in the IR330C form. This would serve as an important first step for picking up instances whereby Council could have a WHT obligation.	Procurement are undergoing a review of the supplier on-boarding process to ensure data around WHT obligations are captured. This will be completed by end of 2023.	Procurement		N/A	In progress	n/a	from this team. Finance will take on this review as soon as practical. However, we are now more aware of these issues. A project is underway for a new accounts payable/e-invoicing system which is expected to improve these processes.
PAYE/WHT (Oct 23 PWC)	13	Documentation - IR330C's	Medium	Council should ensure they obtain an IR330C form from individuals performing a schedular activity and deduct WHT at the selected rate. Where a contractor is performing a schedular activity and no IR330C is provided, Council may need to deduct WHT at the non-declaration rate of 45%.	Procurement are undergoing a review of the supplier on-boarding process to ensure data around WHT obligations are captured. This will be completed by end of 2023.	Procurement Finance P&C		N/A	In progress	n/a	from this team. Finance will take on this review as soon as practical. However, we are now more aware of these issues. A project is underway for a new accounts payable/e-invoicing system which is expected to improve these processes.
PAYE/WHT (Oct 23 PWC)	14	Koha	Low	We recommend that Council has a formalised process that ensures Koha payments are considered on a case-by-case basis and ensures these do not reflect payment for services as this could attract a WHT obligation.	The Koha policy is in draft and is awaiting ELT sign off which will be completed by November 2023.	Financial Controller		N/A	In progress	n/a	from this team. Finance will take on this review as soon as practical. However, we are now more aware of these issues. A project is underway for a new accounts payable/e-invoicing system which is expected to improve these processes.

Audit	Ref #	Audit scope and findings	Risk Status	Recommendations	Actions	Person Responsible	Planned Implementation date	Progress Nov 2023	Progress March 2024	Commentary Nov 2023	Commentary March 2024
PAYE/WHT (Oct 23 PWC)	15	NRWT	Medium	Whilst we did not identify any specific tax risk in this area, we recommend Council develop a process for identifying where an NRWT obligation may arise. Council should review all contracts with offshore suppliers to determine whether there is a potential NRWT exposure. We would be happy to discuss this further. If Council is unsure about the tax treatment of a particular payment made to a non-resident, we recommend that Council seeks tax advice.	We have recently hired a Procurements Contracts Administrator who will complete this review of current offshore suppliers. This review will inform any process changes required and will be completed by December 2023.	Procurement Finance		N/A	In progress	n/a	
PAYE/WHT (Oct 23 PWC)	16	Employee/Contractor Distinction	High	We recommend that Council considers any current longstanding contractor engagements to ensure these individuals are genuine contractors, rather than employees. Guidance has been provided on the five tests for determining the distinction between a contractor and an employee. Going forward the procurement team should consider the tests at the time of procurement to confirm if a genuine contractor relationship exists. The procurement team should work alongside P&C where an engagement should instead be one of an employment arrangement.	Procurement to undertake a training programme across Council which will include employee/contractor distinction, how and when to use the checklist and actions taken where any existing issues are noted. P&C will conduct reviews when issues are highlighted through finance or procurement.	P&C Procurement		N/A	In progress	n/a	
PAYE/WHT (Oct 23 PWC)	17	Aqua fitness/Ocean Spa instructors	Medium	Care will need to be taken in regard to considering the employee/contractor distinction for Ocean Spa workers. This will include ensuring that contractors currently engaged by Ocean Spa are appropriately under contract for service agreements rather than performing their services in a way that is more akin to an employee. Further, Council will need to ensure that WHT is considered for all contracted services where schedular activities are being performed and appropriate documentation is held, e.g., IRD330C's.	Initial investigations have been made by P&C to ensure that contractor arrangements are appropriate. It is acknowledged that further work is required which will be completed by March 2024.	P&C Payroll		N/A	In progress	n/a	This further work is still ongoing but we are confident that the risk has been lowered.

6. POLICY REVIEW PROCESS UPDATE

<i>Type of Report:</i>	Operational
<i>Legal Reference:</i>	N/A
<i>Document ID:</i>	1701124
<i>Reporting Officer/s & Unit:</i>	Talia Foster, Financial Controller Caroline Thomson, Chief Financial Officer

6.1 Purpose of Report

To update the committee on the progress made to date with the policy review project.

Officer's Recommendation

The Audit and Risk Committee:

- a. **Receive** the report titled "Policy Review Process Update" dated 4 April 2024.

6.2 Background Summary

At the meeting of the Audit and Risk Committee on 29 September 2023, the committee directed officers to provide an update of the policy review process which was undergoing changes.

It is important to Council to have up to date policies in place to reduce risk across many areas of Council. Regularly reviewing policies is good practice to ensure they are relevant and fit for purpose. Internal and External audits have highlighted issues with policies being past their review date and officers have been struggling to ensure their timely review due to issues with the internal policy review process and system.

In September, the Executive Leadership Team (ELT) agreed to review policies outside of this system to enable the timely review and correct a backlog of policies where an initial review has been completed by officers, but not approved by the ELT.

6.3 Current Position

Since 1 October, nine policy reviews have been approved by ELT. These are:

- National Aquarium of New Zealand Captive Management Policy (published)
- Information Services Acceptable Use Policy – Appointed/Elected members (to now be merged with edits & to be published)
- Talent Acquisition Policy (published)
- Asset Management Policy (published)
- Easter Sunday Trading Policy (published)
- CCTV Policy (to be published)
- Information Services Acceptable Use Policy – Employees (with some edits, to be published)
- Information Services Artificial Intelligence (to be published)

- Motor Vehicle Policy (minor edits, to be published)

In reviewing the policy process we have identified multiple issues with the IT system that has previously been used including a single point of failure with administration access to the system. We are currently completing the process manually, outside of the IT system while we look for a permanent replacement.

The manual process is championed by the Executive Assistant to Deputy Chief Executive & Executive Director Corporate Services, who is prioritising the policies to be reviewed and decommissioning old policies that are no longer relevant, managing the process for officers to complete reviews and make changes, and organising the papers to ELT.

The Information Services team will be reviewing options for an IT solution as soon as practical. This will remove the manual process and speed up the process, enabling more policies to be pushed through review in a timely manner.

Currently we have approximately 110 policies, of which around 88 are due for review. It should be noted that these are estimates as we have had to work outside of the system, meaning the system may not provide an accurate picture.

We have 3 meetings in the next quarter to get policies through ELT for approval. We aim to get 3-5 policies to each meeting. Our priorities are:

- Test n Tag Policy
- Health and Safety Policy
- Travel Policy
- Gifts and Gratuities Policy
- Credit Card Policy
- Koha Policy
- CCTV Policy
- 2024 Elected Members Expenses Policy
- Artificial Intelligence Policy
- Acceptable Use Policy – Elected and Appointed Members
- Service request Policy

Other policies which are considered high importance or high risk which are unlikely to be reviewed in the next quarter, but will be prioritised as soon as possible include:

- Code of Conduct for Employees Policy
- Confidentiality Policy
- Drug and Alcohol Policy
- Workplace Bullying Policy

6.4 Significance and Engagement

N/A

6.5 Implications

Financial

N/A

Social & Policy

N/A

Risk

One key purpose of a policy is to mitigate risks. Having policies which are not regularly reviewed leaves us open to risks which are not effectively managed by policies. We are reducing this risk by prioritising the policies which are reviewed first.

6.6 Options

The options available to the Committee are as follows:

- a. Receive this update on the policy review process
- b. Provide further direction to officers

6.7 Development of Preferred Option

Receive the update on the policy review process.

6.8 Attachments

Nil

7. EXTERNAL AUDIT ACTIONS STATUS UPDATE

<i>Type of Report:</i>	Information
<i>Legal Reference:</i>	N/A
<i>Document ID:</i>	1742734
<i>Reporting Officer/s & Unit:</i>	Talia Foster, Financial Controller

7.1 Purpose of Report

The purpose of this paper is to summarise the actions taken by management from recommendations made via our external audit process to provide assurance to the Audit and Risk Committee that these have been addressed.

Officer's Recommendation

The Audit and Risk Committee:

- a. **Receive** the report titled "External Audit Status Update" dated 4 October 2024.

7.2 Background Summary

Napier City Council are audited by Audit New Zealand annually for our Annual Report process, as legislated by the Local Government Act 2002. For each audit, we receive a report detailing issues found and recommendations made.

The agreed management actions are now being followed up with the relevant Council staff management and progress on actions to date is being tracked and reported.

7.3 Issues

To date, 64% of the recommendations have been actioned by Council. Audit NZ have reviewed these actions in the 2022/23 year end audit and have been able to close a number of the recommendations.

Please refer to the attached report for a detailed list of the recommendations and commentary on the current progress.

This update does not include actions from the 2022/23 Audit Management Report which was received in March 2024. The comments in that report are the most recent updates available.

7.4 Significance and Engagement

N/A

7.5 Implications

Financial

N/A

Social & Policy

N/A

Risk

Along with the internal audit programme, our external audit monitors and significantly reduces risk across the organisation. By monitoring the recommendations to ensure they are implemented we are further reducing risk. Any outstanding actions do pose a risk to the organisation.

7.6 Attachments

- 1 External Audit Actions Status Update (Doc Id 1746450) [↓](#)

Audit Year	Reference	Recommendation	Priority	Management Comment	Progress - November 2023	Progress March 2024	Commentary - March 2024
2022	4.1	Attendance and resolution times performance measures - We continue to recommend that the City Council address the evidential issues associated with the Attendance and resolution times performance measures, and any possible impacts on the City Council's 2022/23 annual report.	Necessary	No comment	In progress	In progress	We are awaiting the 2023/24 audit to confirm that changes we have implemented will meet audit's expectations, but we are confident that issues have been corrected. As the comparatives (2022/23) were qualified, there will be a qualification for the upcoming audit, and we should be able to get a clean audit for this item in 2024/25.
2022	4.2 and 4.3	Asset revaluations – Undertake a revaluation of water, wastewater and stormwater below and above ground assets (the three waters) and operational land and buildings for the year ended 30 June 2023. We acknowledge the Council will be doing this.	Necessary	Audit acknowledge the Council will be doing this	Complete	Complete	Audit has noted as implemented and closed in 2023 Management letter
2022	5.1	Severance payments – The Council undertake a review of the process used for determining the severance payments against accepted good practice and the Office of the Auditor-General's Severance payments: A guide for the public sector.	Necessary	We have begun discussions with Audit NZ, Executive Leaders, and P&C. We are taking this matter very seriously and will conduct a review of the processes as soon as practical.	In progress	Complete	Audit has noted as implemented and closed in 2023 Management letter
2020		Payment for Hurt and Humiliation - City Council review its policy on out of court settlements for hurt and humiliation, and consider making a voluntary disclosure to the IRD.	Necessary	We are not aware that a such a review has occurred.	In progress	Complete	Baker Tilly has completed a report for the council. Updates on the recommendations will be reported back to audit and risk.
Prior to 2016		High annual leave balances - Encourage those with high annual leave balances to take leave.	Necessary	As at the 9 June 2022, there are 20 employees with leave balances above 50 days. This is a reduction on the prior year. We did note that one employee has over 100 days outstanding.	In progress	in progress	This is an ongoing issue for Council, and while we can encourage employees to take leave, the balances are always accruing. We have guidance provided to managers, regular reports going to managers monthly to advise their staff leave balances, and will continue to remind managers to encourage their staff to use their leave
2015		Conflict of interest risk management – interest register - The register could be improved by documenting the assessment of interests disclosed for any potential conflicts and how any identified conflicts will be managed or mitigated. Apply the interest register, to lower management level staff, consultants and contractors involved in procurement and projects. Declarations should be updated at regular intervals (eg six monthly). Training should also be provided on the conflict of interest policy and should apply to Councillors, senior management, management and staff involved in the procuring of goods and services.	Beneficial	The interest register is being developed by People and Capability business unit –declarations for procurement, staff and contractors will be recorded in the central register. It is expected to be completed by the end of the 2023 calendar year.	In progress	in progress	A working group has been established to improve the questions, process and workflow. This group is made up of members of People and capabilities and the Finance Team. This review is expected to be completed by the end of 2024 calendar year.
2022	5.3.1	Information systems policies and cybersecurity practices We recommend that: · The Information Services Acceptable Use policy be reviewed, updated and communicated to all users (internal and external). · Ensure that active training for all users in Cybersecurity prevention practices is undertaken.	Necessary	A review of the policy is in progress and we plan to have this approved and communicated to all users within the 2023 calendar year. We have a cybersecurity training programme which ensures all users of information systems undertake regular training. This is reviewed and reported against on a regular basis. We will ensure these practices continue, and will review that all users are completing the training.	In progress	in progress	The acceptable use policy has been updated and approved by the ELT in February 2024. The policy has not yet been communicated to the staff. This will happen soon
2022	5.3.2	Password management controls – Review and improve users network password controls to meet current good practice.	Necessary	We will review our settings and the NZ Information Security Manual to ensure our processes meet the recommendations where possible. We will review the users who are not required to change their password and the reasons why these settings were in place. We expect that most of these will be able to be corrected in line with recommended good practice and will keep adequate records of alternative controls if there are any cases where this is not possible.	In progress	Complete	This has been updated in November 2023. User passwords will be required to be a minimum of 10 characters, complexity requirements will not change. Age of passwords extend to 90 days to match MFA requirements

2022	5.3.4	<p>Review and improve superuser system administration access</p> <p>We recommend the City Council:</p> <ul style="list-style-type: none"> Review and improve the procedures for allocating, monitoring and reviewing use of system administrator / privileged access accounts in Magiq. Minimise and track the use of shared privileged accounts. The password should be changed regularly to ensure only approved users have access. 	Necessary	We will implement a review as recommended and implement improvements within the 2023 calendar year.	Complete	Complete	Audit has noted as implemented and closed in 2023 Management letter
		<p>Procurement and contract management - We have recommended:</p> <ol style="list-style-type: none"> Complete a register of all procurement (non-purchase order) contracts to ensure the City Council has a complete view of its contracted obligations. Consider whether the procurement expertise available in the design office can be better utilised in assisting those business units in City Council with little specialist knowledge of procurement. Consider using a wider range of procurement approaches (including evaluation methodologies) to fit the goods/services being procured. Provide additional guidance to staff involved with procurement about the documentation that needs to be retained to support the procurement (including contract management) activity. 	Beneficial	In progress	In progress	in progress	a), b), and c) - audit has noted as implemented and closed in 2023 Management letter . d) We are still in the process of updating our suite of materials and have a contract management internal audit has been completed and we are awaiting the report.
2022	5.2	<p>Depot's systems and processes – Council undertake a review in general of the modus operandi and systems and processes at the Depot.</p>	Necessary	We have taken this recommendation on board and will begin an internal review as soon as resources allow.	In progress	in progress	NCC undertook a procurement process in August and September of 2023 to engage an independent reviewer to undertake a section 17A review of the City Services Department ("the Depot"). Napier City Council engaged Utilities NZ Limited, an independent consulting firm with extensive experience in local government infrastructure, to complete this work. The review was conducted between September and November 2023, involving a desktop document review and stakeholder interviews and workshops. The findings and recommendations of the review were presented to Council in early December 2023. A total of 35 recommendations were received. Officers are now considering the recommendations, with a view to prioritising those the present the greatest opportunity for efficiency and improvement and bringing together an implementation plan. Implementation will be staged across 2024 and 2025 acknowledging it needs to be balanced alongside business-as-usual operations.
2019		<p>Kennedy Park: Weakness in Till Takings sign off - A more appropriate sign-off process be put in place, where the employee signing off the Cashier Balance Sheet report can be easily verified.</p>	Beneficial	The recommendation has been partially completed – The Cashier Balance Sheet report is signed off as checked, however, there is no sign off as to who prepared it. The Business Analyst will be working alongside Kennedy Park to improve the process including both preparer and reviewer to sign off.	In progress	in progress	The Internal Audit Lead has completed a review of the cash handling procedures at Kennedy Park and has made further recommendations on the sign off process. These changes will be reviewed again before we confirm as complete.
2022	5.3.3	<p>Redundant users in financial system – Procedures be established for reviewing network and Magiq users' access and removing access to Magiq when people leave the City Council.</p>	Necessary	Sporadic reviews of user access in Magiq have been completed in the past, but we acknowledge that an official procedure can be implemented and carried out on a regular basis to ensure we follow best practice. The removal of staff from our active directory on their departure is a robust process which ensures that they cannot access the system and therefore cannot access Magiq. However, the review process within Magiq will keep the system tidy as well.	Complete	Complete	Audit has noted as implemented and closed in 2023 Management letter
2022	5.4	<p>Evidence of review of Approval Plus exception reports –Evidence of review (who performed the review and when the review was completed) for the review of the Approval Plus system generated reports be stored and maintained in the City Council systems as 'read only'.</p>	Necessary	This recommendation has been taken on board and was implemented in February 2023 by saving the review and evidence of review each week.	Complete	Complete	Audit has noted as implemented and closed in 2023 Management letter

2022	5.5	Non-infrastructure asset work-in-progress approvals – The review non-infrastructure work-in-progress be formalised by way of sign off by the appropriate manager and supported by appropriate documentation.	Beneficial	It was our opinion that this determination was a matter of accounting treatment rather than non-accounting managers approval. We will review our process and look to implement a sign off procedure by both the manager and the accountant to document the conversation, supporting material, and decision making process which is currently happening. This will be implemented during the 2023 calendar year.	Complete	Complete	Audit has noted as implemented and closed in 2023 Management letter
2022	5.6	Depreciation rates – Put quality assurance procedures to ensure that assets are depreciated in line with the City Council’s accounting policy and what is appropriate for the assets.	Beneficial	We have made the changes in the 2022/23 accounting period and will continue to review and ensure that all assets are depreciated in line with our policies and what is appropriate for the assets.	Complete	Complete	Audit has noted as implemented and closed in 2023 Management letter
2022	5.7	Restricted assets revaluation – that a revaluation of the Inner Harbour for financial reporting purposes be undertaken for the year ended 30 June 2023.	Beneficial	We have begun engaging experts for the 2022/23 revaluation process and will look to include the Inner Harbour fixed assets in this process. This will lead to a full revaluation of the Inner Harbour assets for the year ended 30 June 2023.	Complete	Complete	Audit has noted as implemented and closed in 2023 Management letter
2021		Delegations - A procedure be put in place for approving operating expenditure in excess of \$1,000,000.	Necessary	Outstanding. A review is underway to address this issue.	In progress	In progress	There is a procedure in place, but it is yet to be made official in a policy review.
2021		Sensitive expenditure - Policy - The City Council review its sensitive expenditure policies against the guidance and make any necessary changes to its policies.	Necessary	At the time of the audit the policy was going through an internal audit review.	Complete	Complete	Audit has noted as implemented and closed in 2023 Management letter
2021		Sensitive expenditure - Practice - Sensitive expenditure is approved in accordance with the sensitive expenditure policy. We recommend that P-card expenditure incurred by the Chief Executive’s Executive Assistant be reviewed and approved by the Chief Executive or other appropriate person.	Necessary	Training to be completed	Complete	Complete	Training has been completed with the governance team to ensure the policy around approval of the CE and Mayor’s expenditure is well known. Credit card transactions are reviewed weekly which involves checking the approver is appropriate.
2020		Three Waters capitalisation process - The costs of assets are allocated at an asset level rather than at the mains level.	Necessary	The intention is to address this recommendation with the appointment of a new staff member.	Complete	Complete	Audit has noted as implemented and closed in 2023 Management letter
2016		Attendance and resolution times (fault response times) performance measure - The City Council establish a process for the centralised review of the results reported in the quarterly report to ensure their accuracy and completeness. We recommended that the following improvements be implemented: <ul style="list-style-type: none"> Continue to review the effectiveness of the current reporting and systems to accurately capture the underlying data and ensure the data is complete. Continue to perform regular, for example, weekly or even daily quality reviews of data entered in relation to complaints, service requests and response times to ensure it is complete, accurate and supportable. Data fields should include information to clearly show why data has been amended or re-categorised with a clear audit trail of any changes made and who authorised these. Continue to review DIA guidance to ensure that the data being captured and reported meets the mandatory reporting requirements. 	Necessary	The recommendations for improvement have not yet been implemented.	Complete	Complete	The recommended changes were implemented in June 2023. It is likely that Audit will need to see a full year of data before they can consider it complete.
2019		Stocktake of fixed assets - A periodic stocktake of fixed assets be completed to ensure that all assets included in the financial records are still held by the City Council.	Beneficial	The City Council have now started completing a stocktake of all fixed assets, however it will take some to complete.	In progress	In progress	As noted, this has started but will take some time to complete. A regular process will be put in place.
2022		Reporting on flood events - Review the level of staff available for such events and implement a clear process for collating data in response to flooding events.	Necessary	Not assessed in 2022	In progress	Complete	Audit has noted as implemented and closed in 2023 Management letter

2020		<p>Improvements to roading asset revaluations - The roading revaluation noted that the City Council could improve its records/valuations. We recommended the City Council make these improvements.</p>	<p>Necessary</p>	<p>Not assessed in 2022. Based on *management’s comments in 2021 to the recommendation, we will assess development and progress in 2022/23.</p> <p>* Council will be engaging an additional contractor this year to estimate asset ages prior to the valuation being completed for 30 June 2022. The cost database will be reviewed internally, and due to significant construction work this year we have a far broader sample of rates on which to base our unit costs. This work will mean a more robust valuation process in 2022/23.</p>	<p>Complete</p>	<p>Complete</p>	<p>We believe the recommendations which were raised in 2020 have been rectified. There are further recommendations made each year, but these are dealt with annually and are much less significant than those in 2020. This is now for audit to review.</p>
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8. AUDIT PLAN FOR 2023/24 ANNUAL REPORT

<i>Type of Report:</i>	Enter Significance of Report
<i>Legal Reference:</i>	Enter Legal Reference
<i>Document ID:</i>	1742735
<i>Reporting Officer/s & Unit:</i>	Talia Foster, Financial Controller

8.1 Purpose of Report

To provide delegation to the Chair to approve the Audit Plan for the 2023/24 Annual Report in consultation with the Chief Executive.

Officer's Recommendation

The Audit and Risk Committee:

- a. **Delegate** authority to the Chair to approve the Audit Plan for the 2023/24 Annual Report on behalf of the Audit and Risk Committee, in consultation with the Chief Executive (Doc Id 1746445).

8.2 Background Summary

Audit New Zealand audit Council's Annual Report to fulfil requirements in the Local Government Act 2002. The Annual Report needs to be adopted by the Council by 31 October each year. In recent years, Napier City Council has missed the legislated adoption deadline.

Audit NZ provide an Audit Plan for the year which discusses the timeframes, the audit approach, and key focuses for the audit team.

8.3 Issues

Council's 2022/23 audit opinion was qualified on two matters. The first was regarding attendance and resolutions time performance measures for water supply, wastewater and stormwater. Audit will review our improvements, however if the issues identified are not addressed sufficiently the 2023/24 audit opinion may continue to be qualified.

The second qualification was regarding the carrying value of waters assets for the comparative year (2021/22). Audit was able to clear this issue for the 2022/23 year, however there will still be a focus on the valuation of revalued assets in a non-revaluation year to confirm the reasonableness of assumptions and judgements applied in making the assessments. Council has engaged external valuers to provide fair value assessments for all asset classes that are not undergoing a full revaluation to reduce the risk of a qualified audit in this area.

For 2023/24 there will also be a focus on the provisions recognised (if applicable) and disclosures made regarding the Category 3 Voluntary Buy-out Programme, and also disclosures around the Local Water Done Well programme.

8.4 Significance and Engagement

Not applicable

8.5 Implications

Financial

Not applicable

Social & Policy

Not applicable

Risk

An audit that is not well planned and prepared for by both parties could lead to delays in the audit process and adoption of the Annual Report, and add additional time, resources, and expense for the organisation.

8.6 Options

The options available to the Committee are as follows:

- a. Approve the Audit Plan for the 2023/24 Annual Report.
- b. Request further information or amendments to the Audit Plan.

8.7 Development of Preferred Option

Officers have reviewed the Audit Plan and recommend it for approval by the Committee.

8.8 Attachments

- 1 Audit Plan 2024 - Draft (Doc Id 1746445) [↓](#)

Audit plan

Napier City Council

For the year ending 30 June 2024

Audit plan

I am pleased to present our audit plan for the audit of Napier City Council (the City Council) for the year ending 30 June 2024. The purpose of this audit plan is to discuss:

Audit risks and issues	2
Our audit process.....	10
Reporting protocols	16
Audit logistics.....	17
Expectations.....	18

The contents of this plan should provide a good basis for discussion when we meet with you.

We will be happy to elaborate further on the matters raised in this plan.

Our work improves the performance of, and the public’s trust in, the public sector. Our role as your auditor is to give an independent opinion on the financial statements and performance information. We also recommend improvements to the internal controls relevant to the audit.

If there are additional matters that you think we should include, or any matters requiring clarification, please discuss these with me.

Yours sincerely

Karen Young
 Draft - 13 March 2024

Audit risks and issues

Focus areas



Based on the planning work and discussions that we have completed to date, we set out in the table below the main audit risks and issues. These will be the main focus areas during the audit.

Audit risk/issue	Audit response
Qualified performance measures – Attendance and resolution times – water supply, wastewater, and stormwater	
<p>In 2023 we issued a qualified opinion on the statements of service provision on the following Attendance and resolution times – water supply, wastewater, and stormwater.</p> <p>The City Council was unable to accurately report on fault response times for each of the three water services. The information produced by the system used to report on fault response times was not reliable because the attendance and resolution times for service requests recorded were not always accurate or classified in line with the definitions set out in the Rules.</p> <p>To ensure the integrity and efficiency of reporting, the City Council should ensure:</p> <ul style="list-style-type: none"> • there is a clear understanding of what the measure is intended to measure; • ensures that it has the appropriate systems, processes and controls in place to accurately report and collate the data; and • consider what level of verification or independent review/quality assurance is appropriate. 	<p>We will follow up with the City Council the progress it is making to address the issues with accuracy and classification. If the issues identified in the past are not addressed and improvements made, our audit opinion may continue in 2023/24 to be qualified for these measures.</p>
Valuation of revalued assets in a non-revaluation year	
<p>Under the accounting standard PBE IPSAS 17 <i>Property, Plant and Equipment</i>, the carrying value of revalued assets is required to be assessed at each reporting date to ensure it is not materially different to the fair value of the assets. If there is a material movement, a full revaluation is required.</p>	<p>We will consider the reasonableness of assumptions and judgements applied in making the assessments, this will include considering the appropriateness of the Council’s methodology and key assumptions.</p>

Audit risk/issue	Audit response
<p>For those assets that will not be revalued this year, we expect the City Council to perform a comprehensive analysis to determine whether there is a significant variance between the fair value, as at 30 June 2022, and the carrying value that would trigger the need for the City Council to revalue or impair its assets.</p> <p>When considering whether the asset class and in aggregate across all asset classes carried at fair value, the City Council should agree on a significant variance threshold, above which Council would complete a revaluation. We note there are cost pressures and significant constraints that exist within the construction industry and limited availability of resources within the sector (including various trades and project managers).</p> <p>We encourage the City Council to perform this assessment early so that if a revaluation is required, there is time to complete it.</p>	<p>To ensure the fair value assessment is robust, the City Council should:</p> <ul style="list-style-type: none"> • factor in their own cost information into the fair value assessment from recent construction projects (where this information is available) and apply relevant cost indices taking into account the cost pressures in the construction industry; • consult with the valuers who performed the previous valuations – they will have construction cost data available which will further improve the assessment for assets valued at depreciated replacement cost and market value information for assets valued at fair value; • consider if it would be useful to have the assessment reviewed by an independent valuer – given the uncertainties in the current environment and recent cost escalations; and • review and sign off the assessment. <p>As fair value assessments have a level of rigour and complexity to ensure that an assessment complies with the relevant accounting standards, some professional judgement is required. The City Council should take this into consideration and engaging an external valuer to assist with making the fair value assessment of whether there has been a material movement.</p>
Revaluation of roading assets	
<p>The City Council’s policy is to revalue its roading assets every year.</p>	<ul style="list-style-type: none"> • Understand how the costs have been determined. We will confirm the reasonableness of a sample of unit costs by reference to recent capital works undertaken by the City Council. • Assess the accounting entries, presentation and disclosure of information related to the valuation in the financial statements.

Audit risk/issue	Audit response
	<p>As part of the process, we:</p> <ul style="list-style-type: none"> enquired into the processes employed by the City Council to ensure that the items revalued are complete, and any items excluded from the revaluation and reason for this; reviewed how the City Council satisfied itself that the revaluation is appropriate; discussed the results with, and obtained an assurance letter, from the valuers; the valuation movements have been fairly reflected in the financial statements and the associated disclosures are appropriate; and the valuers are appropriately qualified, objective and independent from Council.
Three waters above ground assets	
<p>The independent valuer for the three water assets raised issues in relation to three waters above ground assets, the issues identified including the receipt of incomplete asset registers, the ongoing stocktake of the assets, the need to reconcile the assets to its assets register and to improve the record keeping and complete the condition assessment for these assets. It is acknowledged the Cyclone Gabrielle had a significant impact on the work that was underway in this area.</p>	<p>We will follow up progress made by the City Council to address the issues identified, and consider the impact for the valuation of three waters.</p>
Category 3 Voluntary Buy-out Programme	
<p>Following consultation in September 2023, the Council accepted a 50/50 cost sharing proposal from the Government to co-fund recovery and resilience works, including a buy-out scheme for Category 3 properties.</p> <p>The City Council will need to consider how these costs should be recorded in the financial statements including any estimated provision for qualifying claims from residents that have or are likely to opt in to the schemes. This will require the City Council to establish a methodology based on appropriate assumptions and collect available data for</p>	<p>We will ensure that provision (if recognised) has been fairly reflected in the financial statements based on appropriate data and reasonable methodology and assumptions. We will ensure that appropriate disclosures are made.</p>

Audit risk/issue	Audit response
<p>estimating the provision reliably. Disclosure should provide a transparent view of the cost sharing arrangement.</p>	
Impairment assessment of assets	
<p>In accordance with PBE IPSAS 21 <i>Impairment of Non-Cash-Generating Assets</i> and PBE IPSAS 26 <i>Impairment of Cash-Generating Assets</i>, at each reporting date management must assess whether there is any indication that an asset may be impaired. If management identifies any indication of an impairment, then they must estimate the recoverable service amount of the asset.</p> <p>Due to the judgemental nature of the valuations used in assessing impairment there is a risk of bias or error in the assumptions and inputs used. Any bias or errors in the inputs used or calculations performed could result in a material misstatement in the carrying value of property plant and equipment/investment property/intangible assets and the related impairment expense.</p>	<p>We:</p> <ul style="list-style-type: none"> • reviewed the impairment assessment; • evaluated the reasonableness of the significant assumptions; • evaluated how management has addressed estimation uncertainty; and • reperformed calculations made by management.
Revaluation of investment property	
<p>The fair value of the City Council's investment properties needs to be assessed annually in accordance with the requirements of PBE IPSAS 16 <i>Investment Property</i>, as the City Council has adopted the fair value model for these assets.</p> <p>Given the volatility in the property market there is potential for large valuation movements year on year, which need to be accounted for within the Statement of Comprehensive Income.</p> <p>Due to the nature and value of the revaluations, any bias or errors in the inputs used or calculations performed could result in a material misstatement in the value of the investment property.</p>	<p>We will:</p> <ul style="list-style-type: none"> • assess relevant controls that management has put in place for the valuation; • obtain an understanding of the underlying data; • evaluate the qualifications, competence and expertise of the external valuer used; and • review the method of valuing the investment properties and assess if the applicable method used is in line with the financial reporting framework, including the reasonableness of the assumptions used.

Audit risk/issue	Audit response
Major capital projects	
<p>The City Council continues to have a significant ongoing capital programme which is challenging to deliver against in the current market.</p> <p>Accounting for capital projects, whether completed during the year or in progress at balance date, requires assumptions and judgements to be made that can have a significant impact on the financial statements. Management and the Council are responsible for managing the financial statement risks associated with capital projects. This includes ensuring:</p> <ul style="list-style-type: none"> • project costs are reviewed to ensure these are appropriately classified as capital or operational in nature; • work in progress (WIP) balances for projects already completed or available for use are transferred to the appropriate class of asset in a timely manner and depreciated accordingly from the date of capitalisation; • WIP balances on projects that span an extended period of time are assessed regularly for impairment over the period of the project. Costs no longer meeting criteria for recognition as an asset should be expensed in a timely manner; • asset components are identified at an appropriate level, and appropriate useful lives are assigned to these components on completion; • the value and remaining useful life (RUL) of existing assets remains appropriate given replacement projects underway; and • capital commitments related to contracts entered into before balance date are disclosed in the notes to the financial statements. 	<p>We reviewed the accounting for costs incurred on capital projects, including:</p> <ul style="list-style-type: none"> • assumptions and judgements used by management in classifying costs as either capital or operational; • appropriate capitalisation point for completed assets, including transfers from work in progress; • the reasonableness of depreciation rates and useful lives applied to asset components; and • the disclosures included within the financial statements, including those relating to capital commitments.

Audit risk/issue	Audit response
Local Water Done Well programme	
<p>In February 2024, the Government passed legislation that repealed the affordable waters reform legislation passed into law by the previous Government.</p> <p>The Government intends implementing its “Local Water Done Well” programme through the passing of two further bills through Parliament.</p> <p>The first bill will set out provisions relating to council service delivery plans and transitional economic regulation. It will also provide for streamlining the establishment of Council controlled organisations to deliver water should councils desire to do so.</p> <p>A second bill will set out provisions relating to long-term requirements for financial sustainability, provide for a complete economic regulation regime, and a new range of structural and financing tools, including a new type of financially independent council-controlled organisation.</p> <p>The first and second bills are expected to be passed by mid-2024 and mid-2025 respectively.</p> <p>Until the content of the bills is known the impact on the council and on the 30 June 2024 annual report is unclear.</p> <p>The City Council should ensure the annual report includes sufficient disclosure about the impact of the programme (to the extent that the impact is known) .</p>	<p>Our audit response to this risk includes:</p> <ul style="list-style-type: none"> • reviewing the City Council’s assessment of the impact of the legislative change on the annual report to ensure any accounting or disclosure implications are considered; and • considering whether we may include information in our audit report to draw a reader’s attention to the City Council’s disclosure about the programme.
The risk of management override of internal controls	
<p>There is an inherent risk in every organisation of fraud resulting from management override of internal controls. Management are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Auditing standards require us to treat this as a risk on every audit.</p>	<p>To reduce the risk of material misstatement due to fraud to an acceptable level we completed the following audit work:</p> <ul style="list-style-type: none"> • Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.

Audit risk/issue	Audit response
	<ul style="list-style-type: none"> Reviewed accounting estimates for biases and evaluated whether the circumstances producing the bias, if any, represent a risk of material misstatement due to fraud. Tested the property, plant, and equipment revaluations and fair value assessments (including key assumptions and estimates). Maintained awareness of any significant transactions that were outside the normal course of business, or that otherwise appear to be unusual given our understanding of the City Council and its environment, and other information obtained during the audit.

Please tell us about any additional matters we should consider, or any specific risks that we have not covered. Additional risks may also emerge during the audit. These risks will be factored into our audit response and our reporting to you.

Fraud risk

Misstatements in the financial statements and performance information can arise from either fraud or error. The distinguishing factor between fraud and error is whether the underlying action is intentional or unintentional. In considering fraud risk, two types of intentional misstatements are relevant – misstatements resulting from fraudulent reporting, and misstatements resulting from misappropriation of assets.

The primary responsibility for the prevention and detection of fraud and error rests with the Council, with assistance from management. In this regard, we will discuss the following questions with you:

- What role does the Council play in relation to fraud? How do you monitor management’s exercise of its responsibilities?
- Has a robust fraud risk assessment been completed? If so, is the Council satisfied that it had appropriate input into this process?
- How does management provide assurance that appropriate internal controls to address fraud risks are in place and operating?
- What protocols/procedures have been established between the Council and management to keep you informed of instances of fraud, either actual, suspected, or alleged?

- Are you aware of any actual, suspected, or alleged fraud? If so, have the results of management's investigation been reported to the Council? Has appropriate action been taken on any lessons learned?

Our responsibility

Our responsibility is to obtain reasonable, but not absolute, assurance that the financial statements and performance information are free from material misstatement resulting from fraud. Our approach to obtaining this assurance is to:

- identify fraud risk factors and evaluate areas of potential risk of material misstatement;
- evaluate the effectiveness of internal controls in mitigating the risks;
- perform substantive audit procedures; and
- remain alert for indications of potential fraud in evaluating audit evidence.

The Auditor-General has published useful information on fraud that can be found at oag.parliament.nz/reports/fraud-reports.

Our audit process

Initial planning

Initial planning activities include verifying compliance with independence requirements and building the audit team.

Understand your business and environment

We use our extensive sector and business knowledge to make sure we have a broad and deep understanding of the City Council, your business, and the environment you operate in.

Assess audit risk

We use our knowledge of the business, the sector and the environment to identify and assess the risks that could lead to a material misstatement in the financial statements and performance information.

Evaluate internal controls

We update our understanding of internal controls relevant to the audit. This includes reviewing the control environment, risk assessment process, and relevant aspects of information systems controls. Most of this work is done during the initial audit visits. We evaluate internal controls relevant to the audit for the whole financial year, so we consider internal controls relevant to the audit at all visits.

Finalise the audit approach

We use the results of the internal control evaluation to determine how much we can rely on the information produced from your systems during our final audit.

Gather audit evidence

During the final audit we audit the balances, disclosures, and other information included in the City Council's financial statements and performance information.

Conclude and report

We will issue our audit report on the financial statements and performance information. We will also report to the Council covering any relevant matters that come to our attention.

Enhancing year-end processes

The year-end financial statement close process and the preparation of the annual report requires a large number of resources to be committed to complete it effectively. This diverts the attention of your staff away from the current financial year and focuses them on past events. We want the audit process to run smoothly, and we will work with management to achieve this through the use of bringing forward the timing of audit procedures.

Substantive audit procedures are traditionally performed after the year-end. Where possible, we will aim to bring audit procedures earlier in the year. This will be focused on:

- year-to-date transactions for revenue, operating expenditure and payroll;
- valuation of investment properties;
- fair value assessment and/or revaluation of property, plant and equipment; and
- impairment assessments for property, plant and equipment.

Completion of these tests earlier in the year should allow for more timely identification and resolution of errors.

We will work with management to facilitate getting the information required at the right time. We will communicate with management if information is not available as agreed, including any impact on the year-end audit.

Materiality

In performing our audit, we apply materiality. In the public sector, materiality refers to information that if omitted, misstated, or obscured could reasonably be expected to:

- influence readers' overall understanding of the financial statements and performance information; and
- influence readers in making decisions about the stewardship and allocation of resources, or assessing your performance.

This definition of materiality is broader than the one used in the private sector.

It is a matter of judgement whether information is material. We consider the nature (qualitative) and amount (quantitative) of each item judged in the surrounding circumstances and its impact. In the public sector qualitative considerations are of equal significance as quantitative considerations. Qualitative considerations are of primary importance in our assessment of materiality in the context of disclosures for transparency and accountability reasons, and in evaluating any non-compliance with laws and regulations.

The Council and management need to consider materiality in preparing the financial statements and performance information and make their own assessment of materiality from a preparer's perspective. IFRS Practice Statement 2, *Making Materiality Judgements*, provides guidance on how to

make materiality judgements from a financial statements preparer’s perspective. Although this guidance is primarily aimed at for-profit entities, the same principles can be applied by public benefit entities. Management and the Council should not rely on our materiality assessment as a basis for owning and making judgements about the integrity of the financial statements and service performance information.

Financial statements materiality

For planning purposes we have set **overall materiality** for the financial statements at \$178,000,000 based on budgeted property plant and equipment. This is subject to change once the actual results for the current year are available. For this audit we are only applying this overall materiality to the fair value of property, plant and equipment.

Overall materiality	\$178,000,000
Specific materiality	\$3,900,000
Clearly trivial threshold	\$260,000

For this audit we have set a lower, **specific materiality** of \$3,900,000 for all items not related to the fair value of property, plant and equipment. A lower specific materiality is also determined separately for some items due to their sensitive nature. For example, a lower specific materiality is determined and applied for related party and key management personnel disclosures.

We design our audit procedures to detect misstatements at a lower level than overall materiality. This takes account of the risk of cumulative misstatements and provides a safety net against the risk of undetected misstatements.

We will report all uncorrected misstatements to the Council other than those that are **clearly trivial**. We consider misstatements of less than \$260,000 to be clearly trivial unless there are qualitative considerations that heighten its significance. We will ask for each misstatement to be corrected, other than those that are clearly trivial. Where management does not wish to correct a misstatement we will seek written representations from management and the Council on the reasons why the corrections will not be made.

Misstatements
 Misstatements are differences in, or omissions of, amounts and disclosures that may affect a reader’s overall understanding of your financial statements and service performance information. The effects of any detected and uncorrected misstatements, individually and in aggregate, are assessed against overall materiality and qualitative considerations.

Overall financial statement materiality does not apply to any matters of effectiveness and efficiency, waste, or a lack of probity or financial prudence.

Materiality for service performance information

At an overall level, we assess whether the service performance information is suitable, given your purpose and the nature of your activities, and whether the reporting allows for an informed assessment of the Council’s performance. In doing this we consider whether the information is relevant, complete, reliable, neutral, and understandable.

We set materiality for service performance information at an individual measure level based on what we expect would influence readers’ overall understanding, decision making, or assessment of Napier City Council’s performance. We consider a variety of factors including the level of public interest and potential public risk. Because of the variety of measurement bases applied, we normally express this materiality as a percentage of the reported result.

We have identified the following measures as material and assessed materiality for planning purposes. ***We will reassess this during the audit.***

Material measure	Materiality % of the reported result*
Stormwater	
For each flooding event, the number of habitable floors affected per 1,000 properties.	8%
Compliance with resource consents for discharge from the stormwater system as measured by the number of: a) Abatement Notices b) Infringement Notices c) Enforcement Orders d) Convictions received in relation to stormwater resource consents.	8%
Number of complaints received about performance of stormwater system (per 1000 properties connected).	5%
Wastewater	
Dry weather overflows (per 1,000 connections).	8%
Discharge compliance - Compliance with resource consents: a) Abatement Notices b) Infringement Notices c) Enforcement Orders d) Convictions	5%
Fault response time - Median response times to sewerage overflows: Resolution time from receipt of notification to resolution.	5%

Material measure	Materiality % of the reported result*
Customer satisfaction - Total number of complaints per 1,000 connections relating to sewage odour, sewerage system faults, sewerage system blockages and response to issues with Napier's sewerage system.	5%
Water	
Compliance with Part 4 criteria of the Drinking Water Standards (bacteria compliance criteria).	0%
Compliance with Part 5 criteria of the Drinking Water Standards (protozoa compliance criteria).	
Median response times from time notification received: Resolution time for urgent call outs.	5%
Total number of complaints per 1,000 connections relating to drinking water clarity, drinking water taste, drinking water odour, drinking water pressure or flow and continuity of supply.	5%
Waste minimisation	
Compliance with Resource Consent Conditions.	8%
Transportation	
The change from the previous financial year in the number of fatalities and serious injury crashes on the local road network, expressed as a number.	8%
The average quality of ride on a sealed local road network, measured by smooth travel exposure.	8%

*except if it makes a difference as to whether the measure is achieved or not.

Professional judgement and professional scepticism

Many of the issues that arise in an audit, particularly those involving valuations or assumptions about the future, involve estimates. Estimates are inevitably based on imperfect knowledge or dependent on future events. Many financial statement items involve subjective decisions or a degree of uncertainty. There is an inherent level of uncertainty which cannot be eliminated. These are areas where we must use our experience and skill to reach an opinion on the financial statements and performance information.

The term "opinion" reflects the fact that professional judgement is involved. Our audit report is not a guarantee but rather reflects our professional judgement based on work performed in accordance with established standards.

Auditing standards require us to maintain professional scepticism throughout the audit. Professional scepticism is an attitude that includes a questioning mind and a critical assessment of audit evidence. Professional scepticism is fundamentally a mind-set. A sceptical mind-set drives us to adopt a questioning approach when considering information and in forming conclusions.

Exercising professional scepticism means that we will not accept everything we are told at face value. We will ask you and management to provide evidence to support what you tell us. We will also challenge your judgements and assumptions and weigh them against alternative possibilities.

How we consider compliance with laws and regulations

As part of the Auditor-General's mandate, we consider compliance with laws and regulations that directly affect your financial statements or general accountability. Our audit does not cover all of your requirements to comply with laws and regulations.

Our approach involves first assessing the systems and procedures that you have in place to monitor and manage compliance with laws and regulations relevant to the audit. We may also complete our own checklists. In addition, we will ask you about any non-compliance with laws and regulations that you are aware of. We will evaluate the effect of any such non-compliance on our audit.

Wider public sector considerations

A public sector audit also examines whether:

- Napier City Council carries out its activities effectively and efficiently;
- waste is occurring or likely to occur as a result of any act or failure to act by Napier City Council;
- there is any sign or appearance of a lack of probity as a result of any act or omission by Napier City Council or by one or more of its members, office holders, or employees; and
- there is any sign or appearance of a lack of financial prudence as a result of any act or omission by Napier City Council or by one or more of its members, office holders, or employees.

Reporting protocols

Communication with management and the Council



We will meet with management and the Council throughout the audit. We will maintain ongoing, proactive discussion of issues as and when they arise to ensure there are “no surprises”.

Reports to the Council



We will provide a draft of all reports to management (and the Council) for discussion/clearance purposes. Once management comments are received the report will be finalised and provided to the Council.

We will also follow up on your progress in responding to our previous recommendations.

Audit logistics

Our team



Our engagement team is selected to ensure that we have the right subject matter expertise and sector knowledge. Each member of the audit team has received tailored training to develop their expertise.

Our senior audit team members are:

Karen Young	Appointed Auditor
Sarah Palima	Audit Manager
Janet Gan	Audit Supervisor
Dieter Rohm	Director, Information Systems Audit and Assurance
Robyn Dearlove	Manager, Information Systems Audit and Assurance
Jason Biggins	Tax Director

Timetable



Our proposed timetable in 2024 is:

Interim audit	25 March to 5 April
Pre-final audit	24 June to 5 July
Draft financial statements and performance information	30 September
Final audit	30 September to 25 October
Verbal clearance	24 October
Audit opinion issued	31 October
Draft report to the Council issued	31 October

Expectations



For the audit process to go smoothly for both you and us, there are expectations that each of us need to meet.

Our respective responsibilities are set out in our audit engagement letter.

We expect that:

- you will provide us with access to all relevant records and provide information in a timely manner;
- staff will provide an appropriate level of assistance;
- the draft financial statements, including all relevant disclosures, will be available in accordance with the agreed timetable;
- management will make available a detailed workpaper file supporting the information in the financial statements; and
- the annual report, financial statements and performance information will be subjected to appropriate levels of quality review before being provided to us.

To help you prepare for the audit, we will liaise with management and provide them with a detailed list of the information we will need for the audit.

Health and safety



The Auditor-General and Audit New Zealand take seriously their responsibility to provide a safe working environment for audit staff.

Under the Health and Safety at Work Act 2015, we need to make arrangements with management to keep our audit staff safe while they are working at your premises.

We expect you to provide a work environment for our audit staff that minimises or, where possible, eliminates risks to their health and safety. This includes providing adequate lighting and ventilation, suitable desks and chairs, and safety equipment where required. We also expect management to provide them with all information or training necessary to protect them from any risks they may be exposed to at your premises. This includes advising them of emergency evacuation procedures and how to report any health and safety issues.



AUDIT NEW ZEALAND
Mana Arotake Aotearoa

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9. AUDIT NEW ZEALAND MANAGEMENT REPORT

<i>Type of Report:</i>	Information
<i>Legal Reference:</i>	Local Government Act 2002
<i>Document ID:</i>	1742736
<i>Reporting Officer/s & Unit:</i>	Talia Foster, Financial Controller

9.1 Purpose of Report

To consider the Audit NZ management report to the Council on the audit of Napier City Council for the year ended 30 June 2023.

Officer's Recommendation

The Audit and Risk Committee:

- a. **Receive** the Audit NZ management report to the Council on the audit of Napier City Council for the year ended 30 June 2023 (Doc Id 1745793).

9.2 Background Summary

Audit NZ has completed the audit of Council's accounts for the year ended 30 June 2023. The findings from the audit are set out in the Audit NZ management report.

The Audit NZ management report contains detailed findings and recommendations for areas of improvement together with management response.

9.3 Issues

The financial statements received a qualified audit opinion due to the comparative year (2021/22) carrying value of our revalued property, plant and equipment where there was evidence that there could be a collectively material change in the fair value. The full revaluation for these assets was undertaken and completed for 30 June 2023.

A qualified opinion was also issued for certain performance information relating to the Department of Internal Affairs (DIA) mandatory performance measures for water activities in relation to water supply, wastewater, and storm water. Audit NZ were unable to determine whether the Council's reported results for these measures were materially correct. This issue is carried over from previous years and are being addressed.

Without modifying the audit opinion, audit has included an emphasis of matter paragraph to draw attention to the disclosures in the annual report which outlines the uncertainty over the water services reform programme.

9.4 Significance and Engagement

N/A

9.5 Implications

Financial

N/A

Social & Policy

N/A

Risk

The issue regarding the response times has taken longer to correct than expected. While most fixes, including the training required, have been completed, there is still uncertainty over whether audit will consider the changes sufficient to verify the 2023/24 response times. As 2022/23 was qualified, the comparatives in the 2023/24 Annual Report at least will remain qualified.

9.6 Attachments

- 1 2023 Audit NZ Management Report - Draft (Doc Id 1745793) [↓](#)

Report to the Council on the audit of

Napier City Council

For the year ended 30 June 2023

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Key messages

We have completed the audit for the year ended 30 June 2023. This report sets out our findings from the audit and draws attention to areas where the Napier City Council (the City Council) is doing well and where we have made recommendations for improvement.

Audit report

We issued a non-standard audit report dated 23 November 2023.

Our audit report included:

- A **qualified opinion** on the financial statements and activity group statements:
 - Comparative year carrying value of the City Council's revalued water, wastewater and stormwater below and above ground assets (three water assets) and operational land and buildings assets classes and the asset revaluation movement in the current year.
 - Fault response times for water supply, wastewater, and stormwater.
- Without further modifying our audit opinion, an **emphasis of matter** paragraph drawing the readers' attention to the disclosure in the annual report which outlines the uncertainty over the water services reform programme.

Areas of focus

We comment on the following key matters in the report:

- **Fault response (attendance and resolution times)** – water supply, wastewater, and stormwater performance measure – The issues which have led to the qualification have not been fully addressed, consequently we qualified the performance measure again this year. The nature of the performance measure is such that systems and processes for capturing the information need to be in place from the beginning of the financial year, based on our discussions with management, they have not been in place since 1 July 2023, therefore it is likely that the performance measure will be qualified in 2023/24.
- **Revaluation of three water assets and operational land and building** – We did not identify any issues with the valuation of operational land and buildings, and three water assets, with the exception of the records and condition assessments for three water above ground assets – The independent valuer raised issues in relation to three waters above ground assets, the issues identified including the receipt of incomplete asset registers, the ongoing stocktake of the assets, the need to reconcile the assets to its assets register and to improve the record keeping, and complete the condition assessment for these assets. It is acknowledged the Cyclone Gabrielle had a significant impact on the work that was underway in this area. We recommended the City Council implement these recommendations and others identified through internal review.

We are satisfied that the valuation of these assets and related disclosures in the financial statements are appropriate.

- **Revaluation of roading** - We did not identify any issues with the valuation of roading assets. We are satisfied that the valuation of these assets and related disclosures in the financial statements are appropriate.
- **Extreme weather event impacts** – We considered a number and range of business risks which required an audit response these including whether internal controls were effective and maintained when operations were effective, we found they were. We considered the impact on affect services’ performance measures, certain financial account balances, and post balance date event disclosures. We found the City Council appropriately reflected the results, context, accounting treatment and disclosures required.
- **New accounting standard – First time adoption of PBE FRS 48 Service Performance Reporting** – From our review of the disclosures against the requirements of the reporting standard we were satisfied that service performance reporting met the requirements of the standard.
- **Impairment assessment of assets** - We are satisfied that impairment has been appropriately accounted for within the financial statements and that appropriate disclosures about the nature of the impairment.
- **Valuation of investment property** – We did not identify any issue with the valuation of investment property. We are satisfied that the valuation of these assets and related disclosures in the financial statements are appropriate.
- **Drinking water performance measures** – The City Council engaged an independent external expert to assess its compliance with the drinking water standards – existing and new in 2022/23. We were satisfied that the non-compliance with drinking water standards have been fairly reflected in the annual report.
- **Major capital projects** – We were satisfied that capital work in progress has been appropriately accounted for and disclosed in the financial statements.
- **Three waters reform** – the disclosure in the annual report which outlines the uncertainty over the water services reform programme are appropriate.
- **The risk of management override of internal controls** – We did not identify any issues indicating management override of internal controls.

Acknowledgement and thank you

We would like to thank the Council, management and staff for their assistance in completing the audit, for their preparedness for the audit, and for their engagement with us.

Karen Young

Karen Young
Appointed Auditor
22 March 2024

1 Recommendations



Our recommendations for improvement and their priority are based on our assessment of how far short current practice is from a standard that is appropriate for the size, nature, and complexity of your business. We use the following priority ratings for our recommended improvements.

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

Status of previous recommendations

Set out below is a summary of the action taken against previous recommendations. Appendix 1 sets out the status of previous recommendations in detail.

Priority	Priority			
	Urgent	Necessary	Beneficial	Total
Open	-	7	4	11
Implemented and closed	-	13	3	16

2 Our audit report

2.1 We issued a non-standard audit report



We issued our audit report on 22 November 2023

A **qualified opinion** on the financial statements and activity group statements. The detail is as follows:

As a result of the City Council not revaluing its water, wastewater and stormwater below and above ground assets and operational land and building asset classes for the year ended 30 June 2022, our work was limited over the carrying value of these assets for the year ended 30 June 2022, and any misstatement of the asset classes carrying value as at 30 June 2022 would consequently affect the revaluation movement recognised in the statement of comprehensive revenue and expense for the year ended 30 June 2023.

The City Council was unable to accurately report on fault response times for water supply, wastewater, and stormwater. The information produced by the system used to report on fault response times was not reliable because the attendance and resolution times for service requests recorded were not always accurate or classified in line with the definitions set out in the Department of Internal Affairs' mandatory rules.

Without further modifying our audit opinion, an emphasis of matter paragraph drawing the readers' attention to the disclosure in the annual report which outlines the uncertainty over the water services reform programme. The inclusion of this paragraph is in line with the Auditor-General's expectations across 30 June 2023 local council audits.

In forming our audit opinion, we considered the following matters. Refer to sections three to five for further detail on these matters.

2.2 Misstatements in the financial statements and statement of service provision

The financial statements and statement of service provision are free from material misstatements, including omissions. During the audit, we have discussed with management any misstatements that we found, other than those which were clearly trivial. Any significant misstatements identified during the audit were corrected. Immaterial unadjusted misstatements together with management's reason for not adjusting the misstatement have been included in the management letter of representation.

2.3 Disclosure deficiencies in the financial statements and statement of service provision

The financial statements and statement of service provision are free from material misstatements, including omissions. During the audit, we have discussed with management any misstatements that we found, other than those which were clearly trivial, and they were corrected by management.

2.4 Quality and timeliness of information provided for audit



Management needs to provide information for audit relating to the annual report of the City Council. This includes the draft annual report with supporting working papers. We provided a listing of information we required to management through AuditDashboard our online portal to transfer files between the City Council and Audit New Zealand. This included the dates we required the information to be provided to us.

City Council staff provided us with the documents and information requested on a timely basis.

We were able to work collaboratively with Council, management and staff, and acknowledge their assistance, willingness to help and professionalism throughout the year.

3 Assessment of internal control

The Council, with support from management, is responsible for the effective design, implementation, and maintenance of internal controls. Our audit considers the internal control relevant to preparing the financial statements and the service performance information. We review internal controls relevant to the audit to design audit procedures that are appropriate in the circumstances. Our findings related to our normal audit work, and may not include all weaknesses for internal controls relevant to the audit.

Control environment

The control environment reflects the overall attitudes, awareness and actions of those involved in decision-making in the organisation. It encompasses the attitude towards the development of accounting and performance estimates and its external reporting philosophy and is the context in which the accounting system and control procedures operate. Management, with the oversight of the Council, need to establish and maintain a culture of honesty and ethical behaviour through implementation of policies, procedures and monitoring controls. This provides the basis to ensure that the other components of internal control can be effective.

We have performed a high-level assessment of the control environment, risk management process, and monitoring of controls relevant to financial and service performance reporting. We considered the overall attitude, awareness, and actions of the Council and management to establish and maintain effective management procedures and internal controls.

We consider that a culture of honesty and ethical behaviour has been created. The elements of the control environment provide an appropriate foundation for other components of internal control.

Internal controls

Internal controls are the policies and processes that are designed to provide reasonable assurance as to the reliability and accuracy of financial and non-financial reporting. These internal controls are designed, implemented and maintained by the Council and management.

We reviewed the internal controls, in your information systems and related business processes. This included the controls in place for your key financial and non-financial information systems.

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

General Information Technology Controls review

We performed our assessment under ISA (NZ) 315: Identifying and Assessing the Risks of Material Misstatement (Revised 2019) which came into effect in our audit of Napier City Council for the 2023 financial year.

We documented and evaluated the internal controls in place at the council to identify the information systems that contribute to, or are relied upon, to ensure the effective operation of these controls. We completed testing of the general information technology controls (GITCs) to ensure the council has mitigated the risks of material misstatements arising from the use of information systems.

We tested the GITCs within the following categories:

- manage access;
- manage change; and
- IT operations.

Where internal controls rely on configuration settings in the supporting information systems, we tested these to confirm they operate effectively throughout the year.

We are satisfied that the GITCs have remained operationally effective for all areas. This means that there are sufficient IT controls in place to allow for a control's reliance audit approach.

GITC category	Magiq Financials and Payroll	Approval Plus expenditure
Manage access	Operationally effective	Operationally effective
Manage change	Operationally effective	Operationally effective
IT operations	Operationally effective	Operationally effective

4 Matters raised in the Audit Plan



In our Audit Plan 2022/23, we identified the following matters as the main audit risks and issues:

Audit risk/issue	Audit response
Qualified performance measures – fault response (attendance and resolution times) – water supply, wastewater, and stormwater	
<p>In 2022 we issued a qualified opinion on the statements of service provision on the following Attendance and resolution times – water supply, wastewater, and stormwater.</p> <p>The City Council was unable to accurately report on fault response times for each of the three water services. The information produced by the system used to report on fault response times was not reliable because the attendance and resolution times for service requests recorded were not always accurate or classified in line with the definitions set out in the Rules.</p> <p>To ensure the integrity and efficiency of reporting, the City Council should ensure:</p> <ul style="list-style-type: none"> • there is a clear understanding of what the measure is intended to measure; • ensures that it has the appropriate systems, processes and controls in place to accurately report and collate the data; and • consider what level of verification or independent review/quality assurance is appropriate. 	<p>We confirmed with the City Council that the issues which have led to the qualification have not been fully addressed, consequently we qualified the performance measure again this year.</p> <p>During the year, the City Council took further steps to resolve the issues. However, the nature of the performance measure is such that systems and processes for capturing the information need to be in place from the beginning of the financial year, based on our discussions with management, they have not been in place since 1 July 2023, therefore it is likely that the performance measure will be qualified in 2023/24.</p>
Revaluation of three water assets and operational land and buildings	
<p>The City Council’s policy is to revalue its three water assets every three years.</p> <p>Three waters assets were last revalued at 30 June 2020, and are not scheduled for revaluation in 2023.</p>	<p>We:</p> <ul style="list-style-type: none"> • assessed the valuation process, including the competence and experience of the person completing the valuation;

Audit risk/issue	Audit response
<p>As required, the City Council completed a fair value assessment. To inform the assessment, management obtained advice from independent expert valuers. We reviewed the fair value assessment and analysed the relevant indices and advice to the Council from independent expert valuers. We found there is evidence that there could be a collectively material change in the fair value of the water, wastewater and stormwater below and above ground assets (the three waters) and operational land and buildings. As the City Council have not carried out revaluations of these asset classes as at 30 June 2022, it was impracticable for us to determine the amount of any adjustment required, and we qualified the opinion on the financial statements.</p> <p>The City Council has made a decision to revalue its three waters assets, and land and buildings as at 30 June 2023.</p>	<ul style="list-style-type: none"> • reviewed the valuation report to assess whether the requirements of PBE IPAS 17 Property, Plant and Equipment (including the appropriateness of the valuation basis) have been met; • reviewed the method of valuing the assets and assess if the applicable method used is in line with the financial reporting framework, including the reasonableness of the data and key assumptions used; • tested a sample of valuations; • discuss the results with, and obtain an assurance letter from, the valuers and assessed their experience and competency; • assess the presentation and disclosure of information related to the valuation in the financial statements; • enquired into the processes employed by the City Council to ensure that the items revalued are complete. If any items have been excluded from the revaluation we enquired into the reasons for this; and • reviewed how the City Council satisfies itself that the revaluation is appropriate. <p>We are satisfied that three water assets and operational land and buildings has been accounted for, and appropriately disclosed in the financial statements.</p> <p>The independent valuer raised issues in relation to three waters above ground assets, the issues identified including the receipt of incomplete asset registers, the ongoing stocktake of the assets, the need to reconcile the assets to its assets register and to improve the record keeping and complete the condition assessment for these assets. It is acknowledged the Cyclone Gabrielle had a significant impact on the work that was underway in this area. We recommend the City Council implement these recommendations and others identified through internal review.</p>

Audit risk/issue	Audit response
	<p>Management comment</p> <p><i>We have continued to engage the valuer through 2023/24 for assistance to correct these issues. The valuer will be reassessing the value of all above ground assets, which we will use to complete a fair value assessment for 30 June 2024.</i></p>
Revaluation of roading	
<p>The City Council's policy is to revalue its roading assets every year.</p>	<p>We reviewed the revaluation of roading assets to:</p> <ul style="list-style-type: none"> • assess the valuation process, including the competence, experience and independence of the person completing the valuation; • review the valuation report to assess whether the requirements of PBE IPAS 17 Property, Plant and Equipment (including the appropriateness of the valuation basis) have been met; • ensure changes to useful lives have been appropriately taken up, and values and depreciation charges have been appropriately accounted for; • understand how the costs have been determined. We will confirm the reasonableness of a sample of unit costs by reference to recent capital works undertaken by the City Council; and • assess the accounting entries, presentation and disclosure of information related to the valuation in the financial statements. <p>As part of the process, we:</p> <ul style="list-style-type: none"> • enquired into the processes employed by the City Council to ensure that the items revalued are complete, and any items excluded from the revaluation and reason for this; • reviewed how the City Council satisfied itself that the revaluation is appropriate;

Audit risk/issue	Audit response
	<ul style="list-style-type: none"> • discussed the results with, and obtained an assurance letter, from the valuers; • the valuation movements have been fairly reflected in the financial statements and the associated disclosures are appropriate; and • the valuers are appropriately qualified, objective and independent from the City Council. <p>We are satisfied that roading assets has been accounted for, and appropriately disclosed in the financial statements.</p>
The risk of management override of internal controls	
<p>There is an inherent risk in every organisation of fraud resulting from management override of internal controls. Management are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Auditing standards require us to treat this as a risk on every audit.</p>	<p>To reduce the risk of material misstatement due to fraud to an acceptable level we completed the following audit work:</p> <ul style="list-style-type: none"> • Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements. • Reviewed accounting estimates for biases and evaluated whether the circumstances producing the bias, if any, represent a risk of material misstatement due to fraud. • Tested the property, plant, and equipment revaluations and fair value assessments (including key assumptions and estimates). <p>Maintained awareness of any significant transactions that were outside the normal course of business, or that otherwise appear to be unusual given our understanding of the City Council and its environment, and other information obtained during the audit.</p>

Audit risk/issue	Audit response
Extreme weather event impacts	
<p>Cyclone Gabrielle caused flooding that significantly disrupted several regions of New Zealand, including in the Hawke’s Bay. These disruptions will have affected councils operating in these regions. In the aftermath of the flooding events, councils will have invested significant time and energy into supporting their communities and helping their districts and regions recover.</p> <p>The flooding events will have affected councils’ ability to provide their normal services to their communities. Council roading, stormwater, and flood protection infrastructure could have also been damaged from the resultant flooding.</p> <p>As a result, the February 2023 flooding event will have significant implications for affected councils’ financial statements and performance information.</p>	<p>We considered:</p> <ul style="list-style-type: none"> • whether internal controls used to manage council financial and service performance information systems remained design and operationally effective when operations were disrupted, we found that internal controls were in place; • the impacts on certain services affected by the weather event. For the related/impacted performance measures, we gained an understanding of the issues and ensured the City Council appropriately reflected the results, context and disclosures required in the performance information; • the impairment and/or disposal of property, plant and equipment (PPE) that cannot be repaired. We gained an understanding of the impact on PPE, and whether they were destroyed or could be impaired, and ensured that they were accounted for in accordance with relevant accounting standards; • how the unrepaired damage to revalued PPE is reflected in any resulting valuation – the impairment was mainly confined to bridges, roading and the wastewater treatment plant – impairment considerations were specifically excluded from the revaluation. The amount of impairment was established by management – we reviewed the calculations and the support from them, and ensure impairment costs were appropriately accounted for in accordance with relevant accounting standards; • the recognition of insurance proceeds received or receivable from insured assets that are damaged – we gained an understanding of the insurance claims,

Audit risk/issue	Audit response
	<p>where the City Council was at in the process and ensured they were appropriately accounted for in the financial statements;</p> <ul style="list-style-type: none"> • the recognition of any grants received or receivable from Central Government or other third parties - we gained an understanding of the grants claimed by the City Council and where the City Council was at in the process and ensured they were appropriately accounted for in the financial statements; • how to reflect the performance story of the flooding events in the reported performance information; • whether there is any risk to councils of litigation resulting from the flooding events; and • the post balance date event disclosures required in the financial statements.
Adoption of PBE FRS 48 Service Performance Reporting	
<p>PBE FRS 48 <i>Service Performance Reporting</i> replaced that part of PBE IPSAS 1 <i>Presentation of Financial Statements</i> that deals with service performance reporting requirements and is effective for annual reporting periods beginning on or after 1 January 2022, i.e. for the City Council, it is for the year ended 30 June 2023.</p> <p>PBE FRS 48 imposes additional reporting obligations on entities.</p> <p>The City Council needs to consider what disclosure will be required in the annual report.</p>	<p>The reporting standard establishes generally accepted accounting practice and requirements for reporting on service performance.</p> <p>In addition to the requirement to provide contextual information on why the City Council exists, what it intends to achieve, and what was done during the reporting period towards its broader aims and objectives, it also requires disclosure of significant assumptions and judgements for the selection, measurement, aggregation, and presentation of the service performance information.</p> <p>We reviewed the City Council's disclosures against the requirements of the reporting standard.</p> <p>We are satisfied the City Council's service performance reporting met the requirements of the standard.</p>

Audit risk/issue	Audit response
Impairment assessment of assets	
<p>In accordance with PBE IPSAS 21 <i>Impairment of Non-Cash-Generating Assets</i> and PBE IPSAS 26 <i>Impairment of Cash-Generating Assets</i>, at each reporting date management must assess whether there is any indication that an asset may be impaired. If management identifies any indication of an impairment, then they must estimate the recoverable service amount of the asset.</p> <p>Due to the judgemental nature of the valuations used in assessing impairment there is a risk of bias or error in the assumptions and inputs used. Any bias or errors in the inputs used or calculations performed could result in a material misstatement in the carrying value of property, plant and equipment/investment property/intangible assets and the related impairment expense.</p>	<p>We are satisfied that impairment has been appropriately accounted for in the financial statements and that appropriate disclosures about the nature of the impairment and capitalisation of work in progress were made.</p>
Revaluation of investment property	
<p>The fair value of the City Council's investment properties needs to be assessed annually in accordance with the requirements of PBE IPSAS 16 <i>Investment Property</i>, as the City Council has adopted the fair value model for these assets.</p> <p>Given the volatility in the property market there is potential for large valuation movements year on year, which need to be accounted for within the Statement of Comprehensive Income.</p> <p>Due to the nature and value of the revaluations, any bias or errors in the inputs used or calculations performed could result in a material misstatement in the value of the investment property.</p>	<p>The City Council performed a revaluation of its investment property.</p> <p>We:</p> <ul style="list-style-type: none"> • reviewed the valuation report to assess whether the requirements of PBE IPSAS 16 have been met; • held discussions with the valuer to understand their process, methodology used and the assumptions; • assessed the valuation process including the competence and experience of the person completing the valuation, and obtained an assurance letter from the valuers; • assessed the presentation and disclosure of information related to the valuation in the financial statements; and

Audit risk/issue	Audit response
	<ul style="list-style-type: none"> enquired into the processes employed by the City Council to ensure that the items revalued are complete and how the City Council satisfies itself that the revaluation is appropriate. <p>We are satisfied that investment property has been accounted for, and appropriately disclosed in the financial statements.</p>
Drinking water performance measures	
<p>Providing safe drinking water is a core function of the council and reporting how Council has performed in respect of this function in the annual report is important performance information.</p> <p>The regulatory regime in place over the safety of drinking water has transitioned in the current year from the Drinking Water Quality Standards (DWS) to the new Drinking Water Quality Assurance Rules (DWQARs) which came into effect on 14 November 2022.</p> <p>Performance measures about compliance with the DWS are currently mandated by the Department of Internal Affairs who have issued mandatory performance measures that are required to be reported against in Council's annual report.</p> <p>There are currently no similar performance measures with respect to the new DWQARs. Despite this it is important that the Council includes appropriate performance information about their compliance with the new DWQARs. This performance information will be subject to audit and therefore it is important that Council is able to support the performance results that they report.</p>	<p>The City Council engaged an independent external expert to assess its compliance with the drinking water standards – existing and new in 2022/23.</p> <p>We assessed the Expert's work and were satisfied that the work of the expert was suitable to use as audit evidence.</p> <p>We were satisfied that the non-compliance with drinking water standards have been fairly reflected in the annual report.</p>

Audit risk/issue	Audit response
Major capital projects	
<p>The City Council continues to have a significant ongoing capital programme which is challenging to deliver against in the current market.</p> <p>Accounting for capital projects, whether completed during the year or in progress at balance date, requires assumptions and judgements to be made that can have a significant impact on the financial statements. Management and the Council are responsible for managing the financial statement risks associated with capital projects.</p>	<p>We reviewed the accounting for costs incurred on capital projects, including:</p> <ul style="list-style-type: none"> • assumptions and judgements used by management in classifying costs as either capital or operational; • appropriate capitalisation point for completed assets, including transfers from work in progress; • the reasonableness of depreciation rates and useful lives applied to asset components; and • the disclosures included within the financial statements, including those relating to capital commitments. <p>We did not identify any issues.</p>
Three waters reform	
<p>On 13 April 2023, the Local Government Minister announced the changes to the water services reform. Government's intention to proceed with the three waters service delivery reforms using a legislated "all in" approach remains. However, the reform now involves the creation of 10 statutory water services entities to be responsible for the service delivery and infrastructure currently owned by local authorities. The reform programme is expected to result in significant changes to how water supply, wastewater and stormwater assets are owned and managed in the local government sector.</p> <p>The City Council should ensure that sufficient disclosure about impact of the reform (to the extent that the impact is known) is included in the annual report.</p>	<p>The City Council has included appropriate disclosure about the impacts of the reform in the financial statements.</p> <p>As the impact could be significant, but is uncertain, we have included an emphasis of matter paragraph in the audit report drawing the readers' attention to the uncertainty.</p>

5 Public sector audit



The City Council is accountable to their local community and to the public for its use of public resources. Everyone who pays taxes or rates has a right to know that the money is being spent wisely and in the way the City Council said it would be spent.

As such, public sector audits have a broader scope than private sector audits. As part of our audit, we have considered if the City Council has fairly reflected the results of its activities in its financial statements and performance information.

We also consider if there is any indication of issues relevant to the audit with:

- compliance with its statutory obligations that are relevant to the annual report;
- the City Council carrying out its activities effectively and efficiently;
- the City Council incurring waste as a result of any act or failure to act by a public entity;
- any sign or appearance of a lack of probity as a result of any act or omission, either by the City Council or by one or more of its members, office holders, or employees; and
- any sign or appearance of a lack of financial prudence as a result of any act or omission by a public entity or by one or more of its members, office holders, or employees.

We did not identify any issues.

Appendix 1: Status of previous recommendations

Table 1: Open recommendations

Recommendation	First raised	Status
Necessary		
<p>Depot's systems and processes</p> <p>The Council undertake a review in general of the modus operandi and systems and processes at the Depot.</p>	2022	<p>In progress</p> <p>We have been advised that on 4 May 2023 a paper was presented to the Prosperous Napier Committee titled "Approach to 2024-34 Long Term Plan". The Committee endorsed the scoping and commissioning of a full 17A review of the City Services Depot. The review is in progress.</p> <p>Management comment</p> <p><i>The City Council undertook a procurement process in August and September of 2023 to engage an independent reviewer to undertake a section 17A review of the City Services Department ("the Depot"). Napier City Council engaged Utilities NZ Limited, an independent consulting firm with extensive experience in local government infrastructure, to complete this work. The review was conducted between September and November 2023, involving a desktop document review and stakeholder interviews and workshops. The findings and recommendations of the review were presented to Council in early December 2023. A total of 35 recommendations were received. Officers are now considering the recommendations, with a view to prioritising those that present the greatest opportunity for efficiency and improvement and bringing together an implementation plan. Implementation will be staged across 2024 and 2025 acknowledging it needs to be balanced alongside business-as-usual operations.</i></p>

Recommendation	First raised	Status
Information systems		
<p>Information systems policies and cybersecurity practices</p> <p>We recommend that:</p> <ul style="list-style-type: none"> The Information Services Acceptable Use policy be reviewed, updated and communicated to all users (internal and external). Active training for all users in Cybersecurity prevention practices is undertaken. 	2022	<p>In progress</p> <p>The Acceptable Use policy has been updated and approved by the ELT in February 2024. The policy has not yet been communicated to the staff. This will happen soon.</p>
<p>Password management controls</p> <p>Review and improve users network password controls to meet current good practice.</p>	2022	<p>In progress</p> <p>Network password settings have not changed. However, the City Council have implemented multi-factor authentication to improve security for external access to the City Council's systems.</p> <p>Users are required to change their password.</p> <p>The City Council are planning to increase network password control settings.</p> <p>Management comment</p> <p><i>There have been no changes since the June 2023 report. We continue to take steps to tighten our security posture. We have now enabled MFA across the City Council. We are working hard to change business process around the existence of "non-changing passwords" or sharing of login accounts for certain PCs within the City Council. We hope to start our Kiosk PC project within next few months and this project will assist here and remove some of the sharing of login accounts. Over the coming year, we also plan to increase minimum password length to 10 characters and push password changes out to 90 days in line with industry security standards.</i></p>

Recommendation	First raised	Status
<p>Delegations</p> <p>A procedure be put in place for approving operating expenditure in excess of \$1,000,000.</p>	2022	<p>In progress</p> <p>A review is underway to address this issue.</p> <p>Management comment</p> <p><i>There is a procedure in place, but it is yet to be made official in a policy review. This is expected to be implemented by June 2024.</i></p>
<p>Payment for Hurt and Humiliation</p> <p>Review its policy on out of court settlements for hurt and humiliation and consider making a voluntary disclosure to the IRD.</p>	2020	<p>Outstanding</p> <p>A review of past payments made is underway.</p> <p>Management comment</p> <p><i>Baker Tilly have completed a report for the Council on this and other matters. Recommended actions have been provided which will be followed up and reported back to the Audit & Risk Committee regularly.</i></p>
<p>Attendance and resolution times (fault response times) performance measures for the three waters</p> <p>The City Council address the evidential issues associated with these performance measures, and any possible impacts on the City Council's 2022/23 annual report.</p> <p>We recommended that the following improvements be implemented:</p> <ul style="list-style-type: none"> • Establish a process for the centralised review of the results reported in the quarterly report to ensure their accuracy and completeness. • Continue to review the effectiveness of the current reporting and systems to accurately capture the underlying data and ensure the data is complete. • Continue to perform regular, for example, weekly or even daily quality reviews of data entered in 	2016	<p>In progress</p> <p>We will review during 2023/24 audit.</p> <p>The nature of the measure is such that systems and processes need to be in place at the commencement of the financial year. For this reason, we are likely to issue a qualified audit opinion for 2023/24.</p> <p>Management comment</p> <p><i>Changes to the system were implemented by 30 June 2023.</i></p> <p><i>Training has been completed and will be ongoing.</i></p>

Recommendation	First raised	Status
<p>relation to complaints, service requests and response times to ensure it is complete, accurate and supportable.</p> <ul style="list-style-type: none"> Data fields should include information to clearly show why data has been amended or re-categorised with a clear audit trail of any changes made and who authorised these. <p>Review DIA guidance to ensure that the data being captured and reported meets the mandatory reporting requirements.</p>		
<p>High annual leave balances</p> <p>Encourage those with high annual leave balances to take leave.</p>	<p>Prior to 2016</p>	<p>In progress</p> <p>Management comment</p> <p><i>This is an ongoing issue for the City Council, and while we can encourage employees to take leave, the balances are always accruing. We have guidance provided to managers, regular reports going to managers monthly to advise their staff leave balances and will continue to remind managers to encourage their staff to use their leave.</i></p>
<p>Beneficial</p>		
<p>Kennedy Park: Weakness in Till Takings sign off</p> <p>A more appropriate sign-off process be put in place, where the employee signing off the Cashier Balance Sheet report can be easily verified.</p>	<p>2019</p>	<p>In progress</p> <p>The recommendation has been partially completed – The Cashier Balance Sheet report is signed off as checked, however, there is no sign off as to who prepared it. The Business Analyst will be working alongside Kennedy Park to improve the process including both preparer and reviewer to sign off.</p> <p>Management comment</p> <p><i>The Internal Audit Lead has completed a review of the cash handling procedures at Kennedy Park and has made further recommendations on the sign off process. These changes will be reviewed again before we confirm as complete.</i></p>

Recommendation	First raised	Status
<p>Stocktake of fixed assets</p> <p>A periodic stocktake of fixed assets be completed to ensure that all assets included in the financial records are still held by the City Council.</p>	2019	<p>In progress</p> <p>The City Council have now started completing a stocktake of all fixed assets, however it will take some to complete. A regular process will be put in place thereafter.</p>
<p>Conflict of interest risk management – interest register</p> <p>The register could be improved by documenting the assessment of interests disclosed for any potential conflicts and how any identified conflicts will be managed or mitigated.</p> <p>Apply the interest register, to lower management level staff, consultants and contractors involved in procurement and projects. Declarations should be updated at regular intervals (e.g. six monthly). Training should also be provided on the conflict of interest policy and should apply to Councillors, senior management, management and staff involved in the procuring of goods and services.</p>	2015	<p>In progress</p> <p>The interest register is being developed by People and Capability business unit – declarations for procurement, staff and contractors will be recorded in the central register.</p>
<p>Procurement and contract management</p> <p>a) Provide additional guidance to staff involved with procurement about the documentation that needs to be retained to support the procurement (including contract management) activity.</p>		<p>In progress</p> <p>Management comment</p> <p><i>The City Council is in the process of updating its suite of materials and have a contract management internal audit planned in September/October 2023.</i></p>

Table 2: Implemented and closed recommendations

Recommendation	First raised	Comment
Necessary		
<p>Asset revaluations</p> <p>Undertake a revaluation of water, wastewater and stormwater below and above ground assets (the three waters) and operational land and buildings for the year ended 30 June 2023.</p>	2022	<p>Closed</p> <p>Asset revaluations for three waters and operational land and buildings have been completed.</p>
<p>Severance payments</p> <p>The Council undertake a review of the process used for determining the severance payments against accepted good practice and the Office of the Auditor-General's Severance payments: A guide for the public sector.</p>	2022	<p>Closed</p> <p>An external independent review was commissioned by the Council. The review report was considered by the Audit and Risk Committee in December 2023.</p> <p>The findings and recommendations have been accepted by the Council, and a plan is being developed to address the recommendations.</p>
<p>Redundant users in financial system</p> <p>Procedures be established for reviewing network and Magiq users' access and removing access to Magiq when people leave the City Council.</p>	2022	<p>Closed</p> <p>A review of users has been completed, and this is now part of an ongoing process to ensure regular reviews are completed in future.</p>
<p>Review and improve superuser system administration access</p> <p>We recommend the City Council:</p> <ul style="list-style-type: none"> • Review and improve the procedures for allocating, monitoring and reviewing use of system administrator / privileged access accounts in Magiq. • Minimise and track the use of shared privileged accounts. The password should be changed regularly to ensure only approved users have access. 	2022	<p>Closed</p> <p>Magiq menu access has been completed across all business modules. There are still some generic accounts – a deficiency with MAGIQ application. Business module review to be done biannually.</p>

Recommendation	First raised	Comment
<p>Evidence of review of Approval Plus exception reports</p> <p>Evidence of review (who performed the review and when the review was completed) for the review of the Approval Plus system generated reports be stored and maintained in the City Council systems as “read only”.</p>	2022	<p>Closed</p> <p>Superusers in Magiq have been reduced to two IT staff.</p> <p>Magiq staff are locked out unless they are requested to perform work on the City Council’s system.</p> <p>The generic superuser account is standard within Magiq and is used for various service tasks so unable to be removed.</p>
<p>Sensitive expenditure policy</p> <p>The City Council review its sensitive expenditure policies against the guidance and make any necessary changes to its policies.</p>	2022	<p>Closed</p> <p>Management comment</p> <p><i>Policy was approved in March 2023.</i></p> <p><i>Training has been completed with the governance team to ensure the policy around approval of the CE and Mayor's expenditure is well known. Credit card transactions are reviewed weekly which involves checking the approver is appropriate.</i></p>
<p>Non-infrastructure asset work-in-progress approvals</p> <p>The review non-infrastructure work-in-progress be formalised by way of sign off by the appropriate manager and supported by appropriate documentation.</p>	2022	<p>Closed</p> <p>Changes were made for the asset processes to June 2023. No issues noted during the audit.</p>
<p>Depreciation rates</p> <p>Put quality assurance procedures to ensure that assets are depreciated in line with the City Council’s accounting policy and what is appropriate for the assets.</p>	2022	<p>Closed</p> <p>Processes have been updated for the year end asset reconciliation process to ensure quality assurance of the depreciation rates is completed in a timely manner.</p> <p>We did not identify any issues.</p>
<p>Restricted assets revaluation</p> <p>That a revaluation of the Inner Harbour for financial reporting purposes be undertaken for the year ended 30 June 2023.</p>	2022	<p>Closed</p> <p>The revaluation was completed as at 30 June 2024.</p>

Recommendation	First raised	Comment
<p>Three Waters capitalisation process</p> <p>The costs of assets are allocated at an asset component level rather than at the mains level.</p>	2020	<p>Closed</p> <p>Component values calculated for the 2023 revaluation process.</p>
<p>Reporting on flood events</p> <p>Review the level of staff available for such events and implement a clear process for collating data in response to flooding events.</p>	2022	<p>Closed</p> <p>Management comment</p> <p><i>In the recent past, Napier City Council flooding events have been significant Civil Defence Emergencies and have not allowed for additional staff in these events. It is noted that future events may not be as significant and may only affect a smaller number of properties - during an event like this it would be possible to access staff from other areas to assist with the response. It is uncertain whether Audit NZ will view this as completed before we are able to prove any changes during a live event.</i></p>
<p>Improvements to roading asset revaluations</p> <p>The roading revaluation noted that the City Council could improve its records/valuations. We recommended the City Council make these improvements.</p>	2020	<p>Closed</p> <p>The independent valuer has reported on the recommended actions, some of which remain open. However, the key recommendations have been addressed. Consequently, we consider this matter closed. We have been advised the Council will continue to address any recommendations from the annual roading revaluation.</p> <p>Management comment</p> <p><i>We believe the recommendations which were raised in 2020 have been rectified. There are further recommendations made each year, but these are dealt with annually and are much less significant than those in 2020.</i></p>
<p>Sensitive expenditure practices</p> <p>Sensitive expenditure is approved in accordance with the sensitive expenditure policy.</p>		<p>Closed</p> <p>No significant issues found during 2022/23 testing of sensitive expenditure practices.</p>

Recommendation	First raised	Comment
Pcard expenditure incurred by the Chief Executive's Executive Assistant be reviewed and approved by the Chief Executive or other appropriate person.		
Beneficial		
<p>Procurement and contract management</p> <p>We have recommended:</p> <ul style="list-style-type: none"> a) Complete a register of all procurement (non-purchase order) contracts to ensure the City Council has a complete view of its contracted obligations. b) Consider whether the procurement expertise available in the design office can be better utilised in assisting those business units in City Council with little specialist knowledge of procurement. c) Consider using a wider range of procurement approaches (including evaluation methodologies) to fit the goods/services being procured. 		<p>The following progress has been made to address the recommendations and increase the maturity of procurement and contract management functions:</p> <ul style="list-style-type: none"> a) Closed - There is a contract register for all contracts now. The Council is looking at improvements to extract meaningful reports. b) Closed - There is a central team of three experienced procurement specialists who support staff undertaking procurement within Council. The Council have also recently appointed a procurement administrator on a six month contract to assist with system improvements. c) Closed – The Council are using a mix of evaluation approaches including panel arrangements and external assistance where appropriate in the evaluation and scoring, and are flexible in how we handle each specific procurement.

Appendix 2: Mandatory disclosures

Area	Key messages
Our responsibilities in conducting the audit	<p>We carried out this audit on behalf of the Controller and Auditor-General. We are responsible for expressing an independent opinion on the financial statements and performance information and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001.</p> <p>The audit of the financial statements does not relieve management or the Council of their responsibilities.</p> <p>Our Audit Engagement Letter contains a detailed explanation of the respective responsibilities of the auditor and the Council.</p>
Auditing standards	<p>We carried out our audit in accordance with the Auditor-General's Auditing Standards. The audit cannot and should not be relied upon to detect all instances of misstatement, fraud, irregularity or inefficiency that are immaterial to your financial statements. The Council and management are responsible for implementing and maintaining your systems of controls for detecting these matters.</p>
Auditor independence	<p>We are independent of the City Council in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: <i>International Code of Ethics for Assurance Practitioners</i>, issued by New Zealand Auditing and Assurance Standards Board.</p> <p>In addition to our audit and the report on the disclosure requirements, we have carried out a limited assurance engagement related to the City Council's debenture trust deed.</p> <p>This engagement is compatible with those independence requirements.</p> <p>Other than these engagements, we have no relationship with or interests in the City Council.</p>
Fees	<p>The audit fee for the year is \$237,611, as detailed in our Audit Proposal Letter.</p> <p>Other fees charged in the period are for the audit of the Debenture Trust Deed: \$5,500.</p>
Other relationships	<p>We are not aware of any situations where a spouse or close relative of a staff member involved in the audit occupies a position with the City Council or its subsidiaries that is significant to the audit.</p> <p>We are not aware of any situations where a staff member of Audit New Zealand has accepted a position of employment with the City Council during or since the end of the financial year.</p>



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RECOMMENDATION TO EXCLUDE THE PUBLIC

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

AGENDA ITEMS

1. Verbal Update Chief Executive

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. Verbal Update Chief Executive	7(2)(h) Enable the local authority to carry out, without prejudice or disadvantage, commercial activities	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.



AUDIT AND RISK COMMITTEE

Open Minutes

Meeting Date: Wednesday 13 December 2023

Time: 9.30am – 9.34am (*Open*)
9.35am – 10.16am (*Public Excluded*)
10.17am – 11.10am (*Open*)
11.24am – 12.20pm (*Public Excluded*)

Venue Ikatere Room
Level 2, Capeview Building
265 Marine Parade
Napier

Present **Chair:** Bruce Robertson
Members: Mayor Kirsten Wise, David Pearson, Councillor Sally Crown (Deputy Chair) and Councillor Greg Mawson

In Attendance Chief Executive (Louise Miller) [*via Teams*]
Deputy Chief Executive / Executive Director Corporate Services (Jessica Ellerm)
Executive Director Infrastructure Services (Russell Bond)
Executive Director City Strategies (Rachael Bailey)
Chief Financial Officer (Caroline Thomson)
Financial Controller (Talia Foster)
Internal Audit Lead (Raewyn Fowler)
Risk and Assurance Lead (Dave Jordison)
Manager Asset Strategy (Kate Ivicheva)
Manager Property (Bryan Faulknor)
Health, Safety and Wellbeing Lead (Adam McDonald)
Senior People Advisor (Rachel Priestley) [*via Teams*]

Also in Attendance Matthew Wilson and Emma Jurisich (Aon New Zealand) [Public Excluded Item 1 – Aon Insurance] [*via Teams*]
Audit New Zealand (Karen Young) [*via Teams*]
Councillor McGrath

Administration Governance Advisor (Carolyn Hunt)

AUDIT AND RISK COMMITTEE – Open Minutes

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ORDER OF BUSINESS

Karakia

The meeting opened with the Council karakia.

Apologies

Bruce Robertson / Councillor Mawson

That the apology from Councillor Browne be accepted.

Carried

It was noted that Joe Tareha – Ngā Mānukanuka o te Iwi representative was not present.

Conflicts of interest - Nil

Public forum - Nil

Announcements by the Mayor - Nil

Announcements by the Chairperson

Agenda Order Change – The Chair advised that with the agreement of the meeting the Public Excluded presentation by Aon Insurance would be taken before the open agenda items, due to time constraints of the external presenters.

Announcements by the management - Nil

Confirmation of minutes

Bruce Robertson / Councillor Crown

That the Minutes of the meeting held on 17 November 2023 were taken as a true and accurate record of the meeting.

Carried

RESOLUTION TO EXCLUDE THE PUBLIC

Bruce Robertson / Mayor Wise

- a) That the public be excluded from the following parts of the proceedings of this meeting, namely:
1. Aon Insurance Presentation
 2. Investigation report - Napier Aquatic Centre - update
 3. Risk Management Report
 4. Severance Pay Review Report Findings
 5. Verbal Update Chief Executive
- b) That Matthew Wilson and Emma Jurisich, representatives from Aon New Zealand, be permitted to remain in the Public Excluded session for Item 1 – Insurance Presentation, for their expertise on this matter.

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. Aon Insurance Presentation	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.

<p>2. Investigation report - Napier Aquatic Centre - update</p>	<p>7(2)(a) Protect the privacy of natural persons, including that of a deceased person</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: (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>
<p>3. Risk Management Report</p>	<p>7(2)(a) Protect the privacy of natural persons, including that of a deceased person</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: (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>
<p>4. Severance Pay Review Report Findings</p>	<p>7(2)(c)(i) Protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely to prejudice the supply of similar information or information from the same source and it is in the public interest that such information should continue to be supplied</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: (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>

<p>5. Verbal Update Chief Executive</p>	<p>7(2)(h) Enable the local authority to carry out, without prejudice or disadvantage, commercial activities</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: (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>
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The meeting adjourned in Open at 9.34am and reconvened in Public Excluded session at 9.35am

AGENDA ITEMS

The meeting reconvened at 10.17am to address the remainder of the Open Agenda Items

1. HEALTH AND SAFETY REPORT - SEPTEMBER TO NOVEMBER 2023

Type of Report:	Operational
Legal Reference:	N/A
Document ID:	1722163
Reporting Officer/s & Unit:	Adam McDonald, Health, Safety and Wellbeing Lead

1.1 Purpose of Report

The purpose of this report is to provide the Audit & Risk Committee (ARC) an overview of Health Safety & Wellbeing (HSW) activity, inform on the progress of initiatives underway to improve health, safety, and wellbeing, as well as key performance indicators covering the period September 2023 through to November 2023 (as of 25 November 2023). The report enables the ARC to provide assurance to Council for the capability and functioning of Council's health, safety and wellbeing hazard and risk management system and associated programmes.

At the meeting

The Health, Safety and Wellbeing Lead, Mr McDonald spoke to the report, providing a brief summary and overview of Health and Safety activity risks, progress of initiatives underway to improve health, safety, and wellbeing, as well as current key performance indicators covering the period September to November.

The continued focus of the Health, Safety and Wellbeing team is to ensure Council's compliance with the Health and Safety at Work Act and the progressive implementation of a best practice Health and Safety Management System.

In response to questions the following was clarified:

- Mr McDonald confirmed the operation and strategic risk was high and not low as shown on the chart. The meeting agreed to change the strategic risk rating to high.
- There was agreement that Council would pursue the implementation of best practice and not settle for the minimum standard of legislative and regulatory compliance.
- The agreed risk appetite was low.
- A Health and Safety Roadmap would be developed over the next 18 months, as requested at the last Audit and Risk Committee meeting. The roadmap was yet to go through the Executive Leadership Team (ELT).
- In terms of performance indicators if the leads are increased it should reduce the lags.
- Previous reports that had performance indicators have been difficult to locate. Mr McDonald is looking to re-establish these indicators and report against them.
- A report was received regarding a contractor incident investigation. Procedures need to be in place to manage any future risk.
- Mr Macdonald undertook to include in the Roadmap what "good" looks like, its benefits and objectives.

COMMITTEE Bruce Robertson / Councillor Crown

RESOLUTION

The Audit and Risk Committee:

- a. **Receive** the September – November 2023 Health and Safety report.

Carried

Councillor Mawson withdrew from the meeting at 10.39am and re-joined at 10.42am

2. ASSET MANAGEMENT ROADMAP PROGRESS

Type of Report: Information

Legal Reference: N/A

Document ID: 1718956

Reporting Officer/s & Unit: Kate Ivicheva, Manager Asset Strategy

2.1 Purpose of Report

This report presents the Asset Management Roadmap designed as an improvement plan to elevate asset management maturity within our organisation. By detailing specific phases (0-5) for the next two and a half years, the roadmap aims to enhance our asset management practices, ensuring alignment with the recently adopted Asset Management Policy and contributing to the broader organisational goals.

At the meeting

The Manager Asset Strategy, Ms Ivicheva spoke to the Roadmap which was designed to address weaknesses in Council's current asset management practices. It represented a commitment to improvement and efficiency by enhancing the overall asset management system.

Asset management performance should provide an integrated perspective of how an organisation is configured to deliver asset management.

The Executive Director Infrastructure Services, Mr Bond advised that \$600,000 for the project was an estimate from suppliers. ELT still need to look at how they progress the pathway through the organisation. There is still work to be undertaken with activity managers via a steering group to help drive asset management through the organisation and help with future budgeting.

Historically this approach has been tried after reviews, but lacked implementation and embedding into staff behaviour. There is already funding within the budgets for asset management work and using it in a focussed and targeted way.

Ms Ivicheva advised that the Asset Management Policy was reviewed and adopted by Council in September 2023, which establishes the commitment to the improvements in the organisation. The Roadmap will be presented to the ELT in the near future.

The Roadmap will form a transformational piece of work, interacting with the change programme for the organisation and delivering a large capital programme. It will require a

culture change and a change to how the organisation operates with understanding what the priorities are.

COMMITTEE Mayor Wise / Councillor Mawson

RESOLUTION

The Audit and Risk Committee:

- a. **Endorse** the progress of the Asset Management Roadmap (Doc Id 1722443).

Carried

3. SENSITIVE EXPENDITURE - MAYOR AND CHIEF EXECUTIVE

<i>Type of Report:</i>	Procedural
<i>Legal Reference:</i>	N/A
<i>Document ID:</i>	1716420
<i>Reporting Officer/s & Unit:</i>	Raewyn Fowler, Internal Audit Lead Talia Foster, Financial Controller

3.1 Purpose of Report

To provide the information required for the Committee to review Sensitive Expenditure of the Mayor and Chief Executive for compliance with Council’s Sensitive Expenditure Policy.

At the meeting

The Internal Audit Lead, Mrs Fowler spoke to the report and confirmed that items identified in the report for this quarter comply with Council’s policy.

COMMITTEE Bruce Robertson / David Pearson

RESOLUTION

The Audit and Risk Committee:

- a. **Receive** the 30 September 2023 quarterly report of Sensitive Expenditure for the Mayor and Chief Executive and review for compliance with the Sensitive Expenditure Policy.

Carried

4. INTERNAL AUDIT RECOMMENDATIONS PROGRESS REPORT

<i>Type of Report:</i>	Information
<i>Legal Reference:</i>	N/A
<i>Document ID:</i>	1717363
<i>Reporting Officer/s & Unit:</i>	Raewyn Fowler, Internal Audit Lead

4.1 Purpose of Report

The purpose of this report is to provide the Committee with a summary of the internal audit recommendations progress to date.

At the meeting

The Internal Audit Lead, Mrs Fowler advised that the IAG Strategy had been presented to the Executive Leadership Team for approval. Discussion had been undertaken with IT regarding a breakdown between the Alpha1 and Magiq integration. The People and Capability team are to roll out a Conflict of Interest Register Working Group next year.

COMMITTEE David Pearson / Mayor Wise

RESOLUTION

The Audit and Risk Committee:

- a) **Receive** the Internal Audit Recommendations Progress Report.

Carried

5. ANNUAL TAX UPDATE YEAR TO 30 JUNE 2023

Type of Report: Operational

Legal Reference: Local Government Act 2002

Document ID: 1708817

Reporting Officer/s & Unit: Talia Foster, Financial Controller
Heather Sharp, Accounting Manager

5.1 Purpose of Report

To provide the Audit and Risk Committee with the annual tax update on progress made during the period up to 30 June 2023.

At the meeting

The Financial Controller, Ms Foster presented the report prepared by PwC on the annual tax update. A proactive approach on tax compliance is undertaken by Council, and PwC provides assistance with various queries about a range of tax types.

COMMITTEE David Pearson / Councillor Mawson

RESOLUTION

The Audit and Risk Committee:

- a. **Receive** the report from PwC titled 'Napier City Council Annual Tax Update year to 30 June 2023' (Doc Id 1722437).

Carried

6. PAYE / WHT COMPLIANCE EVALUATION

Type of Report: Operational

Legal Reference: N/A

Document ID: 1709564

Reporting Officer/s & Unit: Talia Foster, Financial Controller

6.1 Purpose of Report

To provide the Audit and Risk Committee with the PAYE / WHT Compliance Evaluation Report completed by PwC.

At the meeting

The Financial Controller, Ms Foster spoke to the report advising that as part of the Tax Risk Governance Framework PwC had prepared an annual tax update report on progress made during the period up to 30 June 2023.

Officers have been implementing recommendations and overall the report is positive on how the payroll team operate, their processes and skills, and how they manage issues with contractors.

COMMITTEE Bruce Robertson / Councillor Crown

RESOLUTION

The Audit and Risk Committee:

- a) **Receive** the PAYE / WHT Compliance Evaluation Report (Doc Id 1719506) and direct officers to report back on progress of the actions outlined in the report in the Internal Audit Recommendations Update regularly.

Carried

Minor matters

There were no minor matters to discussed.

The meeting adjourned at 11.10am and reconvened in Public Excluded at 11.20am to address the remainder of confidential items.

The meeting closed with a karakia at 12.20pm

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

Chairperson

Date of approval