



NAPIER
CITY COUNCIL

Te Kaunihera o Ahuriri

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AUDIT AND RISK COMMITTEE

Open Agenda

Meeting Date: Friday 14 June 2024

Time: 9.30am

Venue: Breakout Room 1
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 - Vacant

Officer Responsible Deputy Chief Executive / Executive Director Corporate Services

Administration Governance Team

Next Audit and Risk Committee Meeting
Thursday 5 September 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

Mayor Wise

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 Thursday, 4 April 2024 be taken as a true and accurate record of the meeting.73

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AGENDA ITEMS

1. INTERNAL AUDIT RECOMMENDATIONS PROGRESS REPORT

<i>Type of Report:</i>	Information
<i>Legal Reference:</i>	N/A
<i>Document ID:</i>	1756765
<i>Reporting Officer/s & Unit:</i>	Raewyn Fowler, Internal Audit Lead

1.1 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.

1.2 Background Summary

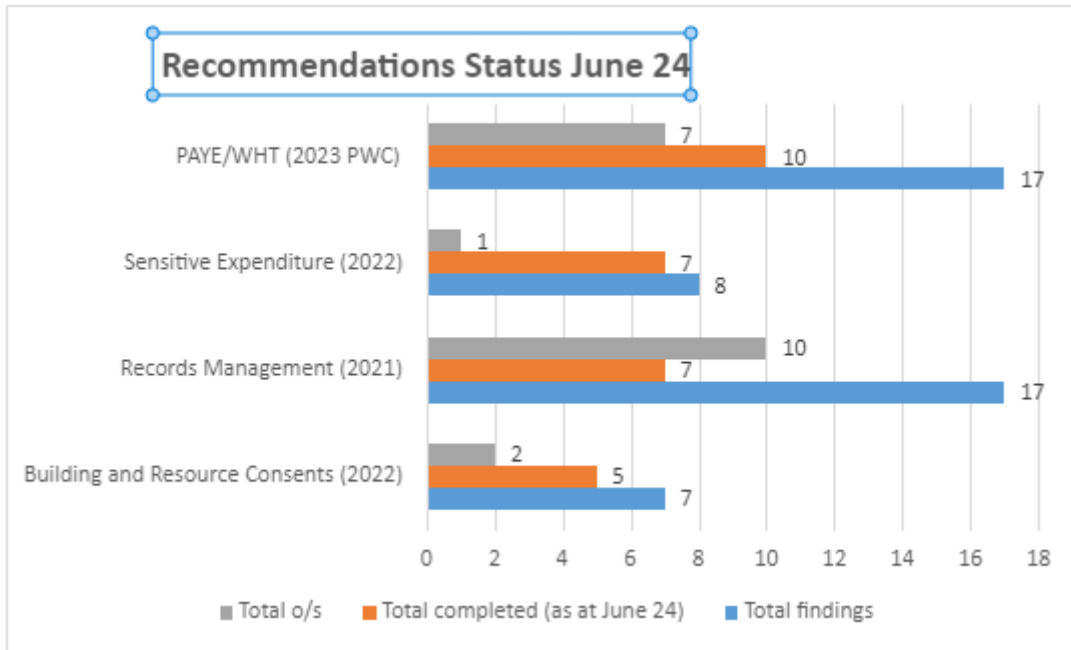
Napier City Council contract to Crowe to provide internal audit services. The internal audits performed by Crowe include a written report on issues found with recommendations and agreed management actions to be taken by Council staff to address the issues raised. In addition, PWC provide Council regular 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).

1.3 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)

Graph 1 below provides the status of recommendations (as at June 2024) – being Total Findings, Total Completed and Total Outstanding. Table 1 shows the progress of these recommendations being implemented since last report presented to the Committee (March 2024).



Graph 1: Recommendations Status

Percentage completed (Goal 100%)	Jun-24	Mar-24
Building and Resource Consents (2022)	71%	57%
Records Management (2021)	41%	35%
Sensitive Expenditure (2022)	88%	75%
PAYE/WHT (2023 PWC)	59%	12%

Table 1: Percentage completed since last report

1.4 Significance and Engagement

N/A

1.5 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.

1.6 Development of Preferred Option

Recommend the committee receive the Internal Audit Recommendations Progress Report.

1.6 Attachments

- 1 Internal Audit Recommendations Progress Report (Doc Id 1764969 [↓](#))

Audit	Principle	Ref #	Audit scope and findings	Risk Status	Recommendations	Actions	Person Responsible	Planned Implementation date	Progress March 2024	Progress June 2024	Commentary March 2024	Commentary June 2024
Records Management (2021)		1	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	Update 14/3/24 - review activities in InfoSource and M365/Sharepoint and develop report for June reporting	Update 21/5/24: Draft report created - reviews progress of Strategy Goals. Report format to be confirmed with Director CS before finalisation.
Records Management (2021)		1	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	Update 14/3/24 - preparing material for uploading to the new Learning Management System (LMS) - which is expected to be available Q3/24	Update 21/5/24 - SharePoint user manual V1.0 is complete, and 4 fact sheets, these are to be shared with tier 1,2,3 managers, ideally via LMS - subject to review/approval by Director CS. ELT TO ensure Records training done in LMS - InfoSource and OWFA - ALGIM content fact sheets.
Records Management (2021)		1	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	Update 14/3/24: 1.1 and 1.2 should address business managers needs	Update 21/5/24 - As above for initial content, simple review test questions, then build out more content - requires LMS implementation. Refer 1.1 & 1.2 above.
Records Management (2021)		1	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	Update 14/3/24: LMS will improve staff inductions. Improved process and modules to be developed for onboarding contractors - Q3/24	21/5/24 update: Currently there is no proper process for onboarding contractors. The Records team are not necessarily advised when this occurs - to raise with ELT to seek advice - on who is responsible for how this and can be improved - to be discussed with Director CS.
Records Management (2021)		1	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	Update 14/3/24: Will review with ALGIM on suitable timing of an audit	Update 21/5/24: As per 1.1 and 1.6. no change - do in 2025 - due to migrations to OWFA
Records Management (2021)		2	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 unappraised 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	Update 14/3/24: 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.	Update 21/5/24 - Camera arrived and Minute Books digitisation project now started.
Records Management (2021)		2	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	Update 14/3/24: as above - M365 now progressing	Update 21/5/24 - Training as above, stocktake of digital and paper records reviewed as part of M365 onboarding. Managers are responsible for advising Records accordingly

Audit	Principle	Ref #	Audit scope and findings	Risk Status	Recommendations	Actions	Person Responsible	Planned Implementation date	Progress March 2024	Progress June 2024	Commentary March 2024	Commentary June 2024
Records Management (2021)		3	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	Update 14/3/24: Will review with ALGIM on suitable timing of an audit	Update 21/5/24 - Have contacted ALGIM, they do not have a suitable template or report - further investigation is required.
Records Management (2021)		3	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	Update 14/3/24: No progress - still to be developed	Update 21/5/24 No progress - still to be developed
Records Management (2021)		3	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	Update 14/3/24: About engage with Microsoft and review their Purview Tool for data security	21/5/24 update - Working on PoC of Purview at present to address this
Building and Resource Consents (2022)		5	Insufficient revenue controls – Building and Resource Consents	Medium	"Revenue reconciliations <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. Other revenue recommendations <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."	Actions 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. Resource Consents to implement a monthly report of applications accepted and invoiced. 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.	TLRA (for resource consents), Manager Building Consents (for Alpha One)	1/04/2022	In progress	In progress	IT have confirmed with Alpha One their platform upgrade won't impact existing integration. Waiting for Regulatory Systems Analyst (building team) to return from leave, for IT to work with her to explore this integration.	IT have commenced meetings with Council's Regulatory Systems Analyst exploring options for implementation. In meantime, a monthly reconciliation report comparing invoicing done in both systems (Alpha One & Magiq) is being developed by Systems Accountant to reduce risk of potential errors/discrepancies.
Building and Resource Consents (2022)		7	Conflict of interest – Resource Consents	Medium	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: <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) The procedures should include at least the following: <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. 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).	Actions 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.	TLRA	1/04/2022	In progress	In progress	In Progress. Expected completion now Q2 (June 24)	The working group consisting of P&C, Finance + IT continue to work together to improve the COI process. An automated workflow tool has been developed and the team are working on refining this. Next steps will be to look at finalising the policy and developing training. The review is expected to be completed by the end of 2024 calendar year.
Building and Resource Consents (2022)		8	Internal Gift policy review and tailored fraud related training - Resource and Building Consents	Medium	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. It should also be ensured that policies are reviewed on a timely basis to ensure they remain relevant and up to date.	Actions The Fraud Policy has recently been reviewed and is awaiting approval from our Executive Leadership Team. Once approved, communications will go to all staff to inform them of the updates and provide the opportunity to review the new policy. 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. 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.	Business Analyst and Accounting Manager	31/07/2022	In progress	Complete - subject to publishing on Infosource	The Gifts and Gratuities Policy went to the ELT meeting on 10 October for approval, however changes have been requested and are in progress	The Gifts and Gratuities Policy was approved by ELT on 7 May, subject to minor amendments requested. It is now awaiting publishing.

Audit	Principle	Ref #	Audit scope and findings	Risk Status	Recommendations	Actions	Person Responsible	Planned Implementation date	Progress March 2024	Progress June 2024	Commentary March 2024	Commentary June 2024
Sensitive Expenditure (2022)		1	Policies and procedures - gap analysis against OAG guidance	Low	The following is recommended: · 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.	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) Travel Policy: The policy will be updated to reflect the OAG 2020 guidance as outlined. Gift Policy: This policy is currently under review.	Financial Controller	Sep-22	In progress	Complete (subject to publishing on Infosource)	The Travel Policy has not yet been reviewed.	The Travel Policy was approved by ELT on 7 May, subject to minor amendments requested. It is now awaiting publishing.
Sensitive Expenditure (2022)		4	Gifts received	Low	It should be ensured that appropriate evidence of approval of gifts received is documented, in particular those with value exceeding the \$50 limit. Periodic compliance monitoring of the gift register should be undertaken.	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) A review and report on the Gifts Register will reported annually to the Audit & Risk Committee	Raewyn Fowler (Internal audit lead)	Sep-22	In Progress	In Progress	IT advise not yet started, but expect to start within 4-6 weeks.	IT advise this has not yet started due to limited IT capacity, however, is scheduled to start within next few weeks.
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		Not started	Not started	This review cannot happen until bargaining later this year.	This review cannot happen until bargaining later this year.
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		In progress	In progress	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.	A new process is in progress. We are still identifying all affected contractors currently in the system and obtaining all documentation.
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		In progress	In progress	A project to replace our Accounts Payable System is in progress and will address our onboarding processes.	A project to replace our Accounts Payable System is in progress and will address our onboarding 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		In progress	In progress	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.	A new process is in progress. We are still identifying all affected contractors currently in the system and obtaining all documentation.
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		In progress	In progress		A new process is in progress. We are still identifying all affected contractors currently in the system and obtaining all documentation.
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		In progress	Complete (subject to publishing)		The Koha Policy has been approved by ELT and is awaiting publishing.
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		In progress	In progress		Training is booked for June.
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., IR330C'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		In progress	In progress	This further work is still ongoing but we are confident that the risk has been lowered.	P&C reviewed the arrangements and have made recommendations on the contracts. Finance have initiated the WHT process with Ocean Spa and expect to have it fully in place by the end of May.

2. SENSITIVE EXPENDITURE - MAYOR AND CHIEF EXECUTIVE

<i>Type of Report:</i>	Procedural
<i>Legal Reference:</i>	N/A
<i>Document ID:</i>	1756766
<i>Reporting Officer/s & Unit:</i>	Raewyn Fowler, Internal Audit Lead Talia Foster, Financial Controller

2.1 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 March 2024 quarterly report of Sensitive Expenditure for the Mayor and Chief Executive and review for compliance with the Sensitive Expenditure Policy.

2.2 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.

2.3 Issues

No issues

2.4 Significance and Engagement

N/A

2.5 Implications

Financial

N/A

Social & Policy

All sensitive expenditure transactions for the quarter ended 31 March 2024 are compliant with Council's Sensitive Expenditure Policy.

Risk

N/A

2.6 Attachments

- 1 Sensitive Expenditure Q3 31 March 2024 Mayor (Doc Id 1762379) [↓](#)
- 2 Sensitive Expenditure Q3 31 March 2024 CE (Doc Id 1762380) [↓](#)

Mayor Sensitive Expenditure

Report for Audit and Risk Committee Meeting

Transactions processed for periods 202401 to 202403

Transaction Date	Transaction Source	Supplier	Value	Details in Ledger	Compliant with Policy
Entertainment					
Nil this quarter			\$ -		
Total Entertainment			<u>\$ -</u>		
Mayor's Travel & Accommodation					
26/03/2024	CC	Pacific Harbour Motor Inn	\$ 132.50	Accommodation LGNZ Zone 3 meeting held Gisborne	✓
Total Mayor's Travel & Accommodation			<u>\$ 132.50</u>		
Conferences					
Nil this quarter			\$ -		
Total Conferences			<u>\$ -</u>		
Total For Quarter			<u>\$ 132.50</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 202401 to 202403

Transaction Date	Transaction Source	Supplier	Value	Details in Ledger	Compliant with Policy
Entertainment					
Nil this quarter			-		
Total Entertainment			\$ -		
Travel & Accommodation					
31.01.24	AP	Orbit Travel	309.66	To speak at conference Auckland	✓
29.02.24	AP	Corporate Cabs	113.67	Taxis Wgtn 15/16 Feb 2024	✓
Total Travel & Accommodation			\$ 423.33		
Conferences					
Nil this quarter					
Total Conferences			\$ -		
Total For Quarter			\$ 423.33		

<u>Transaction Source key:</u>	
EC	Transaction approved through expense claim process
CC	Transaction processed through NCC's corporate card
AP	Transaction approved through normal purchasing & payables process

3. INTERNAL AUDIT: CONTRACT MANAGEMENT REPORT

<i>Type of Report:</i>	Operational
<i>Legal Reference:</i>	Local Government Act 2002
<i>Document ID:</i>	1760996
<i>Reporting Officer/s & Unit:</i>	Raewyn Fowler, Internal Audit Lead Sharon O'Toole, Procurement Manager

3.1 Purpose of Report

To table to the Committee the internal audit on Contract Management undertaken by Council's internal auditors, Crowe.

Officer's Recommendation

The Audit and Risk Committee:

- a. **Receive** the report from Crowe titled 'Internal Audit – Contract Management'.

3.2 Background Summary

As part of the internal audit programme (as approved by the Audit & Risk committee December 2022), an internal audit on Contract Management (Doc Id 1764970) was undertaken by our Internal Audit provider, Crowe. The fieldwork commenced September 2023 - completed by December 2023. A draft report of the findings was provided to management at the completion of the audit to review and provide feedback on the findings and recommendations.

The report was finalised on the 21 May 2024 (please refer **Attachment 1**). The report provides recommendations and management responses on how to deal with the identified performance gaps relating to Contract Management.

The audit involved four major contracts selected (in conjunction with management):

- Kerbside recycling
- Streetlight/traffic signal maintenance
- Supply and maintenance of parking machines
- Napier War Memorial Restoration project

The objectives of this audit were to review Council's Contract Management processes on the following:

- Alignment of procurement and contract management policies and procedures.
- Qualitative and quantitative performance measures that are in place to enable the contract manager to monitor and measure service delivery.
- Performance review processes, including process for managing corrective measures and non-performance.
- Compliance with commercial contact conditions.
- Management of contract variations and extensions.
- Existing internal controls processes for the identification and requisition of works for completion, and confirmation of satisfactory completion of works.

3.3 Issues

The audit identified a total of 11 risks - three high, seven medium and one low. The three high risk issues are as follows:

- 5.1 Lack of Contract Management Planning Strategy
- 5.2 Incomplete Contract Management Framework documents
- 5.3 Financial delegations to be enforced

Management's responses to these risks are included in the report and includes those staff members who are responsible for the implementation of the agreed recommendations.

Of note, and as part of these recommendations, a Procurement and Management Improvement Plan (the Plan) has been drafted to address the recommendations and to ensure the priorities, funding and resourcing are agreed upfront. At the time of writing this report, the Plan is scheduled for approval by ELT on 4 June 2024.

3.4 Significance and Engagement

N/A

3.5 Implications

Financial

N/A

Social & Policy

N/A

Risk

N/A

3.6 Attachments

- 1 Internal Audit - Contract Management (Doc Id 1764970) [↓](#)



Contract Management Internal Audit

Napier City Council

Confidential

Prepared for: Napier City Council

Prepared by: Andrew Zavitsanos Partner – Crowe

December 2023

Napier City Contract Management IA Report_V_FINAL_21.5.2024_AZ



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1 Executive Summary

1.1 Introduction

One of Council's critical governance obligations is to ensure that the quality, quantity, and cost of services being supplied through contractual arrangements are in accordance with the outputs detailed in the contract specifications.

In accordance with a request from Napier City Council's (NCC) management, an internal audit has been completed of the Contract Management practices and processes to assess whether controls and practices are operating satisfactorily.

1.2 Internal Audit Objectives

The objectives were to review Council's Contract Management processes focusing on the following:

1. Alignment of procurement and contract management policies and procedures (including overall contract management framework).
2. Qualitative and quantitative performance measures that have been put in place to enable the contract manager to monitor and measure service delivery.
3. Performance review processes in place, including process for managing corrective measures and non-performance.
4. Compliance with commercial contract conditions.
5. Management of contract variations and contract extensions.
6. Existing internal control processes for the:
 - identification and requisition of works for completion; and
 - confirmation of the satisfactory completion of works

The internal audit included a review of four (4) major contracts selected in conjunction with management.

1.3 Internal Audit Conclusion

Overall, we found that current controls in place over Contract Management practices need to be strengthened.

The internal audit identified a range of controls which require stronger oversight, accountability, along with systems which would benefit with a refresh and training to reduce the identified weaknesses and exposures.

Our report identified three **(3) high-risk** issues. There are:

- No Contract Management Planning Strategy (refer 5.1)
- Incomplete and outdated Contract Management Framework documents - policies, procedures and guidelines (refer 5.2)
- Financial Delegations was not enforced (refer 5.4)

Note: Recommendations in this report are to apply to all current and future contracts as appropriate, not just the contracts subject to internal audit.




Further, improvements to controls, systems and processes should be captured in, and form part of, Council's contract management framework.

1.4 Internal Audit Findings Summary Dashboards

The tables below provide a summary of the overall control rating, findings by title, risk rating and root cause finding. Refer Appendix 6.5 for full detail.












Table 1.4.1 – Overall Control Rating

Overall Control Rating Descriptor			
Inadequate – high risk improvement opportunities, control risk environment is impaired.	Adequate control environment in most areas - moderate risk improvement opportunities identified, which requires corrective action.	Satisfactory with a small number of lower risk improvement opportunities identified.	Good practice - well-designed, effective, efficient, and functioning properly. No improvement opportunities identified.
X			

Root Cause Findings Rating		
Governance	Process and Systems	People
		
4	4	3











The reader should note the following sections:

- Section 2: Summary of Findings
- Section 3: List of Effective Internal Controls
- Section 4: Background
- Section 5: Observations and Recommendations
- Section 6: Appendices


#	Finding Title	Risk Rating			Root Cause Rating
		H	M	L	
5.1	Lack of Contract Management Planning Strategy	●			
5.2	Incomplete Contract Management Framework Documents	●			
5.3	Absence of Conflict of Interest across Contract Lifespan		●		
5.4	Financial Delegations to be enforced	●			
5.5	Inadequacy of contract identified Operational Systems used for Contract KPIs Measures			●	
5.6	Lack of Formal Contract Execution Discipline		●		
5.7	Lack of Contract Insurance validation, oversight and monitoring		●		
5.8	Absence of monitoring over Contract Bonds and Contract Retention		●		
5.9	Develop instructions for Contract Variation Processes		●		
5.10	Maintenance of Contracts Register		●		
5.11	Lack of Single Source of Truth - Contract Management System		●		
Total		3	7	1	

2 Summary of Findings

A summary of the key findings is provided below. Details findings are in Section 5. Descriptions of root cause of finding and risk rating are outlined in Appendix 6.4.

Ref #	Controls and processes that require strengthening include:	Root Cause of finding	Risk Rating
5.1	A Contract Management Planning Strategy to be developed.		H
5.2	Review Contract Management Framework Documents – policy, procedures and guidance to be up to date and include a Contract Management Plan in accordance with Audit Office New Zealand.		H
5.3	Implement declaration of Conflict of interest (Col) controls post initial procurement phase.		M
5.4	Financial Delegations to be enforced.		H
5.5	A process to ensure post-contract reviews are conducted in line with contract specifications.		L
5.6	Formal contract execution to be observed.		M
5.7	Monitoring of contractor insurances to be improved.		M
5.8	Strengthen the process to adequately manage Contract Bonds and Contract Retentions.		M
5.9	Develop procedures that support strong oversight and tracking of contract variations (contract management, and finance).		M
5.10	Strengthen the controls surrounding Contract Register.		M

A summary of the key findings is provided below. Details findings are in Section 5. Descriptions of root cause of finding and risk rating are outlined in Appendix 6.4.

Ref #	Controls and processes that require strengthening include:	Root Cause of finding	Risk Rating
5.11	Establish a centralised repository for contract documents and investigate implementing a contract management system (software)		M

3 List of Effective Internal Controls

Effective Internal Controls

The following internal controls have been tested and confirmed to be operating effectively.

- The Contract Register Policy (June 2021) and Procurement Policy provides guidance on management of contracts.
- Delegation limits of staff are outlined in the Financial Delegation Policy and Financial Delegation Changes for Contracts.
- Each NCC Contract sighted contained measures for the Contract Manager to monitor and measure service delivery.
- The three (3) Service Contracts contained performance clauses such as:
 - Timeliness of responsiveness to customer requests
 - Customer satisfaction measures
 - Service requests in relation to outages of lighting with risk rated actionable timeframe ratings. (Emergency, High, Low)
 - Customer issues, captured via NCC Customer Service were often resolved, counter reported and resolved by the Contractors without need for any further escalation.

4 Background

Napier City Council (NCC) aims to ensure that the quality, quantity and cost of services being supplied through contractual arrangements are in accordance with the outputs detailed in the contract.

NCC Contract Management is decentralised within NCC Directorates, and NCC is working towards centralised Contract Management oversight of whole of organisation Contracts. This is supported with recent appointment of a Procurement Manager.

Contract record management for new and current contracts is migrating to InfoSource (cloud) system, with individual contract working papers stored in various NCC system drives. NCC have a Contract Register reliant on input and update of key contract elements by Contract Managers.



Contract Managers and Engineers are responsible for monitoring contract performance and maintaining contract documentation once a contract is awarded. Across the lifespan of a Contract, NCC rely on interrelated business areas for contract management functions, such as contractor pre-qualifications and contract financial transactions. Oversight and monitoring of contracts are reliant on specific service level systems which interact with both contractor and NCC.

The content of the Contract Management Review is based on assessing the following four (4) contracts selected by Napier City Council:

Refer to Appendix 6.3 for detailed Summary of Contracts reviewed for this report.


Contract Number: Contract Name:	2090 Kerbside Recycling	1072 (2076) Streetlight / traffic signal maintenance	2219 Supply and maintenance of parking machines	2315 Napier War Memorial Restoration Project
Contract Description:	Collection of waste from kerbside	Installation, maintenance and repairs to streetlights and traffic lights	Parking machine management services – (funds collection, banking) supply, and maintenance	Refurbishment of Napier War Memorial
Contractor:	Smart Environmental Ltd	Nathan Pope Electrical	Global Integrated Solutions *transitioned to Orikan.	Atkin Construction
Start Date	1 November 2019 – mobilisation period 6 month 1 January 2020	September 2017 Contract Executed Oct 2017	November 2021	September 2022
Contract term	7 year	3 year	3 year	133 days
Option Terms	3 x 1 year	2 x 1 year	2 x 2 year	Delays – design change, due to cyclone,


5 Observations and Recommendations

Finding	Current Situation	Risk Rating			Recommendation	Management Response
		H	M	L		
Alignment of procurement and contract management policies and procedures (including overall contract management framework)						
1	<p>Lack of Contract Management Planning Strategy</p> <p>NCC Procurement framework does not include a whole of organisation, overarching, Contract Management Planning Strategy.</p> <p>In accordance with Audit NZ – Contract Management is to be undertaken with strategic intent to maximise operational and financial performance whilst minimising risk. Council does not take a strategic approach to Contract Management.</p> <p>The review sighted Napier Transportation Procurement Strategy 2020 due for review May 2021 with the Approval page nine (9) not endorsed. This strategy identifies NCC moving to centralised oversight of Projects/ Contracts.</p> <p>An overarching Contract Management Planning Strategy (CMPS) is a plan to improve the way Council manages contracts. There is no strategy at present. Council has not defined upfront how procurement categories and individual procurements will be managed at the contractual stage based on their complexity level.</p> <p>In addition, our internal audit noted Project Managers track their contracts on individual excel spreadsheets. There is a lack of internal contract status reporting to Senior Management and</p>	 			<p>It is recommended NCC develop a whole of organisation Contract Management Planning Strategy.</p> <p>The strategy should include, but not be limited to:</p> <ul style="list-style-type: none"> Identifying all NCC Procurement /Contract categories for all types of procurement Management of individual procurements at the contractual stage based on their complexity. Provide a detailed picture of spend in each category complete a complexity assessment (transactional, leveraged, focused and strategic) Contract Matrix – Category, threshold/value, Contract template Supply market factors to consider when formally engaging with the market. Identify the resources, systems, processes, tools, reporting and capability needed to manage contracts in each complexity quadrants. 	<p>Disagree</p> <p><i>(the scope needs to increase)</i></p> <p><i>The New Zealand Government Procurement definition of procurement is: “The term ‘procurement’ covers all aspects of acquiring and delivering goods, services and works (refurbishment and new construction). It starts with identifying the need and finishes with either the end of a service contract or the end of the useful life and disposal of the asset. This is called the procurement lifecycle.”</i></p> <p>A successful contract needs to be well-planned, executed and managed. The planning stage needs to consider market factors and the context for the contract. The procurement lifecycle is covered in the Procurement Transportation Strategy however the approach needs to be reflected at an organisational level and supported by the appropriate tools, templates training and systems.</p>


Finding	Current Situation	Risk Rating			Recommendation	Management Response
		H	M	L		
	<p>Council does not have a strategy that informs formal contract reporting responsibilities.</p> <p>A Contract Management Planning Strategy should provide a consistent reference template to measure the ability of the organisation to manage its contracts effectively.</p> <p>Risk</p> <p>Where there is no Contract Management Strategy there is risk of lack of organisational leadership direction and identification of centralised contract management oversight.</p> <p>Without a clear roadmap, council staff are vulnerable to unclear expectations, operational inefficiencies, which can result in poorly managed contractual relationships, legal disputes.</p>					<p>The Contract Framework should be encompassed within a Procurement and Contract Management Framework that supports a strategic approach to procurement and contract management i.e. the focus should be on the procurement lifecycle and broader than a contract management strategy.</p> <p>Management Comments:</p> <p>NCC requires a Procurement and Contract Management Framework (Framework) that supports a strategic approach to procurement and contract management.</p> <p>NCC needs to take a project approach to business improvement and develop a Procurement and Contract Management Improvement Plan (Plan) which outlines what is needed to deliver a Procurement and Contract Management Framework. The Plan will identify the workstreams, activities and resources needed to support the Framework and lift the organisational capability. It will also consider other dependent work occurring across the Council.</p>

Finding	Current Situation	Risk Rating			Recommendation	Management Response
		H	M	L		
		H				<p>The project manager excel spreadsheet (project quality plan tracking) is used for the tender and contract phase (planning and execution and contract admin) this will be replaced by Sycle (project management software)</p> <p>Responsible Person & Position: Chief Financial Officer</p> <p>Target Date: 29 April 2024 - Sycle date project quality plan tracking.</p> <p>Procurement and Contract Management Improvement Plan 4 June 2024 - targeted for Executive Leadership Team (ELT) input and 14 June 2024 - presented to Audit & Risk Committee (A&R).</p> <p>Additional Audit Comment: Management proposed actions in implementing a Procurement and Contract Management Framework is supported by Internal Audit. It is expected that the Procurement and Contract</p>


Finding	Current Situation	Risk Rating			Recommendation	Management Response
		H	M	L		
						Management Improvement Plan will clearly outline due dates and responsible officers for implementing each action item.
2	<p>Incomplete Contract Management Framework Documents – policy, procedures and guidance</p> <p>In accordance with Audit Office NZ, the Contract Management Framework should include a clear Contract Management Plan</p> <p>Framework documents sighted by the review which focus on management of contracts post tender evaluation are identified below.</p> <ul style="list-style-type: none"> • Procurement Policy V2 – Review Aug 2024 • Procurement Procedures Manual - (Draft Version being developed) • Guide to Council Contract Template Guide V1, ID558354, sections of Guide highlighted in yellow indicating in development – Draft • NCC How to File – Project, Design, Tasks and Contracts V1 D523873 - No Version control date. • Contract Register Policy V2 ID1324430 issued June 2021- next review date 8 June 2024 • Contract Register • NCC Project Quality Plan Tracking V2 – Excel spreadsheet with tabs for Tender & Contract Phase, Contract Administration. • Financial Delegation Policy - next review due 8 December 2023 • Delegation Register 				<p>It is recommended NCC complete its Contract Management Framework; and include a Contract Management Plan.</p> <p>Contract Management Framework and Contract Management Plan should contain;</p> <ul style="list-style-type: none"> • management review, and approval. • version control <p>The OAG identifies best practice contract management plans, dependent on the level of risk, as including:</p> <ul style="list-style-type: none"> ▪ a list of individuals and their responsibilities; ▪ identification of the contract details for each party's contract/relationship manager; ▪ the nature and extent of engagement with the supplier/provider; ▪ key stakeholders (internal and external) and how these relationships will be managed; ▪ a schedule of risks that have been identified and that are being monitored and managed; ▪ performance management framework; 	<p>Agree</p> <p>Management Comments:</p> <p>A contract management plan will be included in the Procurement and Contract Management Framework.</p> <p>Responsible Person & Position:</p> <p>Chief Financial Officer</p> <p>Target Date:</p> <p>Procurement and Contract Management Improvement Plan 4 June 2024 - targeted for Executive Leadership Team (ELT) input and 14 June 2024 - presented to Audit & Risk Committee (A&R).</p>


Finding	Current Situation	Risk Rating			Recommendation	Management Response
		H	M	L		
	<ul style="list-style-type: none"> • <u>Financial Delegation Changes for Contracts</u> – instruction effective November 2021 <p>NCC has not finalised and adopted a Contract Management Framework – relative to individual contract classifications as defined in a CMSP (refer #1).</p> <p>The existing guidance does not cover areas such as:</p> <ul style="list-style-type: none"> • Contract Management Plans • variations • bank guarantees • probity • handling contract non-performance <p>Further NCC has not taken a Project Management approach to the completion of its Contract Management Framework to ensure holistic overview, objectives and realistic timeframe to manage completion of the Framework.</p> <p>Lack of completed Contract Management Framework does not provide clear direction and instruction. There is risk council Officers are unable to perform their duties and manage contract effectively. This may lead to non-compliance with, or breaches of, relevant rules, legislation and failure to achieve value for money.</p>				<ul style="list-style-type: none"> • the process by which contractual obligations are to be achieved (deliverables); • milestone dates, including review of the contract and the lead time needed for re-tender/proposal or renewal; • the content, frequency, and distribution of reporting; • a schedule of meetings and any standard agenda items; • documentation reviews and updates (e.g., contract management and quality plans, health and safety plans, traffic management plans, qualifications or certifications, insurance policy documents); • details of the process and authorities for approving variations to contracts (including delegations); • dispute resolution; • conflicts of interest; and • contract completion. 	
3	<p>Absence of Conflict of Interest across Contract Lifespan</p> <p>Conflict of Interest has been captured in an ad hoc manner across the lifespan of contracts. The review noted throughout the lifespan of contracts</p>				<p>It is recommended NCC Conflict of Interest (Col) Policy be updated to cover whole of lifespan of contract.</p> <p>For Better practice:</p>	<p>Agree</p> <p>Management Comments:</p> <p>The People and Capability team is responsible for the Conflict of Interest policy and Col register.</p>


Finding	Current Situation	Risk Rating			Recommendation	Management Response
		H	M	L		
	<p>there have been changes in oversight and management of contracts with no “Declaration of Conflict” captured when change occurs.</p> <p>The following Conflict of Interest framework documents have been sighted.</p> <ul style="list-style-type: none"> • NCC Contracts Register Policy – next review due June 2024 • Conflict of Interest Policy – next review due 19 May 2023 <p>The existing Conflict of Interest Policy does not:</p> <p>a) extend beyond procurement phase and require declarations where change to Contract Managers /Project Owners</p> <p>c) extend to all NCC personnel roles with decision making responsibilities relative to each contract</p> <p>b) ensure Conflict of authorisation follow hierarchy of tiers of duty/levels.</p> <p>The above are required in order to avoid potential reputational risk, exploitation of duties and fraud.</p> <p>At present NCC has not adopted a placeholder for “Declaration of Conflicts” in all formal contract meetings - templates.</p>				<ul style="list-style-type: none"> - Apply Col to the Contract Delivery Phase - Including a placeholder for Declaration of Conflicts as placeholder in all contract meetings - Ensure Col are declared when there is a change to contract managers during the term of a contract. - Maintain evidence of Col declarations on file. - Investigate a system to support a Col repository. 	<p>There is a project underway to review this. Changes that result from this work would flow into a range of organisational and contract documents.</p> <p>The management of Conflicts of Interest was also raised through the NCC 2023 end of year financial audit.</p> <p>Procurement Col management (tenders) – the Procurement Team trialled a free central government (MBIE) tool. The pilot and functionality were successful however the MBIE tool did not meet the Council’s minimum requirement for User Access Management – this being Single Sign On..</p> <p>Responsible Person & Position: Chief People Officer (P&C)</p> <p>Target Date: 30th June 2024</p>


Finding	Current Situation	Risk Rating			Recommendation	Management Response
		H	M	L		
Qualitative and quantitative performance measures that have been put in place to enable the contract manager to monitor and measure service delivery						
4	<p>Financial Delegations</p> <p>A critical part of managing rate payers' monies and local government assets is maintaining robust Contract Management financial controls.</p> <p>The internal audit found Contract expenditure potentially authorised by Council Officers may be outside their general financial delegations.</p> <p>NCC have the following documents in place which inform contract financial management.</p> <ul style="list-style-type: none"> Financial Delegation Policy – next review due December 2023 Delegations Register (Council Approved Fin Delegation, CE Approved Fin Delegations) Financial Delegation Changes for Contracts ~D1411354 – Effective Nov2021. <p>NCC Delegations Register indicates The Financial Expenditure Delegation – General Financial Delegation Authority of:</p> <ul style="list-style-type: none"> Chief Executive - \$5M Executive Director Infrastructure Services - \$1M Director of Program Delivery - \$500K <p>In accordance with NCC Delegations change (D1411354), <u>the financial delegation is relative to the Total Contract Value, the individual claims across the period of that contract.</u></p>				<p>It is recommended NCC review and clarify Financial Delegations in relation to Contract Management.</p> <p>This should include:</p> <ul style="list-style-type: none"> Clarify NCC position re Financial delegation authority to sign off on progress claims relative to the Total Contract Value or the individual progress claims. Clarify the definition of Contract Term (Contract Lifespan) in the excel Financial Delegations Register. Providing officer refresher training on financial delegations relating to contract management 	<p>Agree (mostly) with caveat below</p> <p>"NCC Delegations Register contains a blank cell, displays no value or threshold for Contract Management.". while technically, this is correct, this is because the delegation itself reads: "Contract management, including award (where contract term is less than 5 years), payment approval and variation acceptance where the total contract (incl variations) value is below the financial limit imposed by the General Financial Delegation". Each of these positions also hold a general financial delegation which is stated in the register and holds a value. The Crowe statement infers NCC have missed something which is incorrect.</p> <p>Management Comments:</p> <p>The Financial Delegation Policy is currently under review and the recommendations (including definitions) will be taken into account in this review.</p>

Finding	Current Situation	Risk Rating			Recommendation	Management Response
		H	M	L		
	<p>where contracts are greater than \$1Million the CEO is required to approve as these are outside Delegation of Executive Directors, Directors relevant to the Total Contract Value.</p> <p>We noted a lack of recognition that authority to sign off on progress claims is relative to the Total Contract Value, not the individual progress claims, and relative to the term of the contract.</p> <p>Also, the Delegation Register definition of "Contract Term" in the excel Delegations Register indicates contracts with term of five (5) or more years are to be authorised by CEO. This should qualify if relative to original or extended contract lifespan.</p> <p>The review identified three of the four contracts with a value of over \$1M and contract terms which exceed 5 years, where the CEO did not authorise Progress Claims, and extensions to contracts. Specifically:</p> <p>2315, War Memorial Refurbishment – Contract value of greater than \$1M.</p> <p>1072 Street Lighting and Traffic Signal – Contract value greater than \$1M, and contract term greater than 5 years.</p> <p>1219 (2019) Kerbside Recycling – Contract value of greater than \$1M. Contract term 8 years. The Contract approver did not have authority to approve.</p>					<p>The Financial Delegation Register will be updated as needed to support the new policy. The implementation will include a review of the processes for staff inductions, updates and refresher training for all staff, and a monitoring of compliance.</p> <p>Responsible Person & Position: Chief Financial Officer</p> <p>Target Date: May 2024 - the team will commence Review Dec 2024 - new DFA policy to be developed and implemented.</p>


Finding	Current Situation	Risk Rating			Recommendation	Management Response
		H	M	L		
	Financial delegations are not clear for NCC Officers to authorise contracts, contract variations, and expenditure across the lifecycle of Contracts. There is risk NCC may not have appropriate financial oversight and NCC Officers may approve contract expenditure outside of their authorised delegation.	H				
Performance review processes in place, including process for managing corrective measures and non-performance						
5	<p>Inadequacy of contract identified Operational Systems used for Contract KPIs Measures</p> <p>Issue identified: 1072 Street Lighting / traffic signal maintenance.</p> <p>Risks regarding RAMM and MagiQ Assets systems, reporting, performance measures, and reconciliation.</p> <p>The terms of the Streetlight contract indicate the contractor is responsible for asset changes under the contract and data re the same to be recorded in the RAMM database (Specification Clause 6.15) (Schedule of Prices: 2.2). In accordance with contract clauses NCC is to hold and maintain one licence, one tablet for RAMM system.</p> <p>NCC Officers noted MagiQ and RAMM - NCC geospatial asset and management system do not interact. The review noted the data is not currently being input by the contractor.</p>				<p>It is recommended operational system issues causing suboptimal contractor performance controls are addressed to ensure NCC is receiving services per the contract and can monitor performance as identified in the contract.</p> <p>The Street Lighting Contract contains responsibilities and performance of both NCC and Contractor in relation to contract data capture and systems which provide management with oversight and verification of services, asset management services, reporting / performance under the contract.</p>	<p>Agree</p> <p>Management Comments:</p> <p>A pre-requisite for this work is the need to have an NCC system to support the collation of KPI and performance data.</p> <p>The Procurement and Contract Management Framework will be implemented in tranches. KPIs and performance data will be considered and implemented as a future development – this reflects the need for NCC to review and invest in a system (software) that will support the measurement, monitoring, and collation of KPI data.</p> <p>Responsible Person & Position:</p> <p>Chief Financial Officer</p> <p>Target Date:</p>


Finding	Current Situation	Risk Rating			Recommendation	Management Response
		H	M	L		
						<p>Procurement and Contract Management Improvement Plan 4 June 2024 - targeted for Executive Leadership Team (ELT) input and 14 June 2024 - presented to Audit & Risk Committee (A&R).</p>
Compliance with commercial contract conditions						
6	<p>Opportunity to improve Discipline in Formal Contract Execution</p> <p>For a contract to be valid and legally binding; contract management requires discipline across all elements of the Contract Management lifecycle. The review identified the following issues and inconsistency to the execution of contracts.</p> <p><u>2315 War Memorial Restoration –</u> Lack of clarity to contract commencement, Contract award page – not executed with a date.</p> <p><u>2219 Supply & Maintenance Parking Machines</u> Contract award page – not executed with a date.</p> <p><u>1072 Street Lighting / traffic signal maintenance</u></p> <p>The review did not receive or sight a formally executed Contract Extension. The initial contract expired 2020 and was extended (2x1yrs) to September 2022. Internal Memo dated June 2023 used to request authority to extend beyond full contract period to August 2023. The contractor</p>				<p>It is recommended NCC</p> <p>a) formally recognise key elements in contracts – particularly commencement date, initial term, options to extend, formal assessment of contractor performance prior to full term of contract</p> <p>b) Implement a review process that ensures key contract elements are met and received by contractor prior contract execution, extension.</p> <p>c) ensure responsible Council Officers have refresher training regarding formal execution of contracts and general contract management.</p>	<p>Agree</p> <p>Management Comments: Contract management is currently a devolved activity delegated to the business function. There is currently no input in the recruitment, onboarding, training of these roles and no central oversight of 'who' performs these. This needs to be addressed as a precursor to training.</p> <p>Standardised wording for contract management is required in Job Descriptions (JD) where this is a requirement of the role. This needs to be supported by an induction process.</p> <p>Responsible Person & Position: Chief People Officer - manage inclusion of Standard wording in JD's and ensure these roles can be</p>


Finding	Current Situation	Risk Rating			Recommendation	Management Response
		H	M	L		
	<p>was noted as informed by NTC-22 (notice to commence) without any evidence of assessment of contractor performance.</p> <p>There was also a mismatch of contract dates in Memo and Contract Register.</p> <p>NCC did not commence contract review and procurement process prior to the end of contract life.</p> <p><u>2090 Kerbside Recycling</u></p> <p>Initial Contract (No 1219) executed with Smart Environmental Ltd (SAL) Jan 2021.</p> <p>Lack of contract management discipline may render a contract invalid.</p>					<p>identified. The new LMS system may be able to support this.</p> <p>Followed by:</p> <p>Procurement Manager – develop contract management induction training.</p> <p>Chief Financial Officer – include refresher training on contract execution as part of the DFA implementation by Finance (procurement team to support).</p> <p>Target Date:</p> <p>Dec 2024 - P&C to address JD and LMS content</p> <p>Dec 2024 New DFA policy will be implemented.</p>
7	<p>Lack of Contract Insurance validation, oversight and monitoring</p> <p>The review observed insurance liability thresholds against value of contracts appeared to be low in high value, high risk contracts. For example, \$5M and \$10M liability threshold where higher risk contingency \$20M may be more appropriate.</p> <p>Two (2) of the four (4) contracts reviewed identified SiteWise for tracking and review of contractor insurance relative to the contract. Contract insurance issues are noted below:</p>				<p>It is recommended NCC implement a process to ensure oversight of contractor insurances for the whole of contract lifecycle.</p> <p>This should include:</p> <ol style="list-style-type: none"> a) strengthening the mechanism and responsibilities to ensure insurance is current and in accordance with contract clauses prior to contract commencement. b) assigning responsibilities for ensuring Insurance Certificates 	<p>Agree</p> <p>Management Comments:</p> <p>Standard liability thresholds need to be reviewed and guidance provided. The Property Manager is the NCC Insurance broker contact.</p> <p>Procurement and Contract Management Framework to include reference to insurance.</p> <p>A pre-requisite for systemising the information related to contracts is the need to have an NCC Contract Management System.</p>

Finding	Current Situation	Risk Rating			Recommendation	Management Response
		H	M	L		
	<ul style="list-style-type: none"> • 2315 Napier War Memorial Restoration – SiteWise – 3rd party repository – updated certificates received because of this internal audit. • General Liability provided when Professional Indemnity requested. • 1072 Street Lighting / Traffic Signal Maintenance – Contract Schedule 7 – Information on Contractor Arranged Construction Insurance verified with Insurance Company Stamp and insurance Account Underwriter signature (QBE Insurance Group) – no record of updated insurance certificates being received post contract signing. • 2090/1219 Kerbside Recycling – Insurances confirmed in initial contract documents – stamp by Insurance broker. Insurance expired October 2020. <p>The internal audit noted strong reliance on external online prequalification system that grades contractor health and safety capability (SiteWise powered by Site Safe) and identified that NCC officers have not checked the actual insurance certificates in the Site Safe repository, as insurance certificates in the repository were not current.</p>				<p>are valid for the lifespan of the contract.</p> <p>c) training officers with insurance responsibilities re the different insurance types.</p> <p>d) Setting guidance and criteria on the appropriateness of liability thresholds on high value contracts.</p>	<p>Responsible Person & Position: Property Manager - Insurance guidance Chief Financial Officer - Contract management system</p> <p>Target Date: Dec 2024 - Insurance guidance</p> <p>Procurement and Contract Management Improvement Plan 4 June 2024 - targeted for Executive Leadership Team (ELT) input and 14 June 2024 - presented to Audit & Risk Committee (A&R).</p>
8	<p>Absence of monitoring over Contract Bonds and Contract Retention</p> <p>Bond and retention contract clauses are established as a protection mechanism in contracts. A bond (bank guarantee/deed) is an</p>				<p>It is recommended NCC document and adopt contract management procedures specific to</p> <p>a) Bonds</p>	<p>Agree</p> <p>The streetlighting contract had a bond, this document is readily</p>

Finding	Current Situation	Risk Rating			Recommendation	Management Response
		H	M	L		
	<p>undertaking given by a bank, on behalf of a contractor, to pay the recipient (NCC) of the guarantee the amount provided on the written guarantee. A retention is an amount of money retained as security by NCC to guarantee performance of the supplying contractor, usually as a safeguard against defects in the event the supplying contractor fails to satisfactorily rectify them.</p> <p>The internal audit found bonds in the contracts reviewed were not administered in alignment with contract clauses. There was no record of bond sighted when a bond was required. Also, Progress Payment Schedules lacked removal of reference to retentions where no retention applied to the contract.</p> <p>For example:</p> <p>1219(2090) Kerbside Recycling: <u>Payment Clause 12:</u> Progress Payment Schedule (Payment Number 55 page 2) shows prepopulated retentions which are not aligned to the contract clauses.</p> <p>1072 Street Lighting: <u>Schedule 1 – Schedules to General Conditions of Contract – Special and Specific BONDS Clause 3. – 3.1.2 (pg94/180)</u> Contractors Bond required and shall be 10% of the Contract Sum. Internal audit was not provided with a contractor’s bond/bank guarantee/deed.</p>				<p>b) Retentions</p> <p>These should include, but not be limited to:</p> <ul style="list-style-type: none"> - Identification of responsible officers - Accountability for managing bonds/retentions/bank guarantees - Clearly defined roles and responsibilities - Physical security and storage - Monitoring of expiry - Reconciliations between physical originals held and registers - Documenting criteria for when a bond/guarantee/retention should apply and be required in the contract and for how much (e.g., % of contract sum) - Record keeping (such as a register) that includes: <ul style="list-style-type: none"> ➤ ID number ➤ issuing bank ➤ related contract number ➤ amount of guarantee ➤ contractor name ➤ expiry date 	<p>available. If this was not provided for the audit, this was human error.</p> <p>The retention report meets current requirements. The retention value of zero is pre-populated by a formula that provides a null reading (zero), this indicates there is no retention.</p> <p>Management Comments:</p> <p>The current process meets requirements however the information would benefit from being centralised.</p> <p>Contract management procedures specific to Bonds and Retentions will be included in the Procurement and Contract Management Framework this will require a software system to manage this e.g. an NCC contract management system.</p> <p>Responsible Person & Position: Chief Financial Officer</p> <p>Target Date: Procurement and Contract Management Improvement Plan 4 June 2024 - targeted for</p>

Finding	Current Situation	Risk Rating			Recommendation	Management Response
		H	M	L		
						Executive Leadership Team (ELT) input and 14 June 2024 - presented to Audit & Risk Committee (A&R).
Management of contract variations						
9	<p>Develop Instructions for Contract Variations</p> <p>The internal audit noted NCC contract variation management was informal and contract claim reconciliations were ad hoc. There is no documented guidance on how to manage contract variations. For example:</p> <p><u>2315 War Memorial Restoration</u></p> <p>Mismatch of information recorded. NCC Project Managers Spreadsheet contains 13 variations – Total \$84,253.84. Builder Progress Claims contains 20 variations Total \$168,828.73 It is our understanding the Architect validates and confirms variations for council approval. The Architects RFI register contains – 10 open items – where work is agreed to go ahead without a price.</p> <p>There is lack of evidence of approval of variation, and lack of reconciliation of Builders' Progress claim variations against the council's variation register.</p>				<p><u>Variation processes</u></p> <p>It is recommended that NCC establish a documented variation approval process, outlining the necessary instructions for capturing variation data, determining the interdependent business areas to be informed of such variations, and involving the relevant personnel in the contract variation claim approval process.</p> <p>It is also recommended that NCC contract progress payments identify contractor variation claims as approved, open or denied to minimise risk of disputes.</p> <p>Contract Variation records should typically include:</p> <ul style="list-style-type: none"> - Reference Number: (initial variation request) - Date of Variation received - Description of Variation - Reason for Variation - Impact on scope, time, cost - Approval process 	<p>Agree</p> <p>Management Comments:</p> <p>A pre-requisite for systemising the information related to contracts is the need to have an NCC Contract Management System. A Contract Management System will considered as an improvement opportunity.</p> <p>Responsible Person & Position:</p> <p>Chief Financial Officer</p> <p>Target Date:</p> <p>Procurement and Contract Management Improvement Plan 4 June 2024 - targeted for Executive Leadership Team (ELT) input and 14 June 2024 - presented to Audit & Risk Committee (A&R).</p>

Finding	Current Situation	Risk Rating			Recommendation	Management Response
		H	M	L		
	<p>NCC Progress Payments does not identify which variations are paid, and which variations remain open. The <i>Construction Contract Act</i> requires NCC to acknowledge variation claims (open, closed).</p> <p>Managing contract variations effectively is crucial for successful contract management and maintaining positive relationships between parties involved in the contract. The terms and conditions of the original contract should clearly define what constitutes a contract variation according to the terms of Contract.</p>				<ul style="list-style-type: none"> - Approval date - Financial implications - Supporting documents – substantiate claim, i.e., variation to Schedule of rates - identify contract clauses, retain current and revised values. - Status of Variation – approval, pending approval, rejection <p><u>Variations to Schedule of Rates:</u></p> <p>It is recommended NCC adopt practices to maintain Schedule of Prices / Rates (variations) identifiable for period of time to which they are applicable.</p> <p>It is recommended NCC reconcile contractor claims against completed works, and current Schedule of Price /Rates in a timely manner and ensure evidence of reconciliations be maintained.</p>	
Maintenance of Contract Register and contract management system						
10	<p>Maintenance of Contracts Register</p> <p>The internal audit noted fields in the contract register incomplete or not maintained.</p> <p>For example:</p> <ul style="list-style-type: none"> • Nil notification 6 months prior expiry of contract 				<p>It is recommended that</p> <p>a) The Contract Register Policy to be strengthened to include guidance on what fields in Contract Register are required to be populated and maintained</p>	<p>Agree</p> <p>Management Comments:</p> <p>A pre-requisite for systemising the information related to contracts is the need to have an NCC Contract Management System.</p>

Finding	Current Situation	Risk Rating			Recommendation	Management Response
		H	M	L		
	<ul style="list-style-type: none"> Contract register not updated to reflect the change of company name (2219 Supply & Maintenance Parking Machines) Contract register does not document the date the contract formally started/ established. (2219 Supply & Maintenance Parking Machines) <p>At the time of the audit, it was unclear who has been assigned with the responsibility and accountability for maintaining the contracts register.</p> <p>It is acknowledged that the Contract Register is a SharePoint excel, not a Contract Management System as such has limited functionality and exception reporting capability.</p>		●		b) Accountability of roles responsible for maintenance of contract register data fields are clearly assigned c) A custodian for the contract register should be appointed d) A periodic review of the contract register is performed to confirm the currency and completeness of the register.	<p>A Contract Register would provide an interim solution to static contract data however the current register is not operational and requires investment to provide the required functionality.</p> <p>A centralised repository of contracts is also required.</p> <p>Responsible Person & Position: Chief Financial Officer Procurement Manager & Chief Information Officer - Interim solution (contract register) Chief Information Officer - interim solution contract repository.</p> <p>Target Date: Procurement and Contract Management Improvement Plan 4 June 2024 - targeted for Executive Leadership Team (ELT) input and 14 June 2024 - presented to Audit & Risk Committee (A&R).</p>
11	Lack of Single Source of Truth – Contract Management System		● 		It is recommended NCC a) develop contract management processes and controls to ensure contracts nearing completion are	<p>Agree</p> <p>Management Comments:</p>

Finding	Current Situation	Risk Rating			Recommendation	Management Response
		H	M	L		
	<p>The internal audit noted ineffective and inconsistent oversight and monitoring of contract extension and contract end-of-period deadlines.</p> <p>There is a lack of controls which support easy access and oversight of contract documents. Contract documents were not centrally held. Contract Register is in excel with limited functionality. Retention of related contract documentation is predominantly decentralised.</p> <p>Issues</p> <p><u>2219 Supply & Maintenance Parking Machines</u></p> <p>NCC did not commence a full contract performance review of contract 6 months prior an extension being granted (May 2024) and formally advise of decision.</p> <p><u>1072 Street Lighting / traffic signal maintenance</u></p> <p>According to the original contract the formal end of contract period is October 2022. The internal audit did not sight a formally executed Contract Extension.</p> <p>Internal Memo dated June 2023 used to request authority to extend contract to August 2023. The contractor was noted as informed by NTC-22 (notice to commence).</p> <p>NCC did not commence contract review, and procurement process prior to the end of contract life.</p> <p><u>2090 Kerbside Recycling</u></p>				<p>flagged for review prior to extension being granted. The review of performance to be documented and maintained on file.</p> <p>b) develop guidance where and what type of contract artefacts are to be stored</p> <p>c) investigate systems (software) to support this and provide NCC whole of organisation Single Source of Truth.</p> <p>(NB a dedicated contract management system should provide analytics and reporting tools, which facilitate data-driven insights into contractor performance, risk assessment, and compliance status)</p>	<p>A pre-requisite for systemising the information related to contracts is the need to have an NCC contract management system.</p> <p>Current data management does not support a centralised view of contracts.</p> <p>A register would be an interim solution, it would need to include a 'central repository (common file) for contracts. This requires investment to provide the required functionality.</p> <p>Responsible Person & Position:</p> <p>Chief Financial Officer</p> <p>Target Date:</p> <p>Procurement and Contract Management Improvement Plan 4 June 2024 - targeted for Executive Leadership Team (ELT) input and</p> <p>14 June 2024 - presented to Audit & Risk Committee (A&R).</p>

Napier City Council

Contract Management Internal Audit

Finding	Current Situation	Risk Rating			Recommendation	Management Response
		H	M	L		
	<p>NCC Letter of award July 2019 and Initial Contract (No 1219) executed with Smart Environmental Ltd (SAL) Jan 2021</p> <p>NCC remain at risk of not having clear oversight of Council Contracts or having a single source of truth if the inconsistencies and centralised monitoring of contracts is not addressed.</p>					

6 Appendices

6.1 Basis and use of report

This report is prepared on the basis of the limitations set out below:

We are engaged by Napier City Council (the client) to provide internal audit services and the scope of our activities is determined by management and reviewed by the Audit and Risk Committee.

- This report has been prepared in accordance with the objectives and approach agreed in the engagement document and subject to the following limitations:
- Our procedures were designed to provide limited assurance which recognises that absolute assurance is rarely attainable, due to such factors as the use of judgment in gathering and evaluating evidence and forming conclusions, and the use of selective testing, and because much of the evidence available for review is persuasive rather than conclusive in nature.
- Because of the inherent limitations of any internal control structure, it is possible that errors or irregularities may occur and not be detected. Our procedures were not designed to detect all weaknesses in control procedures as they were not performed continuously throughout a specified period and any tests performed were on a sample basis.
- Any projection of the evaluation of the control procedures to future periods is subject to the risk that the systems may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.
- The matters raised in this report are only those that came to our attention during performing our procedures and are not necessarily a comprehensive statement of all the weaknesses that exist or improvements that might be made. We cannot, in practice, examine every activity and procedure, nor can we be a substitute for management's responsibility to maintain adequate controls over all levels of operations and their responsibility to prevent and detect irregularities, including fraud. Accordingly, management should not rely on our report to identify all weaknesses that may exist in the systems and procedures under examination, or potential instances of non-compliance that may exist.
- Recommendations for improvement should be assessed by management for their full commercial impact before they are implemented.

This report is not to be used by any other party for any purpose nor should any other party seek to rely on the opinions, advice or any information contained within this report. In this regard, we recommend that parties seek their own independent advice. Crowe disclaims all liability to any party other than the client for which it was prepared in respect of or in consequence of anything done, or omitted to be done, by any party in reliance, whether whole or partial, upon any information contained in this report. Any party, other than the client for which it was prepared, who chooses to rely in any way on the contents of this report, does it so at their own risk.

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6.2 Personnel contacted during the Internal Audit

We would like to thank the following personnel for their assistance in the conduct of this internal audit.

Contact	Position	Email	NCC Contract and Contract ID	
Bex Smiley	Senior Procurement Advisor	bex.smiley@napier.govt.nz		
Talia Foster	Financial Controller	taliaf@napier.govt.nz		
Dave Jordison	Risk and Assurance Lead	Dave.jordison@napier.govt.nz		
Dr Emily Frost	Contract Manager - Manager of Environmental Solution	emily.frost@napier.govt.nz	Kerbside Recycling	1219
Leon Austin	Waste Minimisation Contracts Officer	leon.austin@napier.govt.nz		1219
Rachael Bailey	Contract Manager – *On Leave during review - Acting Director City Strategy	Rachael.bailey@napier.govt.nz	Supply and Maintenance of Parking Machines and Cash Management	2219
Sarah Loader	Business Analyst	sarah.loader@napier.govt.nz		2219
Debbie Heal	Team Leader Parking	debbieh@napier.govt.nz		2219
Drew Brown	Contract Manager	drewb@napier.govt.nz	Napier War Memorial Restoration Project	2315
Sera Taylor	Contract Management Lead			2315
Rehan Shaikh	Contract Manager - Transportation Asset Management Engineer - Contract Coordinator	rehan.shaikh@napier.govt.nz	Street Lighting and Traffic Signal Maintenance	1072
Lena Rauner	Transport Team Administration		Street Lighting and Traffic Signal Maintenance	1072

6.3 Summary of Contracts Reviewed for Report

Summary of Napier City Council Contracts Reviewed for purpose of Contract Management Review.

KEY:	Contract Review Finding / Recommendation
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Contract Number - Name	2090 (C1219) Kerbside Recycling	1072 (2076) Streetlight/ traffic signal maintenance	C2219 Supply and maintenance of parking machines	2315 Napier War Memorial Restoration Project
Classification	Service	Service	Service	Construction
Contract Type	<p>NZS 3917: 2013</p> <p>Conditions of contract for building and civil engineering - Fixed Term & Specific conditions</p> <p>Schedule 1 Special Conditions of Contract</p> <p>Schedule 2</p> <p>Schedule 8</p> <p>Schedule 9</p> <p>Schedule 10</p> <p>Schedule 15</p> <p>Schedule 16</p> <p>(other Schedules not used)</p> <p>Refer to finding 5.8</p>	<p>NZS 3917: 2013</p> <p>Conditions of contract for building and civil engineering – Fixed term” as amended or modified by the Special Conditions Contract</p> <p>Schedule 1</p> <p>Schedule 2- other conditions of contract</p> <p>Specifications</p> <p>Drawings</p> <p>Schedule of Prices</p> <p>Schedule of the Conditions of Tendering</p>	<p>Section A - This Contract Agreement</p> <ul style="list-style-type: none"> • Section B – General Conditions of Contract • Schedule 1: General Agreement details • Schedule 2: Services and Deliverables • Schedule 3: Health and Safety • Schedule 4: Service Levels • Schedule 5: Price Schedule • Schedule 6: Reporting, Documentation and Key contacts • Appendix 1 - Specifications • Council's Request for Proposal • The Supplier's Proposal 	<p>NZS 3910:2013: Conditions of contract for building and civil engineering construction</p> <p>Lump Sum Contract</p>

Napier City Council

Contract Management Internal Audit

Contract Number - Name	2090 (C1219) Kerbside Recycling	1072 (2076) Streetlight/ traffic signal maintenance	C2219 Supply and maintenance of parking machines	2315 Napier War Memorial Restoration Project
Duration / Length of Contract Maximum (years) Construction - GANTT Chart	Per contract 1 November 2019 (C1219) Expiry 30 June 2027 (+1yr, +1yr,+1yr – option with notification period at least 4 months)	Initially Awarded Sept 2017 3yr term (+1+1 option)	Initially awarded (Nov 2021) 3 yr term (+2yr+2yr option)	22-Sep-22 Time for completion 133 days Completion: 22 May 23
Contract End Date	Expiry 30 June 2027	End October 2022 Refer to findings 5.5, 5.10 and 5.11	30 November 2024 (Initial Term)	<u>Practical Completion:</u> 24 March 2023 *Project Manager noted anomaly in contract & practical completion due on receipt of Handover Manuals
Construction practical completion				* <u>Certified Completion</u> 22 May 23 per GANNT Chart
Bond / Bank Guarantee	Yes NCC hold Contractors Performance bond – Bank deed of \$100K till practical completion	Yes 10% of contract price *None sighted Refer to finding 5.8	Not Applicable	Yes Contract Bond 10% of contract sum (over \$60K) The Contractor's Bond shall be for 10% of the contract sum. No bond in lieu of retentions Contingency Sum 10% of Contract value: \$195,200.39 Provisional Sum: \$50,500.00
Insurance required	Yes	Yes	Yes	Yes

6.4 Review approach

The internal audit was conducted primarily by applying discussion, observation and review techniques with limited detailed testing being undertaken.

The approach focused on:




- understanding through discussion and observation the management processes in place;
- documenting and evaluating the methods associated with control and management; and
- assessing the possibility of risk to Napier City Council.

In finalising the report management were requested to review the report for any factual errors they believed should be addressed.

In addition, management have provided responses for each recommendation in section 4. We requested that management clearly identify:

- if management agrees, disagrees or partially agrees with the finding;
- what action is to be taken;
- who will be responsible for the proposed action; and
- when the issue is likely to be addressed.

6.5 Key to significance of risk ratings and root cause findings

Rating	Definition	Guidance	Action required	Root Cause Findings Themes and Descriptors		
High	Issue represents a control weakness, which could cause or is causing major disruption of the process or major adverse effect on the ability of the process to achieve its objectives.	<ul style="list-style-type: none"> Material errors and departures from the organisation policies and procedures Financial management accountability probity concerns Non-compliance with governing legislation and regulations may result in fines or other penalties Collective impact of many moderate or low issues. 	<ul style="list-style-type: none"> Requires senior management intervention and may require significant mobilisation of resources, including external assistance. Ongoing resource diversionary potential. Requires high priority to immediate action (within 6 months) 	<p>Governance</p>  <p>Findings where action plans will enhance the governance framework.</p> <p>For example, adequacy of policies and procedures, oversight processes, reporting lines</p>	<p>Systems and Processes</p>  <p>Findings where action plans will enhance systems and improve the process.</p> <p>For example, controls may be in place however these can be enhanced to strengthen the control framework and ensure they mitigate the related risk.</p>	<p>People</p>  <p>Findings where action plans will enhance the performance of people.</p> <p>For example, controls are designed effectively however they are not operating effectively.</p> <p>This could be due to insufficient training, absence of communication of policies and procedures or an absence of understanding of the importance of the control.</p>
Moderate	Issue represents a control weakness, which could cause or is causing moderate adverse effect on the ability of the process to meet its objectives.	<ul style="list-style-type: none"> Events, operational, business and financial risks that could expose the organisation to losses that could be marginally material to the organisation. Departures from best practice management procedures, processes. 	<ul style="list-style-type: none"> Requires management intervention and may require possible external assistance. Requires prompt action (within 12 months) 			
Low	Issue represents a minor control weakness, with minimal but reportable impact on the ability to achieve process objectives.	<ul style="list-style-type: none"> Events, operational and business risks that could expose the organisation to losses which are not material due to the low probability of occurrence of the event and insignificant impact on the operating capacity, reputation and regulatory compliance. Departures from management procedures, processes, however, appropriate monitoring and governance generally mitigates these risks. 	<ul style="list-style-type: none"> Requires management attention and possible use of external resources. Requires action commensurate with the process objective (within 18 months) 			



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4. POLICY REVIEW PROCESS UPDATE

<i>Type of Report:</i>	Operational
<i>Legal Reference:</i>	N/A
<i>Document ID:</i>	1756764
<i>Reporting Officer/s & Unit:</i>	Talia Foster, Financial Controller Caroline Thomson, Chief Financial Officer

4.1 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 14 June 2024.

4.2 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 2023, 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.

4.3 Current Position

Since the last report to the committee, the following policies have been approved by ELT and are now awaiting minor edits and publishing:

- Gifts and Gratuities Policy
- Travel Policy
- Koha Policy
- 2024 Elected Members Expenses Policy (adopted by Council in April)

There are further policies going to ELT for approval between writing this report and the meeting on 14 June:

- Credit Card Policy
- Sensitive Expenditure Policy
- Payment Policy (renamed from Cheque Signing and Payment Policy)

- Complaints Policy
- Pressure Sewer Policy

In the 4 April report to committee we notified that nine policy reviews had been approved by ELT since 1 October. Four of these were already published. Of those that were not already published, four still require minor edits and publishing, and one is going to Council for adoption in June (CCTV Policy).

The Information Services team will be reviewing options for an IT solution to support automation 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 79 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.

4.4 Significance and Engagement

N/A

4.5 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.

4.6 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

4.7 Development of Preferred Option

Receive the update on the policy review process.

4.8 Attachments

Nil

5. EXTERNAL AUDIT ACTIONS STATUS UPDATE

<i>Type of Report:</i>	Information
<i>Legal Reference:</i>	N/A
<i>Document ID:</i>	1762046
<i>Reporting Officer/s & Unit:</i>	Talia Foster, Financial Controller

5.1 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** this report titled "External Audit Actions Status Update" dated 14 June 2024.

5.2 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.

5.3 Issues

From the 2022/23 Annual Report audit, Audit NZ were able to close 13 action points. Only one new action point was added during that audit. We now have 12 action points remaining.

Any closed points have now been dropped from this report, and we are reporting on the actions which remained as outstanding in Audit NZ's Management Report for 2022/23 which was presented to the Audit and Risk Committee meeting on 4 April 2024.

Although no additional items have been marked as completed in the past quarter, we are continuing to make progress and should have further points to be closed in the upcoming 2023/24 Annual Report Audit scheduled for October.

5.4 Significance and Engagement

N/A

5.5 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.

5.6 Attachments

- 1 External Audit Actions Status Update (Doc Id 1762377) [↓](#)

Audit Year	Reference	Recommendation	Priority	Management Comment	Progress March 2024	Commentary - March 2024	Progress May 2024	Commentary - May 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	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.	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.
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.	Complete	Baker Tilly has completed a report for the council. The updates on the recommendations will be reported back to audit and risk.	Complete	Baker Tilly has completed a report for the council. The updates on the recommendations will be reported back to audit and risk regularly. Audit NZ will be reviewing the actions undertaken before this matter can be closed.
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	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	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	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.	In progress	The working group, consisting of People & Capability + Finance + Information Services, continue to work together to improve the COI process. An automated workflow tool has been developed and the team are working on refining this. Next steps will be to look at finalising the policy and developing training. The review is on track 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	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	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.	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	Complete	As per March comment, this has been updated in November 2023, however Audit NZ have not yet had the opportunity to review and confirm. 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
		Procurement and contract management - Provide additional guidance to staff involved with procurement about the documentation that needs to be retained to support the procurement (including contract management) activity.	Necessary	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.	In progress	We are still in the process of updating our suite of materials and a contract management internal audit has been completed and we are awaiting the report.	In progress	The 2021 internal audit – tender processes (PwC) highlighted risks with Council's procurement and contract management processes. The following work was completed: · A contract register was created · Guidance on tender method to be used was provided through a procurement quick guide 'one pager' · The procurement policy was redrafted Other aspects of the procurement improvement plan were not implemented mainly due to a lack of resources and competing priorities and other business changes that were occurring across Council. A further internal audit on contract management (Crowe has highlighted many of the same risks and recommendations as the 2021 report. A new Procurement and Contract Management Improvement Plan (Plan) has been drafted to address the recommendations from this. This Plan will be discussed and endorsed by ELT to help to ensure the priorities, funding and resourcing are agreed upfront. The Plan will then be submitted to A&R for discussion.
2022	5.2	Depot's systems and processes – Council undertake a review in general of the modus operandi and systems and processes at the Depot.	Necessary	We have taken this recommendation on board and will begin an internal review this soon as resources allow.	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 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.	In progress	As a key step to resolving the recommendations from the Section 17A review completed by Utilities NZ Limited, we have begun a procurement process for external accounting support. This process will be completed after the adoption of our Three Year Plan.

2019	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.	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	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.	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. We have now provided an online solution which appears to be working well and a further review will be completed during May.
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	There is a procedure in place, but it is yet to be made official in a policy review.	In progress	There is a procedure in place, but it is yet to be made official in a policy review. This is to be implemented by the end of June 2024.
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	As noted, this has started but will take some time to complete. A regular process will be put in place.	In progress	As noted, this has started but will take some time to complete. A regular process will be put in place.
2023	Revaluation of three water assets and operational land and buildings - 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, th 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.		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.		NEW	In progress	Asset condition assessments and completeness reviews of our register are underway. PDP are engaged to complete a desktop valuation for 30 June 2024 which will provide a fair value assessment for Audit NZ to consider. Audit NZ have reviewed the Offer of Service from PDP to confirm they are happy with the scope of this work, however this is only one piece which is dependent on the other work underway. Although there have been delays we are still confident in the timeframes to get this before Audit NZ complete our 2023/24 Annual Report Audit.

6. HEALTH AND SAFETY REPORT

<i>Type of Report:</i>	Information
<i>Legal Reference:</i>	N/A
<i>Document ID:</i>	1762676
<i>Reporting Officer/s & Unit:</i>	Adam McDonald, Health, Safety and Wellbeing Lead

6.1 Purpose of Report

To inform the Audit & Risk Committee (ARC) of Health Safety & Wellbeing (HSW) strategic progress, performance and activities covering the period March 2024 to May 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 programme.

Officer's Recommendation

The Audit and Risk Committee:

- a. **Receive** the Health and Safety Report for the period March 2024 to May 2024.

6.2 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.

Executive summary

- Revised risk assessments for SR32 and OR183 remain high and out of appetite, with OR328 assessed as medium.
- Critical hazards have been identified across Council with many requiring a risk assessment. This would include the review of internal controls and determination of their effectiveness.
- Progress of key strategic activities aligned to Council's health and safety improvement plan are outlined in this report.
- Safety events during this reporting period include one lost time injury, two medically treated injuries and zero notifiable events to WorkSafe by Council.
- There were four serious contractor incidents that required an investigation, with one notifiable event from a Contractor to WorkSafe.
- The wellbeing working group was established over this reporting period and tasked with the development of a wellbeing strategic action plan. The review of literature has uncovered a range of evidence-based strategies, frameworks, and models that will help inform the development of wellbeing work programmes.

Discussion

Strategic and operational risks

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	Medium	Nil
OR183	Failure to manage health, safety, and wellbeing in the workplace	Extreme	High	Medium	Nil
OR328	Failure to comply with the Health and Safety at Work Act 2015 and subsequent regulations.	Extreme	Medium	Low	Nil

Critical and emerging risks

While the table below is not an exhaustive list, it provides a starting point for the identification and assessment of critical risks. Further work is required for the identification and assessment of hazards, risks, and internal controls to determine effectiveness, with an update due to ARC in Q3.

Table 2. Hazards and critical health & safety risks

Hazard	Description of hazard	Risk in register (Cycle) Yes/No	Revised risk assessments
Contractors	Napier City Council engage contractors to complete work on our behalf. The Council are required to work in partnership with contractors to ensure duties as PCBUs are met, including conformance with Councils safety management system.	No	N/A
Wellbeing and psychosocial factors	Within workplace settings, there are environmental, relational, and operational hazards that may affect people’s psychological and physical health.	No	N/A

Human behaviour	There is an increased presence of anti-social and intimidating behaviour from members of public towards Council staff.	No	N/A
Dangerous work activity	Workers, contractors, and volunteers often complete high-risk work activity including the handling of hazardous substances, confined spaces, excavations, lockout / tag out, working from heights, roof access, hazardous waste disposal, excavations, and operating heavy machinery.	No	N/A
Building materials	Assets may contain hazardous building material including asbestos and silica,	Yes	OR207 - High
Pool facilities and water features.	Council own and/or operate a range of pool facilities including ocean Spa, Napier Aquatic Centre, Kennedy Park, and several water features.	Yes	OR49 – High OR89 - Medium OR316* – Medium OR325 - Low OR332* - Medium

Strategic progress

The following workstreams will be presented to this Committee and are meant to outline progress in alignment with our Health & Safety improvement plan that represents significant programmes of work due for completion by June 2025. The work programmes are designed to improve our health and safety management system, the management of health and safety risks, and promote a positive health and safety culture.

Workstream	Status	Milestones completed	Next milestone	Comment
System improvement	75%	<ul style="list-style-type: none"> Health and Policy ELT Leadership charter Centralisation of H&S data and documentation Upgrade of incident reporting system (MySafety) 	<p>Establish performance indicators and annual health and safety targets.</p> <p>Review of H&S roles and responsibilities framework.</p>	<p>Visit to Hamilton City Council planned for end May to discuss performance indicators and targets.</p>
Health and safety risk management	20%	<ul style="list-style-type: none"> Nil 	<p>Identification and assessment of critical health and safety risks.</p>	<p>Planned visit to Hamilton City Council who have implemented a critical risk framework, with the intention of implementing the framework (or something similar) at NCC.</p>
Leadership and commitment	30%	<ul style="list-style-type: none"> Training and professional development opportunities delivered for directors and managers. 	<p>Develop health and safety induction and training programme for managers and team leads to ensure they are equipped to manage health and safety risks.</p>	<p>ELT and selection of tier three managers attended Institute of directors and IMPAC training/.</p>
Health and safety learning and development	50%	<ul style="list-style-type: none"> Review of induction process, material, and scheduling. 	<p>Complete training needs assessment for managers and team leaders</p>	<p>Corporate inductions currently delivered face to face, with low attendance.</p> <p>Risk based training is currently delivered using external training and education providers.</p>
Communication	50%	<ul style="list-style-type: none"> Nil 	<p>Health and safety communications plan and deliver communication on health and safety matters through</p>	

			existing channels and networks.	
Engagement	50%	<ul style="list-style-type: none"> Review and update health and safety committee terms of reference, and health and safety representative responsibilities, & accountabilities 	Establish communication channels for workers to remain engaged and informed for workplace health and safety.	
Audit and assurance	25%	<ul style="list-style-type: none"> Nil 	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.	Health and safety team continuing with audit activities focusing on critical risks.

Health and safety reporting

Health and safety reporting profiled over this reporting period are summarised below (as of 20/05/2024).

Lag Reporting	Q2 2023	Q2 2024
Incidents	70	131
Pain + Discomfort	33	26
Near Miss	16	39
Lost time injuries	2	1
Lead reporting	Q2 2023	Q2 2024
Safety Observations	56	121
Meetings	25	53
Training delivered	124	158

Investigations

- There were **zero** Council events that required an investigated during this reporting period.
- There were **four** contractor events that required an investigation during the reporting period.

WorkSafe notifiable events

- There was **one** contractor WorkSafe notifiable event during the reporting period.
- The incident involved a small hydrema dump truck at the Awatoto wastewater treatment plant on 06/05/2024. The worker involved in the incident was subcontracted to the principal contractor using a labour hire firm. The worker was found not to have received appropriate training and was not experienced or qualified to use the machinery. Furthermore, the person involved returned positive drug and alcohol post incident test.
- The investigation report identifies significant concerns for engaging sub-contractors, including the screening of workers. A contractor evaluation process is currently underway to determine the suitability of the contractor to complete any further work.

Workplace wellbeing

The wellbeing working group has been established to develop a wellbeing strategy for Council. Progress of key tasks for the development of the strategy are provided below.

Tasks	Status	Due date	Milestones completed	Next milestone	Comment
Literature review	100%	n/a	Literature review	Completed	Strong evidence for addressing organisational factors with an emphasis on work design.
Current state assessment	100%	n/a	Current state assessment	Completed	NCC lacks a co-ordinated and structured approach to supporting workplace wellbeing. Initiatives and programmes are reactive and targeted to individuals. This approach is not well supported by the evidence.
Data collection and analysis	10%	10 June, 2024	Nil	Desktop analysis. Worker engagement	Delays in initiating this work due to dependencies, competing demands and availability of resource.

Future state recommendations including setting objectives, and outcome measures.	0%	30 June, 2024	Nil		Delays in initiating this work due to dependencies and availability of resource.
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During the quarter we have continued to promote and support the wellbeing of our workers utilising our partnership with Mates4Life, access to EAP, and direction to community and public health resources.

6.3 Significance and Engagement

N/A

6.4 Implications

Financial

N/A

Social & Policy

N/A

Risk

N/A

6.5 Attachments

Nil

7. RISK MANAGEMENT REPORT

Type of Report: Operational

Legal Reference: N/A

Document ID: 1756767

Reporting Officer/s & Unit: Dave Jordison, Risk and Assurance Lead
Alister Edie, Business Improvement Manager

7.1 Purpose of Report

To update the Committee on risk management workstreams 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 16 June 2024.
- b. **Approve** Councils updated list of strategic risks
- c. **Support** the draft risk management uplift program

7.2 Background Summary

To align with our 3-year plan implementation, ELT met to workshop strategic risks and settled on an updated strategic risk profile in support of Councils strategic objectives. ELT was also supportive of a simplified framework for dashboarding and collectively reviewing strategic risks.

We have drafted an uplift plan to materially improve the management of our risk framework. This plan involves tailored education and improved processes to action risk reviews in a timely manner and enable escalations were required.

Our external partner has completed their review of our risk management framework and risk maturity status. We await this final report and will review recommendations and update our uplift plan as required.

We have implemented a rationalisation where new risks without a completed set up are de-activated. Without the assignment of adequate controls these risks report at their inherent/maximum risk level. We are working on a process to ensure these risks are set up in a timely manner.

Focusing on extreme and high out-of-appetite risks, we are beginning to escalate operational risks where it is concluded that the risk analysis is correct and relevant controls have been identified and their true effectiveness determined. This process demonstrates the required due diligence is being carried out at ELT and Chief Executive levels.

7.3 Issues

N/A

7.4 Significance and Engagement

N/A

7.5 Implications

Financial

N/A

Social & Policy

N/A

Risk

Strategic Risks

ELT has updated Councils strategic risk profile – to align with our updated strategic priorities. ELT reviewed the relevance and ownership of current strategic risks and the inactive risks recommended from the previous PWC strategic risk workshop. Gaps to key risk areas and strategic objectives were also checked with the creation of two new risks, being 1. Security and privacy of data and Information and 2. Council reputation. Some strategic risks were generalised to better cover key uncertainties e.g. People and Capability and Funding and financial management.

Figure 1. Updated Strategic Risk Profile – see detail in attachment.

New Strategic Risk	Risk Owner	Strategic Priority Link
1. People & Capability	All of ELT = Louise Miller - Chief Executive	A resilient City, financially sustainable Council, <i>General</i>
2. Not enabling our communities to become resilient	Thunes Cloete - Executive Director Community Services	A resilient city
3. Failure to plan for, develop and maintain sound infrastructure	Russell Bond - Executive Director Infrastructure Services	A resilient City, financially sustainable Council
4. Work Health & Safety - failure to maintain a safe and healthy workplace and safe systems of work	Louise Miller - Chief Executive	<i>General</i>
5. Funding and financial management	Jessica Ellerm - Deputy Chief Executive / Executive Director Corporate Services	Financially sustainable Council
6. Failing to meet Te Tiriti O Waitangi commitments and obligations	Morehu Te Tomo - Pou Whakarae	Nurturing authentic relationships, Places and spaces for all
7. Effectiveness of Emergency Management	Thunes Cloete - Executive Director Community Services	A resilient City, financially sustainable Council
8. Climate Change	Rachael Bailey - Executive Director City Strategy	A resilient City, financially sustainable Council
9. Impact of external change and reform	Rachael Bailey - Executive Director City Strategy	<i>General</i> , A resilient city
10. Security and Privacy of Data and Information	Jessica Ellerm - Deputy Chief Executive / Executive Director Corporate Services	<i>General</i>
11. Delivery of programmes and change	Rachael Bailey - Executive Director City Strategy	<i>General</i>
12. Council Reputation	Louise Miller - Chief Executive	<i>General</i>

We plan to table the updated strategic risk review status at the audit and risk committee meeting. We are working through a simplified process where ELT is surveyed to form a group consensus of the risk status for each strategic risk. This process is still to be determined e.g. regarding links to the current review process in the system.

Operational Risks

Out of Appetite

There are currently 138 Operational risks showing as out of appetite, up from 50 in the previous period. This increase is due to the required risk reviews taking place with a more robust determination of the revised risk levels.

OR 334 serious harm or fatality of staff and/or public from trade waste non-compliance has a revised risk level of extreme so has been escalated through the Director of Infrastructure Services and on to the Chief Executive.

As part of the uplift program, we are determining processes for utilising ELT meetings to improve the regular review of out-of-appetite operational risks as well as strategic risks, where the risk owners sit below ELT level.

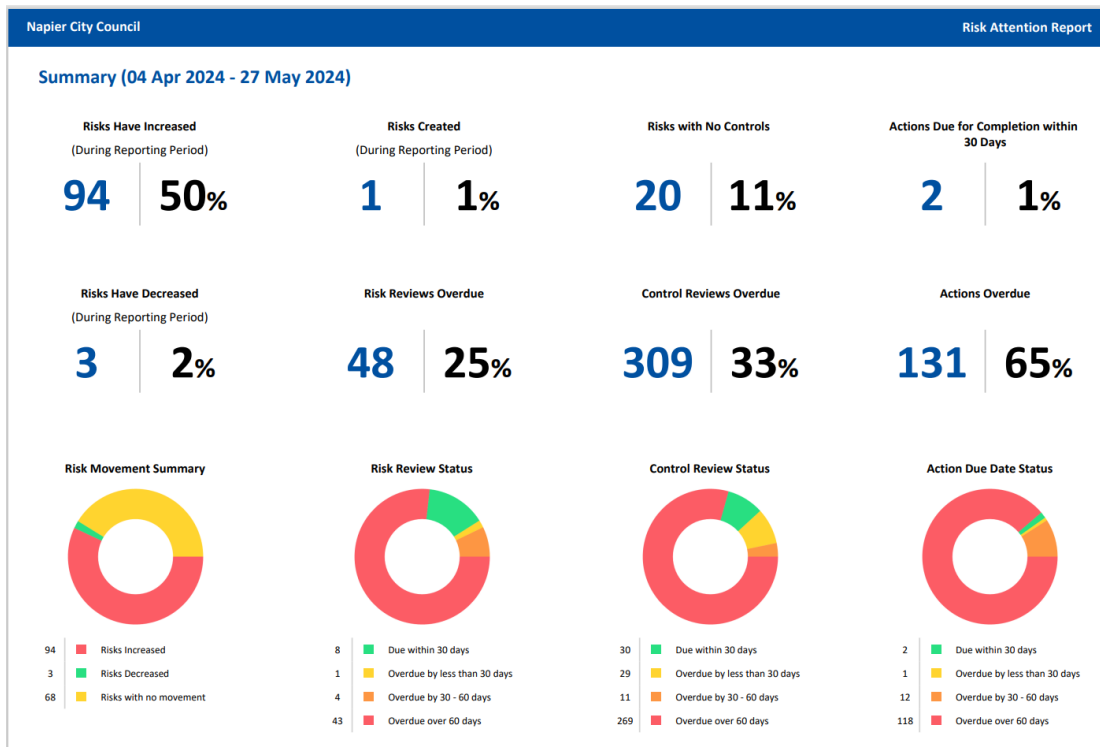
Escalations

- OR 334 serious harm or fatality of staff and/or public from trade waste non-compliance: has a revised risk level of extreme so has been escalated through the Director of Infrastructure Services and on to the Chief Executive.
- OR207 Failure to comply with Health and Safety at work (Asbestos) Regulations 2016: remains at a revised level of High and is in the process of being escalated through the director Infrastructure Services and on to the Chief Executive.

Improvements

Overdue Operational Risk Reviews have reduced 3% from the previous period. This is a result of risk review work undertaken by risk owners. This is supported by an 8% reduction in overdue control reviews and an 8% reduction in risks containing no controls. Overdue treatment actions have also reduced 3% and is evidence that target dates to address poor performing controls are being improved.

The 50% increase in the revised level of risk is as a result of increased review work resulting in a more accurate picture of the revised level of risk. Improving this measure is a focus of the next phase of the risk uplift programme, with the intention to ensure controls are in place and are as effective as possible, with escalation where required.



Risk Management Uplift Program

We have drafted an uplift plan to improve our risk management processes. The completed review of our risk management framework by our audit partner will further inform this plan. The completion dates of workstreams across the program are still to be determined but believe a 15month timeline could be suitable.

We have implemented some rationalisations now to improve the usability of our risk management framework e.g. de-activating new risks that have not been set up completely with controls - as they will automatically report at their inherent/maximum risk as out-of-appetite. We are also only focusing on extreme and high out-of-appetite risks for now.

We are seeking support from this committee of the following draft uplift programme.

Uplift Items	To Achieve
Provide required training for A&RC, ELT & Tier 3 & 4 Managers. Set up process for tracking training.	Understanding of responsibilities and processes.
Deep dive each strategic risks with ELT owner.	This set up enables proper risk management.
Determine the risk measures and processes to focus on to manage risk.	This clarifies our risk management process.
Determine the format of regular ELT meetings to improve risk management.	This clarifies our risk management process.
Implement escalation process.	Required to support corrective action.
Notification process in Cycle for Risks/Controls/Treatment actions.	Rules and timing to be determined.
Review recommendations and implement improvements from Crowe risk framework review.	Overall uplift to risk management framework.
Additional Items - from Risk Maturity Matrix	To Achieve
Risk Management Communication Plan Defined and Implemented.	Communication of changes and understanding of responsibilities and processes.
Risk Messaging in the workplace.	Communication of changes and understanding of responsibilities and processes.
Ensure Directors and Tier 3 & 4 Managers Job Descriptions contain key responsibilities for risk and strategy.	Understanding of responsibilities and processes.
ELT and Tier 3 & 4 Managers performance reviews include Risk Management responsibilities.	Accountability for managing risk.
Risk Management documents are cross referenced in the development and review of all relevant Council plans and strategies.	Understanding of responsibilities and processes.
Risk management is a business as usual process, throughout the council's operations	Understanding of responsibilities and processes.
Rationalisation Workstreams	To Achieve
Report only extreme and high out of appetite risks until risk framework housekeeping completed.	Improves usability of risk measures and risk system.
Set up process to make incomplete risks inactive and process required to ensure setup is completed.	Improves usability of risk measures and risk system.
Quality Project Measure - group various quality project measures into one measure.	A key rationalisation idea.
Undertake a rationalisation of the risk management framework e.g. remove duplicate risks, generalise risks.	Time is required to work through this process.

Emerging Risks

Nil to Report

7.6 Preferred Option

Receive this risk management report and support the officers' recommendations.

7.7 Attachments

- 1 NCC Strategic Risk Update June 2024 (Doc Id 1767086) [↓](#)

Napier City Council Strategic Risk Update_June 2024				
New Strategic Risk	Current Strategic Risk	Primary Risk Category	Risk Owner	Strategic Priority Link
1. People & Capability	Insufficient resources (ie we do not have the right capability and capacity to deliver our capital plan) & The Council does not have the right people with the right capabilities	Service Delivery	All of ELT = Louise Miller	A resilient City, financially sustainable Council, general
2. Not enabling our communities to become resilient	Community - Failure to develop and maintain a positive relationship with the community. Ineffective strategic relationships (i.e not optimising opportunities through relationships)	Service Delivery	Thunes Cloete - Executive Director Community Services	A resilient city
3. Failure to plan for, develop and maintain sound infrastructure	Infrastructure - Failure to plan for, develop and maintain sound infrastructure	Service Delivery	Russell Bond - Executive Director Infrastructure Services	A resilient City, financially sustainable Council
4. Work Health & Safety - failure to maintain a safe and healthy workplace and safe systems of work	Organisation - Work Health & Safety - Failure to maintain a safe and healthy workplace and safe systems of work (ie we do not proactively navigate H&S threats)	Health and Safety	Louise Miller - Chief Executive	General
5. Funding and financial management	Failure to plan and manage councils budget	Financial	Jessica Ellerm - Deputy Chief Executive / Executive Director	Financially sustainable Council
6. Failing to meet Te Tiriti O Waitangi commitments and obligations	Failing to meet Te Tiriti O Waitangi commitments and obligations	Legislative Compliance	Morehu Te Tomo - Pou Whakarae	Nurturing authentic relationships, Places and spaces for all
7. Effectiveness of Emergency Management	Lack of adequate BCP/DRP/EMP/IMP (i.e we are unable to operate key Council key services when faced with a continuity event)	Service Delivery	Thunes Cloete - Executive Director Community Services	A resilient City, financially sustainable Council
8. Climate Change	Failure to sustainably manage our natural environment	Reputation/Image	Rachael Bailey - Executive Director City Strategy	A resilient City, financially sustainable Council
9. Impact of external change and reform	Impact of externally driven change on the Council and community is unmanageable	Service Delivery	Rachael Bailey - Executive Director City Strategy	General, A resilient city
10. Security and Privacy of Data and Information		Reputation/Image	Executive / Executive Director Corporate Services	General
11. Delivery of programmes and change	Ineffective systems, tools processes (i.e we are unable to deliver on our capital plan to scope time & budget)	Service Delivery	Rachael Bailey - Executive Director City Strategy	General
12. Council Reputation		Reputation/Image	Louise Miller - Chief Executive	General

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
2. Severance Pay Recommendations Update

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.
2. Severance Pay Recommendations Update	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	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

	similar information or information from the same source and it is in the public interest that such information should continue to be supplied	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.
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AUDIT AND RISK COMMITTEE

Open Minutes

Meeting Date: Thursday 4 April 2024

Time: 9.30am – 12.05pm (*Open*)
12.07pm to 12.23pm (*Public Excluded*)

Venue Breakout Room 2
War Memorial Centre
Marine Parade
Napier

Audio-visually recorded for Council website

Present **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

In Attendance Chief Executive (Louise Miller)
Deputy Chief Executive (Jessica Ellerm)
Acting Executive Director Corporate Services (Caroline Thomson)
Acting Chief Financial Officer (Talia Foster)
Internal Audit Lead (Raewyn Fowler)
Health, Safety and Wellbeing Lead (Adam McDonald)
Team Leader Governance (Anna Eady)
Audit New Zealand (Karen Young)

Administration Governance Advisors (Carolyn Hunt and Jemma McDade)

AUDIT AND RISK COMMITTEE – Open Minutes

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ORDER OF BUSINESS

Karakia

The meeting opened with the Council karakia.

Apologies

Nil

Conflicts of interest

Nil

Public forum

Nil

Announcements by the Chairperson

The Chair advised that today's Audit and Risk Committee meeting, and future meetings, would be audio-visually recorded and at the conclusion of the meeting uploaded to Council's website meetings page for the public to view.

Announcements by the management

Nil

Confirmation of minutes

Bruce Robertson / Councillor Crown

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

Carried

- Progress of the Asset Management Roadmap and implementation to be reported back at the 14 June 2024 Audit and Risk Committee meeting.

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.

At the meeting

The Team Leader Governance, Ms Eady spoke to the report and highlighted to the Committee whether it considered that Napier City Council (NCC) should have an indemnity and liability Policy in regard to making public recordings of workshops on the NCC website.

In response to questions the following was clarified:

- The Ombudsman’s request that a plain English explanation in reasonable detail to exclude the public will require some adjustment to Council’s agenda creation system (Infocouncil). Currently officers can select an Act and reason for exclusion and it is intended that plain English reasons also be included.
- Officers will need to provide Governance good reason to withhold information and weigh it against public interest.
- Ombudsman virtual training for staff and elected members will be held on 9 April 2024 which will assist officers and elected members in the understanding of valid reasons for withholding information.
- A dedicated page on the Council website is to be created that will list the workshops, whether they are public excluded and the reason, or if they are open to the public.
- Workshop guidelines are currently being drafted to assist Chairs on how to manage workshops and it is anticipated they will be available as soon as possible, with the Ombudsman training supporting this work. Minutes of workshops would be a summary of key points and actions rather than detailed meeting minutes.
- Audio-visual recordings of workshops would be uploaded to a YouTube channel.
- Full costs of the activity are hard to predict. John Norris, Engage Video, who livestreams Council/Committee meetings advised that running workshops following meetings did not increase the cost.

- The cost for his services would be the same for transcripts as the cost relates to licenses for Teams or Zoom links and microphone set up required to capture conversation.
- Ideally workshops would be scheduled after Council/Committee meetings to keep costs down. However, on the days that were not meeting days officers would record through a zoom link, and upload the recording to the workshop page on Council's website.
- There are tools already in use to provide a solution around the release of public excluded information, for example through the Action Register reported to Council
- It was noted that the timetable for implementation had been adopted by Council at its meeting on 14 March 2024.

COMMITTEE David Pearson / Councillor Browne
RESOLUTION

The Audit and Risk Committee:

- Receive** the report titled Ombudsman Report – Council Meeting and Workshop setting amendments.
- 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.
- Note** open Audit and Risk Committee meetings will be recorded and published on the Napier City Council website.

Carried

2. HEALTH AND SAFETY REPORT

Type of Report: Information

Legal Reference: N/A

Document ID: 1722342

Reporting Officer/s & Unit: 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.

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 December 2023 to February 2024.

In response to questions the following was clarified:

- The Employee Assistance Programme (EAP) reports seeing pressures, outside of work impacting on the workplace. Work specific issues were not identified as a reason for staff engaging with the EAP.
- Well-being programme developed going forward as the organisation supports staff, no matter the origin of the stress or anxiety, so they can be the best version of themselves at work.
- Future reporting on EAP will not be through numbers it will be how to effect organisational change and focus more on wellbeing. Work is being undertaken on what challenges people are facing so programmes can target what is needed to improve their well-being..
- A Health and Safety Improvement Plan had now been developed and approved by the Executive Leadership Team (ELT). The Health and Safety Team, together with the People and Capability Team, are working on culture change management and promoting the changes.
- The actions integrated into the Implementation Plan will require a programme to monitor the results.

COMMITTEE Mayor Wise / Councillor Crown

RESOLUTION

The Audit and Risk Committee:

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

Carried

*The meeting adjourned for morning tea at 10.33am
and reconvened at 10.50am*

3. RISK MANAGEMENT REPORT

Type of Report: Operational

Legal Reference: N/A

Document ID: 1744348

Reporting Officer/s & Unit: 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.

At the meeting

The Business Improvement Manager, Mr Edie spoke to the revised report that was circulated, which included minor updates in the summary section and the inclusion of a table of revised operational risks. Mr Edie provided a brief summary of the current risk management framework, some developments and workstreams underway.

In response to questions the following was clarified:

- A review of the strategic risks is to be undertaken and will align to the Long Term Plan (LTP). Council’s strategic priorities have been reset by elected members and consultation on the 3 year LTP is underway and to be reported back at the next meeting.
- Asbestos risk is extreme and does not comply with the Act. An urgent project is underway to address this, and will be completed within two weeks. The programme needs to be in place to reduce the risk rating.
- Introduction of a housekeeping programme to regularise and formalise how the organisation is addressing risks and to understand the systems that management are using to monitor risks.
- A review of the system is currently underway through an internal audit. It was noted at the meeting that it would be beneficial for the Committee to meet with internal auditors Crowe.

COMMITTEE David Pearson / Councillor Browne

RESOLUTION

The Audit and Risk Committee:

- a) **Receive** the report titled “Risk Management Report” dated 4 April 2024.

Carried

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.

At the meeting

The Internal Audit Lead, Ms Fowler took the report as read and confirmed that items identified in the report for this quarter complied with Council’s Sensitive Expenditure Policy.

COMMITTEE Councillor Mawson / Joe Tareha

RESOLUTION

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.

Carried

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.

At the meeting

The Internal Audit Lead, Mrs Fowler spoke to the report which was an update on internal progress, and noted that another internal audit had been undertaken during that period for PAYE and withholding tax which was also included in the report.

The Financial Controller, Ms Foster spoke to the PWC report advising there were issues identified in actioning some items due to lack of resource in payroll, People and Capability and Procurement teams.

In response to questions the following was clarified:

- In regards to the records management that dates back to 2021, with 13 outstanding recommendations it is understood that once the SharePoint system and learning management system are up and running well these may be ticked off.
 - A conscious pause has been implemented in the transition to new technology planned for in Council’s digital transformation Strategy. The Digital Strategy priorities have been reviewed and over the next 3-5 years a learning management tool will be implemented first, followed by a Human Resources tool.
 - The outstanding recommendations have been reviewed and slowing implementing the recommendations has a low risk level.
 - When considering the recommendations officers can explore whether they can be addressed through other strategies or if they can be achieved through other control
-

mechanisms. Recommendations made by the Auditor can be challenged and if agreed with, ranked in order of priority .

- The risk that Council are not complying with PAYE is considered low, however withholding tax is more problematic. There is not considered to be a financial liability but processes do need to be reviewed.

COMMITTEE Bruce Robertson / Councillor Crown

RESOLUTION

The Audit and Risk Committee:

- a) **Receive** the Internal Audit Recommendations Progress Report dated 4 April 2024.

Carried

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.

At the meeting

The Financial Controller, Ms Foster spoke to the report which was a result of some recommendations from internal and external auditors and there was some concern from the Committee that some policies were not up-to-date.

In response to questions the following was clarified:

- Although the majority of policies were out of date, even though recently, the fact that they had not been reviewed did not mean they were no longer relevant. The process in place currently is that policies are going to the ELT monthly, with 3-5 being addressed at each meeting.
- It was noted that other policies (Code of Conduct for Employees Policy, Confidentiality Policy, Drug and Alcohol Policy and Workplace Bullying Policy) which were considered high importance or high risk were not included in the upcoming quarter. The important thing to note is whether they were still adequate even if they were out-of-date.
- The Workplace Bullying Policy was currently under development by the People and Capabilities Team.

-
- The policies that are crucial for audit are in People and Capability and Finance. This puts a lot of work on those two teams to get the policies reviewed and completed, which is why they cannot all be finalised within the timeframe.
 - An Acting Chief People Officer has been appointed and Ms Ellerm will work with her to try and progress these policies.
 - For future reporting the policy review dates are to be included for reference.
-

COMMITTEE Councillor Mawson / Mayor Wise
RESOLUTION

The Audit and Risk Committee:

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

Carried

Councillor Browne withdrew from the meeting at 11.40am

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.

At the meeting

The Financial Controller, Ms Foster spoke to the report on what progress had been made on actions.

In response to questions the following was clarified:

- Ms Foster confirmed that the \$1m figure referred to in the actions to approve operating expenditure in excess of \$1m was now out-of-date. While a process is in place to ensure Council have approved spend over the CE delegation before payments are made, this needs to be put in writing.

It was noted that there were some high leave balances and staff would be encouraged to take leave as a preference or cash it up.

Councillor Browne rejoined the meeting at 11.45am

COMMITTEE	Councillor Crown / David Pearson
RESOLUTION	<p>The Audit and Risk Committee:</p> <p>a) Receive the report titled “External Audit Status Update” dated 4 October 2024.</p>
	Carried

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.

At the meeting

The Financial Controller, Ms Foster spoke to the Audit Plan for the upcoming Annual Report for the year end 30 June 2024. There are auditors on site currently for an interim audit with nothing unusual or unexpected in the Audit Plan.

The Chair invited auditor Karen Young’s comments. Ms Young confirmed that everyone worked well together last year with really good co-operation and assistance with good headway made in the revaluations.

In response to questions the following was clarified:

- In regard to the attendance and resolution times, the qualification will remain due to the comparatives, officers are confident that a lot of work has been done in this area but it is still to be verified.
- Ms Young confirmed that if systems and processes were only put in place midway through the year they would not be cleared. Processes implemented from 1 July would be clear going forward. Updates undertaken for the IT system were done by 1 July so the system has been in place for a year. Training took place throughout the year and QA processes have gone back to the beginning of the year.
- Council’s materiality worked to before draft accounts are provided to audit typically for year end is \$5,000-\$10,000 for accruals on a transaction level while exercising professional judgement. Where aware of any errors or adjustments required at that level they will be corrected or advise audit of the issue. The workload required versus the value add needs to be balanced.
- Ms Foster confirmed that she was very comfortable that 30 October 2024 was achievable for the Annual Report and did not anticipate any issues.

- Ms Young advised the reason the audit letter was in draft was in regard to performance measures. Audit have received some guidance around the Drinking Water Performance Measures from the Auditor General's Office which the Department of Internal Affairs have communicated to them and the letter will be able to finalised in the very near future.

COMMITTEE Bruce Robertson / David Pearson

RESOLUTION The Audit and Risk Committee:

- Receive** the report titled "Audit Plan for 2023/24 Annual Report" dated 4 April 2024.
- Delegate** authority to the Chair and the Chief Executive to approve the Audit Plan for the 2023/24 Annual Report on behalf of the Audit and Risk Committee (Doc Id 1746445).

Carried

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.

At the meeting

The Financial Controller, Ms Foster spoke to the Audit New Zealand Management report for the year ended 30 June 2023 that was adopted at the end of last year. Council received a Qualified Opinion and the report provides some further recommendations and actions that will be reported back to the Committee in the future.

Ms Young commented that it was a very busy and challenging year for the Council and there was only one new recommendation to ensure the good condition of above ground water assets, and that the register is complete and has integrity. Otherwise it was a very good result and Council management and staff should be very proud of what they achieved last year.

The Committee confirmed that they were comfortable with the recommendations, management responses and timelines for completion.

COMMITTEE Bruce Robertson / Councillor Crown

RESOLUTION

The Audit and Risk Committee:

- 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).

Carried

Minor matters

There were no minor matters to discuss.

RESOLUTION TO EXCLUDE THE PUBLIC

Councillors Mawson / Crown

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

1. Verbal Update Chief Executive

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. 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.

*The meeting adjourned at 12.05pm and reconvened
in Public Excluded at 12.07pm*

The meeting closed with a karakia at 12.23pm

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

Chairperson

Date of approval