
ORDINARY MEETING

OF

FINANCE, AUDIT AND RISK MANAGEMENT SUBCOMMITTEE

AGENDA

Time: 9:30 am
Date: Wednesday, 20 September 2017
Venue: Committee Room 1
Ground Floor, Council Offices
101 Wakefield Street
Wellington

MEMBERSHIP

Mayor Lester
Councillor Calvert
Councillor Foster (Chair)
Peter Harris (External)
Phillipa Smith (External)
Roy Tiffin (External)
Councillor Young

Have your say!

You can make a short presentation to the Councillors at this meeting. Please let us know by noon the working day before the meeting. You can do this either by phoning 803-8334, emailing public.participation@wcc.govt.nz or writing to Democratic Services, Wellington City Council, PO Box 2199, Wellington, giving your name, phone number and the issue you would like to talk about.

AREA OF FOCUS

The Finance, Audit and Risk Management Subcommittee provides objective advice and recommendations regarding the sufficiency, quality and results of assurance on the adequacy and functioning of the council's financial processes, risk management, control and governance frameworks and processes. It is also responsible for exercising active oversight of all areas of the Council's control and accountability in an integrated and systematic way.

The Finance, Audit and Risk Management Subcommittee has responsibility for assisting the Council to discharge its responsibilities for:

- the robustness of the internal control framework and financial management practices;
- the integrity and appropriateness of internal and external reporting and accountability arrangements;
- the robustness of risk management systems, processes and practices;
- the independence and adequacy of internal and external audit functions;
- compliance with applicable laws, regulations, standards and best practice guidelines; and
- the establishment, maintenance and effectiveness of controls to safeguard the Council's financial and non-financial assets.

In fulfilling their role on the Finance, Audit and Risk Management Subcommittee, members shall be impartial and independent at all times.

Quorum: 3 members (at least one external member must be present for a quorum to exist).

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1 Meeting Conduct

1.1 Apologies

The Chairperson invites notice from members of apologies, including apologies for lateness and early departure from the meeting, where leave of absence has not previously been granted.

1.2 Conflict of Interest Declarations

Members are reminded of the need to be vigilant to stand aside from decision making when a conflict arises between their role as a member and any private or other external interest they might have.

1.3 Confirmation of Minutes

The minutes of the meeting held on 14 June 2017 will be put to the Finance, Audit and Risk Management Subcommittee for confirmation.

1.4 Public Participation

A maximum of 60 minutes is set aside for public participation at the commencement of any meeting of the Council or committee that is open to the public. Under Standing Order 3.23.3 a written, oral or electronic application to address the meeting setting forth the subject, is required to be lodged with the Chief Executive by 12.00 noon of the working day prior to the meeting concerned, and subsequently approved by the Chairperson.

1.5 Items not on the Agenda

The Chairperson will give notice of items not on the agenda as follows:

Matters Requiring Urgent Attention as Determined by Resolution of the Finance, Audit and Risk Management Subcommittee.

1. The reason why the item is not on the agenda; and
2. The reason why discussion of the item cannot be delayed until a subsequent meeting.

Minor Matters relating to the General Business of the Finance, Audit and Risk Management Subcommittee.

No resolution, decision, or recommendation may be made in respect of the item except to refer it to a subsequent meeting of the Finance, Audit and Risk Management Subcommittee for further discussion.

2. General Business

HEALTH SAFETY AND SECURITY REPORT

Purpose

1. This report reviews the Council's health and safety performance and activities for the year ended 30 June 2017. The format and content of this report remains the same as previous reports. The findings of the review being undertaken on the Elected Members' Due Diligence Obligations as defined in the Health and Safety at Work Act 2015 (HSWA) will recommend any changes to future reports, if necessary.
2. A due diligence step under the Health and Safety at Work Act 2015 (HSWA), for ELT and Councillors is to receive and review health and safety information on Council health and safety performance.

Summary

3. The report comprises two sections Narrative and a Dashboard.
 - The Narrative provides qualitative commentary on activities that have occurred in the last twelve months, and are presented in three groups:
 - i. Risks
 - ii. Relationships
 - iii. Resources
 - Dashboard provides quantitative lead and lag indicators. Lag indicators are backward looking and relate to incidents, hazard source, incident profiles and risk assessment. Lead indicators are positive performance indicators.

Recommendations

That the Finance, Audit and Risk Management Subcommittee:

1. Receive the information

Discussion

RISKS

4. Critical Hazard / Risk Category Reviews

The Council has 29 hazard categories where the risk of harm could occur to Council workers, and those in the vicinity of Council workplaces. The 29 hazard categories are maintained and monitored in the Council-wide hazard/risk register.

Business units are required to create specific hazard/risk register based on their operations and the Council-wide controls.

An objective of the Council's 16/18 Health and Safety Plan is to reduce health and safety risks as more robust risk controls are developed and implemented. Eight (*out of 29*) priority hazard / risk categories were identified to be reviewed over a two-year period using a recognised risk analysis methodology 'bow-tie' risk assessment. The top eight categories are:

Category	ELT 'Lead'
1. Personal confrontation / Working Alone	Nicola Brown
2. Vehicles on/off road (including bicycles)	Barbara McKerrow
3. Work at height	Kevin Lavery
4. Health and impairment	Nicola Brown
5. Hazardous substances	Kane Patena
6. Work with or in vicinity of services	David Chick
7. Asset failure	Andy Matthews
8. Other mobile Equipment	Barbara McKerrow

The priority categories were identified as a result of:

- Incidents reported against specific hazard categories (1Jul2015 to 30Jun2016)
- Incident investigations completed and failed hazard controls identified (1Jul2015 to 30Jun2016)
- Priorities identified by Council health and safety representatives
- Categories with high potential consequence.

In the twelve months ended 30 June 2017, Council's H+S team have facilitated four 'bow-tie' risk assessment workshops involving cross-Council representation, including senior managers, health and safety representatives and workers to test existing controls and where necessary the identification of new controls to eliminate or minimise the risk of harm to our workers.

The following summarises the status of the risk assessment process on the first four categories:

1. Personal Confrontation /Working Alone (Sep. 2016)
 - H+S Steering Group and ELT endorsement of updated controls.
 - Council-wide hazard register updated, Standard Operating Procedures developed and communicated across all business units
 - Risk profile template completed and presented to ELT. A copy of the completed risk profile template is attached. It provides the components of the bow-tie risk analysis methodology and status of Council-wide controls. Refer Appendix 1.

2. Vehicles on/off road (Nov. 2016)
 - Work continuing with Procurement to establish further controls regarding the procurement of fleet vehicles, prior to finalising the Council-wide hazard register, Standard Operating Procedures and communications.
 - Risk profile template to be completed.

3. Work at heights (Mar. 2017)
 - Council-wide register updated, Standard Operating Procedures developed.
 - Seek endorsement from Sponsor to final controls.
 - Seek endorsement from H+S Steering Group and ELT prior to communicating across all business units.
 - Risk profile template to be completed.

4. Health and Impairment (June 2017)
 - Outcomes from the workshop (21 June) are being collated before further work proceeds.
 - Risk profile template to be completed.

Future Health and Safety Reports to Finance Audit and Risk Subcommittee will include completed Risk Profile templates for review and consideration by the Subcommittee.

5. Specific areas of risk – Dust, silica, asbestos - Asbestos Regulations

To comply with the Health and Safety (Asbestos) Regulations 2016, Council have a duty to identify asbestos within our workplace and to prepare and review asbestos management plans by April 2018. A desk top assessment of all assets has been completed. With this information quantified, Council have now been able to develop:

- a Council-wide asbestos register (containing over 800 assets)
- a Council-wide asbestos management plan
- a draft asbestos management plan template that can be used by business units for their asset specific portfolio

- a priority order of assets that will be surveyed for asbestos over the next three to five years.

Council's H+S team are working with the business to:

- develop asset specific asbestos management plans
- identify technology and/or systems to identify assets with asbestos containing material
- identify the most appropriate information management system to maintain and manage information contained in asbestos registers and asbestos management plans so all workers have access to this information.

Council is progressing well to being compliant with the Health + Safety (Asbestos) Regulations 2016 by April 2018.

6. Incident Investigations

The following four incidents were of a serious nature that required full investigations to be undertaken. All investigations were presented to the Council's Health and Safety Steering Group, where findings and actions were accepted. Below summarises the investigation findings and actions.

Business Unit: Transport and Waste Operations

<p>Contractor H G Leach - CAT CS563D roll over. Incident Date: 19/11/2016 Hazard Category: Other Mobile Equipment HG Leach temporary employee operating a roller parallel to a batter edge on the landfill, slipped off the edge and rolled. The roller was damaged but no injuries were sustained (roll cage on roller worked as designed).</p>		
Organisation Factors	Actions	Action Status
<p>The contractor's hazard register and Standard Operating Procedure for the task were not adequate. The training, pre start, and supervision of the worker were not sufficient for the environment the operator was working in. The operator was not operating the roller in accordance with standard industry practice, perpendicular to the slope as opposed to parallel.</p>	<ol style="list-style-type: none"> 1. Review of contractor hazard register and SOPs. 2. Increased number of safety observations by both HG Leach and WCC management to occur. 3. Updates to audit documentation and schedule. 4. Increased on-site supervision. 5. Operator competency reassessment. 6. Council run induction for all new workers to the landfill, and provision of this retrospectively to existing workers. 	<ol style="list-style-type: none"> 1. Closed 2. Closed 3. Closed 4. Closed 5. Closed 6. Closed

<p>Contractor Enviro Waste Incident Date: 10/02/2017 Hazard Category: Vehicles on/off roads An unmanned glass lane truck rolled back and collided with a public vehicle and two garages. The driver had exited the truck to collect waste. No injuries were sustained.</p>		
Organisation Factors	Actions	Action Status
<p>Change in industry to remove manual handling and 'runner' risks resulted in single operator practice. Vehicles left unattended for short periods of time. Many Wellington roads are steep and narrow. If hand brake is not fully engaged creates the risk of loss of control of the truck.</p>	<ol style="list-style-type: none"> Investigation of engineering controls so that when a truck is left unattended the vehicle can't move – removing the risk of human error. Update to driver training process around application of the handbrake without depressing the release knob. Implementation of on-truck cameras to assist in any future incident investigations. 	<ol style="list-style-type: none"> Open (ongoing work required) Closed Closed

Item 2.1

Business Unit: Parks, Sport and Recreation (PSR)

<p>Incident Date: 31/10/2016 Hazard Category: Work at Height Hort Team + Tree Team working together. Workers pruning branches from the top of their toolbox, located behind the cab of the truck. No fall protection in place. WorkSafe notified by public. WorkSafe attended site and stopped work. New methodology agreed, work continued. No further action was taken by WorkSafe.</p>		
Organisation Factors	Actions	Action Status
<p>Inadequate planning prior to work commencing. The methodology being used (working from the truck) is not standard practice, or compliant with industry guidelines. The hazard ID form was not dynamic and updated as methodology changed. Traffic Management was inadequate and did not reflect work activities.</p>	<ol style="list-style-type: none"> Planning for cross-team jobs done jointly, using a process based methodology. Site supervisor appointed to this work in future. Full team briefing and JSA completed prior to work starting. Review Working at Height and Arboriculture Standard Operating Procedures. Teams trained in requirements of new processes. Review use of traffic management company High Risk Audit programme established to test plans. 	<ol style="list-style-type: none"> Closed Closed Closed Closed Closed + 7. Open (ongoing work required)

<p>Incident Date: 3/04/2017 Hazard Category: Tools + Equipment An employee slipped while hedge trimming. Employee removed his hand from the machine to steady himself. His finger made contact with the moving blades. Injuries sustained - fracture and laceration to finger.</p>		
Organisation Factors	Actions	Action Status
<p>Competency assessment did not specify mechanical rating for cut resistance gloves. PSR staff required to complete a task analysis form for non-routine tasks, without clearly defined definition of 'non-routine'.</p>	<p>1. PSR competency form updated to include the requirement for gloves to have a mechanical cut resistance rating of 5/5. 2. Review of other tasks in PSR where cut resistant gloves are to be worn and learning's shared with the wider business unit and WCC. 3. Review of task analysis forms to clarify the definition of routine or non-routine tasks, and the ability to utilise Risk Manager in the field (mobility) to complete risk assessments onsite investigated.</p>	<p>1. Closed 2. Closed 3. Open (ongoing work required)</p>

RESOURCES

- 7. Policy
 The Council's 2015/17 H+S Statement of Commitment was reviewed and re-signed for the 2017/19 period.

The Council introduced an Anti-Bullying Policy and Procedures in 2016 that aligns with WorkSafe's Best Practice Guidelines. In this reporting period, two investigations into bullying have been undertaken, the outcome being both complaints were not substantiated.

- 8. H+S CAPEX Bids
 In this reporting period H+S Capex bids were approved totalling \$155,000. These bids were presented to the Finance Committee for capital expenditure that support good health and safety practices and minimise risk to workers. Examples of bids included, EQ shelving in libraries, Body worn cameras for Parking Officers, Crash-bars on library doors and a Local Host Radio Hub to improve communications.

RELATIONSHIPS

- 9. Worker Participation
 Council's Worker Participation Agreement has been renewed for a further twelve months following consultation with Union delegates.

Four Council-wide Health and Safety Representative Forums have occurred in this reporting period, including attendance by ELT members and Union Organisers.

Three H+S Representatives are members of the Council's H+S Steering Group.

H+S Representative training, levels 1, 2, and 3 continues to be a core h+s training programme.

10. Wellington Water and Local Authorities

Council have developed a health and safety working group with Wellington Water, and the Wellington local authorities and regional Council. The purpose of this forum is to manage collectively the shared health and safety responsibilities and risks. A framework has been developed that outlines responsibilities against specific hazards and risks. This forum meets quarterly.

11. Construction Clients Group

Council have recently re-joined the Construction Clients Group. This is a national forum that brings stakeholders together to develop consistent practice for the health and safety across the construction industry. Given the Council are stakeholders across a number of construction activities within the Wellington region, this forum provides us with opportunity to network and have access to national and internationally recognised practices. Of particular interest to the Council is improved practice and systems in relation to Safety in Design principles to assist us manage our risk in relation to asset failure.

Attachments

Attachment 1.	Dashboard	Page 17
Attachment 2.	Risk Assessment Profile	Page 19

Author	Deborah Hammond, Manager, Health Safety & Wellness
Authoriser	Nicola Brown, Director Human Resources

SUPPORTING INFORMATION

Engagement and Consultation

<insert text here>

Treaty of Waitangi considerations

<insert text here>

Financial implications

<insert text here>

Policy and legislative implications

<insert text here>

Risks / legal

<insert text here>

Climate Change impact and considerations

<insert text here>

Communications Plan

<insert text here>

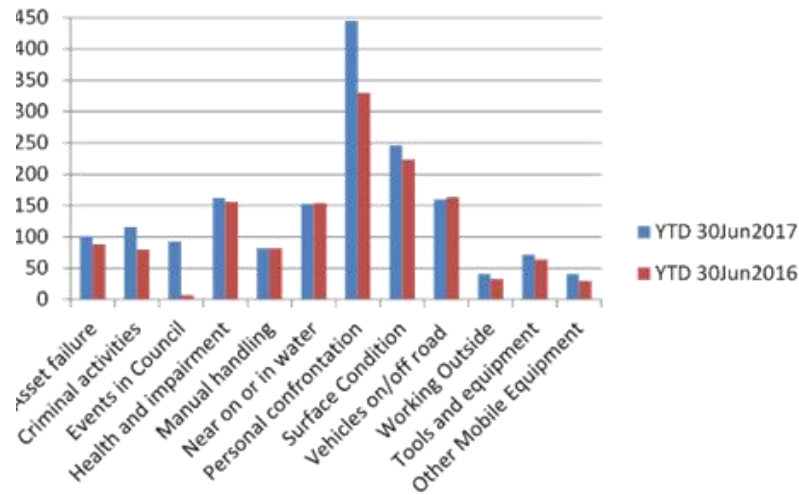
Health and Safety Impact considered

This information to ELT and Councillors assists them discharge their Officer due diligence obligations under Health and Safety at Work Act 2015.

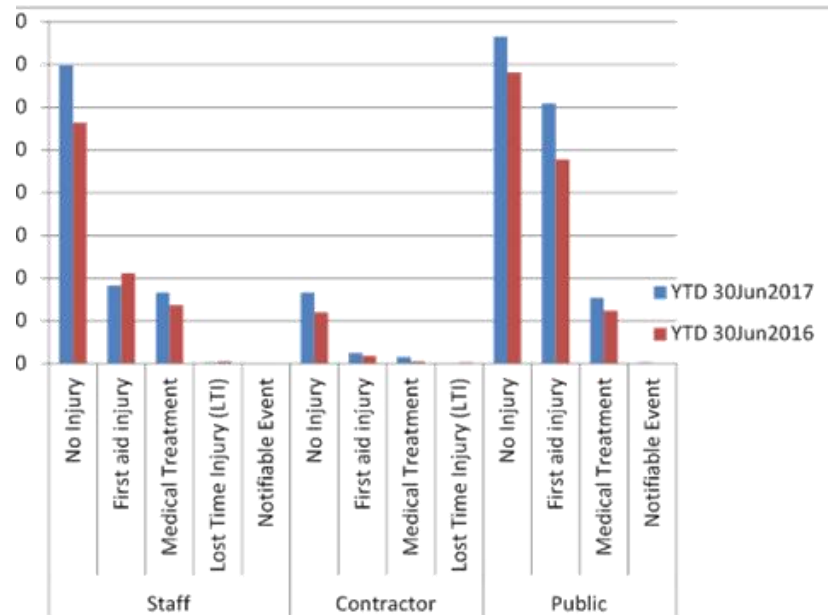
Health and Safety Dashboard – Year End 30 June 2017

LAG + LEAD INDICATORS

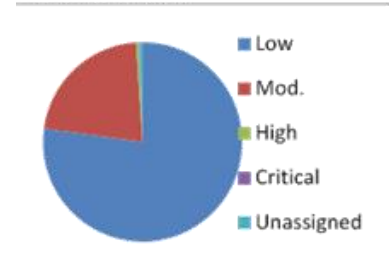
Hazard Source – TOP 12 hazard source reported against incidents (see over for commentary)



Incident Profile (see over for commentary)



Critical Risk Score



Risk Score Commentary

Critical Risk Incident(1) – unauthorised illegal access into the Southern landfill tunnel.
High Risk Incidents (7)
Threats to staff over several months resulting in Trespass notice.
Muscle strain as a result of significant change in workplace post November 2016 earthquake.
Partial path collapsed in Pine Hills – public walkway.
Contractors -unsafe work at height practices.

ACC Partnership Programme

Work Related ACC Injury Claims	2016-17	2015-16
Accepted	77	73
Declined	17	20
Total Claims	94	93

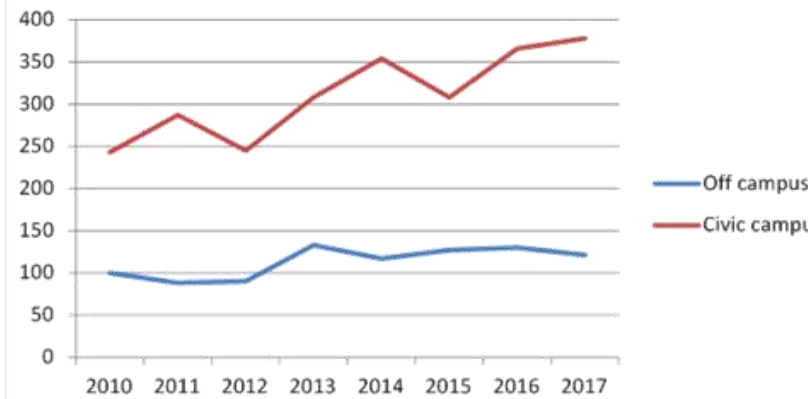
Claim costs to date \$36,285 \$98,963
Number of work-days lost 95 369
Number of claims where Case Managed 20 22
ACC Partnership Programme Accreditation Tertiary Tertiary

Employee Survey

Council ran a survey of employees who lodged a work related ACC claim, with an 80% response rate. Overall results indicate employees are happy with the service and treatment they receive through our provider, Wellnz who assist Council manage the claims.

Influenza Programme

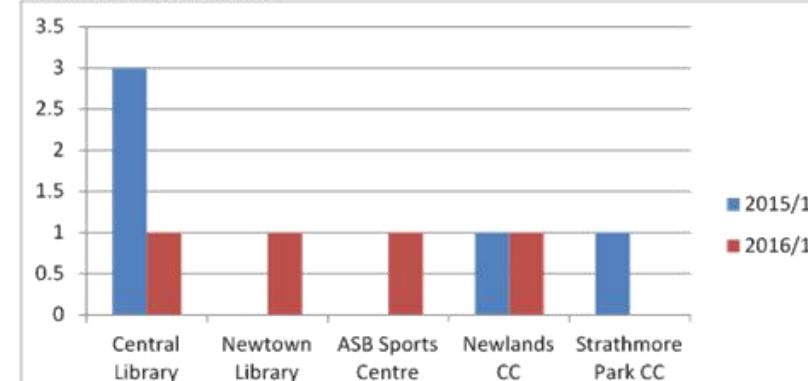
Yearly flu bookings Civic Vs. Offsite



Commentary on Influenza Programme

Uptake by staff of the free influenza vaccination continues to trend upwards, particularly where staff are situated in the Civic Campus vs those in offsite locations.

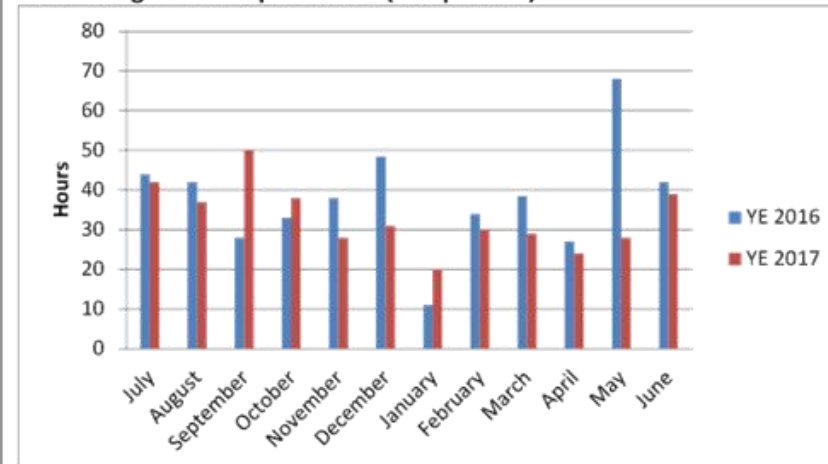
Trespass Notices Served



Core H+S Training	2016-17	2015-16
TRAINING – PEOPLE MANAGER & HS REPS	81	192
TRAINING – CONTRACTOR MANAGERS	130	
TRAINING – ICAM (Incident Investigation Techniques)	13	
TRAINING - FIRST AID	275	322
TRAINING - NON VIOLENT CRISIS INTERVENTION	94	140
TRAINING - RESILIENCE	47	
Recognition	2016-17	2015-16
HEALTH AND SAFETY HEROES	13	18
ELT Observations	2016-17	2015-16
HEALTH AND SAFETY OBSERVATIONS (ELT)	9	3
D+A Test Results	2016-17	2015-16
DRUG AND ALCOHOL TESTING - Pass	112	165
DRUG AND ALCOHOL TESTING - Fail	7	5
EI Referrals	2016-17	2015-16
EARLY INTERVENTION PHYSIOTHERAPY REFERRALS	48	68

Note: See over for further commentary.

EAP Usage – Hours per month (comparison)



Commentary on EAP

Council offer free EAP services to employees. This offer is widely used across all business units. Council trends are comparative with national trends. In the 16/17 year the majority of referrals were female. 55% of the total referrals were for work related issues vs personal/family reasons. 78% of employees who provided feedback confirmed the provision of counselling had increased the likelihood that they would continue to work at the Council. This is above the national average of 50%.

Commentary on Hazard Source

- The tables above represent the hazard source of incidents reported. Council have 29 hazard categories and the 12 categories above are those areas that are predominantly reported on.
- Incidents where Personal Confrontation as the primary hazard source continue to rise. This generally is a result of incidents involving Parking Officers however other areas within Council (e.g. libraries) are experiencing greater numbers of incidents involving verbally abusive and aggressive customers. Staff are encouraged to report incidents so that action can be taken to mitigate future risks. Body Worn cameras have now been introduced to Parking Services and it is expected that public behaviour will alter in a positive way with the introduction of this technology. Ongoing training, supervision, debriefs and emergency protocols continue as mechanisms to manage the risk of personal confrontation across business units who have staff with front-facing customer roles.

Commentary on Incident Profile

There is an increase in reported incidents in the 16/17 year. Year-end reported incidents total 2,793. The total number of incidents reported in the 15/16 year total 2,349. Incidents where No Injury occurred continue to trend upwards – a total of 1,631 incidents for the year end.

Commentary on Trespass Notices Served

All incidents involved Council workers being exposed to a sustained risk of harm as a result of personal confrontation by these individuals. Trespass notices are issued as a reasonable step Council can take to minimise risk of harm. A threshold must be met prior to the issuing of a Trespass notice. Trespass notices are in place for two-years and are monitored by the Council's Security Team.

Commentary Training

- People Manager + HS Reps training provides managers and reps an understanding of the implications of the Health and Safety at Work Act 2015 and how it applies in our workplace.
- Contractor Management provides context on the Council's requirements for contractor management to align with the Health and Safety at Work Act and to assist consistent practices across our organisation.
- ICAM training provides workers with the techniques to undertake full investigations.
- Non-violent crisis intervention training is an international training methodology and delivers knowledge and techniques for our 'front-facing' staff to help them recognise and respond safely to customers and public who may be acting in a defensive and/or threatening way. NCI training is identified as an established mitigation/control in the Council's hazard/risk register for 'PERSONAL CONFRONTATION'.
- Resilience training has been introduced as a core Health and Safety training programme to assist staff to build and enhance existing resilience skills as well as provide new techniques to help better handle challenges in the workplace and in life.
- Acknowledging the positive health and safety behaviours demonstrated by our staff is rewarded through the Health and Safety Hero cards – all of which are signed off by the Chief Executive and presented to staff.
- Visible health and safety leadership is measured through ELT completing safety observations across their directorate.
- Failed drug and alcohol results in disciplinary action in addition to requiring employees to attend compulsory rehabilitation which includes six random drug and alcohol tests over a subsequent two-year period.
- Early intervention referrals assist employees experiencing pain and discomfort – the intention to prevent ongoing issues becoming an ACC claim.

Risk Assessment: Personal Confrontation

Risk Description <i>(Definition of this risk, who is exposed, where and when exposure occurs)</i>	<ul style="list-style-type: none"> Any situation where a worker is exposed to verbal / psychological abuse or threats, or actual or potential violence, with the actual or potential consequence being a fatality of one (or more) of our workers. All workers whose roles require them to interact with customers, public and contractors (front-facing) both directly (face to face) and in-directly (email/phone) are at greater risk of exposure to personal confrontation than other workers of the Council. A significant number of Council workers are front facing in their roles.
What we know about this risk in our business <i>(Internal context)</i>	<p>Currently we have nineteen controls to manage the risk of harm or death to our workers. We know that ten controls are in place and working. We know that eight are partially in place. And we know that one is yet to be implemented. Therefore we've assessed the residual level of risk as High. The risk will continue to be re-assessed as implementation of further controls occurs. (Refer page 3 for detail on the controls in place to manage this risk).</p> <ul style="list-style-type: none"> In the year ended 30 June 2017, 445 incidents were reported in the Council's health and safety incident management system, where personal confrontation was the primary hazard source. Personal Confrontation is one of the Council's eight critical risk categories. 24 incidents (since February 2017) were reported to Police 4 trespass notices issued
What we know about this risk in our operating environment <i>(External context)</i>	<ul style="list-style-type: none"> Personal confrontation is a hazard source that confronts all public sector organisations, retail and service delivery sectors. In 2016 MSD, pleaded guilty to one charge under the Health and Safety in Employment Act 1992 that it failed to take all reasonable practicable steps to ensure the health and safety of employees of their Ashburton WINZ office.
Our business objectives potentially impacted by this risk	<p>Council have identified nine controls that require strengthening to reduce the level of risk to within tolerable levels, that of Moderate.</p> <ul style="list-style-type: none"> Council's objective is through assurance and verification the Residual risk level can be reduced to a tolerable level of Moderate risk. Impact on worker safety and wellbeing and the subsequent safe delivery of core Council services.

Inherent risk level <i>Inherent risk level is assessed without controls in place</i>	Critical
Residual risk level <i>Residual risk level is assessed with current status of controls either in place and working, partially in place, or not in place</i>	High
Is this risk within tolerance	No
Tolerable Risk Level <i>Our confidence in controls</i>	Moderate

Risk owner	Manager Safety Security + Wellbeing; ELT Sponsor, HR Director		
Key risk event	Exposure to adverse, aggressive, violent behaviours capable of causing emotional and/or physical injury.		
Cause of event	The following events/situations could lead to a the risk event: <ul style="list-style-type: none"> Physical and/or emotional confrontation Bullying and/or harassment by public, clients or workers 	Potential consequence / Impact	The following potential impacts could if the risk event is set in motion: <ul style="list-style-type: none"> Physical injuries / fatalities Emotional injuries Internal or external investigation Prosecution of our organisation or individual – breach of Health and Safety at Work Act 2015 – failure to provide a safe workplace. Staff leaving Reputational damage to our organisation
Engagement and communication <i>How we have engaged and consulted with our people about this risk</i>	<ul style="list-style-type: none"> Council’s H+S team facilitated a ‘bow-tie’ risk analysis workshop involving cross-Council representation, including senior managers, health and safety representatives and workers to test existing controls and identify new controls. Standard Operating Procedures have been developed and communicated across the Council. The Council-wide Hazard/Risk Register has been updated. 		
Additional resource need <i>(items of equipment, processes, training, money etc)</i>	<ul style="list-style-type: none"> Approved - CAPEX H+S to purchase in the 16/17 year body-worn cameras for Parking Officers. Research evidences that the use of body-worn cameras modifies the behaviour of individuals in a positive manner. Pending - CAPEX H+S Bid to purchase in the 17/18 year (Sep. 2017) lone-worker devices. These devices will replace existing lone-worker devices. They have the same functionality but are more compatible and discrete and the uptake by Council workers is expected to increase. Pending – Oversight of training provided to staff is inconsistent. Project is underway to centralise training records with the Council’s Learning Management System (LMS). 	Monitoring and assurance for this risk	<ul style="list-style-type: none"> Safety Observations Incident Reporting Security Reports Training Records Trespass Records

Controls – How we manage this risk		
Brief control description (the stuff you have in place to manage the risk)	Hierarchy	Is the control in place and working?
• Where possible, WCC shall eliminate the need to expose workers to personal confrontation, for example by making information available to the public remotely through digitising records.	Eliminate	Partial
• In extreme cases where repetitive behaviour is involved consider trespassing, in consultation with the Issues Resolution Office.	Eliminate	Yes
• Workplaces shall be configured to create natural barriers and separation using seating arrangements, furniture, clear access/egress areas, and visible evidence of CCTV cameras.	Isolate / Prevent Contact	Partial
• Workers shall have the discretion to not enter a property or area if they have a safety concern.	Administrative	Yes
• Reports of personal confrontation, in particular any physical assaults or personal threats made, must be referred to the Police to record and investigate if the situation warrants it.	Administrative	Yes
• A lone worker device shall be provided to workers potentially exposed to confrontation.	Administrative	Partial
• Body Cameras to be used by Parking Officers	Administrative	Yes
• High risk work should be carried out in pairs.	Administrative	Partial
• Site Alert Lists shall be maintained and communicated to workers. These shall identify at-risk properties, clients, public, and dogs.	Administrative	Partial
• Standard Operating Procedures shall be prepared for all categories of work that contain the potential for exposure to personal confrontation. Workers shall be consulted during the preparation of these plans. These plans shall provide the basis for training and inductions. Refer to http://www.business.govt.nz/worksafe/information-guidance/all-guidance-items/violence-at-work-a-guide-for-employers-and-employees-on-dealing-with/violence.pdf	Administrative	Yes
• Council workers will adhere to the SOP - Response to people under the influence of drugs and/or alcohol in our workplace	Administrative	Yes
• A tracking system and means of communication for workers potentially exposed to personal confrontation away from their offices, shall be established, for example using office in/out boards, outlook calendars, texting supervisor arriving/departing sites, RT/cellphone communications, GPS fleet tracking, lone worker devices, and tailgate meetings at start of working day with team.	Administrative	Partial
• Workers shall receive training in customer service, dealing with difficult situations, non-violent crisis intervention, armed robbery and dealing with aggressive dogs as required.	Administrative	Yes
• Interpreters made available where language barriers exist.	Administrative	No
• Security personnel shall provide assistance with assessment of premises, if requested.	Administrative	Partial
• If a worker is at risk of serious injury or being detained, while working alone, the WCC Crisis Response (Serious Incident Protocol) shall be used to determine the response provided.	Administrative	Yes
• Debriefs and/or EAP services should be offered to workers who have experienced personal confrontation as soon as possible after the event	Administrative	Yes
• Bullying shall be prevented and managed in accordance with WorkSafe - Preventing and responding to bullying at work good practice guide and Council's guidelines for Workplace Harassment and Bullying .	Administrative	Yes
• Workers shall be provided with a lone worker device if required.	Administrative	Partial

AUDIT NEW ZEALAND INTERIM MANAGEMENT REPORT

Purpose

1. The purpose of this report is to present the interim Audit New Zealand Management Report to Council on the 2016/17 audit to the Subcommittee. This report contains interim findings from their audit review of Council controls, processes and systems. The report outlines their findings and recommendations.

Recommendations

That the Finance, Audit and Risk Management Subcommittee:

1. Receive the information.
2. Note the content of the interim 2016/17 Management Report to Council from Audit New Zealand.
3. Note that the items raised in the interim report have been addressed as part of the year –end processes.

Background

2. Every year as part of the audit of the annual report, Council auditors, Audit New Zealand conduct their audit of Council over a number of visits (interim audits) during the year to assist them to form an opinion on the adequacy of Council systems and controls.
3. Normally such interim reports are in alignment with previous annual Management Reports and therefore offer little value in being presented to the Subcommittee.
4. The impact of the November earthquake and the embedding of new systems combined to place additional stress on Finance resulting in the issues discussed below and in the report.
5. This report is based on the interim audit of Council conducted prior (March) to the year-end audit of the financial statements and is focussed on assessing the effectiveness of the control environment and internal controls for financial and non-financial reporting. While historic, it is presented to the sub-committee for the purposes of identifying and confirming that the items raised have been addressed as part of the 2017 year-end procedures.
6. The report also provides an update on areas of audit focus as outlined in the audit arrangements letter.
7. The report outlines their recommendations and officers response to those recommendations. The progress of implementing these recommendations will be monitored and reported on by Internal Audit.

Discussion

8. The interim audit report findings are based on a point in time assessment of controls as at March 2017. The Audit NZ findings and issues noted do not reflect changes or improvements made by management since the report was written.

9. The key findings from Audit NZ interim audit are:
 - Impact of the November 2016 earthquakes
 - Weaknesses in the financial systems and controls
10. The report highlights the need for the Council to consider how best to highlight the issues arising from the earthquake, especially with the carrying value of affected buildings and other costs arising from the event. Only the Council's Civic Administration building (CAB) was damaged to the extent its carrying value has been impacted. This has been reflected in the draft 2017 financial statements also being considered by this Sub-Committee on 20 September 2017.
11. The report also notes that there were weaknesses in the financial system and controls as set out in section 3.2 – 3.4 of the attached Report. These weaknesses resulted from focus being redirected towards transition to a new finance system along with staff resource and location impacts due to the November 2016 earthquake. They have now been addressed with processes and controls operating effectively.
12. Issues identified during the interim audit were:
 - Balance sheet reconciliations
 - Review of journals
 - Fixed Asset register
 - Treasury management policy and guidelines
13. The report also has an update on the status of previous outstanding recommendations.
14. Management have addressed the following specific issues raised in the report:
 - Balance Sheet reconciliations, additional resources were allocated to complete this task and outstanding reconciliations have been completed prior to the commencement of the final audit.
 - Review of Journals, new procedures have been implemented and are place.
 - Fixed Asset Register (FAR), capital additions of \$88m have been capitalised in the FAR system in OneCouncil and reconciled to the General Ledger.
 - Treasury Management Policy & guidelines, the policy and guidelines have been changed to reflect the change in rating for Kiwibank.

Attachments

Attachment 1. Audit NZ interim audit report

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Author	Richard Marshall, Manager Financial Accounting
Authoriser	Andy Matthews, Chief Financial Officer

SUPPORTING INFORMATION

Engagement and Consultation

There are no requirements to consult on the issues raised in this paper or report.

Treaty of Waitangi considerations

There are no specific Treaty of Waitangi considerations.

Financial implications

There are no new financial implications arising from this paper.

Policy and legislative implications

There are no new policy or legislative implications arising from this paper.

Risks / legal

There are no new risks or legal implications arising from this paper.

Climate Change impact and considerations

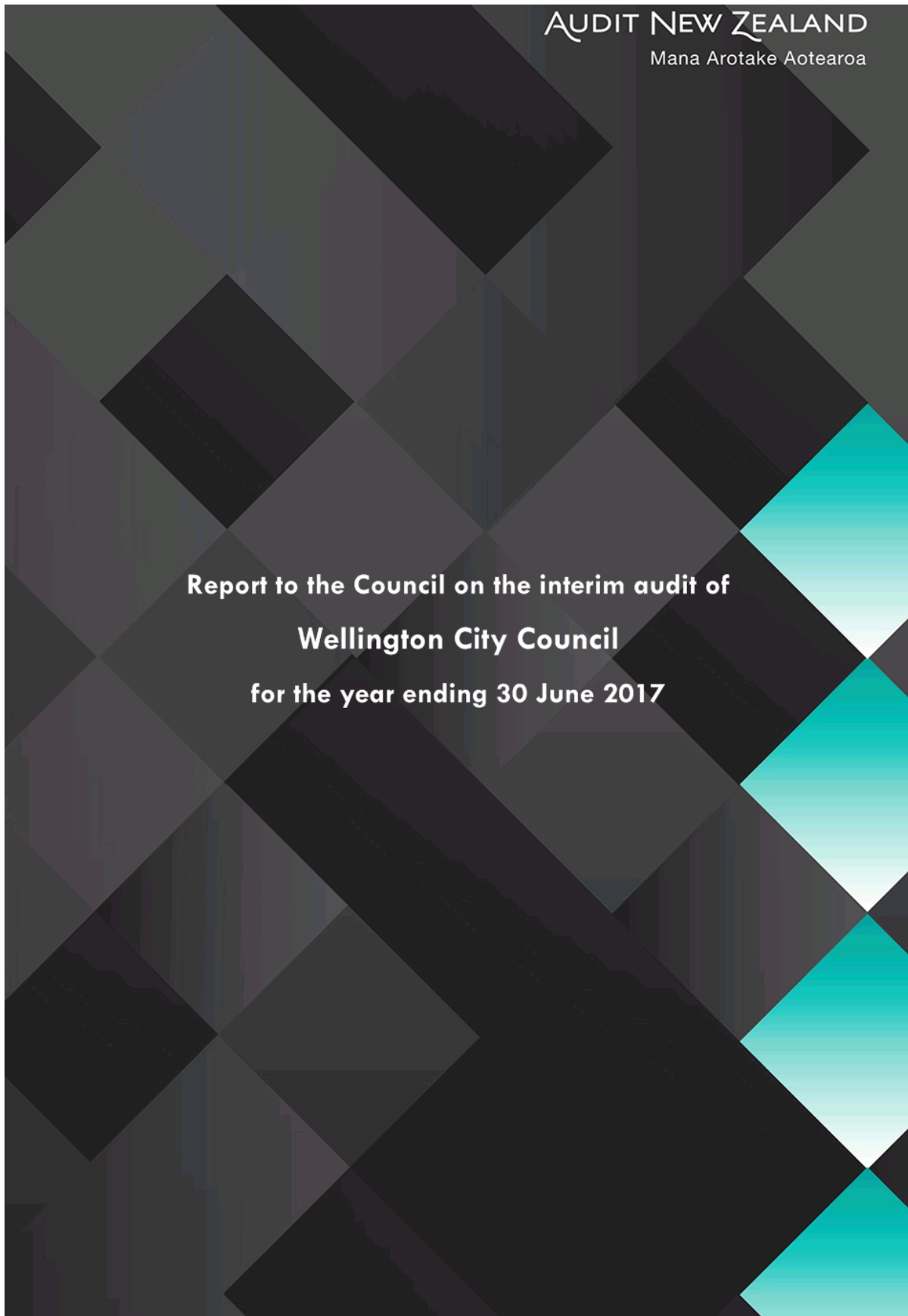
There is no climate change implications arising from this paper.

Communications Plan

No communication plan is required for this paper.

Health and Safety Impact considered

There are no impacts on Health and Safety.



Key messages

Summary

We have completed our interim audit of the Wellington City Council (the City Council). The focus of this audit was to:

- Assess the effectiveness of the City Council's control environment and internal controls for financial and non-financial reporting.
- Progress our responses to the business risks we communicated to you in our audit arrangements letter.

From the work we have completed to date, we have identified the following key matters to bring to your attention:-

Impact of the November 2016 earthquakes (see sections 2.1 and 3.1 for further details)

The Civic Administration Building (CAB) and a small number of other assets were damaged in the November 2016 earthquake. CAB is currently closed while the City Council assesses the earthquake impact and potential future options. The City Council will need to consider the potential impact of this damage on the carrying value of affected assets. Key points to consider have been highlighted in section 2.1.

The City Council's 2017 annual report should tell the story of the earthquake and how it has affected its operations and service delivery. Management and the council will need to determine how this will be best presented in the annual report. We have highlighted some areas for consideration in section 2.1. We encourage management to reflect on these and liaise with us as the annual report is developed.

The closure of CAB has impacted on our audit. Some information we requested, principally payroll documents, is currently inaccessible. We are considering alternatives to our planned payroll audit approach in light of this. If we conclude that this situation limits our ability to express an opinion on the payroll expenses, we will discuss this with you as soon as possible.

Weaknesses in the financial systems and controls (see sections 3.2-3.4)

We noted several weaknesses in how financial systems and controls are currently operating. These are largely due to the stresses that the November earthquake has placed on the finance team and the ongoing imbedding of the new finance system. We also acknowledge that the Finance team is working hard to ensure that all reconciliations are completed for year-end prior to our audit team arriving.

We have raised several recommendations on how to resolve these weaknesses. The finance team will need to continue their focus on resolving the issues noted with the balance sheet reconciliations and fixed asset register. If these are not resolved by year end, they could significantly impact on management's ability to prepare robust and accurate financial statements.

Issues identified during the audit

The following table summarises our recommendations and their priority:

Ref	Recommendations	Urgent	Necessary	Beneficial
3.2	Balance sheet reconciliations			
	Re-establish the balance sheet reconciliation process to ensure that reconciliations for all accounts are prepared and reviewed on a timely basis. Timely balance sheet reconciliations for the period ending 30 June 2017 will be essential for robust and accurate financial reporting. Therefore, we recommend that management resolve these issues by year-end.	✓		
3.3	Review of journals			
	Implement a formal independent review process for Accounts Payable and Accounts Receivable journals.		✓	
3.4	Fixed Asset Register (FAR)			
	Reflect all additions/disposals for 2016/17 in the FAR and reconcile the FAR to the General Ledger as at 30 June 2017.	✓		
3.5	Treasury management policy and guidelines			
	Reassess the City Council's risk appetite for investing with institutions with a credit rating of "A". If the credit rating limits within the current policy are assessed as no longer appropriate, update the policy to reflect this. Alternatively it should divest the investments that do not comply with the policy.			✓

There is an explanation of the priority rating system in Appendix 1.

Thank you

We would like to thank the Finance, Audit and Risk Committee, management and staff for their assistance in completing the interim audit.

Bede Kearney
Director
30 June 2017

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1 Assessment of the control environment

We performed a high-level assessment of the control environment. This assessment was performed for the purpose of planning the most effective and efficient audit approach, to enable us to express an audit opinion on the City Council's financial statements and the non-financial information. We considered the overall attitude, awareness, and actions of council and management in establishing and maintaining effective management procedures and internal controls.

In performing this assessment we consider both the "design effectiveness"¹ and "operational effectiveness"² of internal controls. The explanation of these terms is outlined below. It is not the purpose of our assessment to provide assurance on internal control in its own right. As such we provide no assurance that our assessment will necessarily identify and detect all matters in relation to internal control.

In performing this assessment we have identified some areas where we believe the control environment can be improved. These matters are later in this report.

Internal controls

We reviewed the internal controls in place for key financial and non-financial information systems, as detailed below. Internal controls are the policies and processes that are designed to provide reasonable assurance as to reliability and accuracy of financial and non-financial information, as well as compliance with significant legislative requirements. These internal controls are designed, implemented and maintained by the council and management. Both "design effective" and "operationally effective" internal control is important to minimising the risk of either fraud or misstatement occurring. The ultimate responsibility for the effective design, implementation and maintenance of internal control rests with the governing body, the council.

2 Update on our areas of audit focus

In our Audit Arrangements Letter, we communicate the Council's business risks and issues which we consider to be significant to our audit. We also outline our planned responses to these issues.

During our interim audit we progressed these responses. Our findings to date are:-

2.1 Impact of the November 2016 earthquakes

2.1.1 Financial reporting considerations

We have had initial discussions with finance staff regarding the impact of the November 2016 earthquake on the City Council's asset portfolio. We understand that at this stage, the earthquake's main significant impact was on the Civic Administration Building (CAB) and a small number of other assets. CAB is currently closed. The Council is meeting with its insurers and entering into a process with them about how it can proceed before it can make a decision on the future of the building.

¹ Control is effective to either prevent or detect a material error in either the financial statements and/or non-financial information. The control is "fit for purpose".

² Control has operated effectively throughout the period tested.

It is acknowledged that this is a time consuming process and there will be a degree of uncertainty as to the outcome for the building at year-end. This may necessitate further disclosure in the Annual Report to explain the judgements made.

The City Council will need to consider the potential impact of damage on the carrying value of affected assets. Key points to consider include:

- Assets which will provide no future economic benefits or service potential (for example a building which will be demolished) should be derecognised. If an asset is damaged but will provide future economic benefits or service potential, the asset should be impaired.
- For an asset which is being derecognised as it has no future economic benefits or service potential, its carrying value should be written off as an operating expense in the Statement of Comprehensive Revenue and Expenses. Any revaluation reserves attributable to the asset should be transferred directly to retained earnings with no impact on the Statement of Comprehensive Revenue and Expenses.
- For an asset which is being impaired because of damage, but which will still provide future economic benefits or service potential, the impairment of the asset's carrying value will be recognised as an operating expense in the Statement of Comprehensive Revenue and Expenses. However, if a revaluation reserve exists for the asset, the impairment should be allocated against the revaluation reserve up to the amount of the reserve, attributable to the asset.
- For non-cash generating assets, *PBE IPSAS 21 – Impairment of non-cash generating assets* indicates that an earthquake affecting its service potential could trigger an impairment. For example, if a building is closed due to an earthquake, meaning it cannot be used to deliver the services it is intended for, this could indicate that its carrying value should be impaired.

We expect management to perform an impairment assessment of assets which considers the above factors as at 30 June 2017. We will liaise with management as it develops these assessments.

2.1.2 Performance reporting considerations

We held initial discussions with management regarding the City Council's performance reporting. Matters for management to consider when developing the annual report include:

- How is the earthquake story, in particular its impact and the City Council's response, best told within the annual report? This could be through a section dedicated to the earthquake plus highlighting in the various service performance sections how the earthquake has affected service delivery.
- Where performance against specific measures been affected by the earthquake, narratives can be included against each affected measure to explain this to the reader.

- It would also be beneficial to include within the financial statements a dedicated note on the earthquake's financial impact.

As the City Council works through its preparation for the annual report, we encourage management to engage us on its plans for earthquake reporting and to seek feedback from us.

2.2 Valuation of the City Council's weathertightness liabilities

We reviewed the systems and processes the City Council has in place for estimating the provision at year end. We consider these to be appropriate. As in previous years, it will engage an external actuary (Melville Jessup Weaver) to value the liability as at 30 June 2017. We have been satisfied with the actuary's work area in previous years, therefore we do not anticipate any significant issues with the actuarial valuation.

At our final audit we will review the actuary's valuation and assess its appropriateness for financial reporting purposes. This will focus on the completeness and accuracy of source data and the appropriateness of the underlying assumptions applied by the actuary.

2.3 Revaluation of infrastructure assets and investment properties

Management has engaged valuers to perform the infrastructure assets and investment properties revaluations. We understand that these revaluations are due to take place in April/May.

We plan to review the proposed valuations as part of our pre-final audit in late May. This will focus on the completeness and accuracy of source data and the appropriateness of the underlying assumptions applied by the valuers.

If we identify any concerns with the valuation methodology at this stage, we will communicate this to management.

During our final audit, we will review the accounting entries to recognise these revaluations in the financial statements and the associated disclosures for the valuations. We will ensure that they comply with PBE IPSAS 16 – *Investment Properties* and PBE IPSAS 17 – *Property, Plant & Equipment*.

2.4 Risk of management override of controls and fraudulent financial reporting

We reviewed the City Council's systems and controls over journals. As noted in section 3.3, there are no formal pre or post-entry review controls for journals.

During our final audit, we will test a selection of journals posted during 2016/17 to confirm they are appropriate.

During our final audit we will also review significant accounting estimates and significant transactions outside the normal course of business to assess their appropriateness.

We will focus on these areas as they are the common ways through which potential misstatements of the financial statements can occur.

Management comment

There are informal journal reviews with Accounts Receivable journals and more recently with Accounts Payable journals also. These journals are subject to independent reviews but these reviews are not documented. The Council also considered whether General Ledger journals should be reviewed and it was felt that there were other controls in place which mitigated the need for formal reviews.

3 Matters arising from our audit

3.1 Availability of information

The November 2016 earthquake has presented operational challenges to the Council. The closure of CAB has meant that a significant number of staff, including finance and payroll, have been displaced from their usual place of work. Temporary accommodation has been set up for these teams, notably in the Central Library.

The closure of CAB has made some information required for our audit unavailable, particularly payroll information. Due to hard copy documents and reports being inaccessible within CAB, we have not been able to:

- Evidence the operation of payroll controls before the November earthquake.
- Agree the approval and rationale for several one off payments to supporting documents.

We acknowledge that the earthquake has presented the City Council with unique challenges. We understand that it is uncertain when access to CAB will be restored. Given this, we are reconsidering our audit approach.

We will continue to liaise with management on this matter. If we conclude that we have insufficient information available for us to express an opinion on the reasonableness of payroll expense, we will discuss this with management as soon as possible.

3.2 Balance sheet reconciliations

The City Council's preparation and review of balance sheet reconciliations has not been timely. Coupled with the issue noted in section 3.3, this increases the risk of errors occurring.

This situation has been caused by issues with imbedding the new finance system and the associated processes. The finance team have been encountering issues with how TechOne has been coding transactions. This has increased the length of time taken to prepare reconciliations as additional time has been needed to resolve the coding matters. Also, the November earthquake has slowed the preparation of reconciliations.

We noted the following matters with the balance sheet reconciliations:-

- Reconciliations for the "00 – receipts" account have not been completed since October 2016.
- There have been significant delays in the preparation of the reconciliations for other bank accounts. The December 2016 reconciliations were not completed and reviewed until 13 March 2017.
- There is a large number of reconciling amounts which have not been appropriately analysed and resolved within the bank reconciliations which have been prepared.
- Reconciliations for the majority of suspense accounts have not been prepared. For those which have been prepared, preparation was delayed by several months and no independent review has been documented.
- Accounts receivable reconciliations have not been independently reviewed.

We recommend that management re-establishes its balance sheet reconciliation processes to ensure that reconciliations for all accounts are prepared and independently reviewed on a timely basis.

Timely and robust balance sheet reconciliations as at 30 June 2017 will be essential for reliable and accurate financial reporting.

3.3 Review of journals

We reviewed the City Council's process for posting journals in TechOne. We noted that there was no formal independent review process for journals. Manual journals can be posted to the GL without review. This increases the risk of erroneous journals being posted without detection.

Good practice would be to develop a workflow within the finance system which requires all manual journals to be reviewed prior to the journal being posted within the ledger. Many modern finance systems include functionality which automatically workflows journals to independent staff with appropriate delegation for approval prior to posting. This type of control would minimise the risk of erroneous journals being posted.

We recommend that the City Council implements a formal independent review process for Accounts Payable and Accounts Receivable journals.

Management comment

There are informal journal reviews with Accounts Receivable journals and more recently with Accounts Payable journals also. These journals are subject to independent reviews but these reviews are not documented. The Council also considered whether General Ledger journals should be reviewed and it was felt that there were other controls in place which mitigated the need for formal reviews.

3.4 Fixed Asset Register

The finance team has experienced difficulties in setting up the new Fixed Asset Register (FAR) module in TechOne, particularly with processing additions and disposals. As a result, no additions and disposals have been recognised in the FAR since 1 July 2016. In-year additions/disposal transactions have been recognised in the general ledger in a WIP suspense account but have not been allocated out to the appropriate completed asset GL code at this stage.

Finance has been recording the details of additions/disposals within a spreadsheet. This will be used to update the FAR at a later stage.

We recommend that all additions/disposals for 2016/17 are reflected within the FAR and that the FAR is reconciled in full to the General Ledger as at 30 June 2017. If this is not completed by year-end, this significantly increases the risk that Property, Plant and Equipment, and Intangible Asset disclosures within the financial statements are inaccurate or incomplete.

3.5 Treasury management policy and guidelines

The City Council's treasury management policy and guidelines require it to only invest in institutions with a credit rating of A+ or greater. The City Council currently holds significant investments in Kiwibank. Standard & Poors downgraded Kiwibank's credit rating in March 2017 from A+ to A. Therefore, these investments do not comply with the City Council's policy.

We recommend that the City Council reassess its risk appetite for investing with institutions with a credit rating of "A". If the credit rating limits within the current policy are assessed as no longer appropriate, the City Council should update the policy to reflect current practice. Alternatively it should divest the investment to comply with its policy.

4 Summary of recommendations

Summary of action taken against previous years' recommendations:

Number of recommendations from previous years' audits	Current status
1	Matters that have been resolved
2	No substantive progress has been made
8	Audit work still in progress

This summary needs to be read in conjunction with the status of recommendations raised in previous years' management reports as detailed at Appendix 2.

Appendix 1: Explanation of priority rating system

Our recommendations for improvement and their priority are based on our assessment of how far short the City Council is from a standard that is appropriate for the size, nature, and complexity of its business. We have developed the following ratings for our recommendations:

Urgent Major improvements required	Needs to be addressed urgently These recommendations relate to a serious deficiency that exposes the City Council to significant risk. Risks could include a material error in the financial statements and the non-financial information; a breach of significant legislation; or the risk of reputational harm.
Necessary Improvements are necessary	Address at the earliest reasonable opportunity, generally within 6 months These recommendations relate to deficiencies that need to be addressed to meet expected standards of good practice. These include any control weakness that could undermine the system of internal control or create operational inefficiency.
Beneficial Some improvement required	Address, generally within 6 to 12 months These recommendations relate to deficiencies that result in the City Council falling short of best practice. These include weakness that do not result in internal controls being undermined or create a risk to operational effectiveness. However, in our view it is beneficial for management to address these.

Appendix 2: Status of recommendations

Outstanding matters

Recommendation	Progress to date	Priority	Management's comment and proposed action
Significant reconciling items in bank reconciliation			
<p>During our 2016 audit, we agreed amounts from bank confirmations to the trial balance. We noted that a reconciliation was prepared which included significant balancing items. These included (A) items in GL but not in the bank statement and (B) items in the bank statement but not the GL. The unmatched items in (A) related to amounts receipted through the debtor sub-systems and did not match with the expected corresponding amount that came through on the bank statement (B). Both (A) and (B) largely netted off as they potentially related to the same items. However, because they differed in one aspect, eg: name, amount or reference they remained on the unreconciled schedule.</p> <p>The net difference between the two reconciliations was not material.</p> <p>Recommendation</p> <p>Clear the significant reconciling items on a timely basis.</p>	<p>In progress</p> <p>This issue referred to the "00 – Receipts" Account. As per Section 3.2, this account has not been reconciled since the October 2016. This matter remained unresolved then.</p>	<p>Urgent</p>	<p><i>Significant progress has been made on this reconciliation and Council is on track to have this completed by year-end.</i></p>
Timeliness of Payroll Reconciliations			
<p>During the audit we tested payroll reconciliations. We noted that these were not prepared in a timely manner. Also, we found there was no evidence of independent review of the reconciliations.</p> <p>Recommendation</p> <p>Prepare and independently review payroll reconciliations in a timely manner. This should ideally occur within five working days of month end.</p>	<p>In progress</p> <p>Resolution of this issue has been delayed by the earthquake. Reconciliations are still not being prepared and reviewed in a timely basis.</p>	<p>Necessary</p>	<p><i>Council fully reconciles what is paid to employees to ensure that the pays calculation equals the amount processed in the payroll system.</i></p> <p><i>The reconciliation referred to in this recommendation</i></p>

Recommendation	Progress to date	Priority	Management's comment and proposed action
			<p><i>relates to the reconciliation of payroll transactions from the Payroll System to the balance sheet General Ledger codes. There is no issue with the posting of Payroll transactions to the Statement of Comprehensive Revenue and Expense. This Balance Sheet codes reconciliation has been delayed due to system issues and Council is waiting on TechnologyOne resource to assist in resolving this.</i></p>
Lack of validation of attendance at events			
<p>We reviewed the data collection system for the performance measure – “Estimated attendance at WCC events”.</p> <p>We found that for ticketed events the City Council is using the attendance figures directly taken from the event organisers' reports without verifying that the attendance figures cited are correct.</p> <p>The City Council should obtain independent reports from the ticketing agency used by the event organiser to confirm that the attendance figures for events are valid.</p> <p>Recommendation</p> <p>Independent reports from the ticketing agency used by the Event Organiser. This will provide evidence that the attendance figures for events</p>	<p>In progress</p> <p>We understand from the Event Development Manager that any new or renewed contracts for the period 2016/17 onwards will require ticketing information from the Ticketing Agency.</p> <p>We will validate this as part of any testing of this performance measure during our final audit visit.</p>	<p>Necessary</p>	<p>Noted.</p>

Recommendation	Progress to date	Priority	Management's comment and proposed action
that it uses in reporting its result for this measure are valid.			
Sick leave accrual			
<p>The City Council does not accrue for sick leave even though employees may accumulate to up to 20 sick days. Each Full time employee is entitled to five days sick leave per year. Unpaid leave is not paid out. The effect of non-recognition of a sick leave liability is not expected to be material, however sick leave liabilities are not being reflected in the financial statements.</p> <p>PBE IPSAS 25 <i>Employee Benefits</i> requires an obligation to be recognised for any vesting or non-vesting accumulating compensated absences.</p> <p>Recommendation Consider accruing for sick leave liabilities in future.</p>	<p>In progress</p> <p>Management responded to our recommendation by saying that they did not consider this to be a material issue and therefore would not be implementing this recommendation.</p> <p>As part of our final audit, we will assess the potential materiality of this issue to the City Council's financial statements. If we assess this matter to be a material risk, we will discuss potential resolution options with management.</p>	Necessary	<i>Noted.</i>
Contract Management			
<p>The City Council has a centralised contract register from which we selected a small sample of contracts for review. This identified that some of the data within the register is old and potentially out of date.</p> <p>Recommendation The City Council review its contract register to ensure the accuracy and currency of information.</p>	<p>In progress –our specialist Audit and Assurance team will review contract management prior to our final audit.</p>	Necessary	<i>Noted.</i>
Procurement - Strategy			
<p>In 2014 we recommended the City Council document an overall procurement strategy. This should be a long term strategy that has been approved at service management level.</p> <p>Recommendation In 2014 we recommended the City Council document an overall</p>	<p>In progress – our specialist Audit and Assurance team will review procurement prior to our final audit.</p>	Necessary	<i>Noted.</i>

Recommendation	Progress to date	Priority	Management's comment and proposed action
procurement strategy. This should be a long term strategy that has been approved at service management level.			
Conflicts of interest			
<p>In 2014 we recommended some areas where the City Council should consider reviewing and further strengthening its procedures.</p> <p>Recommendation 1 Review the content of interest registers and update them so they are more comprehensive and reflect all aspects of good practice.</p> <p>Recommendation 2 Extend the registers to clearly document how interests have been judged as giving rise to conflict, and how these will be managed.</p>	In progress – our specialist Audit and Assurance team will review conflicts of interests prior to our final audit.	Necessary	<i>Noted.</i>
Accounting for Fines and Penalties in line with the requirements PBE IPSAS 23 – Non Exchange Revenue			
<p>The City Council recognises fines and penalties at face value, but at balance date makes an impairment provision reflect their low collectability.</p> <p>Under PBE IPSAS 23 the City Council is required to initially recognise non-exchange revenue at fair value rather than face value. Due to fines and penalties having a low historic collection rate, we believe the fair value of the fines and penalties is significantly below face value at the point of recognition.</p> <p>Recommendation Record fines and penalties revenue at fair value in future years.</p>	In progress Council has confirmed that it will record fines and penalties revenue at fair value for the period ending 30 June 2017. As part of our final audit we will confirm that fines and penalties have been accounted for on this basis.	Necessary	<i>Noted.</i>
IT Security Policy			
The City Council does not have one overarching IS/IT Security Policy. This potentially allows unauthorised access to systems and/or fraudulent,	Issue in progress A review and update of the security framework has been	Necessary	<i>Noted.</i>

Recommendation	Progress to date	Priority	Management's comment and proposed action
<p>malicious or unintended transactions to be posted.</p> <p>We recommended that the City Council develops and implements an IS/IT Security Policy as an overall statement of the importance of security to the organisation.</p> <p>Recommendation</p> <p>Review and update the security framework and security awareness programmes should be carried out.</p> <p>The roles and responsibilities including monitoring of security compliance should be established and recommendations from the external KPMG review should be progressed.</p>	<p>completed. As at January 2016, BIT has a small number of policies that are combined into an ICT Policy Handbook.</p> <ul style="list-style-type: none"> • General ICT Policy. • IT Security Policy. • Mobile Device Policy. • Information Management Policy - will include information security classification guidelines. <p>A security awareness programme has not yet been carried out.</p> <p>Our IS audit specialist will review this in May.</p>		
Aged items in the work in progress balance			
<p>In 2015, we noted that the City Council has a wide variety of assets under development at balance date. Within the work-in-progress balance of \$69.5 million, some \$5.2 million relates to items prior to 30 June 2013.</p> <p>This balance represents a number of minor items, and it is not clear whether they still represent valid capital projects that will be completed.</p> <p>Recommendation</p> <p>Finance staff should review the work in progress balance to determine the validity of items within the balance. They should assess whether these items are being recognised and accounted for correctly.</p>	<p>In progress</p> <p>During the year the City Council reviewed its WIP balance transferring it into OneCouncil. We reviewed the work-in-progress listing and noted that management has cleared a number of old WIP amounts prior to 30 June 2013. However, there is still \$2.4 million which relates to 2005-2012.</p> <p>We will review the WIP balance as at 30 June 2017 and consider what further progress has been made to clear out the WIP balance at year end.</p>	Beneficial	<p><i>This has been completed as part of the WIP reconciliation and will be updated prior to year-end.</i></p>

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for the year ending 30 June 2017

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Matters that have been resolved

Recommendation	Outcome
Rates revenue - No independent review of masterfile change report	
Perform a timely independent review for all rating masterfile changes. Evidence this independent check.	Monthly reviews of masterfile changes have been implemented. This are independently reviewed by the finance manager on a monthly basis.

3. Public Excluded

Resolution to Exclude the Public:

THAT the Finance, Audit and Risk Management Subcommittee :

Pursuant to the provisions of the Local Government Official Information and Meetings Act 1987, exclude the public from the following part of the proceedings of this meeting namely:

General subject of the matter to be considered	Reasons for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
3.1 Council Debtor Report	7(2)(c)(ii) The withholding of the information is necessary to 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 damage the public interest.	s48(1)(a) That the public conduct of this item would be likely to result in the disclosure of information for which good reason for withholding would exist under Section 7.
3.2 Draft 2016/17 Annual Report	7(2)(b)(ii) The withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information.	s48(1)(a) That the public conduct of this item would be likely to result in the disclosure of information for which good reason for withholding would exist under Section 7.
	7(2)(g) The withholding of the information is necessary to maintain legal professional privilege.	
	7(2)(i) The withholding of the information is necessary to enable the local authority to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).	
3.3 Internal Audit Update	7(2)(c)(ii) The withholding of the information is necessary to protect information which	s48(1)(a) That the public conduct of this item would be likely to result in the

	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 damage the public interest.	disclosure of information for which good reason for withholding would exist under Section 7.
3.4 Insurance Reserve Fund Performance	<p>7(2)(a) The withholding of the information is necessary to protect the privacy of natural persons, including that of a deceased person.</p> <p>7(2)(b)(ii) The withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information.</p>	<p>s48(1)(a) That the public conduct of this item would be likely to result in the disclosure of information for which good reason for withholding would exist under Section 7.</p>
3.5 Risk Management Update	<p>7(2)(c)(ii) The withholding of the information is necessary to 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 damage the public interest.</p>	<p>s48(1)(a) That the public conduct of this item would be likely to result in the disclosure of information for which good reason for withholding would exist under Section 7.</p>
