

# Audit & Risk Committee

## Open Agenda



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

**Date:** Tuesday 27 June 2017  
**Time:** 10:00am  
**Venue:** Council Chambers  
35 Kenrick Street  
TE AROHA

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### Membership

#### Chairperson

Sir Dryden Spring  
Mayor Jan Barnes  
Cr Neil Goodger  
Cr Brian Hunter

Cr James Sainsbury  
Cr Ash Tanner  
Cr James Thomas, JP

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**1 Meeting Opening**

**2 Present**

**3 Apologies**

At the close of the agenda no apologies had been received.

**4 Notification of Urgent Business**

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

**5 Confirmation of minutes**

Minutes, as circulated, of the Ordinary Meeting of Audit & Risk Committee , held on 21 February 2017



## Health & Safety Management System - External Audit

Trim No.: 1887176

Item 6.1

### Executive Summary

10:30 a.m. Mr Mike Cosman, Cosman Parkes Ltd

The Audit & Risk Committee recommended that Council seek an external audit of their health & safety management system. Mr Mike Cosman of Cosman Parkes undertook the audit in April 2017.

Mr Cosman has extensive experience in health & safety, both in New Zealand and the UK, and will be in attendance at the meeting to present the report and answer questions from members.

A copy of the audit report is attached.

### Recommendation

That:

1. **The report be received.**

### Background

The Health and Safety in Employment Act 2015 and several new Regulations have placed new requirements on Council and the audit was an opportunity to determine Council's current compliance with the new legislation.

The health & safety work programme is based on a gap analysis of areas requiring additional work. These areas are then risk assessed and prioritised for the annual work programmes.

The audit did not identify any areas that had been overlooked in the gap analysis however it did identify that while appropriate systems were in place there was still a need for some of the processes to be fully embedded into the organisation.

The audit has given an opportunity to reassess the work programme and the health and safety focus going forward. A revised work programme will be developed based on the recommendations of the audit report and comments from the Audit & Risk Committee and will be reported back to Council through the monthly Health and Safety report.

### Issues

The report identifies nine strategic and ten operational areas to be addressed. Work has commenced on addressing some of these issues and the following actions are underway:

Health & safety clauses for contracts – clause 3, page 6 of report

Mr Cosman has been asked to advise on appropriate clauses to be included in all future contracts. Discussions are ongoing.

Solid waste contract – clause 7, page 7 of report

Item 6.1

A meeting has been held between the three Councils that are party to the contract to discuss the outcomes of the audit. An external Health and Safety professional has now been engaged to conduct a review of the health and safety aspects of this contract. The anticipated timeframe for reporting back is September 2017

Asbestos management – clauses 8 - 10, page 7 - 8 of report

A business case has been approved by the E-Team to ensure all requirements of the Asbestos Regulations are currently being met and Asbestos management plans are in place by 4 April 2018. This is a significant piece of work and will include staff from several teams. The project is being managed by the Kaimai Consultants Manager.

Matamata Memorial Centre project – clause 11, page 8 of report

Discussions have commenced with the Kaimai Consultants Manager and contractors to ensure compliance with the Asbestos Regulations and to regularly monitor health and safety compliance during the contract.

Temporary traffic management – clause 14, page 8 of report

This area has had significant training and auditing in the last 12 months and this will continue.

## Attachments

There are no attachments for this report.

## Signatories

Author(s)	Sandy Barnes <b>Health &amp; Safety/Quality Manager</b>	
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Approved by	Dennis Bellamy <b>Group Manager Community Development</b>	
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# Update of Quality Internal Audits Completed May 2017

Trim No.: 1892823

## Executive Summary

As part of ISO 9001:2008 internal audits are scheduled throughout the year and allocated to our 18 internal auditors.

The Unit Managers have considered the “key risk areas” for their units which provide the basis for our internal audit schedule for 2017.

This year 37 audits have been allocated to the 16 auditors. This doesn’t include the 15 cash handling audits that are done by 2 auditors from the Finance and Business Services Team.

Up to the end of May, staff have completed 11 audits.

From the completed audits there were 4 area of concern’s and 30 opportunity for improvement’s which have been recorded as corrective actions in the quality system and allocated to staff to complete.

**Recommendation**

**That:**

- The information be received.**

## Content

### Background

Our internal auditors use the following classifications for any issues they believe need addressing. These are:

- **OI – Opportunity for Improvement.** These are suggestions for things that could be considered. They are not mandatory.
- **AOC – Area of Concern.** These are major issues which require urgent attention.
- **NC – Non Conformance.** These are issues that are major and staff are not following the procedure. These issues are likely to have serious implications if left unresolved.

Below are those which had “Areas of Concern” or “Non Conformances” noted by the auditors.

Department	Procedure	AOC/NC
Assets – Strategy and Policy	Generating Playground Safety Inspections	<b>AOC-1:</b> New process required for Conducting Playground Inspections. This should be linked to the Generating Playground Safety Inspection as an output/dependency.
Assets – Strategy and Policy	Generating Playground Safety Inspections	<b>AOC-2:</b> New process required for loading completed playground inspection data into the system. This should be linked to Generating Playground Safety Inspection.
Property (Kaimai Consultants)	Valuation Process for Council Land	<b>AOC-1:</b> Strongly suggest that all departments listed in this process: FAB’s, Strategy and Policy and KC (Property Services Officer) be involved with rewriting this process and determine exactly who is responsible for what.

Assets – Strategy and Policy	New Water Meter Process for Building and Resource Consents	<b>AOC-1:</b> Process not yet finalised and yet to be put in place. Meeting as above recommended.
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Listed below is a copy of the Internal Audit schedule for 2017.

<b>Department</b>	<b>Audit Scheduled</b>	<b>Month</b>
Finance and Business Services	AP Payroll PAYE Payments	Feb-17
Customer Services	CRM - How to Log a CRM / Reminders and Escalations of CRMs	Feb-17
Facilities Operations - TA Spas	Power Failure at Te Aroha Mineral Spas	Feb-17
Assets - Strategy & Policy	Generating playground safety inspections	Feb-17
Kaimai Consultants	Setting up a Contract or SFA (Short Form Agreement) in Authority	Mar-17
Kaimai Valley Services	Matamata Wastewater Treatment Plant Resource Consent	Mar-17
Human Resources	Calculate ACC Liable	Mar-17
Animal Control	Infringement Processing	Mar-17
Assets - Strategy & Policy	New Water Meter Process For Building and Resource Consents	Apr-17
Kaimai Consultants	Insurance Claims Procedure (excluding vehicles)	Apr-17
Kaimai Valley Services	Contract Management - Waihou Engineering	Apr-17
Assets - Strategy & Policy	Assets - New play equipment - Installation and Asset Handover	May-17
Corporate Strategy	Annual Plan	May-17
Human Resources	PAYE reporting and payment to IRD - mid month/month end	May-17
Planning - Health	Food Premises Health Licence New and Renewal	Jun-17
Kaimai Consultants	Bacterial Testing and Result Reporting for Council Water Supplies	Jun-17
Kaimai Valley Services - Retic	Water Reticulation Pipe Laying Checklist	Jun-17
Information Technology	Monthly Reviewing of System/Data Back Ups Procedure	Jun-17
Customer Services	Customer Complaints Procedure and Guidelines	Jul-17
Kaimai Valley Services	Te Aroha Water Resource Consent	Jul-17
Records	Building Control scanning and saving of BC related documents	Jul-17
Kaimai Valley Services - Wastewater	Person Falling Into An Aerated Tank	Aug-17
Libraries	Notices to Users - All libraries	Aug-17
Finance and Business Services	OLR/Purchasing - Business Process	Aug-17
Kaimai Valley Services	Purchase & Disposal of Vehicles/Plant/Small Equipment (2 processes)	Aug-17
Finance and Business Services	Create a Purchase Order using Online Requisitioning (OLR)	Sep-17
Kaimai Valley Services	Morrinsville Water Resource Consent	Sep-17
Information Technology	WebMap 6.1 Updates/Backup Restore SQL databases	Sep-17
Communications	LGOIMA or OIA Request Management Overview	Oct-17
Records	MPDC Information security and control Procurement Manual and Checklist, includes a review of the Procurement Strategy	Oct-17
Kaimai Consultants	Sodium Hypochlorite Safety Procedure	Oct-17
Facilities Operations - Pools	Small Water Reticulation Repairs	Nov-17
Kaimai Valley Services - Water	How to deal with requests for information about library customers	Nov-17
Libraries	Prepare and notify decision on proposed plan change	Dec-17
Planning	Creating and Managing Projects & Project Management Handbook	Dec-17
Kaimai Consultants	Maintaining Existing Records	Dec-17
Animal Control	Twelve Monthly (Triennial Audit for 2017)	Nov-17
Telarc SAI Audits	WSMP Internal Audit	Sep-17
Health and Safety		

**PROPOSED INTERNAL AUDITS TIMETABLE**

**Cash Handling - 2017**

<b>Site</b>	<b>Proposed Audit Date</b>	<b>Month</b>
Visa Credit Cards	Monthly	
Timesheets – KVS	Annually	Feb-17
Firth Tower	Annually	Apr-17

Matamata Recycling Centre	Annually	Apr-17
Te Aroha Mineral Spas	Annually	May-17
Te Aroha i-SITE	Annually	May-17
Swim Zone Te Aroha	Annually	Jun-17
Swim Zone Matamata	Annually	Jun-17
Timesheets – Community Facs	Annually	Aug-17
Waihou Recycling Centre	Annually	Aug-17
Morrinsville Recycling Centre	Annually	Sep-17
Morrinsville Office	Bi-annually	Oct-17
Morrinsville Library	Bi-annually	Oct-17
Aerodrome	Annually	Nov-17
Swim Zone Morrinsville	Annually	Dec-17
Matamata Library	Bi-annually	Oct-18
Matamata Office	Bi-annually	Oct-18
Te Aroha Office	Bi-annually	Oct-18
Te Aroha Library	Bi-annually	Oct-18

### Attachments

There are no attachments for this report.

### Signatories

Author(s)	Raewyn Ellison <b>Quality Coordinator</b>	
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Approved by	Dennis Bellamy <b>Group Manager Community Development</b>	
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## Building Control Authority - 2017 Assessment

Trim No.: 1890909

### Executive Summary

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

International Accreditation New Zealand (IANZ) undertook an on-site audit of Council's building control functions on 29 – 31 March 2017. A copy of their report is circulated separately.

### Recommendation

That the information be received.

### Content

#### Background

The BCA scheme requires that any territorial authority carrying out building consent, inspection and approval work be accredited by the building consent accreditation body, International Accreditation New Zealand (IANZ), against the standards and criteria in the Building (Accreditation of Building Consent Authorities) Regulations 2006. The council must then be registered by the Ministry of Business, Innovation and Employment against the standards and criteria in the Building (Registration of Building Consent Authorities) Regulations 2007.

The accreditation and registration of BCAs is intended to:

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

The standards focus on four functional areas:

#### Formal, documented policies, systems, processes and procedures

Documented policies, systems, processes, and procedures help BCAs manage the way they operate, make compliance assessments and decisions, manage risk and achieve better consistency and identified outcomes. The standards will help BCAs monitor, review and

continuously improve their performance. Sound record-keeping and information-storage practices are also essential in the building control environment. These provide an audit trail of how a BCA processes consent applications, undertakes inspections and issues code compliance certificates, the decisions they make and the rationale for those decisions.

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

### **Skills and resources**

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

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

### **Quality assurance systems**

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

### **Staff qualifications**

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

### **Issues**

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

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

The Lead assessor's noted in her report:

*'This Routine Reassessment of Matamata Piako District Council (MPDC) BCA identified that compliance with the accreditation regulations continued, for the most part, to be demonstrated.*

*The assessment outcome was that continued accreditation would be recommended once the one Corrective*

*Action Request (CAR), briefly summarised below and detailed in the following pages, has been cleared. It is recommended that all submissions are received by IANZ at least 10 working days prior to the clearance date. In this case the information should be received by 14<sup>th</sup> July 2017.*

### **Corrective Action Request**

#### **Findings**

*'The review of processing records found that the records of reasons for decisions was inconsistent and in many cases not recorded appropriately in the processing checklists by the processing officer. The officer mainly relied on prompt boxes for a pass or fail decision and generic statements such as complies with E2/AS1 or as per the fire report.*

*In several examples Section 112 (Alterations to a building) were marked either "not applicable" (N/A) when it was applicable or "applicable" with no reasoning to explain why.*

*Several large building consents also had no request for information (RFI), which on review by the assessment team appeared to have a number of compliance issues requiring further information. Due to the lack of records in the consent examples sighted it was difficult to establish how compliance was assessed, verified and confirmed by the BCA.*

*Review of records completed by staff indicated that a number of issued Compliance Schedules had incorrect technical references, performance standards and specified systems were not site specific.*

*A number of issued NTF had not appropriately recorded the particulars of the contravention or non-compliance, when the contravention was identified (date) or the BCA number (if an active BC)'.*

#### **Action Required:**

Provide a plan that details how the BCA will address the identified shortfalls in ensuring that it records its reasons for decisions. Once accepted implement the plan and provide evidence of effective implementation.

Provide the following evidence to IANZ for review:

- Three building consent examples of processing records. Provide a range of residential and commercial processing checklists.
- One completed NTF (Notice to Fix) either for the BCA or Territorial Authority.
- Two completed compliance schedules with a range of specified systems.

Agreed clearance date: **14 July 2017**

Nine recommendations were also made by the Assessment Team. Recommendations are intended to assist the BCA in its efforts to maintain an effective quality management system. They are not conditions of accreditation.

The BCA is also now working through these recommendations.

### **Attachments**

There are no attachments for this report.

### **Signatories**

Author(s)	Dennis Bellamy <b>Group Manager Community Development</b>	
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Approved by	Dennis Bellamy <b>Group Manager Community Development</b>	
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# Long Term Plan 2018-28 - Project Update

Trim No.: 1890707

## Executive Summary

Council is required to prepare and adopt a Long Term Plan (LTP) under the Local Government Act 2002 (LGA) every three years. This report provides a progress update on the development of the LTP 2018-28.

### Recommendation

That:

1. The information be received.
2. The Committee considers whether to provide any feedback to Council.

## Content

### Background

Council is required to prepare and adopt a LTP under the LGA. The LTP sets out the activities, budgets, financial strategy and key financial policies of the Council for the next 10 years. The LTP 2018-28 must be adopted by Council by 30 June 2018 for implementation from 1 July 2018.

The LTP is a complex document covering all activities of Council, major strategic documents, financial policies, auditing and a large consultation component with the community. Due to its complexity and interrelationships between parts the timeline may be adjusted throughout the project. The dates for the External Audit process, consultation and adoption however cannot be changed.

Table 1 provides a high level overview of progress to date and upcoming milestones. The overall project is considered to be on track.

Table 1 – Project Timeline

Description	When	Progress
Demographic/Growth Assumptions	Feb-May 2017	Council has adopted the <i>median</i> growth projections. Major assumptions to be discussed with Audit & Risk Committee in June
Financial Assumptions	Feb-May 2017	Separate report to this meeting
Community Outcomes Review	Apr-Jun 2017	<i>Refer below</i>
Rates Structure	Apr 2017-Jun 2018	Council has indicated a preference to maintain the current rating structure for the LTP 2018-28.
Activity Plans (including budgets)	Apr-Sep 2017	<i>Refer below</i>
Right Debate (pre-consultation) if required	Apr-Aug 2017	<i>Refer below</i>
Infrastructure and Financial Strategy	Apr-Oct 2017	On track – First Draft to be discussed with Council in July/August

Description	When	Progress
Asset Management Plans	Feb-Oct 2017	On track
Policy Review	Apr-Oct 2017	Refer below
Council controlled organisation section	Jul-Nov 2017	Due to start in July.
Maori participation in decision making	Jul-Oct 2017	Refer below
Budgets/ Financials/ Notes	Jul-Dec 2017	First Cut Budgets will be prepared for Council discussion in July.
Document development and QA	Jul-Dec 2017	Due to start in July.
Communications Strategy	Jul-Dec 2017	Due to start in July.
External Audit Process	Jan-Jun 2018	Scheduled for Jan 2018 Audit Arrangement Letter is expected in July 2017, and will be reported to Council
Special Consultative Procedure	Jan-Jun 2018	Scheduled for 2018
Adoption	By 30 June 2018	

Community outcomes / vision need to update from Forum

At its meeting 12 April Council confirmed its new vision; *Matamata-Piako – The Place of Choice*. Council also confirmed its new outcome themes and outcomes (see Attached), *subject* to considering feedback from Te Manawhenua Forum (Forum). The new vision and outcomes were discussed with the Forum at their meeting 6 June. This will be further discussed with Council at their meeting 14 June and staff will provide verbal update to the committee at the meeting.

Activity Plans

During the months of May and June Council's activity managers have presented their proposed Activity Plans to Council workshops. Separate reports to Council meetings are being prepared for the assets based activities, and a summary report on non-asset based activities will be prepared for the COC meeting in June. Specific issues raised during workshops will also be subject to individual reports for Council consideration.

First cut budgets are being prepared, based on feedback from workshops, barring any major changes we expect to discuss these with Council in July.

Right Debate

As part of the preparation of the LTP Council encourages early engagement with the community. The 'Right Debate' is an internal name for the pre-consultation process for the LTP. The 'Right Debate' allows Council to gain feedback from the community on significant issues, contributing to the strategic direction of Council in the earlier planning stages of the LTP. Staff have worked with Council to identify the issues which form the right debate over the past few months. Council has so far confirmed the first topic for the 'Right Debate': *Love your district, reduce your waste*.

This year's rubbish bags are being distributed between 6 and 17 June. This was identified as an opportune time to advertise the 'Right Debate' and generate a discussion with the community on waste minimisation. Submissions can be made either online or in hard copy, between 6 June and 2 July, with initial results and analysis being prepared for discussion with Council in July. The results of the 'Right Debate' will help staff and councillors prepare the Draft LTP, which will be out for formal consultation in March 2018.

Policy Review

As part of the LTP Council needs to review several of its policies;

- Development Contribution

Initial workshop with Council was held in April. Council indicated that they are comfortable with the current Policy, and asked staff to make some minor amendments. During the discussion on DC Policy, council also discussed how stormwater management is currently funded, and asked that staff bring back a report on this separately. Once this has been considered Staff will prepare a draft DC Policy for consideration by September

- Policy on Remission and Postponement of Rates  
This is scheduled to be discussed with Council in the next couple of months.
- Significant and Engagement Policy (SEP)

Council's SEP was adopted in December 2014. While there is no legal requirement to review the SEP, Section 76AA provides for "A policy adopted under subsection (1) may be amended from time to time". If Council wishes to amend its SEP, Council must consult in accordance with section 82 of the LGA unless it considers on reasonable grounds that it has sufficient information about community interests and preferences to enable the purpose of the policy to be achieved.

Staff has identified some changes required to the Strategic Asset list as well as some minor editorial amendments, which will be reported to Council in July. Council's Communications Team will also review the Community Engagement Guide which forms Schedule 2 of the current SEP.

#### Maori participation in decision-making (refer pp 65-67 LTP 2015-25)

This section of the LTP 2018-28 will be developed in collaboration with the Forum. Traditionally it has included updates on Treaty of Waitangi settlements and associated legislation, a description of the functions of the Forum and also how Council engage with local iwi/hapu on matters relating to resource management. Recent changes to the Resource Management Act 1991 (RMA) may see some changes to how council engage with iwi/hapu on RMA matters. The Forum has also asked for a review of its Heads of Agreement, and this was discussed at their June meeting. Staff will continue to work with the Forum and elected members on this section of the LTP.

#### **Risk Management**

Risk management involves the identification and assessment, then avoidance, mitigation or elimination of risks.

A risk log is maintained and monitored by the Project Team (Refer attached). No new risks have been identified since the last ARC meeting in February.

#### **Legal and statutory requirements**

Council is required to adopt a Long Term Plan under the Local Government Act 2002. The LGA also requires Council to establish and maintain processes to provide opportunities for Maori to contribute to decision making.

#### **Impact on policy and bylaws**

As part of the preparation of the LTP, Activity and Asset Management Plans will be checked against Council's key strategic and policy documents for strategic fit. The preparation of the LTP may lead to the review of some Council policy documents.

#### **Impact on significance policy**

The Long Term Plan is a significant document; consultation will be undertaken with the community.

### Communication, consultation and decision making processes

The Long Term Plan is subject to the special consultative process under the LGA. The special consultative process is a structured one month submission process with a hearing for those who have submitted and wish to speak to their submission.

The Long Term Plan project timeline also provides for a 'pre-consultation' process with the community referred to as the Right Debate where Council can ask for feedback on key issues it is considering for the Long Term Plan. Refer *Right Debate* above.

### Consent issues

There are no consent issues.

### Timeframes

The Long Term Plan must be adopted prior to 1 July 2018.

## Financial Impact

### i. Cost

The total budget for the Long Term Plan 2018-28 is \$135,000, funded \$45,000 per year. The total spend to date is \$61,200 - \$49,600 in the 16/17 financial year. This excludes audit fees.

This is broken down to external consultant on specific tasks (i.e. population projections), legal advice/peer review, design and printing, consultation, advertisement and external audit by Audit NZ.

At the time of writing, the Audit Arrangement Letter and Audit Fee letter from Audit NZ had not been received. Early indication from Audit NZ is that the Audit Fee for the LTP 2018-28 audit will be the same as the LTP 2015-25 audit plus 5%.

### ii. Funding Source

This is funded from existing budgets.

## Attachments

A. Outcomes and Vision confirmed by Council 12 April 2017

## Signatories

Author(s)	Ann-Jorun Hunter <b>Policy Planner</b>	
Approved by	Michelle Staines-Hawthorne <b>Corporate Strategy Manager</b>	
	Don McLeod <b>Chief Executive Officer</b>	

## Growth Assumptions - Long Term Plan 2018-28

Trim No.: 1882268

### Executive Summary

The purpose of this report is to formally present to the Audit and Risk Committee the projections for the District's resident population, dwellings and rating units to inform the Council's Long Term Plan 2018-28.

Rationale has modelled low, medium and high growth scenarios for Council's consideration. Rationale recommended Council adopt a medium growth scenario, which would see annual average annual growth rates out to 2048 of 0.3% for resident population, and 0.6% for dwellings and 0.7% for rating units respectively. Council formally adopted the medium growth series at its meeting on 26 April 2017.

The report from Rationale presenting the growth projections is attached. Supporting tables showing the low, medium and high projections are available upon request.

### Recommendation

That:

1. **The information be received.**

### Content

#### Background

##### Growth Projections

Up-to-date growth projections are required to assist Council in planning for its services and facilities (e.g. through updating activity plans and capital works programmes) and the funding of those services and facilities. Council undertakes a growth projections review every three years as part of the Long Term Plan process. Councils are required to use the most up-to-date and accurate data available to inform their planning, therefore it is appropriate to review the Council's current growth projections (last review being in 2014) to take account of new 2013 Census data and Statistics NZ updates made available since 2014. Amendments to the Local Government Act 2002 in 2014 include the requirement for councils to publish rating unit projections, and to develop a 30 year Infrastructure Strategy. This project contributes to Council meeting these legislative requirements.

The Growth Projections Review as part of the Long Term Plan 2018-28 has been undertaken as a collaborative project with Hauraki District Council and Thames-Coromandel District Council. This was considered appropriate due to the strong history of collaboration between the Councils. In 2014 the three councils collaborated on the same project using Rationale Consultants.

A Project Brief was determined requiring similar deliverables across the three Councils, and a proposal was sought from one other organisation. Rationale Limited was engaged to undertake the work, being considered the most appropriate based on cost and the ability to deliver the required outputs.

Rationale report

The Rationale report provides population, dwelling and rating unit projections out to 2048, for the district and its three ward areas and 13 settlement areas. Further detail is provided on the population structure (age demographics and average household size), dwelling types (occupied, unoccupied and under construction) and for each of Council's six rating unit categories.

Projections have been developed for the district, wards and key settlements (which are based upon Statistics NZ Census Area Units) extending out to 2048. The settlements included in this review are as follows:

- Matamata North
- Matamata South
- Morrinsville East
- Morrinsville West
- Waitoa
- Te Aroha
- Waharoa
- Te Poi
- Hinuera
- Okauia
- Springdale
- Tahuroa
- Waihou-Walton

A customised analysis of various rural settlements within the district is currently being worked on to inform asset management planning and District Plan reviews.

A growth model has been built to allow multiple scenarios to be considered. The three scenarios are developed from three baseline resident population growth rates considered appropriate for Matamata-Piako District - low growth (declining population), medium growth (slight increase in population), high growth (strong population growth). Rationale recommended the medium growth scenario be adopted. Council received a presentation from Walter Clarke, of Rationale consultants on 26 April 2017. Following this presentation, Council formally adopted the medium growth series.

The medium growth scenario is considered to provide a sound basis for Council's long term planning. This would see annual average growth rates out to 2048 of 0.3% for resident population, and 0.6% for dwellings and 0.7% for rating units.

A summary of the key results are shown below for the medium growth scenario:

Output	2013	2018	2028	2038	2048	Change (2013 - 2048)	Average annual change	Annual average growth rate
<b>Resident Population</b>	32,910	34,980	36,540	37,050	36,950	4,040	115	0.3%
<b>Total Dwellings</b>	13,231	14,312	15,327	15,905	16,489	3,258	93	0.6%
<b>Total Rating Units</b>	13,876	14,961	16,039	16,719	17,409	3,533	101	0.7%

Regarding the population structure, the district has a similar age profile to the rest of New Zealand. However in 2013 the proportion of people aged 65+ made up around 18% of the district's total population, which is higher than the nationwide average of 14%. This ageing population trend is projected to continue, with the proportion of people in the district aged 65+ increasing to over 30% by 2048. The number of people aged between 15 and 64 years of age is projected to decrease. This may have a flow-on effect to the make-up of the work force in the district.

Factors such as the aging population contribute to a decline in the average household size, decreasing from around 2.5 residents per household in 2013 to around 2.3 in 2048.

In terms of geographic spread of growth, all three wards are projected to experience population and dwelling growth. The total population and dwellings increase is highest in the Matamata Ward, followed by the Morrinsville Ward and then the Te Aroha Ward. Nearly 80% of the population growth and 70% of the dwelling growth is forecast to occur in the three urban towns (Matamata, Morrinsville and Te Aroha). The population growth in the rural settlements is noticeably lower than the main towns, and in some areas a slight decline is forecast. However dwellings are projected to increase in all the outlying rural settlement areas.

Population and dwelling growth flows through to rating units. The district rating units are predominately Residential and Lifestyle, with around 75% of total rating units falling under these two categories. Therefore any rating unit growth is heavily dependent on dwelling growth. However the two business-related rating unit categories, Industrial and Commercial, are both projected to increase at a greater growth rate than the population and dwellings. As with the population and dwelling growth, around two-thirds of this business related rating unit growth is located in the three urban towns.

Taking an overall view of population, dwelling and rating unit growth, Morrinsville town is projected to be the fastest growing (annual percentage change), followed by Morrinsville and then Te Aroha. The annual percentage change accounts for the size of the towns. The Te Aroha town is less than two-thirds the size of Matamata and Morrinsville, respectively.

The low projections show Te Aroha's usually resident population (URP) in a sharp decline, Morrinsville and Matamata in a gentle decline while all three wards see an increase in dwellings and rating units. The medium series shows Te Aroha is projected to peak in 2033 and then decline, while total dwellings and rating units continue to grow to 2048. Across all low, medium and high series all wards have higher growth in dwellings and rating units than the URP which aligns with the district age profile.

## **Issues**

### Statistics NZ

In March 2017 Statistics NZ released three alternative projections (designated low, medium, and high) using different fertility, mortality, and migration assumptions at Census Area Unit level for Matamata-Piako.

The low and high projections allow users to assess the impact on population size and structure resulting from lower growth and higher growth scenarios, respectively. The low projection uses low fertility, high mortality, and low net migration for each area. The high projection uses high fertility, low mortality, and high net migration for each area.

At the time of release, the medium projection is considered the most suitable for assessing future population change and is consistent with the medium projection for territorial authorities in the Subnational Population Projections: 2013(base)-2043 update (released 22 February 2017). However Statistics NZ advises that users of the data can make their own judgement as to which projections are most suitable for their purposes.

The Statistics NZ projections are generally consistent with Rationale's projections. Rationale recommended Council adopt a medium growth series which is consistent with Statistics NZ advice.

### NIDEA

The National Institute of Demographic and Economic Analysis (NIDEA) have produced demographic projections at the Census Area Unit (CAU) level for the Waikato Region. Projections prepared for each CAU include population, household and labour force projections for selected years (2021, 2031, 2041, 2051, and 2061).

At a regional scale, Waikato District, Hamilton City, and Waipa District provide the majority of population growth over the projection period. However, this population growth is especially concentrated in the peri-urban area immediately surrounding Hamilton City, and the area closest to Auckland, while rural and peripheral areas decline in population. The household and labour force projections closely follow the population projections.

The overall pattern of population change in the Waikato Region is one of growth followed by decline for the region as a whole, but is not followed uniformly by all territorial authorities. Four territorial authorities (Waikato District, Matamata-Piako District, Hamilton City, and Waipa District) are projected by NIDEA to experience population growth throughout the projection period, while most territorial authorities experience an initial increase in population (which is relatively modest for some) before experiencing later population decline.

NIDEA's methodology differs from that employed by Statistics New Zealand and Rationale. Rationale has undertaken a high-level comparison to NIDEA's projections which shows NIDEA are projecting an additional 1,448 residents by 2048.

#### Growth Projections - need for growth projections

The Census is an important information source as it is literally the only source that presents information with any degree of accuracy for geographic areas smaller than a territorial authority.

Council uses the projections data:

- to develop its forecasts of growth and demand for our services – these assumptions underpin our financial strategy, all of our asset and activity planning, and through those plans, our Long Term Plan,
- The infrastructure strategy requires consideration of population levels, land-uses, and rating unit growth for 30 years (2018 to 2048). Statistics NZ and Councils previous growth projections did not project this far and did not provide this level of detail.
- As an information source in its monitoring of the achievement of council's community outcomes as required by the Local Government Act (there is a requirement to put any monitoring we do in the Annual Report).
- to develop its policy on development contributions – where significant errors in the available data could result in significant under-recovery of funds from the development community with flow on effects on Council rates
- to set the basis for developing our other strategies and policies
- Inform land-use planning - predominantly Councils District Plan
- Inform relevant policies and strategies, and asset management planning.

These projections are key assumptions that underpin our asset and activity planning, and through those plans, our LTP.

## Analysis

### Options considered

Council needs to approve a set of growth projections (population, dwellings and rating units) which will form the basis of growth assumptions to feed into the Council's Long Term Plan 2018-28 processes.



Rationale has developed multiple growth scenarios, and makes a recommendation on the most appropriate scenario for use to inform Council's 2018-28 Long Term Plan processes. This work (including methodology, scenarios options and recommended scenario) is set out in the Rationale report.

In line with Rationale's recommendations Council adopted the growth scenario considered most appropriate to form the basis of its Long Term Planning assumptions. The approved growth assumptions will inform Council's Long Term Plan 2018-28.

It is noted that the range of projections provided (low, medium and high) allows Council to use lower or higher projections to model the impact of certain infrastructure/strategy decisions. For example, when considering capital work Council can use the high population section to understand what this would mean in terms of infrastructure provision.

### **Analysis of preferred option**

Council had an option to modify the projections to develop an alternative growth scenario. If this was to be done clear guidance would be required on the assumptions to be applied in order to build the modified scenario.

### **Legal and statutory requirements**

Councils are required by the Local Government Act 2002 to identify significant forecasting assumptions in the Long-Term Plan including the level of uncertainty with those assumptions, and must disclose the possible effect of uncertainties on the financial forecasts. These assumptions include demographic forecasts, which are significant in determining the expected future demand for services and, therefore, Councils spending.

### **Impact on policy and bylaws**

#### Caveats

Demographic projections are not predictions or forecasts and projections by nature are uncertain. The further out in time, and the smaller the spatial scale considered, the higher the level of uncertainty associated with the projections.

No model can predict the future. The projections represent only one possible, albeit plausible, future. Projections are an artefact of both method and data. Models are not reality but a representation of it based on input data, available knowledge and expert assumptions.

The projections should be used as an indication of the overall trend (e.g. long-run averages), rather than as exact forecasts. The projections are updated by Council every three years in line with the Long-Term Plan cycle to maintain their relevance and usefulness, by incorporating new information about demographic trends and developments in methods.

#### Limitation

A limitation of the growth projections is that they are based upon the 2013 Census data. The next Census is due in 2018; following this the projections will be updated in 2020 to take account of findings from the 2018 Census, and the Rationale Model allows for this updated information to be incorporated.

Item 6.5

In between census's Statistics NZ progressively release demographic information. Staff will undertake a 'check' of the Rationale growth projections against updated Statistics NZ information as and when it is released. Whether it would be necessary and feasible to update the Model and resulting growth projections will be assessed considering indicated accuracy and implications for Long Term Plan 2018-28 timeframes.

Risks

Rationale has recommended a 'medium' growth scenario for the district which Council has adopted. If the growth does not occur as forecast this will impact on the development contributions received for financing development. It will also impact on rates as there will be less than the forecast number of ratepayers over which to spread the rating burden.

The growth component of new capital projects is generally funded from development contributions. If development does not occur at the rate predicted, Council may have to borrow additional funds. Over projection of growth may also result in infrastructure investment being made before it is needed or that may not be required over the long-term.

Growth rates have been carefully researched but economic and other conditions can cause variations from year to year.

**Consistency with the Long Term Plan / Annual Plan**

The information will feed into the LTP process.

**Impact on significance policy**

Adoption of the LTP growth assumptions is not considered significant in terms of the Significance and Engagement Policy. The LTP is a significant issue and will be consulted upon in early 2018.

**Communication, consultation and decision making processes**

The consultation and communications will occur as part of the LTP process.

**Consent issues**

There are no consent issues.

**Timeframes**

If Council adopts the growth projections they will be incorporated into the LTP development.

**Contribution to Community Outcomes**

The LTP contributes to our all our community outcomes.

**Financial Impact**

**i. Cost**

The cost of this work is approximately \$15,000 plus GST.

ii. **Funding Source**

The cost is incorporated within the 'Strategies and Plans' budget which is general rate funded activity.

**Attachments**

A. Growth Projections Report

**Signatories**

Author(s)	Niall Baker <b>Policy Planner</b>	
Approved by	Michelle Staines-Hawthorne <b>Corporate Strategy Manager</b>	
	Don McLeod <b>Chief Executive Officer</b>	



## 2018/28 LTP Financial Assumptions

Trim No.: 1892057

### Executive Summary

At this preliminary stage in the development of the LTP, staff seek to confirm that the Committee is satisfied with the methodology/direction of some of the more significant financial assumptions intended to be applied in the first draft of the LTP budgets

### Recommendation

That:

1. **The Committee confirm or provide direction to staff on the development of the significant financial assumptions for the 2018/28 LTP.**

### Content

#### Background

As part of the development of the 2018/28 LTP, Council need to review the significant forecasting assumptions upon which the plan is based, the risks associated with these assumptions, and whether there are any additional significant assumptions that should be disclosed. At this preliminary stage, staff seek to confirm that the Committee is satisfied with the methodology/direction of some of the more significant financial assumptions intended to be applied in the first draft of the LTP budgets. Further information and a complete draft of the forecasting assumptions will be presented to Council at a later date. Of note also is that Council have already reviewed and agreed on the growth assumptions that will be applied in the LTP, so these are not discussed in this paper.

#### Inflation

Council must include an assumption for forecasted inflation applied in years 2-10 of the LTP. In previous years, Council has used the Local Government Cost Inflation (LGCI) forecasts provided by Business and Economic Research Limited (BERL). BERL are commissioned by SOLGM to produce this information to be used by the Local Government sector for the purpose of developing their LTPs. There has been some unease noted with use of BERL forecasts in the past, as hindsight has shown us that these estimates have been higher than the actual inflationary pressures faced by Council.

The effect of this has meant that in the past, the forecasted movements in rates, debt and expenditure, for years 2 to 10 of the LTP have been overstated. A more accurate forecast may have resulted in different decisions being made about what could be affordably achieved in those years. Council's planning cycle is such though, that each year the LTP budget is reviewed through the Annual Plan process, and again the LTP is reviewed in full every three years, so the actual impact on decision making on a year to year basis is likely minor. Available resources to complete work, legislative changes, emerging issues (eg the Hawkes Bay water contamination event, downturn in Dairy industry, housing issues, emerging industry), etc are likely to have a more substantial impact on Council's decisions on their programme of work.

All assumptions used in the LTP must be based on the best information reasonably available to Council at the time of preparing the LTP. The fact that the assumptions may prove to be wrong is

not necessarily an indication of a failing of the assumptions, but a result of the fact that the world does not operate in straight lines.

Council does not have to use the BERL inflation forecasts going forward. An alternative option could include engaging another suitably qualified organisation to provide relevant forecasts. We expect that this would be a costly exercise. Staff have canvassed other local authorities and those with expertise in the local authority sector, and are not aware of any Council's using anything other than BERL. So if Council were to commission someone else to provide the forecasts, it would be a cost the Council would have to bear on its own. We understand that our auditors are satisfied with the methodology employed by BERL in developing their forecasts. If Council were to engage an alternative, then it would be reasonable to assume that they would need to charge additional audit fees to cover their review of this alternate methodology. It is felt these additional costs for any perceived benefit derived would not be justified.

A further option is to use the BERL forecasts (which are developed on a national level) as a base, and to modify these for any known regional variances. Any such modification would need to be backed by strong evidence, and again may require additional audit time to confirm. At this time, we are not aware of any justified variances that should be applied, and have not yet heard whether our neighbouring Councils are applying any such variances.

BERL have provided a ten year forecast in September 2016, which averages 2.5% annual inflation (LGCI) over 10 years. They will issue a revised forecast around September 2017.

### **Borrowing costs**

In the previous LTP, the stated assumption was that Council would have ready access to loan funds at competitive rates of interest. Council continues to have a strong balance sheet to support this assumption. The Local Government Funding Agency provides more certainty and competitiveness in the local government sector.

Once Council has a first draft of the total capital spending/funding over the 10 years of the plan, our treasury advisors, PWC, will calculate the forecast interest rates based on current implied market rates, also taking into account the current interest rate swaps Council has in place. We will ask PWC to revise this forecast closer to the time of finalising the LTP budget. Our auditors have been happy with this methodology in previous years.

### **Return on investments**

Council currently carries a "core investment" of \$5.4 million, which is the balance of the previous Power New Zealand fund. Staff intend to bring a paper to Council to reaffirm/consider their rationale for holding this investment. PWC will provide forecast interest rates for cash investments over the 10 years of the plan.

Council also holds number of investments that are considered to be held for "strategic purposes", including shareholdings in the likes of the Waikato Regional Airport Ltd, Local Authority Shared Services Ltd etc. No targeted returns were specified for these investments.

### **Subsidies**

In the 2015/25 LTP, we made the assumption that our annual roading subsidy from the New Zealand Transport Agency would remain at a constant rate of 51% over the life of the 10 year plan, and that the same operating/capital work that attracts subsidy now will continue to do so. Indications at present are that these assumptions will continue to be valid for the 2018/28 LTP.

### Additional significant assumptions required in this LTP

The previous LTP did not disclose any assumptions about the impact of industry on our district. Our district has a small number of very large industries that support the district in terms of employment and economic benefits, and also contribute significantly to Council's rates take for property and water and fees from resource consents, waste water discharged, etc. The downturn or loss of any one of these large industries, or more optimistically the development of new industry in the district could have significant implications for Council.

### Attachments

There are no attachments for this report.

### Signatories

Author(s)	Larnia Weir <b>Deputy Finance Manager</b>	
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Approved by	Manaia Te Wiata <b>Group Manager Business Support</b>	
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## Accounting Policies Review

Trim No.: 1892774

### Executive Summary

Council's Accounting policies were last reviewed in June 2016. There have been no changes in accounting standards affecting Council since the last review, and as such, no amendments to the accounting policies have been recommended by staff.

### Recommendation

That:

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

### Content

#### Background and consideration

The accounting policies are reviewed annually to ensure that they continue to comply with generally accepted accounting practice (GAAP) and current practices. The policies were last reviewed in June 2016. The activities and revenue streams of Council have not changed significantly since last year. Staff have not identified any changes in accounting standards applicable for the year ended 30 June 2017.

There are no proposed amendments to the accounting policies for the year ended 30 June 2017.

### Attachments

There are no attachments for this report.

### Signatories

Author(s)	Larnia Weir <b>Deputy Finance Manager</b>	
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Approved by	Manaia Te Wiata <b>Group Manager Business Support</b>	
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# Annual Report 2016/17 Draft Interim Management Report

Trim No.: 1891899

Item 6.8

## Executive Summary

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

During each financial year Audit NZ carries out an interim audit (completed in May 2017) prior to the final audit conducted in August/September. The purpose of this report is to advise the Audit and Risk Committee members of the findings of the interim audit and present the Draft Interim Management Report.

The Audit NZ Draft Interim Management Report is attached. The Report has concluded that the internal controls and processes are operationally effective, and can be relied upon.

## Recommendation

That:

1. **The report is received;**
2. **The Audit and Risk Committee considers providing feedback to Council regarding the Draft Interim Management Report for 2017.**

## Content

### Background

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

During each financial year Audit NZ carries out an interim audit (completed in May 2017) prior to the final audit conducted in August/September. The purpose of this report is to advise the Audit and Risk Committee members of the findings of the interim audit and present the Draft Interim Management Report.

### Issues

The Draft Interim Management Report covers issues raised by Audit NZ. Council's management comment response to what has and will be done to address these issues is detailed below.

The Draft Interim Management Report has concluded that the internal controls and processes are both design and operationally effective, and can be relied upon for the purpose of planning and undertaking the most effective and efficient audit approach.

There were four issues identified in the Draft Interim Management and two outstanding matters that are being addressed.

<b>Audit NZ Interim Management Report</b>	<b>Management comment</b>
<p><b>Monitoring and review of suspense accounts</b></p> <p>2.1 We recommend regular reviews and monitoring of suspense accounts are performed. We also recommend that the District Council ensures that evidence is maintained of the reviews that are completed.</p>	<p>Staff actively monitor and keep on top of the suspense accounts to ensure that significant transactions are reflected in the ledger on a timely basis. We will formalise the monitoring and review of these accounts on a monthly basis.</p>

Audit NZ Interim Management Report	Management comment
<p><b>Review of pay run processing</b></p> <p>2.2 We recommend the District Council ensures reviews and checks are being performed effectively. The pay run reports generated should be compared with original supporting documentation by an independent reviewer.</p>	<p>There were a number of extraordinary circumstances that led to an error:</p> <ul style="list-style-type: none"> <li>• The employee's final day was Friday 23/12/2016 which was the end of a fortnightly pay. However, her final pay was originally calculated with her end date as 3/1/17 which is what she had indicated on her resignation letter originally (the original calculation of her final pay included payment for the Christmas and New Year stat days). On Dec 23<sup>rd</sup> the Payroll Officer realised that she wouldn't be working the shut down period of 28-30 December so her end date should be 23 December because she had no leave entitlement. The Payroll officer contacted the employee and manager to amend the resignation letter and then recalculated the final pay.</li> <li>• In her final fortnight the employee also applied online for annual leave on 14<sup>th</sup> and 21<sup>st</sup> December. This is automatically included in the payroll calculation. As she didn't have any annual leave entitlement she should have had these 16 hours deducted off in her final pay calculation. These 2 days (16 hours) equate to the overpayment.</li> <li>• The manual calculation for the pay was correct but it did not make it sufficiently clear that the net pay had the two days deducted. As this was not clear the error was not picked up when the Pay Edit Listing was checked.</li> <li>• As noted by Audit New Zealand, there were unique (but annual) pressures and demands on payroll created by the pre-Christmas processing requirements.</li> </ul> <p>Human Resources is reviewing Christmas payroll processes to reduce the amount of pressure on staff to ensure the robustness of the checking is maintained at a high level.</p> <p>We will also add a new step every time there is a final pay. We will check the net amount on the final pay calculation is checked against the net amount on the variance report. We feel this quick and simple bottom line check will be a good addition as the Pay Edit Listing has a lot of information.</p> <p>In addition we have approached the former employee to recover the overpayment.</p>

Audit NZ Interim Management Report	Management comment
<p><b>Information Technology function</b></p> <p>(no recommendation)</p> <p>2.3 During our audit of the Council's Information Management Systems we noted only urgent issues are being resolved and IT projects are being delayed.</p> <p>Our discussion with management noted that no-one is fully assigned to managing support and changes to the District Council's main application (Authority).</p> <p>This raises the possibility and risk of the Information Management systems not meeting organisational needs and potentially affecting the integrity of the District Council's data and service delivery.</p>	<p>Management will make decisions on priorities in all areas of the business in the context of the resources available.</p> <p>This is a normal part of the management process.</p> <p>The considerations include the risks and potential impacts on the organisation.</p> <p>The Information Technology team have a significant number of demands on it, as do other teams within Council.</p> <p>Management is comfortable that the team is managing the risks appropriately.</p> <p>This includes the option to acquire Civica managed services and consultancy in the event that the situation becomes critical.</p>
<p><b>Remote access to live system by Civica</b></p> <p>2.4 We recommend access to the Council's live system be made available to the system supplier's staff only when required and approved by the District Council's management and access disabled immediately afterwards.</p> <p>Records of access to the District Council's live data by external parties should be maintained.</p>	<p>Management have considered this matter in the past and decided that the additional administrative overhead presented was not warranted.</p> <p>Management will revisit the risks including reviewing Civica controls and contractual obligations.</p>

**Outstanding matters**

<b>Audit NZ Management Report</b>	<b>Current status</b>	<b>2017 Management proposed action</b>
<p><b>Improvements to tracking internal charges within the general ledger</b></p> <p>We recommend the District Council reviews the way it identifies internal charges and ensures they are easily identified and eliminated.</p>	<p>We were informed by the District Council that they believe they have an efficient process to easily reconcile the trial balance to the statements. They also acknowledged and stated that changes that could be made will be considered to make the process easier. This will be followed up at the final audit.</p>	<p>Any changes identified to make the tracking process easier will be implemented before the final audit in August.</p>
<p><b>Accuracy of information recorded for service requests</b></p> <p>We recommend that staff are reminded of the importance of completing service request information accurately to ensure that service request can be reported accurately.</p>	<p>During interim controls testing we identified that the details were accurately reported in the CRM reports for Wastewater. However, for Water reports, due to technical issues, the report showed information which was different to that in the system. We have been informed by the District Council that their IT team is working on resolving this issue.</p>	<p>The CRM in question had not been filled in correctly within the checklist and this created incorrect information when the report was created.</p> <p>Upon fixing this, it has been recognised that further training is required for staff that are updating the CRMs to ensure consistency and accurate information is recorded for the reports to be correct.</p> <p>Training will take place in June with ongoing monitoring.</p>

**Analysis**

**Options considered**

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

**Analysis of preferred option**

There is no preferred option.

**Legal and statutory requirements**

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

**Consistency with the Long Term Plan / Annual Plan**

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

**Communication, consultation and decision making processes**

There are no communication, consultation or decision making issues.

**Timeframes**

Key audit dates for the Annual Report 2016/17 are as follows:

<b>Annual Report</b>	<b>Date</b>
Interim audit	15-19 May 2017
Draft Interim Management Report issued	7 June 2017
Final audit commences	28 August – 8 September 2017
Annual Report available for audit	11 September 2017
Verbal audit clearance given Draft final Management Report issued	19 September 2017
Draft audit opinion issued	19 September 2017
Review of audit and Annual Report by Audit and Risk Committee	10 October 2017
Audit opinion issued	11 October 2017
Council adoption of Annual Report and Summary	11 October 2017

**Financial Impact**

There are no financial issues related to the Draft Interim Management Report. Funding for the Annual Report of \$15,000 and Audit Fees of \$150,000 is included in Council’s budgets.

**Attachments**

- A. Draft Interim Management Report, year ending 30 June 2017

**Signatories**

Author(s)	Vicky Oosthoek <b>Corporate Strategy Administration Officer</b>	
Approved by	Michelle Staines-Hawthorne <b>Corporate Strategy Manager</b>	
	Don McLeod <b>Chief Executive Officer</b>	



## Audit New Zealand Fees

Trim No.: 1892844

Item 6.9

### Executive Summary

#### Recommendation

That:

1. **The information is received.**

### Background

Attached is the email response of 6 May 2016 from Murray Powell, Director Auditor Appointments on behalf of the Office of the Auditor-General to request for information by Don McLeod of 8 April 2016

At the 16 February 2016 meeting Audit and Risk Committee members asked Council's Chief Executive, Don McLeod, to make enquiries as to the reasonableness of the fee charged by Audit New Zealand, to obtain further understanding of how the fees are established and other matters related to the Audit process.

The Committee resolved that:

- The Audit and Risk Committee recommend amendments to Council for approval.
- The Audit & Risk committee would like to give their views on the 3 year Audit fee and management.
- A list of the scheduled audits and external fees be provided to the Audit & Risk committee.

A report was sent to the Audit and Risk Committee meeting of 21 June 2016 with information regarding the fees previously paid by Council to Audit New Zealand to complete its audits.

The Committee resolved that a comparison of Audit Fees and rates from a broad sample of Public & Private sector entities be compiled and used to prepare a "negotiating brief" for the negotiation of the Triennial Audit Arrangement in 2017.

A report was sent to the Audit and Risk Committee meeting of 21 February 2017 on the Audit Proposal Letter. The Audit Proposal Letter sets out the fees and the basis on which they are charged by Council's auditors, Audit New Zealand. This report provided the committee with a copy of the latest proposal letter for its review and background on the level of fees previously charged by Audit NZ.

The Committee resolved that:

- The Committee note the Audit Proposal Letter for Council; and
- The Chief Executive and the Chair negotiate the fees.

## Issues

Councils identified as having revenue within ten million of Matamata-Piako District Council (2015/16 \$51,541) and have Audit New Zealand appointed as their auditor have been sent the following official information request:

*“Would you please provide the details of the proposed audit fees for Audit New Zealand’s proposal to conduct the audit of your council on behalf of the Auditor-General for the 2017, 2018 and 2019 financial years. Could you also advise if these fees have been accepted by your council.”*

Six councils have Audit NZ appointed; information from the above request is due from these councils by 22 June 2017 (Kaipara; Deloitte appointed).

The same request was issued to the Office of the Auditor-General (OAG) for the above information on all seven councils. OAG indicated that even though they are not subject to the Official Information Act 1982 (OIA) they would action this request, using OIA as a guideline.

Councils audit fees information available at time of report writing. Further fee information will be provided once council’s respond to OIA request.

Council	2015/16 Revenue	2016 actual	2017	2018	2019	A= Accepted
Central Otago	43,380	90,000*				
Waitaki	45,317	124,363	125,595	127,360	129,119	A
Horowhenua	46,036	141,000*				
Manawatu	46,703	123,000*				
<b>Matamata-Piako</b>	<b>51,541</b>	<b>122,550</b>	<b>125,698</b>	<b>127,263</b>	<b>129,039</b>	
Upper Hutt	53,802	130,000*				
Kaipara	56,928	177,000*				
Whakatane	56,933	129,000*		129,447		A

\*Information taken from Annual Report

## Financial Impact

### i. Cost

The total fees paid by Matamata-Piako are as follows:

Annual Report Audits	Total fees paid (GST exclusive)
2009/10	96,788.21
2010/11	105,344.44
2011/12	106,538.61
2012/13	112,549.85
2013/14	120,072.69
2014/15	122,550.54
2015/16	123,431.88

Debenture Trust Deed Audits	Total fees paid (GST exclusive)
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2010/11	3,000.00
2011/12	3,100.00
2012/13	3,200.00
2013/14	Not invoiced
2014/15	3,400.00
2015/16	3,500.00

Long Term Plan Audits	Total fees paid (GST exclusive)
2012-22	78,036.02
2015-25	76,640.10

Other Audit Processes	Total fees paid (GST exclusive)
Procurement review	518.88
Probity for Mt Misery Reservoir tender (2016)	17,147.67
Probity for Shared Services (2013)	12,288.34
Headon Stadium review (2013)	6,080.00
New financial standards (2010)	4,000.00

The above fees reflect the total fees paid by Council for the audit process including disbursements and the like.

## ii. Funding Source

Council has budgeted \$150,000 for 2016/17 for the payment of audit fees under the 'Strategies and Plans' activity.

## Attachments

A. Response from Office of the Auditor General 2016

## Signatories

Author(s)	Vicky Oosthoek <b>Corporate Strategy Administration Officer</b>	
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Approved by	Michelle Staines-Hawthorne <b>Corporate Strategy Manager</b>	
	Don McLeod <b>Chief Executive Officer</b>	



## LGOIMA Requests

Trim No.: 1891695

### Executive Summary

At its October 2016 meeting the Audit and Risk Committee chairperson requested that we assess the frequency and time spent on requests for information under the Local Government Official Information and Meetings Act.

The collation of LGOIMA request information shown below is a list of requests for information, the number of days to respond and the hours of staff time it took to respond, for the first five months of this year.

The average time to respond was 10.8 days (up to 20 working days are provided for in law) and the average time it took to process each request was 1.8 hours.

The \$38 per half hour charge is set in line with guidelines produced by the Ombudsman. This is not likely to be reviewed for some time.

The expectation of the Ombudsman is very much that Council's should provide information at little or no cost where possible, with the view that freely available information supports a transparent government.

### Recommendation

That:

1. **That this information be received by the Audit and Risk Committee**

### Content

#### Background

The Audit and Risk Committee last year requested staff to review the way in which LGOIMA requests are handled by Council including the potential for recovering costs associated with the time spent in responding. The e-team responded by asking the Communications Team, who are responsible for coordinating the gathering of such information, and to track time spent on these requests.

#### Issues

The main issue is providing information to requestors that meet their expectations, within a reasonable timeframe, and without unduly interrupting officers' workloads.

There is also the matter of when and how much Council should charge to recover its costs in responding to these requests.

These matters need to be considered in light of the purpose of the legislation in relation to releasing information which is:

- “(a) *to increase progressively the availability to the public of official information held by local authorities, and to promote the open and public transaction of business at meetings of local authorities, in order—*
- (i) *to enable more effective participation by the public in the actions and decisions of local authorities; and*

(ii) to promote the accountability of local authority members and officials,—  
and thereby to enhance respect for the law and to promote good local government in New Zealand:

(b) to provide for proper access by each person to official information relating to that person.”

Charging

Council has set the following charges for 2016/17 and 17/18 with the following guidance for charging for requests.

Official information charges	
Time - first hour or part thereof	Free
Time - after first hour (per half hour)	\$38.00
Pages copied - first 20 A4 (or smaller) pages free	See photocopying costs
Cost of CDs, video, tapes, printing larger than A4 and other materials or viewing arrangements requested	Actual cost

*The Local Government Official Information and Meetings Act 1987 (Act) requires us to make available certain information which we hold. The Act also makes provision for us to make a charge for the information supplied but this charge must be reasonable and is for the cost of labour and materials involved in making the information available. If the request expresses urgency then the Council may have to use additional resources to gather the information promptly and the Act permits the Council to charge for these extra resources. If there is a charge for information we will advise you of the likely charges before we commence processing the request and will give you the opportunity to decide whether or not to proceed with the request. In such cases we may also require that the whole or part of any charge be paid in advance before commencing to process the request. If the time taken to process the information and/or the number of copies supplied is only a small margin over the ‘free’ allowance, we may use our discretion as to whether any charge should be made.*

*Where repeated requests are made by the same person or group in respect of a common subject over intervals of up to eight weeks we will aggregate these requests for charging purposes. This means that the second and subsequent requests will not be subject to one hour of free time and 20 free standard A4 (or smaller) photocopies.*

*The charge represents a reasonable fee for the cost of providing information. It may include (but is not limited to) time spent:*

- *in searching an index to establish the location of the information*
- *in locating and extracting the information from the place where it is held*
- *in reading or reviewing the information*
- *in supervising the access to the information.*

*Under the Act we are not permitted to charge for:*

- *locating and retrieving information which is not where it ought to be*
- *time spent deciding whether or not access should be allowed, and in what form.*

*The liability to pay any charge may be modified or waived at the discretion of the delegated officer receiving the request. Such decisions should have regard to the circumstances of each request. However, it would be appropriate to consider:*

- *whether payment might cause the applicant hardship*

- whether remission or reduction of the charge would facilitate good relations with the public or assist the department in its work
- whether remission or reduction of the charge would be in the public interest because it is likely to contribute significantly to public understanding of, or effective participation in, the operations or activities of the government, and the disclosure of the information is not primarily in the commercial interest of the requester.

Charges are set in accordance with Ministry of Justice, Charging Guidelines for Official Information Act 1982 Requests (2002). If an identifiable natural person seeks access to personal information about that person then the request is governed by the Privacy Act 1993 and these charges do not apply. Information that is already publicly available (for example at our libraries and offices or on our website) is not subject to the Act, and normal charges apply to the supply of this information. A person who makes a request for information under the Act may make a complaint to the Office of the Ombudsmen regarding our decision regarding supply of that information.

**Requests**

The following table sets out the 'complex' LGOIMA requests received by Council. The analysis shows the list of requests for information, the number of days to respond and the hours of staff time it took to respond, for the first five months of this year. The average time to respond was 10.8 days and the average time it took to respond was 1.8 hours. None of these requests were charged for the time to provide the information.

<b>Date received</b>	<b>LGOIMA Deadline</b>	<b>Days to respond</b>	<b>Request topic</b>	<b>Time (hours)</b>
05/01/2017	03/02/2017	15	Website enquiry - Septic tanks	0.25
12/01/2017	10/02/2017	2	Silver Fern Farms Events Centre project costs	2
17/01/2017	15/02/2017	10	Matamata Aerodrome enquiry	2
18/01/2017	17/02/2017	2	Enquiry on Silver Fern Farms Events Centre project costs	2.5
18/01/2017	17/02/2017	2	MPCMC budget/contractor	4
20/01/2017	21/02/2017	20	Drinking water standards	6
20/01/2017	19/02/2017	10	Further correspondence on Austins Restaurant/building consents process	2
20/01/2017	19/02/2017	7	Damage to Morrinsville flagpole	1
22/01/2017	03/03/2017	28	Follow up enquiry on Silver Fern Farms Events Centre project costs	5
09/01/2017	07/02/2017	20	LGNZ training for councillors	2
09/02/2017	09/03/2017	16	Request for Council's Chart of Account	0.1
06/03/2017	31/03/2017	20	Further enquiry on Silver Fern Farms Events Centre project costs	4.5
08/03/2017	04/04/2017	20	Enquiry on Product Stewardship Schemes	0.5
08/03/2017	04/04/2017	15	Enquiry on Fonterra Plant (site contamination)	1
21/02/2017	20/02/2017	6	Enquiry on Annual Plan	0.25
29/03/2017	28/04/2017	20	Enquiry on Council workshop	0.5
29/03/2017	28/04/2017	1	Enquiry on urban fire rules	0.25
03/04/2017	01/05/2017	4	Enquiry on stock on roads	1.5
20/03/2017	20/04/2017	10	Enquiry Regarding High Rural Rate Increases	1.5
06/04/2017	04/05/2017	6	Request 7: Spending on tourism and economic promotion	1.5
10/04/2017	08/05/2017	5	Number of swimming pool consents	0.5
07/04/2017	05/05/2017	6	Number of parking ticket challenges	0.25

07/04/2017	05/05/2017	20	Residential prices	1
07/04/2017	05/05/2017	18	Communications and Governance	1
19/04/2017	18/05/2017	1	RMA Section 33 transfers	0.25
08/05/2017	02/06/2017	2	Unconnected sewage systems in district	1
12/05/2017	12/06/2017	18	Sewage overflow from neighbour	1
16/05/2017	16/06/2017	6	Landing fees at Waharoa Aerodrome	2.5

## **Analysis**

### **Options considered**

#### Changing the charging regime

The current charges were set in accordance with the Ministry of Justice (MoJ) Charging Guidelines for Official Information Act Requests (OIA) 2002, which Government specifies should be followed in all cases unless good reason exists for not doing so. At the time there was no similar guidance specific to LGOIMA, however, the Ombudsman pointed to the MoJ guidelines as an acceptable standard. A new 'Guide to charging for official information under the OIA and LGOIMA' has since been released in June 2016. A copy of this guide is attached to this report. The Ombudsman has made it reasonably clear that deviation from the guidelines that it has set puts Councils at risk of review.

Large requests for printed information (over 20 pages) also incur printing costs. These are currently charged at \$0.50 per page (for black and white) or \$3.50 per page (for colour) in line with Council's standard photocopying costs. These photocopying costs are set at a rate that ensures Council does not undercharge/compete with local business for printing. It is noted that there is a small risk of review by the Ombudsman on this charge – however in practice almost all of the requests for information are now provided electronically to recipients.



The policy set out in the fees and charges for charging is also based on the MOJ guidelines for charging.

### **Analysis of preferred option**

In light of the Ombudsman's guidance and the analysis of the requests that have been received to date staff recommend that no changes be made to the manner in which LGOIMA requests are charged.

### **Legal and statutory requirements**

The relevant legislation is Local Government Official Information and Meetings Act 1987 (LGOIMA). Under this act, we are required to respond to LGOIMA requests as soon as reasonably practicable and (except in some specific instances) within 20 working days.

### **Impact on policy and bylaws**

There is no relevant Council policy or bylaw. Council has documented internal processes for handling official information requests and these have been communicated to the Audit and Risk Committee.

### **Consistency with the Long Term Plan / Annual Plan**

These issues are not relevant in terms of the Long Term Plan / Annual Plan

### **Impact on Significance and Engagement Policy**

This issue is not significant in terms of Council's policy.

### **Communication, consultation and decision making processes**

These issues do not require community consultation. Council may consult with the information requestor, and other agencies with regards to the transfer of requests. There is a statutory decision-making process which Council must follow set by LGOIMA.

## **Financial Impact**

### **i. Cost**

Based on an average time to respond of 1.8 hours, and on the rates set in the legislation (\$38 per half hour, after the first hour, which is free) the average charge per request if we did try to recover costs would be \$60.80. The actual cost to council is variable, depending on the seniority of the responder, and could range from \$45 per hour to \$125 or more.

### **ii. Funding Source**

The cost of responding is currently absorbed in to salary budgets within each team tasked with responding.

## Attachments

- A. Office of the Ombudsman - A guide to charging for official information under the OIA and LGOIMA June 2016

## Signatories

Author(s)	Michelle Staines-Hawthorne <b>Corporate Strategy Manager</b>	
	Eion Scott <b>Communications Manager</b>	

Approved by	Don McLeod <b>Chief Executive Officer</b>	
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## Progress On Review of Ecoli Detection In Water Supplies And Havelock North Enquiry

Trim No.: 1893176

### Executive Summary

This report is to update the Audit and Risk Committee on work in progress on the recommendations in the Review of E.coli Detection in Water Supplies During 2016 Report by CH2M Beca and an initial self-assessment against the main findings from the Report on Havelock North Drinking Water Enquiry: Stage 1.

#### Review of E.coli Detection in Water Supplies During 2016

The E.coli report has twenty three recommendations that have been considered, prioritised and is now work in progress. A colour coded system is being used to indicate progress on the work to date:

**Green** (Completed): 2 were completed in May 2017 and related to incident management specifically transgression reporting.

**Red** (Not Started): 5 have not yet begun as they are dependent on other recommendations or are low priority. They will be reviewed as part of the program of works but are expected to be completed by December 2017.

**Blue** (Started): 11 recommendations are underway, a large proportion are high priority and relate to Water Safety Plans and Reticulation. Timeframes for completion range from end of June to December 2017.

**Orange** (Ongoing): 5 recommendations have been started and span more than a financial year. They relate to staff competency and training, sampling and testing.

The recommendations are continuing to be worked upon with an expected completion of most actions by December 2017. It is surmised that more actions will be added upon completion of the Havelock North inquiry.

#### Report on Havelock North Drinking Water Enquiry: Stage 1

The process of self-assessment against the Havelock North Drinking Water Enquiry reviewed over 100 aspects across 11 key categories and uses a colour coding system to indicate the level of confidence:

**Green:** 45 aspects exhibit a high level of confidence in current processes, procedures and practices to mitigate against a Havelock North type of event.

**Amber:** 27 aspects are subject to ongoing works or further investigations.

**Red:** 16 aspects reflect low confidence levels and are identified priorities for investigation.

**White:** 23 aspects have not been previously been considered and yet to be assessed.

The next stage of the process is to develop an action plan around the prioritised items, assign action owners and timeframes for delivery.

## Recommendation

That:

1. The report be received.

## Content

### Background

In 2016, there were six occurrences of Escherichia (E.coli) bacteria detected as part of Council's testing procedures for drinking water supplies. All samples taken had adequate chlorine residual and there was no logical cause for the presence of bacteria. However, the presence of E.coli is a serious matter and in December 2016, the Chief Executive requested an in depth investigation and report by an independent external professional CH2M Beca into the potential causes of E.coli being detected in our system.

In August 2016, the groundwater source supplying drinking water to the residents of Havelock North was contaminated with campylobacter bacterium that caused gastrointestinal illness. Following the incident, Central Government initiated an inquiry into the event, (currently ongoing) and have released a Stage 1 report on the incident. The following is a high level summary of the findings in the Stage 1 report:

- Some 5,500 of Havelock North's residents became ill, 45 of whom were hospitalised. It is possible that the outbreak contributed to three deaths.
- Sheep faeces were the likely source of the campylobacter that caused the outbreak. It is highly likely that contaminated water containing the faeces entered the aquifer from a pond about 90m from the Brookvale Road well 1.
- The Te Mata aquifer from which the water was abstracted is not confined, and had been penetrated by a significant number of disused or uncapped wells. The source is not secure.
- The Regional Council failed to meet its responsibilities to act as guardian of the aquifers under the Heretaunga Plains.
- Hastings District Council did not embrace or implement the high standard of care required of a water supplier. Its failings especially applied to its mid-level managers.
- There was a critical lack of collaboration between the Regional and District Council.
- The Drinking Water Assessors were too hands-off in the applying the Drinking Water Standards for New Zealand (DWSNZ).
- Council's consultant failed to competently assess the security of the wellheads.

Upon the release of the Havelock North report, the Audit and Risk Committee requested a line by line analysis of the issues identified by the Inquiry, Council's circumstances in relation to the issues and how we plan to deal with any weaknesses. The methodology chosen was a self-assessment of key aspects used to determine confidence with council's policies, procedures and processes. It provides an overview of where focus is required and will be used to prioritise actions going forward to address weaknesses in the end to end management of our drinking water supply service.

This report updates the Audit and Risk Committee on progress on the E.coli and Havelock North Reports.

**Issues**

The following tables provide a high level summary of work in progress from the E.coli Report and initial assessment of confidence with policies, procedures and processes.

**Table 1: CH2M Beca Recommendations Update**

High Level Aspect					Comment
	Not Started	Started	On-Going	Completed	
<b>Plans, Policies and Procedures</b>	0	1	0	0	OPUS consultants undertaking review of emergency response plan.
<b>Water Safety Plans</b>	2	3	0	0	Note: 2 items not started dependent upon completion of WSP's.
<b>Reticulation</b>	0	3	0	1	All involve reviewing and updating reticulation processes.
<b>Staff Competence and Training</b>	0	1	2	0	All mainly relate to completion of LTO system.
<b>Sampling and Testing</b>	2	1	2	0	Note: 1 of the not started of low priority and the other is dependent upon available funding for sampling taps.
<b>Incident Management</b>	1	2	0	1	Note: 1 not started of low priority.
<b>Post Treatment Processes</b>	0	0	1	0	Upgrades of Waihou depot and Te Aroha West supplies upgraded with UV treatment, but a catchment survey still to be done for Waihou.
<b>Summary Tally</b>	<b>5</b>	<b>11</b>	<b>5</b>	<b>2</b>	

**Table 2: Havelock North Drinking Water Inquiry: Stage 1 Self-Assessment**

High Level Aspect	Self-Assessment				Comment
	Red	Amber	Green	White	
<b>Water Supply Governance</b>	3	3	2	11	Note the 11 still to be assessed are related to specific elements of the Havelock report and could not be confirmed without further work outside of the workshop.
<b>Key Stakeholder Relationships (WRC, DHB etc.)</b>	1	2	3		Key relationships to be strengthened with District Health Board, Regional Council and the Drinking Water Assessor
<b>Staff Competence and Training</b>	0	2	5		Risk training for treatment staff and qualification attainment for new Reticulation staff recently employed.
<b>Contractors competence and Training</b>	2	0	1		Main concerns are with smaller contractors / subcontractors and how competence to work on MPDC water supply system is captured and recorded.
<b>Bore Security / Management</b>	5	2	5		Tawari Street a priority site for review, catchments for bores to be reviewed and discussed with WRC.
<b>Asset Data and Information</b>				12	Due to available time this aspect was deferred to a later date.
<b>Safety Plans (Drinking Water)</b>	2	8	2		Key issues to focus on are: Backflow Prevention Policy and compiling a list of sensitive / high priority users.
<b>Treatment Processes</b>	0	3	6		Note this focussed on the main plants with ongoing works being noted for Waihou Depot and Te Aroha West.
<b>Post Treatment Processes</b>	1	3	4		Key issue to address is the management of high risk activities on the piped network.
<b>Sampling</b>	1	1	16		Previous works undertaken as part of the E.coli Review. Key action is to review the need for Cryptosporidium sampling on bores.
<b>Incident Management</b>	1	5	3		Urgent need to brief the Reticulation Teams and Plant Operators on the outcomes of the Stage 1 report.
<b>Summary Tally</b>	<b>16</b>	<b>27</b>	<b>45</b>	<b>23</b>	

## Analysis

### Update of E.coli Detection in Water Supplies Report Actions

The recommendations from the review related to managing and reducing the presence of E.coli in the water supplies, thereby improving compliance with regulations and protecting public health. Work has begun on all the high priority risk actions, with the exception of a few that have dependencies upon completion of other actions.

The report updates of the 7 categories are:

- Water Safety Plans (WSP's): OPUS consultants have been engaged to review and update the plans. The updating of the asset management and LTP budgets have not begun as they are dependent upon the completion of the WSP's.
- Reticulation: Identified as a high priority category the review of the policies, procedures and practices has begun and expected to be completed in August 2017.
- Staff Competence and Training: All 3 actions were prioritized as low-medium risks. 2 of the actions are on-going as they relate to the completion of the licence to operate (LTO) system. The simulation exercises for gross water pollution have not begun, as it is dependent upon completion of the reticulation actions above.
- Sampling and Testing: Most of the high priority actions have begun, with the exception of replacement of the sample taps and lines in the reticulation. A business case has been prepared for allocation of renewal funding for this action, however it is not expected the action will be completed until December 2017.
- Incident Management: Development of incident management log sheets has been completed, and all other actions started, with the exception of a low priority post- incident review process. However, since the release of the Havelock North report, it is likely this actions priority will be increased.
- Post Treatment Processes: Te Aroha West and the Waihou KVS Depot have had UV disinfection units installed and they are now operating. This will add a level of protection against pathogenic microorganisms. It is still on-going as a catchment survey needs to be completed for the Waihou KVS Depot water supply.

Of the ten actions identified as a high priority risk of E.coli contamination nine have been started and one is completed. All with the exception of the installation of the sample taps are expected to be completed by the end of August 2017.

The recommendations are being started with the strategic approach of concentrating the high priority actions first, but with the target completion of 95% by December 2017.

### Self-Assessment Havelock North Drinking Water Inquiry: Stage 1 Report

The summary, self-assessment represents the initial view on the report at the high level aspects and key consideration of the findings in the Havelock Drinking Water Inquiry: Stage 1 report.

The assessment has identified a number of aspects to focus on:

- Understanding, defining and recording governance accountabilities both inside and outside of the organisation
- Building relationships outside of the organisation with the Waikato Regional Council (WRC), District Health Board (DHB) and the Drinking Water Assessor (DWA).
- Re-assessment of what is known and recorded in terms of the water supply (bore and surface water) catchments.

- A need to update and strengthen safety plans, and incident management processes and procedures in light of the Havelock North incident.

The workshop also identified areas of comparative strength based on improvement works undertaken over the last 12-18 months these being:

- Improvements in treatment monitoring and transgression reporting.
- Training and upskilling of staff in treatment processes and procedures
- Monitoring, trending of process performance and scheduling of maintenance activities at the plant
- Sampling and analysis of supplies.

The process has identified 3 high priority issues to address (Tawari St Bore review, management of high risk activities on the network including backflows) and approximately 27 priority issues of which 18 already have policies and procedures in place (require reviewing in light of the Stage 1 report), or are ongoing activities / initiatives within the council. A number of these initiatives were instigated as part of the E.coli review presented to the Audit and Risk Committee in March 2017 (update on actions status attached).

The process of formulating action plans around the workshop assessment, assigning owners and delivery dates is currently being worked upon.

Work on both the E.coli detection recommendations and self-assessment against the Havelock North Enquiry report is progressing in tandem. A holistic organisational approach is being applied to this work. The implications of recent events has resulted in a heightened awareness and urgency to ensure we can confidently say and demonstrate that we are doing all we can to provide the community with safe drinking water.

## Attachments

There are no attachments for this report.

## Signatories

Author(s)	Scott Collinge <b>Waste Water Operations Manager</b>	
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Approved by	Fiona Vessey <b>Group Manager Service Delivery</b>	
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## Specific Project Risks

Trim No.: 1893468

### Executive Summary

This report is to inform the Audit and Risk Committee the status of the top three council projects as identified by the Executive team which are the:

- Matamata-Piako Civic and Memorial Centre (MPC&MC) (under construction) - \$6.9 million
- Mt Misery Reservoir (under construction) - \$3.6 million
- Te Aroha - Matamata cycle trail (concept) - \$4.0 million

The report includes the highest risks of each project. More detailed risk registers have been compiled and these can be made available to the committee if required.

### Recommendation

That:

1. **The information be received.**

### Content

#### Background

##### Matamata-Piako Civic and Memorial Centre

The Matamata-Piako Civic and Memorial Centre risk register is regularly reviewed and updated.

The top two risks previously reported were:

- Contamination of land or discovery of artefacts
- Level of funding

The contamination of land or discovery of artefacts has been partially mitigated as all demolition works have now been completed and foundations removed.

The level of funding risk remains similar at this stage of the project. On the 8 February Council approved the appointment of Stanley Construction Ltd to build the new Matamata-Piako Civic and Memorial Centre at a tender price of \$5,488,787 and a total project budget of \$6,923,787 including contingencies.

The construction timeline is an emerging risk, caused by a number of factors and the contractor is working on the programme to get this back on track.

The construction risk register currently has a number of identified risks. It is due to be updated 22<sup>nd</sup> June 2017 and a copy is available to the committee if required.

##### Mt Misery Reservoir

The Mt Misery reservoir risk log has been regularly updated since the start of construction in 2016. A copy is available if required. As construction of the reservoir is now complete the project risk has diminished substantially.

The two top risks remain:

- Financial
- Health and Safety

The financial risk has somewhat diminished as eighty percent of the project is now complete. The extremely wet weather in April and May has resulted in the contractor not being able to complete the remaining work required prior to winter. This has resulted in a delay to the construction of an access track and decommissioning of the old reservoir.

The health and safety construction risk has been replaced with operational health and safety risks. Process and procedures are now being written on maintenance checks for radio telemetry equipment and access into the reservoir. Mitigation measures also include briefings on hazards and procedures for contractors and visitors to the site which will be reviewed on a regular basis.

**Te Aroha to Matamata Cycleway**

The risk log has been updated now that the project has progressed. All the property owners have been consulted with and the general track alignment finalised.

The two top risks remain:

- Level of funding
- Securing easements over private land

Refinement of the costings are now underway after a landscaping design has been completed. Regional Council and MPDC consents have been issued and we are now only awaiting detailed design for our bridges.

The development of the business case for Ministry funding is underway.

The following table summarises the risks and mitigations for each project.

Risk	Mitigation
<u>Matamata-Piako Civic &amp; Memorial Centre:</u> Level of Funding	Council will be kept updated on the budget spend and will consider optional variations that would have longer term benefits, e.g. sustainability initiatives
Contamination of land or discovery of artefacts during construction	Demolition is complete and foundations removed. No artefacts or taonga have been discovered. Excavations for new foundations are relatively shallow therefore there is minimal risk of uncovering any artefacts.
<u>Construction Timeline</u>	The original practical completion date of 22 December 2017 has been moved out to 25 January 2018. Client directed fitout will follow and at this stage opening of the new facility will be mid-March 2018.
<u>MT Misery:</u> Financial risk of budget blowout	Strong management of potential variations. Monthly financial updates. Design & build contract removes some risk to Principal.  Tender price for construction was significantly under the initial funding provided for the project.
Operational Health & Safety	Specific process and procedure plans being

	compiled and documented. Contractors briefed on operational; hazards← and procedures. These will be reviewed on a regular basis.
<u>Te Aroha to Matamata Cycleway</u> Level of funding required – to secure MBIE funding. Currently have \$3m in budget and need to obtain rest from external sources like Ministry of Business Innovation and Employment	Design trail to align with MBIE criteria for ‘great ride’ so that it can qualify to receive funding. eg. break up big straights.
Easement over private land to secure route – Project could halt if land owner does not agree to easement or land purchase as not alternative route	Land owners agreement obtained prior to final commitment from Council to advance project to physical construction.  Have now signed up all critical land owners apart from one property owners for which land purchase or easement is desirable.

**Attachments**

There are no attachments for this report.

**Signatories**

Author(s)	Roger Lamberth <b>Kaimai Consultants Manager</b>	
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Approved by	Fiona Vessey <b>Group Manager Service Delivery</b>	
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# Review of Fraud Policy and Protected Disclosures Policy

Trim No.: 1893180

Item 7.1

## Executive Summary

The Fraud Policy and Protected Disclosure Policy are due for review by the Audit and Risk Committee.

The policies were last reviewed in June 2016.

A communication plan to raise awareness of the policies (and the Conflict of Interests Policy) was approved by the Committee in 2016. An update on progress with that plan is included in the report.

Staff do not propose any changes to the policies.

Audit New Zealand has reviewed the Fraud Policy and has provided comments.

## Recommendation

That:

1. The information be received.

## Content

### Background

The Fraud Policy and Protected Disclosures Policy were last reviewed in June 2016.

The Policies outline the objectives, policy statements and stakeholder responsibilities.

There are procedures that support each policy.

The procedures direct management and staff on the application of the policy.

The Audit and Risk Committee approved a Communications Plan to promote awareness of the Fraud, Protected Disclosures and Conflicts of Interests Policies.

Staff do not propose any changes to the policies.

## Issues

### Audit New Zealand review

Audit New Zealand reviewed the Fraud Policy as part of the annual report interim audit and provided comments as listed below. The review was conducted against guidance from the Ministry of Justice in creating a fraud and corruption policy.

Audit NZ has advised that it hopes the recommendations are helpful to Council.

Audit NZ was possibly unaware of the suite of documents that form the basis for fraud prevention, investigation and awareness.

The comments have been grouped into sections that relate to those documents. Staff comments are in italics.

## Policy

Policy's purpose – current policy should elaborate on the fact that the main use of the policy is to raise awareness about how fraud and corruption can be recognised. *Staff believe the main use of the policy is to state Council's attitude to Fraud, the objectives and stakeholder responsibilities. Awareness of fraud is promoted through the Communication Plan.*

## Process

A clear reporting chain should be included which discusses ways in which employees can report fraud and corruption. *This is covered in the procedures.*

Policy should outline the details of how investigations will be conducted. *This is covered in the procedures.*

Council's commitment to its legal obligations to act fairly, honestly and in good faith when conducting investigations should be reiterated. *This is an inherent part of any investigation. Especially any investigation involving an employee. This is a key reason for Human resources involvement ie to ensure procedural fairness.*

## Policy promotion and Awareness

Explanations should be provided distinguishing fraud policy with Council's other policies, to enable staff to distinguish fraud and corruption from code of conduct and privacy breaches. *This could be incorporated into the Brochure.*

To help employees detect possible fraud and corruption events, the policy should provide information on the three aspects of the fraud triangle i.e. incentive, opportunity and attitude; *This could be incorporated into the Brochure. It may also be something we could have a specific briefing/training session on for managers (eg 4<sup>th</sup> tier and above).*

High penalties that can be faced if people are convicted of fraud or corruption offences under the Crimes Act 1961 or Secret Commissions Act 1910 should be highlighted. Maximum penalties range from substantial fines and/or 14 years' imprisonment. *This could be included in the brochure.*

**Communication Plan**

The Human Resources Manager is responsible for promoting awareness of the Policies.

The Acting Human Resources Manager has provided the following update on progress with the plan.

The brochure is complete. It has been placed in the bulletin. All office staff have direct access on-line to the brochure. The brochure has also been discussed with managers, sent out to all KVS staff via payslips. Managers were requested to go through the brochure with staff.

The brochure is being sent out with all Health and Safety contractor booklets and all managers have been asked to pass it on to volunteers.

We will seek feedback from a sample of staff, contractors and volunteers to gauge their level of understanding and interest in the brochure.

The next full staff meeting will focus on the topics of protected disclosures, fraud and conflicts of interest. These matters will be discussed in workshop style to further enhance staff awareness around these areas.

<b>Action</b>	<b>Targeting</b>	<b>Timeframe</b>	<b>Responsibility</b>	<b>Progress</b>
Brochure and posters developed	All staff, volunteers, contractors	By mid October	Communications	Completed
Initial meeting with managers	Managers	November	HR Manager	Completed
Staff meetings – managers to go through the brochure with their staff and provide a copy to those without access to a computer	All staff	November/ December	Management Team	Completed

Update promapp, RM and intranet	All staff with computer logins	End of October	Communications	Completed
Update in bulletin	All staff	End of October	Communications	Completed
Quarterly update in bulletin	All staff	January, April, July, October	Communications	Completed. Calendar appointments in various staff calendars for future reminders
Managers are to be reminded to discuss with their team on an annual basis (at the start of each financial year)	All staff	July	HR Manager	To do in July 2017
Investigate an 0800 reporting number	All staff, volunteers, contractors	By mid October	HR Manager	To do depending on whether this is still required
CEO to discuss with the Councillors to ensure they know their role (if a complaint is raised with them)	Councillors	November	CEO	Completed
Managers and staff who regularly work with volunteer groups will discuss the brochure with the volunteer groups	Volunteers	November/ December	Management team	Completed
A copy of the brochure will be sent to all approved	Contractors	November/ December	Coms/HR	Completed



contractors				
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### Attachments

- A. Protected Disclosures Policy 3 June 2016
- B. Fraud Policy 2016

### Signatories

Author(s)	Manaia Te Wiata <b>Group Manager Business Support</b>	
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Approved by	Manaia Te Wiata <b>Group Manager Business Support</b>	
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# Risk Management Update

Trim No.: 1893162

## Executive Summary

The Audit and Risk Committee reviewed the state of Risk Management in the organisation in December 2016.

The report provides an update on the actions implemented since that review.

## Recommendation

That:

1. That the information be received.

## Content

### Background

The Chair of the Audit and Risk Committee requested further consideration of the risk management framework and plan.

The key questions raised were as follows:

- Is there a robust system for managing risk in place?
- Is the system operating effectively?
- Is the framework clear and universally understood?

Conclusions reached were

- There is considerable activity in risk management occurring in the organisation.
- There are numerous gaps and opportunities for improvement
- Risk management across the organisation or at an enterprise level, is not operating to the level and standard we desire.

The Committee approved the preparation of a Project Plan to action the improvements identified in this report and specifically to:

1. Review and Simplify the Risk Management Framework, Policy and Plan
2. Communicate and educate staff
3. Implement the changes and improvements

The December review introduced the concept of an Enterprise Risk Management Framework:

*An enterprise-wide approach to risk management enables an organisation to consider the potential impact of all types of risks on all processes, activities, stakeholders, products and services.”*

Enterprise Risk Management referenced material from an article – “*A structured approach to Enterprise Risk Management and the requirements of ISO 31000*”.

The document was produced in 2010 by the following United Kingdom based organisations:

- The Association of Insurance and Risk Managers
- The Public Risk Management Association
- The Institute of Risk Management

This report provides an update on risk management activities in the organisation.

## **Issues**

### **Refine the Risk Management Framework**

A key outcome that Council is seeking is to ensure that the risk management framework is clearly understood at all levels of the organisation.

This is one of the weaknesses of our current situation.

Risk (hazards) are held in Vault for Health and Safety. There are 328 risks in the Promapp system. There are instances where risks are duplicated in Promapp.

The Executive Team review the Top 11 risks each week.

There is not a clear understanding of the relationships between the different risks.

In the December 2016 review Enterprise Risk Management was introduced as a concept for use in the organisation.

Under this framework risks are categorised as Strategic, Operational and Tactical.

The following table illustrates how it has been determined that existing organisation risk activities align with these categories:

<b>Category</b>	<b>Current Risk Activity</b>	<b>Management level</b>	<b>Governance Reporting</b>
Strategic	Corporate risk register (New)	Executive	Highest risks in each category reported to Audit & Risk Committee
Operational	Promapp risk register Vault (health & safety hazards)	Operational - 3 <sup>rd</sup> tier and below	
Tactical	Projects	Executive, 3 <sup>rd</sup> tier and below	

**Strategic – Corporate risks**

As noted earlier the Promapp risk register has 328 risks which is considered too numerous for the Corporate risk register.

The Promapp register was reviewed with the view to purge the number of risks. The review indicated that disregarding duplication, there are many risks that are appropriate at an operational level. These risks are allocated to 3<sup>rd</sup> and 4<sup>th</sup> tier managers.

Controls for these risks are included in the register.

It was concluded that rather than purge Promapp, the risks for the strategic level would be developed from the top down. This will form the revised corporate risk register. It will provide the basis to check that operational and tactical risks are aligned and ranked appropriately.

The top down approach has been trialled in the following two areas to test the framework;

- Information Management
- Health and Safety

The initial indications are that this could provide a good basis to create the linkage across the organisation and assist staff understanding of the frame-work.

We will engage BDO to review this initial work before we progress through other activities.

**Operational Risks**

As a part of the long term plan project, all third tier managers are reviewing their Activity Plans (eg Rooding, Community Facilities etc) or Business Plans (eg Finance, Information Management etc).

One definition of a risk is something that could prevent or impact the achievement of objectives.

We have taken this opportunity for managers to review their Promapp risks with these plans and by considering the following:

- Objectives
- Uncertainties
- Sources of risks
- Causes of events
- Potential events
- Potential consequences

This risk identification process was presented at a training course for Council staff by Risk Management Limited in 2014.

Managers have been requested to focus on their most important risks. Questions to be considered include:

- Any objectives listed which do not have any associated risks
- The relative importance of any risks in Promapp, which do not link to an objective.

Managers have also been requested to specifically consider their Business Continuity\Disaster Recovery Planning as part of this review.

One of the tasks will be to map the strategic\corporate risks to the operational register. This is intended to identify gaps at either level.

These two reviews will be completed before the next Audit and Risk Committee meeting.

### **Tactical Risks**

In this organisation tactical risks are defined as project risks.

In the December risk management review it was reported that risks for the major Council projects were being managed appropriately. Updates on these risks are reported regularly to the Audit and Risk Committee.

It was also noted that we lack visibility of risk management practices for the numerous other projects undertaken each year.

Council's project management practices are to be reviewed as a follow-on process to the Procurement review.

At present progress on all priority projects for the year is reported to Council via a monthly schedule .

It has been decided that a simple enhancement to that schedule will give better visibility to the risk management for these projects. Managers will be requested to include the top 2-3 risks for each project on the schedule. The monthly project update process will include specific reference to the status of these risks.

This will not guarantee that risks will be managed appropriately. It will nevertheless provide a regular prompt to managers to consider an report on the risks.

We will also undertake specific internal audits of the project risk documentation and management of a selection of projects.

The results will be reported to the next Audit and Risk Committee meeting.

### **Review Policy, Risk Appetite and Risk Management Plan**

It is proposed that once BDO has reviewed the proposed framework that we will modify the Policy and Risk Management Plan. This will also incorporate improvements identified from the Audit and Risk Committee's December review.

This will be reported to the next meeting of the Audit and Risk Committee.

### **Prepare a Risk Action Plan**

The Risk Action Plan will incorporate all the actions required to address gaps with the Risk mitigation\controls.

Accordingly the Plan will flow on from the review of the Strategic and Operational Risk Registers.

The Plan will be reported to the next Audit and Risk Committee meeting.

### **Refine the Risk assessment process**

As noted above managers have been requested to review their promapp risks with their Activity Plans and Business Plans.

As a part of this process managers have also been asked to re-rank their risks against the criteria in the current policy.

The information from this process will be used to moderate the risk ratings.

We propose to review this information with BDO to identify areas for improvement and/or training in the risk assessment process.

### **Develop the Organisation understanding**

The Activity Plans and Business Plans provide excellent context for the review of business risks.

The Management group has been briefed on the overall direction we are proposing.

There will be one-on-one sessions with Managers to discuss the results of their risk reviews.

This will include discussion on:

- Any important risks that may be omitted
- Linkage to Strategic\Corporate risks
- Risk ratings
- The traceability and effectiveness of risk controls.

An expected outcome of these reviews is that managers will have greater clarity of the Enterprise Risk Management framework

Further clarity and direction will be provided when the Policy and Risk Management Plan are reviewed.

### **Attachments**

There are no attachments for this report.

### **Signatories**

Author(s)	Manaia Te Wiata	
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	<b>Group Manager Business Support</b>	
Approved by	Manaia Te Wiata <b>Group Manager Business Support</b>	



# Annual Insurance Programme Review

Trim No.: 1893676

## Executive Summary

The Audit and Risk Committee is scheduled to review Council's insurance arrangements.

There are two outstanding projects that the Committee had identified in prior reviews that have yet to be completed.

This report provides an overview of Council's insurance.

## Recommendation

That:

1. the information be received.

## Content

### Background

The insurance programme is scheduled for review by the Audit and Risk Committee.

Council's main insurance broker is Aon New Zealand (Aon).

The table below contains the insurance policies and premiums.

Insurance Policy	2016/2017 premium (\$)	2015/2016 premium (\$)
Cyber	6,937	6,937
Business Interruption	885	886
Commercial Motor vehicle	28,700	29,731
Infrastructure - primary layer	16,667	16,228
Infrastructure	32,678	32,246
Crime	9,617	9,470
Material Damage - Fire only	39,307	41,789
Material Damage excluding fire	173,503	191,640
Employers Liability	1,059	1,461
Statutory liability	3,720	1,907
Public Liability	43,098	36,792
Total	356,172	369,088

### Issues

There are 2 outstanding insurance matters from the last report to the Audit and Risk Committee.

#### Insurance of Bridges

Bridges have not been insured in the past. Aon made a presentation to the Audit and Risk Committee in October 2016 on insurance matters. Aon provided an indicative premium by which was considered to be reasonable and it was agreed to obtain the cover.

Work has been programmed to check the valuations of a sample of bridges in preparation for the forthcoming insurance renewal.

#### Insurance value of critical assets

The Audit and Risk Committee had requested more assurance that the insurance values for critical assets (eg water treatment plants) are appropriate.

This project has not been advanced at this stage due to other priorities.

#### Public Liability Insurance

Council has been a member of Riskpool, a local authority mutual fund.

Council received notice that the mutual fund will be ceasing from 30 June 2017.

The Waikato Local Authority Shared Service Insurance Working party has been investigating replacement insurance options.

We expect to be in a position to provide an update to the Audit and Risk Committee at the meeting.

### Attachments

There are no attachments for this report.

### Signatories

Author(s)	Manaia Te Wiata <b>Group Manager Business Support</b>	
Approved by	Manaia Te Wiata <b>Group Manager Business Support</b>	

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

The following motion is submitted for consideration:

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

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

This resolution is made in reliance on section 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by section 6 or section 7 of that Act which would be prejudiced by the holding of the whole or relevant part of the proceedings of the meeting in public, as follows:

### C1 Weathertight Building Claims Update

Reason for passing this resolution in relation to each matter	Particular interest(s) protected (where applicable)	Ground(s) under section 48(1) for the passing of this resolution
The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.	s7(2)(g) - The withholding of the information is necessary to maintain legal professional privilege. . s7(2)(i) - The withholding of the information is necessary to enable the local authority to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations). .	s48(1)(a)  The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.

### C2 LGNZ Excellence Programme 2016

Reason for passing this resolution in relation to each matter	Particular interest(s) protected (where applicable)	Ground(s) under section 48(1) for the passing of this resolution
The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.	s7(2)(c)(i) - 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 prejudice the supply of similar information or information from the same source and it is in the public interest that such information should continue to be supplied. .	s48(1)(a)  The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.

### C3 Internal Audit Report - Matamata Cash Handling

Reason for passing this resolution in relation to each matter	Particular interest(s) protected (where applicable)	Ground(s) under section 48(1) for the passing of this resolution
<p>The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 6.</p>	<p>s6(a) - The making available of the information would be likely to prejudice the maintenance of the law, including the prevention, investigation, and detection of offences and the right to a fair trial.</p>	<p>s48(1)(a)                      The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 6.</p>