



KOMITI ITI AHUMONI I TŪRARU AUDIT AND RISK SUBCOMMITTEE

8 February 2022

Order Paper for the meeting to be held via Zoom,
on:

Tuesday 15 February 2022 commencing at 2.00pm

Membership

	Ms Suzanne Tindal (Independent Chair)
Mayor C Barry (Deputy Chair)	Cr J Briggs
Cr S Edwards	Cr A Mitchell
Cr S Rasheed	Cr N Shaw

For the dates and times of Council Meetings please visit www.huttcity.govt.nz

Have your say

You can speak under public comment to items on the agenda to the Mayor and Councillors at this meeting. Please let us know by noon the working day before the meeting. You can do this by emailing DemocraticServicesTeam@huttcity.govt.nz or calling the Democratic Services Team on 04 570 6666 | 0800 HUTT CITY

AUDIT & RISK SUBCOMMITTEE

Membership:	<p>Independent Chair and 7 Members</p> <p>Audit and Risk Subcommittee members should be appointed so that the subcommittee has a diversity of governance skills, experiences and personal qualities. Between them, the members should bring a mix of the following attributes:</p> <ol style="list-style-type: none"> 1. Broad governance experience; 2. Familiarity with risk management disciplines; 3. Understanding of internal control and assurance frameworks; 4. An understanding of financial and non-financial performance reporting; 5. A good understanding of the roles of internal and external audit; and 6. A sound understanding of the local government sector. <p>Use of the matrix below has assisted other councils to consider the best fit for membership of an Audit and Risk Committee.</p>
Quorum:	Half of the members
Meeting Cycle:	Meets on an eight weekly basis or as required
Reports to:	Council

OVERVIEW:

This Subcommittee has a monitoring and advisory role in reviewing the effectiveness of the manner in which Council discharges its responsibilities in respect to governance, risk management and internal control.

The Committee is primarily aligned with the Office of the Chief Executive.

Its areas of focus are:

- Oversight of risk management and assurance across the Council Group with respect to risk that is significant
- Internal and external audit and assurance
- Health, safety and wellbeing
- Business continuity and resilience
- Integrity and investigations
- Monitoring of compliance with laws and regulations
- Significant projects, programmes of work and procurement, focussing on the appropriate management of risk

- The LTP, Annual Report and other external financial reports required by statute.

PURPOSE:

To carry out a monitoring and advisory role and provide objective advice and recommendations around the effectiveness of the manner in which Council discharges its responsibilities in respect to governance frameworks, risk management, internal control systems and the Council Group's financial management practices.

DELEGATIONS FOR THE SUBCOMMITTEE'S AREAS OF FOCUS:

- The Subcommittee has no decision-making powers other than those in these Terms of Reference.
- The Subcommittee may request expert advice through the Chief Executive where necessary.
- The Subcommittee may make recommendations to the Council and/or Chief Executive.

Risk Management:

- Review, approve and monitor the implementation of the risk management framework and strategy, including significant risks to the Council Group.
- Review the effectiveness of risk management and internal control systems including all material financial, operational, compliance and other material controls. This includes legislative compliance (including health and safety), significant projects and programmes of work, and significant procurement.
- Review risk management reports identifying new and/or emerging risks.

Assurance:

- Review and approve, and monitor the implementation of, the assurance strategy and detailed internal audit coverage and annual work plans.
- Review the coordination between the risk and assurance functions, including the integration of the Council's risk profile with the internal audit programme. This includes assurance over all material financial, operational, compliance and other material controls. This includes legislative compliance (including health and safety), significant projects and programmes of work, and significant procurement.
- Review the reports of the assurance functions dealing with findings, conclusions and recommendations (including assurance over risks pertaining to Council Controlled Organisations and Council Controlled Trading Organisations that are significant to the Council Group).
- Review and monitor management's responsiveness to the findings and recommendations, inquiring into the reasons that any recommendation is not acted upon.

Fraud and Integrity:

- Review, approve and monitor the implementation of the assurance strategy, including the fraud and integrity aspects.
- Review the arrangements in place by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting, financial control or any other matters, and ensure that there is proportionate and independent investigation of such matters and appropriate follow-up action.
- Review the procedures in relation to the prevention, detection, reporting and investigation of bribery and fraud.
- Review and monitor policy and process to manage conflicts of interest amongst elected and appointed members, management, staff, consultants and contractors.
- Review internal and external reports related to possible improprieties, ethics, bribery and fraud related incidents.

Statutory Reporting:

- Review and monitor the integrity of the Long Term Plan and Annual Report including statutory financial statements and any other formal announcements relating to the Council's financial performance, focussing particularly on the areas listed below.
- Compliance with, and the appropriate application of, relevant accounting policies, practises and accounting standards.
- Compliance with applicable legal requirements relevant to statutory reporting.
- The consistency of application of accounting pollicies, across reporting periods, and the Council Group.
- Changes to accounting policies and practices that may affect the way that accounts are presented.
- Any decisions involving significant judgement, estimation or uncertainty.
- The extent to which financial statements are affected by any unusual transactions and the way they are disclosed.
- The disclosures of contingent liabilities and contingent assets.
- The clarity of disclosures generally.
- The basis for the adoption of the going concern assumption.
- Significant adjustments resulting from the audit.

External Audit:

- Discuss with the external auditor, before the audit commences, the nature, scope and fees of the external audit, areas of audit focus, and error and materiality levels.
- Review, with the external auditors, representations required by elected members and senior management, including representations as to the fraud and integrity control environment.

- Review the external auditor's management letter and management responses, and inquire into reasons for any recommendations not acted upon.
- Where required, the Chair may ask a senior representative of the Office of the Auditor General to attend meetings of the Subcommittee to discuss the office's plans, findings and other matters of mutual interest.

Interaction with Council Controlled Organisations and Council Controlled Trading Organisations:

- Other committees dealing with CCO and CCTO matters may refer matters to the Audit & Risk Subcommittee for review and advice.
- This Subcommittee will inquire to ensure adequate processes at a governance level exist to identify and manage risks within a CCO. Where an identified risk may impact on Council or the Council Group, the Subcommittee will also ensure that all affected entities are aware of and are appropriately managing the risk.

Matrix of Experience, Skills and Personal Qualities

Experience, Skills and Personal Qualities	Member A	Member B	Member C	Member D	Independent Chairperson
<i>The recommended combination of experience is:</i>					
• financial reporting					
• broad governance experience					
• familiarity with risk management disciplines					
• understanding of internal control and assurance frameworks					
• good understanding of the roles of internal and external audit					
• local government expertise					
<i>For an "advisory-oriented" audit committee, particular emphasis should be placed on:</i>					
• Strategy					
• Performance management					
• Risk management disciplines					
<i>In determining the composition of the audit committee, the combined experience, skills, and personal qualities of audit committee members is critical. Members should bring:</i>					
• the ability to act independently and objectively					
• the ability to ask relevant and pertinent questions, and evaluate the answers					
• the ability to work constructively with management to achieve improvements					
• an appreciation of the public entity's culture and values, and a determination to uphold these					
• a proactive approach to advising the governing body and chief executive of matters that require further attention					
• business acumen					
• appropriate diligence, time, effort, and commitment					
• the ability to explain technical matters in their field to other members of the audit committee					

TE KAUNIHERA O TE AWA KAIRANGI | HUTT CITY COUNCIL

KOMITI ITI AHUMONI I TŪRARU | AUDIT AND RISK SUBCOMMITTEE

Meeting to be held via Zoom on
Tuesday 15 February 2022 commencing at 2.00pm.

ORDER PAPER

PUBLIC BUSINESS

1. APOLOGIES

2. PUBLIC COMMENT

Generally up to 30 minutes is set aside for public comment (three minutes per speaker on items appearing on the agenda). Speakers may be asked questions on the matters they raise.

3. CONFLICT OF INTEREST DECLARATIONS

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

4. EXTERNAL AUDIT UPDATE - HUTT CITY COMMUNITY FACILITIES TRUST (22/128)

Report No. ARSC2022/1/5 by the Senior Management Accountant 10

CHAIR'S RECOMMENDATION:

"That the recommendations contained in the report be endorsed."

5. EXTERNAL AUDIT UPDATE - SEAVIEW MARINA LIMITED (22/117)

Report No. ARSC2022/1/6 by the Senior Management Accountant 25

CHAIR'S RECOMMENDATION:

"That the recommendation contained in the report be endorsed."

6. EXTERNAL AUDIT UPDATE - URBAN PLUS LIMITED (PARENT AND GROUP) (22/116)

Report No. ARSC2022/1/7 by the Senior Accountant 43

CHAIR'S RECOMMENDATION:

"That the recommendation contained in the report be endorsed."

7. **EXTERNAL AUDIT UPDATE - HUTT CITY COUNCIL** (22/115)

Report No. ARSC2022/1/8 by the Financial Accounting Manager 87

CHAIR'S RECOMMENDATION:

"That the recommendation contained in the report be endorsed with a new part (2) to read:

- (2) asks officers to provide guidance and assistance to their colleagues at Wellington Water Limited to ensure satisfactory performance measures and reporting can be implemented and tested in the 2022 financial year audit process to resolve the potential for a modified opinion again being issued on Council's water activities."

8. **SENSITIVE EXPENDITURE DISCLOSURES** (22/104)

Report No. ARSC2022/1/17 by the Financial Accounting Manager 116

CHAIR'S RECOMMENDATION:

"That the recommendations contained in the report be endorsed."

9. **HOLIDAYS ACT COMPLIANCE** (22/73)

Report No. ARSC2022/1/9 by the Finance Project Manager 121

CHAIR'S RECOMMENDATION:

"That the recommendation contained in the report be endorsed."

10. **RISK MANAGEMENT UPDATE** (22/126)

Report No. ARSC2022/1/11 by the Risk and Assurance Manager - Finance 124

CHAIR'S RECOMMENDATION:

"That the recommendations contained in the report be endorsed."

11. **COMPLYWITH** (22/21)

Report No. ARSC2022/1/12 by the Legal Co-ordinator 142

CHAIR'S RECOMMENDATION:

"That the recommendation contained in the report be endorsed."

12. INFORMATION ITEMS**a) Naenae Pool and Fitness Centre - progress update (22/30)**

Memorandum dated 18 January 2022 by the Project Manager
(Naenae)

148

CHAIR'S RECOMMENDATION:

"That the recommendation contained in the memorandum be endorsed."

b) Audit and Risk Subcommittee Work Programme (22/45)

Report No. ARSC2022/1/16 by the Democracy Advisor

156

CHAIR'S RECOMMENDATION:

"That the recommendation contained in the report be endorsed."

13. QUESTIONS

With reference to section 32 of Standing Orders, before putting a question a member shall endeavour to obtain the information. Questions shall be concise and in writing and handed to the Chair prior to the commencement of the meeting.

Kate Glanville
SENIOR DEMOCRACY ADVISOR

27 January 2022

File: (22/128)

Report no: ARSC2022/1/5

External Audit Update - Hutt City Community Facilities Trust

Purpose of Report

1. To provide an update on the information contained within the recent management report issued by Audit NZ.

Recommendations

That the Subcommittee

- (1) notes the findings from the 2020/21 audit of the Hutt City Communities Facilities Trust attached as Appendix 1 to the report; and
- (2) notes the windup of the Trust took effect on 30 June 2021 and that there will be no further audits.

Background

2. The primary purpose of the external audit is to complete checks that enable Audit NZ to issue an audit opinion on the Hutt City Community Facilities Trust (CFT) performance results for the year end.
3. CFT's Annual Report for the year ended 30 June 2021 was approved and adopted by the CFT Board and tabled at Council on 16 December 2021. Audit NZ issued an unmodified audit opinion.
4. The Annual Report for the year-ended 30 June 2021 was CFT's final report as a decision was made to wind-up the Trust following public consultation. The wind-up date was 30 June 2021.
5. Given this was CFT's final Annual Report, all previous Audit NZ recommendations were closed, and no new recommendations were raised.

6. The table below provides an overview of Audit NZ's finding in relation to previous open recommendations:

	Audit NZ recommendation	Year first raised	Officer update
1	Monitoring of building warrants of fitness	2018	No expired building warrants of fitness were identified by Audit NZ in 2020/21.
2	Journals review	2017	With the disestablishment of the Trust, Council will apply its internal policy regarding the approval of journals and transactions.
3	Discovery of one undisclosed interest	2016	No non-disclosure of interests were identified by Audit NZ in 2020/21.
4	Compliance with Sensitive Expenditure Policy	2020	Audit NZ found no incidences of non-compliance with the sensitive expenditure policy in 2020/21.
5	Relevance of performance measures	2020	Audit NZ noted CFT had updated its performance measures in its Statement of Intent for the three-year period covering 2021/22 to 2023/24 in line with audit recommendations.

Climate Change Impact and Considerations

7. There are no climate change impacts or considerations arising from this report.

Legal Considerations

8. There are no legal considerations arising from this report.

Financial Considerations

9. The financial considerations are detailed in Appendix 1 to this report.

Appendices

No.	Title	Page
1	Report to the Board on the audit of the Hutt City Community Facilities Trust for the year-ended 30 June 2021	13

Author: Sharon Page
Senior Management Accountant

Author: Ben Wu
Financial Accounting Manager

Approved By: Jenny Livschitz
Group Chief Financial Officer

**Report to the Board on
the audit of the**

**Hutt City Community
Facilities Trust**

For the year ended 30 June 2021

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Appendix 2: Disclosures	11

Key messages

We have completed the audit of the Hutt City Community Facilities Trust (the Trust) for the year ended 30 June 2021. This report sets out our findings from the final audit of the Trust.

Audit opinion

We issued an unmodified audit opinion.

Without modifying our audit opinion, we included an emphasis of matter paragraph to draw attention to the disclosures in the financial statements relating to the preparation of the financial statements on the disestablishment basis because of the Trustees' decision to wind up the Trust following public consultation.

We consider the disestablishment basis of preparation and related disclosures to be appropriate to the Trust's circumstance.

Key matters

Disestablishment of the Trust

We are satisfied with the accounting treatment and disclosures in the final annual report regarding the disestablishment of the Trust.

There are no significant matters to bring to your attention.

Property, Plant and Equipment revaluation

The Trust performed a full revaluation of their land and buildings as at 31 May 2021.

We are satisfied, from the audit procedures performed, that revalued property, plant and equipment are fairly stated for the purposes of being transferred to the Hutt City Council as part of the disestablishment of the Trust.

Risk of management override of internal controls

We did not identify any issues or incidents of management override of controls.

Thank you

We would like to thank the Board, management and staff for the assistance received during the audit.



Andrew Clark
Appointed Auditor
27 January 2022

27 January 2022

File: (22/117)

Report no: ARSC2022/1/6

External Audit Update - Seaview Marina Limited

Purpose of Report

1. To provide an update on the information contained within the recent management report issued by Audit NZ.

Recommendation

That the Subcommittee notes the progress achieved in addressing the audit recommendations for Seaview Marina Limited attached as Appendix 1 to the report.

Background

2. The primary purpose of the external audit is to complete checks that enable Audit NZ to issue an audit opinion on Seaview Marina Limited (SML) performance results for the year end.
3. SML's Annual Report for the year ended 30 June 2021 was approved and adopted by the SML Board and presented to Council on 16 December 2021. Audit NZ issued an unmodified audit opinion.

Audit NZ management reports

4. Summary:

Priority	Priority			
	Urgent	Necessary	Beneficial	Total
Open matters from prior year	0	3	0	3
Matters resolved	0	-2	0	-2
New matters in current year	0	0	1	1
Current open matters	0	1	1	2

5. The table below provides an overview of the current open matters:

	Audit NZ recommendation	Year First Raised by Audit NZ	Officer update
1	<p>Performance reporting</p> <p>SML looks to how it can improve its performance reporting to better show its development and responsibilities as a Public Benefit Entity.</p> <p>Audit NZ noted progress has been made with one new measure included in the draft 2021/22 to 2023/24 SOI.</p>	2019/20	SML will follow up on this work with the Research and Evaluation team in the second half on 2021/22 with the aim of identifying further measures.
2	<p>Ensure all appointment letters are retained</p> <p>All appointment letters should be kept for future reference</p>	2020/21	Hutt City Management will communicate with the appropriate Council staff to ensure all letters relating to the appointment of directors are forwarded to HR and Payroll for filing and future reference.

Climate Change Impact and Considerations

6. There are no climate change impacts or considerations arising from this report.

Legal Considerations

7. There are no legal considerations arising from this report.

Financial Considerations

8. The financial considerations are detailed in Appendix 1 attached to the report.

Appendices

No.	Title	Page
1 ↓	Seaview Marina Limited Audit Management Letter 30 June 2021	28

Author: Sharon Page
Senior Management Accountant

Reviewed By: Ben Wu
Financial Accounting Manager

Approved By: Jenny Livschitz
Group Chief Financial Officer

27 January 2022

File: (22/116)

Report no: ARSC2022/1/7

External Audit Update - Urban Plus Limited (Parent and Group)

Purpose of Report

1. To provide an update on the information contained within the recent management report issued by Audit NZ.

Recommendation

That the Subcommittee notes the progress achieved in addressing the audit recommendations for the Urban Plus Limited group attached as Appendices 1, 2 and 3 to the report.

Background

2. The primary purpose of the external audit is to complete checks that enable Audit NZ to issue an audit opinion on Urban Plus Limited and Group (UPL) performance results for the year end.
3. UPL's Annual Report for the year ended 30 June 2021 was approved and adopted by the UPL Board on the 30 November 2021 and presented to Council on 16 December 2021. Audit NZ issued an unmodified audit opinion.

Audit NZ management reports

4. Summary:

Priority	Priority			
	Urgent	Necessary	Beneficial	Total
Open	-	2	-	2
Implemented or closed	1	4	-	5
Total	1	6	-	7

5. The table below provides an overview of the current open matters:

No	Audit NZ recommendation	Year First Raised by Audit NZ	Officer update
1	<p>Sensitive expenditure policy</p> <p>We recommend that the Company ensures that the sensitive expenditure policy is in line with best practice, to ensure adequate procedures are in place to address waste and probity issues.</p> <p>For the 2020/21 audit, the OAG specifically asked us to review all entities sensitive expenditure policies against the latest OAG good practice guidelines and report back on any areas which are not aligned.</p>	2017/18	<p>In progress</p> <p>We reviewed the policy against the latest OAG good practice guidelines.</p> <p>We found the policy is in line with the guidelines, apart from one area.</p> <p>UPL Policy States: "Reasonable meal costs, including non-alcoholic and a maximum of two alcoholic drinks".</p> <p>This is not in line with OAG guidelines as the expectation is "Public organisations should not allow for reimbursement of alcohol purchases through travel or accommodation expenses."</p> <p>While the Company does set a guideline, this guideline does not align with OAG good practice guidelines.</p> <p>Management comment</p> <p><i>Work is underway to update the sensitive expenditure policy following a review of the existing policy against the latest OAG guidelines. A new policy is expected to be in place before the end of the 2021/22 financial year.</i></p>

2	<p>Assessment of fair values and impairment for housing portfolio</p> <p>We recommend that the Company prepares a suitable impairment assessment which documents internal and external factors that might indicate impairment, such as changes in the market, natural events, or physical damage.</p>	2017/18	<p>To be followed up next year</p> <p>As an independent valuation of the Company's land and buildings was completed as at 30 June 2021, an impairment assessment was not needed.</p> <p>We will follow up this matter next year, noting that the Hutt region has continued to experience strong growth in the valuation of residential land and building in the first half of the 2021/22 financial period.</p>
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Climate Change Impact and Considerations

6. There are no climate change impacts or considerations arising from this report.

Legal Considerations

7. There are no legal considerations arising from this report.

Financial Considerations

8. The financial considerations are detailed in the Appendices 1, 2, and 3 attached to the report.

Appendices

No.	Title	Page
1↓	UPL Report to the Board 2021	46
2↓	UPL DL Report to the Board	62
3↓	UPL LP Report to the Board	73

Author: Simon George
Senior Accountant

Reviewed By: Ben Wu
Financial Accounting Manager

Approved By: Jenny Livschitz
Group Chief Financial Officer

31 January 2022

File: (22/115)

Report no: ARSC2022/1/8

External audit update - Hutt City Council

Purpose of Report

1. To provide an update on the Audit NZ management report on the audit for the Group Annual Report 2020/21.
2. The Audit New Zealand Audit Director will attend the Subcommittee meeting.

Recommendation

That the Subcommittee notes Audit New Zealand's management report on the audit of the Hutt City Council Group Annual Report 2020/21, attached as Appendix 1 to the report.

Background

3. The Audit NZ interim management report for the year ended 30 June 2021 was reported to the Audit and Risk Subcommittee (ARSC) on the 9 September 2021. The interim audit focused on reviewing the Council's control environment and testing the council's systems and controls. No new audit recommendations were raised through this interim audit process.
4. The ARSC reviewed and endorsed the draft Annual Report 2020/21 on 11 November 2021. This was ahead of the draft Annual Report being further reviewed by the Policy, Finance and Strategy Committee (PFSC) and then the Council. The inclusion of the Audit and Risk Subcommittee in this governance review process was a change from previous practice. Officers intend to continue this improved process in the future.
5. Both the ARSC and PFSC endorsements of the Group Annual Report were subject to satisfactory completion of any audit adjustments and receipt of final audit clearance from Audit NZ.
6. The Group Annual Report 2020/21 was successfully approved by Council on the 21 December 2021 and the audit opinion issued. This was ahead of the statutory deadline of 31 December 2021.

7. The audit opinions for both the full detailed Group Annual Report and the Summary Annual Report were issued on the 21 December 2021. This was an improvement from previous practice where the Summary Annual Report was delayed for about a month after the issuance of the audit opinion of the full detailed Annual Report.
8. Whilst an unmodified audit opinion was issued by Audit NZ on the financial statements, there was a qualified opinion issued on performance measures relating to Council's water activities. This was due to issues identified with the Wellington Water Ltd underlying systems and information. The other shareholding councils of Wellington Water that were impacted by these issues also received similar modified audit opinions.
9. The audit opinion also included an emphasis of matter in relation to the Government's Three Waters Reform programme announcements.

Audit NZ management report on the Group Annual Report 2020/21

10. The final Audit NZ management report for the Group Annual Report 2020/21 was received 31 January 2022 and is attached as Appendix 1 to the report. Included in this report is detail about the audit findings, together with audit recommendations. Management comments have also been included in the report where relevant.
11. Over the last three years there has been really good progress achieved closing out long-standing audit recommendations. These have been reported to the Audit and Risk Subcommittee previously and have included for example, the implementation of a Financial Delegations Policy and improvements to creditor and payroll masterfile changes. There were a further three audit recommendations closed through this most recent audit:
 - Approval of the Chief Executive's and Mayor's expenditure;
 - Network and payroll password settings can be improved; and
 - High level of manual adjustments in reporting "number of new dwellings".

12. A summary of the latest open audit findings are presented in table 1 that follows.

Table 1: Summary of audit recommendations after final audit

Improvement recommendation by category	Number	Commentary
In progress to be implemented/ resolved	1	IT Disaster recovery plans require testing.
Limited progress in addressing	2	Wellington Water performance reporting issues in relation to the following performance measures: (1) Maintenance of the reticulation network – water supply (water loss). (2) Total number of complaints received -Water supply, wastewater and stormwater. A further related issue about the number of complaints recorded, is related specifically to the Hutt City Council processes.
New recommendations	2	(1) Segregation of duties within FMIS. (2) Annual review of network rights not performed. Both of these items are expected to be closed during 2022 within work programs planned.
Total	5	

13. External specialist advice was sought where deemed necessary in preparing the financial statements for the year ended 30 June 2021. Advice was sought in the wind-up of the Hutt City Community Facilities Trust and the Holidays Act Compliance and Remediation Liability provision. The audits of these areas were completed successfully and there are no audit issues raised.

Climate Change Impact and Considerations

14. The matters addressed in this report have been considered in accordance with the process set out in Council's Climate Change Considerations Guide. There are no climate change impacts or considerations arising from this report.

Legal Considerations

15. There are no legal considerations arising from this report.

Financial Considerations

16. The financial considerations are detailed in this report in the relevant areas.

Appendices

No.	Title	Page
1↓	Audit New Zealand Management Report for the year ended 30 June 2021	91

Author: Darrin Newth
Financial Accounting Manager

Author: Ben Wu
Financial Accounting Manager

Approved By: Jenny Livschitz
Group Chief Financial Officer

25 January 2022

File: (22/104)

Report no: ARSC2022/1/17

Sensitive Expenditure Disclosures

Purpose

1. The purpose of this report to provide the Subcommittee with a listing of Sensitive Expenditure incurred by Elected Members, Chief Executive and Directors for the period 1 October 2021 to 31 December 2021.

Recommendation

That the Subcommittee:

- (1) receives and notes the report; and
- (2) notes the Sensitive Expenditure disclosure information attached as Appendix 1: Summary of Sensitive Expenditure 1 October 2021 to 31 December 2021 to the report.

Background

2. Information has been extracted from our financial system from relevant cost centres and expenditure codes where sensitive expenditure is highly likely to be coded to.
3. The list of transactions for the quarter from 1 October 2021 to 31 December 2021 is attached as Appendix 1 to the report.
4. This information will also be published on Council's website.
<http://www.huttcity.govt.nz/Your-Council/sensitive-expenditure/>

Appendices

No.	Title	Page
1	Summary of Sensitive Expenditure 1 October 2021 to 31 December 2021	118

Author: Ben Wu
Financial Accounting Manager

Approved By: Jenny Livschitz
Group Chief Financial Officer

21 January 2022

File: (22/73)

Report no: ARSC2022/1/9

Holidays Act Compliance

Purpose of Report

1. The purpose of this report is to provide an update to the Audit and Risk Subcommittee on Hutt City Council's compliance with the Holidays Act 2003 (the Act).

Recommendations

That the Subcommittee notes and receives the report.

Background

2. The Audit and Risk Subcommittee received a first formal report on Council Holidays Act 2003 pay compliance at the meeting held on 23 April 2021 (refer ARSC2021/2/84). Follow up reports were presented to the Subcommittee on 9 September and 11 November 2021 (refer ARSC 2021/4/189 and ARSC2021/5/248).
3. Compliance with the Holidays Act 2003 is a current issue for many organisations in New Zealand. The following areas are widely acknowledged as potential triggers for compliance failures:
 - a. Diverse working arrangements (shift work, on-call employees);
 - b. Additional remuneration arrangements;
 - c. Employees working irregular hours; and employees receiving allowances.
4. In November 2020, Ernst & Young (EY) was engaged to undertake a review of Hutt City Council's compliance with the Act. The summary of findings identified areas of risk, and inconsistencies or potential errors in payroll existed when compared to references to the requirements of the Act. Annual leave, BAPSF (Bereavement, alternative, public holiday, sick and family violence) leave, terminations, casual employees and reporting have been identified in the report as the areas of risk. These findings were consistent

with similar findings at many other organisations in New Zealand.

5. Following on from these findings by EY, a Holidays Act Remediation Project (HARP) was initiated and a Project Steering Group (PSG) established, comprising the Group Chief Financial Officer, Chief People Officer and the Chief Digital Officer. The PSG reports through to the Chief Executive and Corporate Leadership Team.
6. There are three key phases to the project:
 - remediation calculations;
 - remediation payments; and
 - payroll system and/or process corrections to ensure compliance.
7. This is a complex project which requires external specialist support and advice to ensure compliance is achieved. Current processes and policies will need to be reviewed and updated in line with remediation work outcomes.
8. A Holidays Act compliance provision of \$2.5M was recorded in the financial statements for the year ended 30 June 2021.

Progress Update

9. A key stage in the HARP project is to secure the services of a consultancy experienced in the calculation of payroll remediation. During September and October 2021, a closed tender process was run with three experienced participants on the “All of Government” panel. With adherence to Council’s Procurement policy and HARP’s governance processes, a consultancy was subsequently selected.
10. As part of the Go Digital Programme, a HRIS and Payroll system project is underway. This project has synergies with HARP, and achieved a major milestone in December 2021 of selecting a new HRIS and Payroll system. The new system will be compliant with the Holidays Act, therefore removing the need to make the current payroll system CHRIS21, compliant.
11. The period for which remediation will be calculated, will be from 1 March 2015, until the time payroll systems and processes are made compliant. At this time we predict implementation of the new payroll system will occur in about September 2022, although detailed planning has not been completed as yet. Legislation requires Council to go back six years from the time it first became aware of the potential Holidays Act non-compliance issues, which was March 2021.
12. The payroll remediation calculations process is progressing as planned. Our goal is to work as quickly as possible to make payments to affected current and former staff. Payments to affected staff are to be made in two tranches. The first tranche will be for the period March 2015 to March 2022, which is expected to be paid to affected staff in June 2022. The second tranche will be to address any remaining remediation owing up to the date at which Council payroll systems and processes become Holidays Act compliant. This is expected to be in late 2022. The timing of payments will be further reviewed

as the project progresses and detailed planning for the new payroll system is completed.

13. Recruitment of HARP project resource has been vital. A Project Manager was onboarded in October 2021. As the project will heavily impact the Payroll team's systems and processes, a Senior Payroll Specialist has also been recruited to provide additional support for business-as-usual payroll as well as HARP functions.
14. A HARP Communications Plan has been documented to ensure that relevant stakeholders are kept informed of project progress. Current staff are being kept informed at regular intervals via appropriate channels. Affected former staff will be contacted once they have been identified through the remediation calculations.
15. A further report and update to the Audit and Risk Subcommittee will be presented on 19 April 2022.

Climate Change Impact and Considerations

16. The matters addressed in this report have been considered in accordance with the process set out in Council's Climate Change Considerations Guide.

Consultation

17. Not applicable.

Legal Considerations

18. EY have advised that there are a number of risk areas in our compliance with the Holidays Act 2003. Council will work with the remediation calculation consultancy to traverse risks areas and seek legal advice as appropriate.

Financial Considerations

19. There are a range of financial matters raised in this report.

Appendices

There are no appendices for this report.

Author: Angela Leong
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Group Chief Financial Officer

Approved By: Andrea Blackshaw
Director Neighbourhoods and Communities

27 January 2022

File: (22/126)

Report no: ARSC2022/1/11

Risk Management Update

Purpose of Report

1. This report is an update to the Audit and Risk Subcommittee on activities undertaken to maintain and improve risk management at Hutt City Council (Council).
2. Council's Top Risk Register as at 31 December 2021 is also reported to the Subcommittee.

Recommendations

That the Subcommittee:

- (1) notes and receives the information contained in the report; and
- (2) notes the Top Risk Register attached as Appendix 1 to the report.

Background

3. The Risk and Assurance Manager provides regular updates to the Audit and Risk Subcommittee on the activities to maintain and improve Council's risk management awareness and culture. The previous Risk Management update was presented to the Subcommittee on 9 September 2021.
4. Council's Top Risk Register ("the register") is a living document that is updated periodically through consultation with risk owners. It is a means of providing relevant and timely information to key stakeholders enabling meaningful conversations about how risk is managed and ensures sufficient attention is focused on key matters. It also supports planning, managing, and responding to high-level risks and good decision making.

Risk Management Update

5. Council continues to embark on improving its risk maturity level using the risk appetite statement and risk matrix that was endorsed by the Audit and Risk Subcommittee and adopted by Council on 2 June 2021.

6. There has been a steady growth in business unit's awareness of risk profiling and use of the Risk Management intranet content, which provides a self-service guide for risk management basics including information on the risk management framework, the risk appetite statement, roles and responsibilities for risk management, criteria for assessing risk, the risk management quick reference guide and the register template.
7. A new Risk and Assurance Manager has joined Council in the last quarter. Since joining, the focus has been on hand-over and transitioning from the predecessor.
8. A key organisational focus over the last quarter has been on our COVID-19 response. The Chief Executive will present an update to the Subcommittee at the meeting.

Council's Risk Register

9. Attached as Appendix 1 to the report is the register as at 31 December 2021, as approved by the Corporate Leadership Team (CLT).
10. The register was last considered by the Audit and Risk Subcommittee on 9 September 2021.
11. Council officers are continuing to make improvements and refine the register, by ensuring that the strategic/top risks are appropriately identified, evaluated, and assessed, and that appropriate risk mitigations are in place to reduce the risk likelihood or significant impact on Council's objectives. This is an ongoing process and over time, the process and register will continue to be improved.
12. There are 13 top risks on Council's strategic risk register.
13. The register has been updated, through individual discussions/consultations held with the risk owners. It has also been reviewed by CLT and an external consultant ahead of the Audit and Risk Subcommittee meeting.
14. The key risk themes for the register continue to be people, priorities, impacts from major projects, assets, reputation, technology (cyber, loss of data and systems) and service delivery.
15. A separate new risk relating to COVID-19 has been added to the register. Whilst COVID-19 has an impact on all risks listed on the register, the uncertainties around New Zealand's future state approach continues to develop at a fast-evolving pace. COVID-19 poses a significant risk to the way in which Council will operate in its future form and functions.
16. The risk relating to "Relationship with Mana Whenua" reported to this Subcommittee on 9 September 2021 has been removed. The residual risk rating continues to decrease and will be monitored via the operational risk register by the Kaitatari Tumuaki Maori and escalated as required to the Risk and Assurance Manager. Council continues to make steady progress and is committed to ensuring we have the right relationships, processes, and protocols in place to enable effective participation in partnership with Mana Whenua.

17. Overall risk ratings remain unchanged as the majority of the planned mitigations treatments are still ongoing since the last register update provided. The reasons for this are largely because business areas key focus in the last quarter has been around preparing to operate in an environment in which a COVID-19 outbreak may exist.
18. Of the top 13 risks identified, 31% (or four) have a residual risk rating of high, 62% (or eight) have a residual risk rating of medium and 7% (or one) have a residual risk rating of low. The risks with a high residual rating relate to workforce, health and safety, assets and COVID-19. Building better understanding and awareness of risk management and improving risk culture in the Council continues to evolve with our focus on ensuring that appropriate resources are allocated to these areas to reduce both the likelihood and impact of the risks with the intention to bring it in line with the risk appetite that Council has set. Progress is being achieved despite challenges of staff capacity issues, market conditions, impacts of COVID-19 etc.
19. The register has been refined and rationalised. That does not mean the other risks are not important. Changes to underlying risks, events and conditions will be considered in future register reviews.
20. Risks that are not captured on the register continue to be monitored via operational risk registers by the respective business unit leads and escalation occurs as required in alignment with the risk assessment criteria set. The Risk and Assurance Manager has also been supporting business units in developing their operational risk registers and providing guidance and support when requested.
21. Procurement (Risk 10) had components of its rating decreased. However, the overall residual risk profile rating remains unchanged. The change to the risk likelihood (possible to unlikely) reflects on Council's journey of implementing and planning to implement strong risk control treatments. Council is confident that should the risk eventuate, control treatments and planned mitigations would provide effective measures to minimise its impact.
22. CLT regularly monitors and has oversight of issues (ie uncertainties that have eventuated) to ensure treatment plans are in place and action are within an acceptable level. This process is available to raise any emerging issues in relation to the above risks.

Assurance activities update

23. Assurance engagements as set out in the 2021- 2024 Internal Audit Plan have been slightly delayed due to staffing changes. However, progress is currently been made to address this.

Below is a status update on the assurance engagements.

Internal audit reviews	2021/22	Status update
Sensitive Expenditure	Q2	In progress
Accounts Payable end to end	Q3	Draft terms of reference
Procurement and contract management	Q4	Not yet started
Privacy Management – change review	Q1	Not yet started
Cash Handling – high level review	Q3	In progress

24. Council is working closely with the Building Consent Authority Accreditation body (IANZ) to ensure that we can meet their compliance requirements. A routine reassessment is currently underway. We will update the Subcommittee at the meeting on the outcome.

Climate Change Impact and Considerations

25. The matters addressed in this report have been considered in accordance with the process set out in Council’s Climate Change Considerations Guide.

Consultation

26. Not applicable.

Legal Considerations

27. Not applicable.

Financial Considerations

28. Not applicable.

Appendices

No.	Title	Page
1	Top Risk Register - December 2021	128

Author: Nishana Reddy
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Group Chief Financial Officer

Approved By: Andrea Blackshaw
Director Neighbourhoods and Communities

14 January 2022

File: (22/21)

Report no: ARSC2022/1/12

ComplyWith

Purpose of Report

1. The purpose of this report is to present the key findings from the ComplyWith survey on legal compliance.

Recommendation

That the Subcommittee receives and notes the contents of the report which details the ComplyWith legal compliance survey and the key results of it.

Background

2. Council is pleased to have introduced the “ComplyWith” tool to assist with reporting and managing our compliance with the law. ComplyWith is a software system that assigns legal obligations to staff within Council, based on their role and responsibilities. It then requires those staff to report on whether they have complied with those legal obligations. If they have not complied or have partially complied, the system requires them to have a “action plan” in place to achieve full compliance. The system then tracks that action plan to make sure it is completed.
3. ComplyWith is used by over 150 organisations in New Zealand, including the Office of the Auditor- General and WorkSafe. It enables us to:
 - Identify the legal duties and obligations that apply to our work, and who is responsible for each obligation.
 - Ensure our people are clear about what the law requires and can identify our legal risks.
 - Track areas of risk and ensure there are action plans in place to resolve them.
 - Keep up-to-date with legal change, and adapt to this if needed.

Discussion

4. The first ComplyWith survey covered the period between 1 May to 31 October 2021. The survey captured obligations under 109 Acts and Regulations and went to 101 Council staff. Everyone who the survey was assigned to completed it.
5. Out of 2506 obligations reported against, 91 non-compliances (which includes partial compliances) were reported. All non-compliances have an action plan in place, with 25 of these non-compliances resolved at the time of this reporting. These numbers are in the range of what we expected for our first survey.
6. A table summarising the actions to correct non-compliances is appended as Appendix 1 of this report. All action plans are due to be resolved by 30 June 2022.

Reporting issues

7. As this was the first time we have used the tool, some staff were unsure about its purpose and their role in this, which resulted in the following issues:
 - a. Staff were being asked to certify that compliance was achieved and did not feel comfortable doing that unless there was a “to the best of my knowledge” qualifier, as there has been in some of our previous compliance reporting. This resulted in some reporting partial compliance in areas where we are compliant. Managers are working through these responses with staff, and we will also raise this with ComplyWith before the next survey.
 - b. Some staff were new or did not know about the resolution of some issues and so reported non-compliances that did not currently exist.

Overview of key results

Health and Safety

8. A number of areas for improvement were reported by the new Health, Safety and Wellbeing Manager. On review, this was primarily because they were yet to verify the current state of Council’s health and safety compliance, before confirming full compliance. An additional health and safety staff member has now been employed, which will improve oversight across the organisation and assist with hazard management and audits. In addition, health and safety training is scheduled for February and March 2022. This will ensure responsibilities and processes in relation to health and safety are understood and executed effectively across Council.
9. An event where exposure to hazardous substances may have occurred was being investigated. Four recommendations were approved and are being implemented.

Managing Information

10. The Official Information Officer recorded that 5 official information or privacy requests had not met the statutory deadline. This was due to a number of factors, including some of these requests being complex human resources requests that were difficult to collate with the system we were using. The ability to retrieve this type of information will be dramatically improved under the new HRIS (Human Resource Information System) Council is implementing. In addition, there was a lack of resource to respond to requests from some teams with a very high workload.
11. Four known issues were recorded against the Public Records Act 2005, where staff noted that Standards are not being complied with. Work is in progress to correct this and achieve compliance.

Buildings

12. In relation to Council's responsibilities as an owner, occupier and user of buildings, it was recorded that some fire safety checks of Council buildings were delayed due to Covid and some fire evacuation procedures needed to be updated. This work has been prioritised.
13. In relation to Council's functions under the Building Act 2004 it was recorded:
 - Some building consent applications, code of compliance certificates and compliance schedules have not been processed within the statutory deadline due to resourcing issues. Several non-compliances were also reported relating to our Earthquake-prone buildings process.
 - As advised previously to the Infrastructure and Regulatory Committee on 21 September 2021, there is an ongoing issue around the Building Team being under-resourced due to departures. Council have been recruiting for several months, however, the market is tight and this continues to be a challenge. Resourcing in the quality assurance area has now been alleviated by a new staff member starting in November 2021. There has been a shortage of technical auditors being available from around New Zealand due to Covid. Resourcing continues to be an area of concern for us, and we are working closely with the Building Consent Authority Accreditation body (IANZ) to ensure we can meet their compliance requirements. A routine reassessment is currently underway.

Employment

14. Non-compliances were reported in relation to Employment matters, including:
 - Some background safety checks for Children's Workers were delayed due to a changeover in the HR Coordinator role. This was subsequently resolved and all safety checks are again being undertaken as part of the pre-employment process.

- It was noted that analysis needs to be done on an ongoing basis to ensure Council is and remains compliant with the Equal Pay Act 1972 obligations to pay the same pay for the same work. The new HRIS will support improved reporting, along with the Human Resources Systems and Services Lead (yet to be appointed), who will be responsible for human resources analytics.

Environment

15. In relation to Council's regulatory and planning functions under the Resource Management Act 1991:

- In some instances, statutory deadlines for processing resource consents were not met due to high demand and resourcing issues. Consultants were engaged and recruitment is currently underway.
- The District Plan does not currently give effect to all national policy statements or the regional policy statement. This will be addressed through the District Plan review which is currently underway.

16. In relation to Council operations, two instances were reported:

- Street cleaning contractors have been reminded to comply with noise restrictions after some complaints were received.
- During the reporting time period there was an exceedance of the number of truck movements and noise levels at the cleanfill. The operator has been requested to adjust practices to minimise these risks. Noise monitoring reports are published on our website and shared with the Community Liaison Group.

Delegations

17. Three issues with Council employees following delegations were reported. Two have been resolved and one has an action plan in place. The Delegations Register has been updated during this period to account for role and title changes.

18. The next survey will be on 1 July 2022 covering the period between 1 November 2021 to 30 June 2022.

19. Council's wholly-owned Council Controlled Organisations also implemented ComplyWith. Their results have gone to their Chief Executive Officers and Boards, in the first instance.

Appendices

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1↓	Instances of Non Compliance	147

Author: Lakna Siriwardena
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Chief Legal Officer

Approved By: Andrea Blackshaw
Director Neighbourhoods and Communities

Our Reference 22/30



TO: Chair and Members
Audit and Risk Subcommittee

FROM: Andrew Quinn

DATE: 18 January 2022

SUBJECT: NAENAE POOL AND FITNESS CENTRE - PROGRESS
UPDATE

Recommendation

That the Subcommittee notes and receives the memorandum.

Purpose of Memorandum

1. To provide an update to the Subcommittee on the progress and management of the Naenae Project (pool and town centre development) since the last meeting held on 20 October 2021.

Project update (Pool & Fitness Centre)

2. Since the last report in October 2021, there has been good progress on the Naenae Pool and Fitness Centre. Work is progressing on all aspects of the project to maintain the programme agreed with Crown Infrastructure Partners (CIP).
3. We are mid-way through the design process. The current stage (developed design) is underway and due to be completed in May 2022. During this period the project team will update the concept design using feedback submitted by the community and then prepare the application for resource consent.
4. This will be reviewed by Council's own planners although it's likely that an external team of consultants will be used to process the application to maintain independence of process.
5. It is important that we communicate well with the community how their feedback has been considered and we expect to publish this information along with the public engagement in Feb/March 2022.
6. We continue to make good progress on the demolition of the old pool. To date the main roof structure has been removed and work is underway to break up the old bleachers and administration block (see Appendix 1 attached to the report for the latest pictures from the site).
7. Demolition work will continue through February and March to break up the old pool tanks and other below ground structures. Up to 80% of the material arising from the demolition is being recycled including the concrete which will be crushed and re-used to fill in the basement tanks.

8. To date there have been no formal complaints or safety issues with the demolition works. On some windy days however, the contractor has had to employ dust suppression techniques, and this has proved to be effective.
9. At the last meeting, we advised that work had begun to procure a Main Contractor on an 'Early Contractor Involvement or ECI basis, on the recommendation of Crown Infrastructure Partners (CIP). As reported on the 'Have Your Say' website, Apollo Projects have been appointed to work with the team to help finalise the design.
10. Apollo are a major player in the design and building of aquatic facilities and have an impressive track record in successful delivery of similar sized projects to Naenae Pool & Fitness Centre. Notably they are also working on other shovel ready projects for local authorities in Gisborne (Gisborne Olympic Pool), and in Christchurch; Taiora QEII Fitness Centre & Gym and Linwood pool.

Naenae Town Centre development

11. Following the purchase of the old Naenae Post Office in December for community purposes, work has begun with the Community Advisory Group (CAG) on a co-design basis using Council's own Urban Design team to facilitate the process.
12. We expect to complete concept designs to share with the community in March 2022.

Risk

13. The latest cost estimate and risk assessment of the Pool project was undertaken by project QS Barnes Beagley Doherr at the preliminary design stage and the results can be summarised thus:
 - a. Allowing for risk, contingencies and opportunities, the anticipated final cost of the Naenae Pool and Fitness Centre @90% confidence level is \$67.99M.
 - b. The confidence level to deliver the project within the budget of \$68.0M can be expressed as 94% or there is a 6% probability that the budget will be exceeded.
14. The twenty (20) top-rated risks for the Naenae Pool and Fitness Centre project are reported to this Subcommittee and included in appendices 2 and 3 attached to the report. There are no major changes in the risk profile to report, although the risk of COVID19 interruptions and delays continues to be significant.

Financial Considerations

15. The project team reviewed and updated the current financial profile of the project against the Long-Term Plan 2021-2031 (specifically for the 2022/23 Annual Plan). As reported above, the project is still tracking well to the budget cap of \$68.0M.

Climate Change Impact and Considerations

16. The design team are developing environmentally sustainable technologies working in conjunction with Callaghan Innovation. It is hoped that the building once completed will achieve as a minimum, a Greenstar rating of 5 (New Zealand Excellence).
17. In November/December 2021, the Project Team undertook some additional work to consider the feasibility of including PassiveHaus principles in the Pool design. The decision was made not to adopt these principles given the impact this would have on the deliverability and risk profile of the project.

Legal Considerations

18. There is no change to the legal position of the project.

Appendices

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2	Quantified Risk Assessment	153
3	Risk Register (top twenty)	154

Author: Andrew Quinn
Project Manager (Naenae)

Approved By: Andrea Blackshaw
Director Neighbourhoods and Communities

21 January 2022

 File: (22/45)

Report no: ARSC2022/1/16

Audit and Risk Subcommittee Work Programme

Recommendation

That the work programme be received and noted.

Appendices

No.	Title	Page
1	Audit and Risk Subcommittee Work Programme 2022	157

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 Democracy Advisor

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