

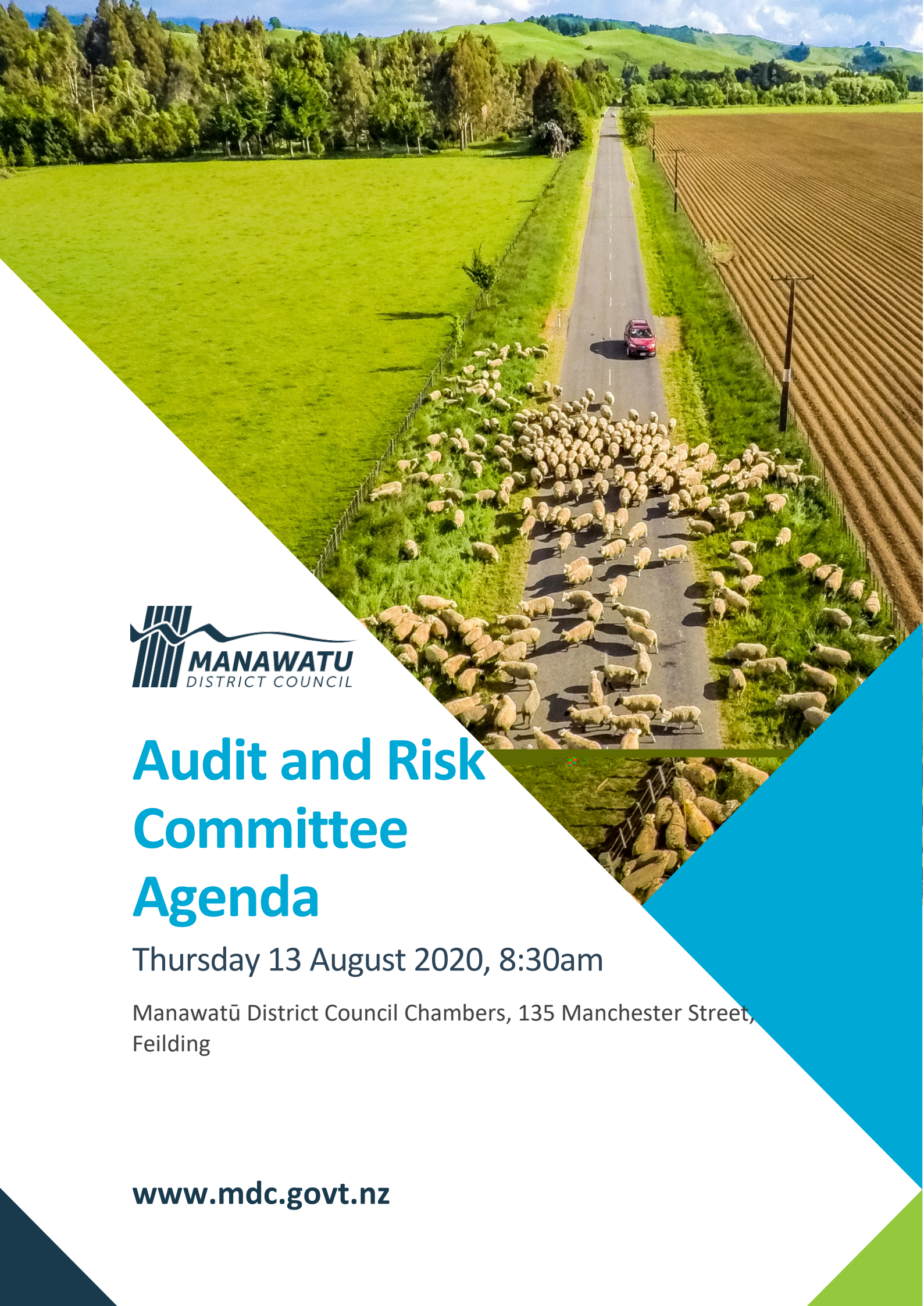


Audit and Risk Committee Agenda

Thursday 13 August 2020, 8:30am

Manawatū District Council Chambers, 135 Manchester Street,
Feilding

www.mdc.govt.nz



MEMBERSHIP

Chairperson

Councillor Stuart Campbell

Deputy Chairperson

John Fowke

Members

Her Worship the Mayor, Helen Worboys
Councillor Shane Casey
Councillor Grant Hadfield
Councillor Hilary Humphrey

Councillor Phil Marsh
Councillor Alison Short
Independent Member – John Fowke

PURPOSE

To check and ensure continuity of business, enhance governance framework, risk management practices and the controls used to monitor Council's achievements.

DELEGATED AUTHORITY

Committee delegated authority to act on all matters within its Terms of Reference (except those excluded by Clause 32(1) Schedule 7, Local Government Act 2002).

TERMS OF REFERENCE

- 1 Analysing the financial reports in line with the Council's strategic direction and national accounting standards, including the following:
 - a. long term planning including the financial strategy;
 - b. appropriateness of accounting policies;
 - c. annual report; and
 - d. internal report (monthly and/or quarterly)
- 2 Risk management and the system of internal controls:
 - a. setting the Council's appetite for risk;
 - b. understanding the key risk areas including likelihood and consequences;
 - c. effectiveness of internal controls; and
 - d. fraud risk and procurement risk.
- 3 External audit
 - a. relationship with auditor;
 - b. understanding scope and engagement;
 - c. review significant audit findings /recommendations; and
 - d. monitor progress on recommendations.
- 4 Internal audit
 - a. appointment and relationship with internal auditor;
 - b. scope of work; and
 - c. responses to internal audit recommendations.



Dr Richard Templer
Chief Executive

ORDER OF BUSINESS

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1. MEETING OPENING	
2. APOLOGIES	
3. CONFIRMATION OF MINUTES	5
<i>Draft resolution</i>	
<i>That the minutes of the Audit and Risk Committee meeting held 14 May 2020 be adopted as a true and correct record.</i>	
4. DECLARATIONS OF INTEREST	
Notification from elected members of:	
4.1	Any interests that may create a conflict with their role as an elected member relating to the items of business for this meeting; and
4.2	Any interests in items in which they have a direct or indirect pecuniary interest as provided for in the Local Authorities (Members' Interests) Act 1968
5. NOTIFICATION OF LATE ITEMS	
Where an item is not on the agenda for a meeting, that item may be dealt with at that meeting if:	
5.1	The Council by resolution so decides; and
5.2	The Chairperson explains at the meeting at a time when it is open to the public the reason why the item is not on the agenda, and the reason why the discussion of the item cannot be delayed until a subsequent meeting.
6. PRESENTATIONS	
6.1 HEALTH AND SAFETY DEEP DIVE – MAKINO AQUATIC CENTRE	
Presentation by General Manager – People and Culture, Aquatic Services Manager and Aquatics Operations Supervisor.	
7. OFFICER REPORTS	
7.1 KEY PROJECT REVIEWS – LESSONS 2020	9
Report of the General Manager – Community and Strategy dated 28 July 2020	
7.2 CORPORATE RISK REGISTER – RISK IDENTIFICATION UPDATE	38
Report of the General Manager – Community and Strategy dated 28 July 2020	

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7.3 INTERIM MANAGEMENT REPORT FROM AUDIT NEW ZEALAND 2019-20	44	
Report of the General Manager – Corporate and Regulatory dated 5 August 2020		
7.4 HEALTH AND SAFETY REPORT FOR QUARTER TO 30 JUNE 2020	66	
Report of the General Manager – People and Culture dated 5 August 2020		
8. UPDATE ON INTERNAL AUDIT		
Progress update from General Manager – Corporate and Regulatory		
9. CONSIDERATION OF LATE ITEMS		
10. NOTIFICATION OF ITEMS FOR NEXT MEETING		
11. PUBLIC EXCLUDED BUSINESS		
COMMITTEE TO RESOLVE:		
That the public be excluded from the following parts of the proceedings of this meeting, namely:		
a) Risk Appetite Statement - Review		
That 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 are as follows:		
General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Grounds under Section 48(1) for the passing of this resolution
a) Risk Appetite Statement – Review	Section 7(2)(i) - enable any local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).	Section 48(1)(a) - the public conduct of the relevant part of the proceedings would be likely to result in a disclosure of information for which good reason for withholding that information would exist, under Section 7 of the Local Government Official Information and Meetings Act 1987.
This resolution is made in reliance on Section 48(1) of the Local Government Official Information and Meetings Act 1987 and the particular interests protected by Section 6 or Section 7 of the Act which would be prejudiced by the holding of the whole or the relevant part of the proceedings of the meeting in public as specified above.		
12. MEETING CLOSURE		

MINUTES	MEETING	TIME
AUDIT AND RISK COMMITTEE	THURSDAY 14 MAY 2020	8.31AM

Minutes of a meeting of the Audit and Risk Committee held on Thursday 14 May 2020, commencing at 8.31am via Zoom.

PRESENT: Cr Stuart Campbell (Chairperson)
Mayor Helen Worboys
Cr Shane Casey
Cr Grant Hadfield
Cr Hilary Humphrey
Mr John Fowke
Cr Phil Marsh
Cr Alison Short

IN ATTENDANCE: Cr Michael Ford

Hamish Waugh (Acting Chief Executive)
Shayne Harris (General Manager – Corporate and Regulatory)
Frances Smorti (General Manager – People and Culture)
Brent Limmer (General Manager – Community and Strategy)
Allie Dunn (Governance Team Leader)
Michael Hawker (Project Delivery Manager)
Amanda Calman (Chief Financial Officer)
Mathew Bayliss (Community Facilities Manager)
Cheryl Wright (Health and Safety Adviser)

ARC 20/019 MEETING OPENING

The Chairperson declared the meeting open and welcomed Mr Fowke, the Independent Member appointed to the committee.

ARC 20/020 APOLOGIES

There were no apologies.

ARC 20/021 CONFIRMATION OF MINUTES

RESOLVED

That the minutes of the Audit and Risk Committee meeting held 13 February 2020 be adopted as a true and correct record with a correction to the spelling of officer name.

Moved by: Her Worship the Mayor

Seconded by: Councillor Phil Marsh

CARRIED

ARC 20/022 DECLARATIONS OF INTEREST

There were no declarations of interest.

ARC 20/023 NOTIFICATION OF LATE ITEMS

There were no items of late business notified.

MINUTES	MEETING	TIME
AUDIT AND RISK COMMITTEE	THURSDAY 14 MAY 2020	8.31AM

ARC 20/024 PRESENTATION - OVERVIEW OF INSURANCE LIABILITIES

Shayne Harris, General Manager – Corporate and Regulatory, gave a presentation that provided an overview of insurance liabilities and how this was managed at Manawatū District Council.

ARC 20/025 EMPLOYEE ENGAGEMENT SURVEY RESULTS

Report of the General Manager – People and Culture dated 30 April 2020 presenting the results of the 2020 Employee Engagement Survey.

RESOLVED

That the Audit and Risk Committee receives the results of the 2020 Employee Engagement Survey.

Moved by: Councillor Phil Marsh

Seconded by: Councillor Alison Short

CARRIED

ARC 20/026 THIRD QUARTER REPORT TO 31 MARCH 2020

Report of the General Manager – Corporate and Regulatory dated 30 April 2020 providing a summary to 31 March 2020 of the Council’s performance against 2019-20 Annual Plan.

RECOMMENDED

That the Council receives the Quarterly Performance Report for the period ended 31 March 2020.

Moved by: Councillor Phil Marsh

Seconded by: Councillor Shane Casey

CARRIED

ARC 20/027 UPDATE ON INTERNAL AUDIT

The General Manager – Corporate and Regulatory gave a progress update on the Internal Audit, noting the Internal Auditor was approximately one-third of the way through the internal fraud audit. The next item for internal audit would be a review of sensitive expenditure.

ARC 20/028 CONSIDERATION OF LATE ITEMS

There were no late items for consideration.

ARC 20/029 NOTIFICATION OF ITEMS FOR NEXT MEETING

No items were notified for the next meeting.

MINUTES	MEETING	TIME
AUDIT AND RISK COMMITTEE	THURSDAY 14 MAY 2020	8.31AM

ARC 20/030 PUBLIC EXCLUDED BUSINESS

RESOLVED

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

a) Confirmation of minutes

That 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 are as follows:

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Grounds under Section 48(1) for the passing of this resolution
a) Confirmation of minutes re Lockdown Action Plan	<p>Section 7(2)(d) Avoid prejudice to measures protecting the health or safety of members of the public.</p> <p>Section 7(2)(f)(ii) Maintain the effective conduct of public affairs through the protection of members, officers or employees from improper pressure or harassment.</p> <p>Section 7(2)(j) Prevent the disclosure or use of official information for improper gain or improper advantage.</p>	<p>Section 48(1)(a) - the public conduct of the relevant part of the proceedings would be likely to result in a disclosure of information for which good reason for withholding that information would exist, under Section 7 of the Local Government Official Information and Meetings Act 1987.</p>

This resolution is made in reliance on Section 48(1) of the Local Government Official Information and Meetings Act 1987 and the particular interests protected by Section 6 or Section 7 of the Act which would be prejudiced by the holding of the whole or the relevant part of the proceedings of the meeting in public as specified above.

Moved by: Councillor Phil Marsh

Seconded by: Councillor Grant Hadfield

CARRIED

The meeting went into public excluded session at 10.23am. For items ARC 20/031 to ARC 20/034 refer to public excluded proceedings. The meeting returned to open session at 10.25am.

MINUTES	MEETING	TIME
AUDIT AND RISK COMMITTEE	THURSDAY 14 MAY 2020	8.31AM

ARC 20/035 MEETING CLOSURE

The meeting closed at 10.25am

Audit and Risk Committee

Meeting of 13 August 2020

Business Unit: Community and Strategy

Date Created: 28 July 2020

Key Project Reviews - Lessons 2020

Purpose

The purpose of this report is to present to the Audit and Risk Committee a summary of the results of the latest round of Key Project Reviews and their lessons.

Significance of Decision

The Council's Significance and Engagement policy is not triggered by matters discussed in this report.

Recommendations

That the Audit and Risk Committee receives the report "Key Project Reviews - Lessons 2020".

Report prepared by:
Michael Hawker
Project Delivery Manager

Approved for submission by:
Brent Limmer
General Manager - Community and Strategy

1 Contribution to the Council Vision and Council Outcomes

1.1 Relationship to the Council Outcomes that underpin the Council’s Vision:

Connected, vibrant and thriving Manawatū District – the best lifestyle in New Zealand

Manawatū District protects the natural environment through stewardship of the District’s natural and physical resources.	Manawatū District attracts and retains residents and businesses.	Manawatū District develops a broad economic base from its solid foundation in the primary sector.	Manawatū District is connected via quality infrastructure, services and technology.	Manawatū District’s built environment is safe, resilient and attractive.	Manawatū District Council is a customer-focussed and efficient organisation.
					✓

2 Background

2.1 Projects are a key method for Manawatū District Council (MDC) to deliver the 10 Year Plan.

2.2 This report is to support the Audit and Risk Committee:

- To maintain an overview of the risks for overall project delivery and how those risks are being managed through effective and formal knowledge management.
- To assess how well lessons identified in project reviews are being applied to improve project performance.

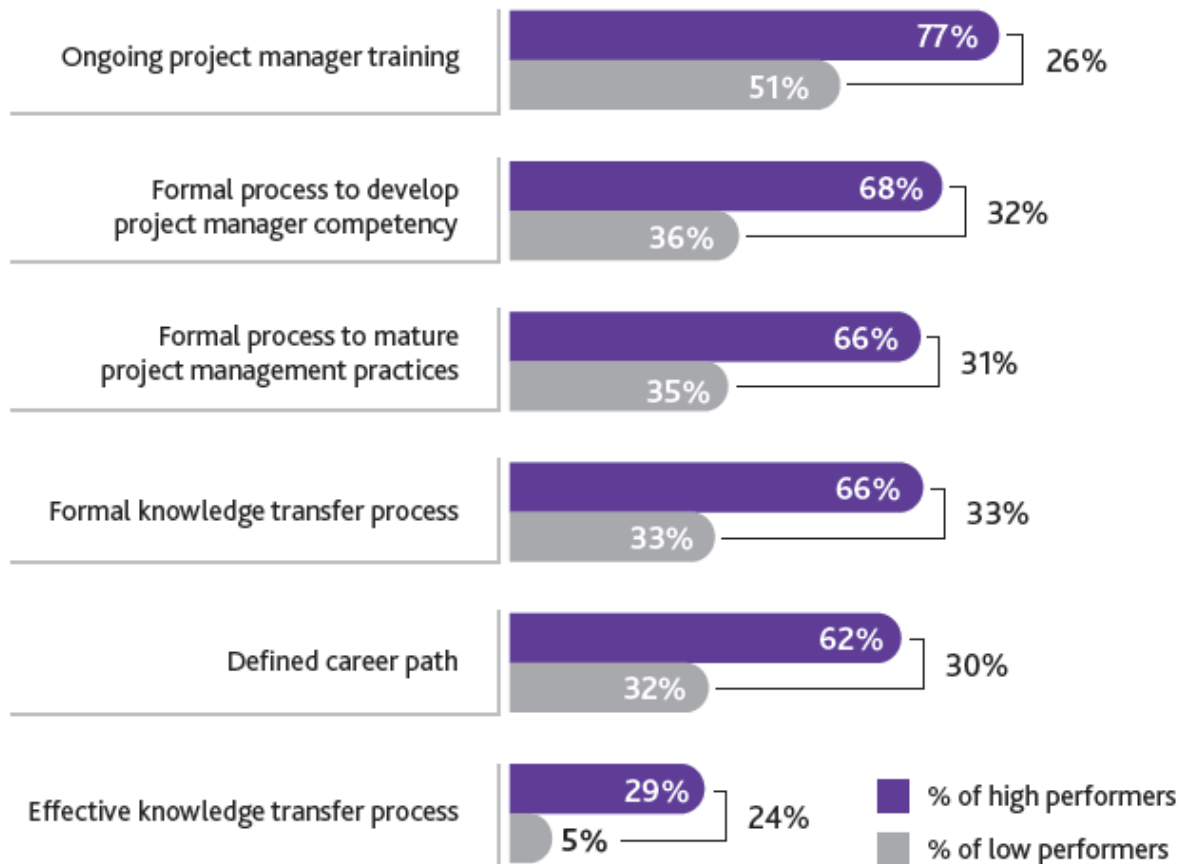
2.3 The Project Management Institute (PMI) is the leading international professional membership association for the project management profession. Their resources and research have provided a valuable basis for maturing project delivery at MDC.

2.4 PMI defines high performing project organizations as organizations that achieve 80 percent or more of projects on time, on budget and meeting planned business benefits. Low performers are organizations that achieve 60 percent or fewer projects on time, on budget and meeting original business benefits.

2.5 What contributes to higher project success rates? Since 2006, PMI’s Pulse of the Profession® annual global survey of project management has charted the major trends for project management. Their research shows that high performing organisations focus their efforts on four categories of practice: people, change management, processes and outcomes. This report is concerned with how the people category of practice contributes to project delivery success.

2.6 The people practices of high performing organisations are shown in Figure 1 below. High performers are more likely to conduct these people practices well.

Talent Management



- 2.7 MDC conducts ongoing project manager training. There are now 19 employees that have completed their PMI Project Management certification exams. There are 24 employees that have passed their Better Business Case Foundation certification and 4 who have attained the Better Business Case Practitioner level certification.
- 2.8 The maturing of project management practices has focused its efforts across the range of the different types of Key Projects.
- 2.9 Knowledge transfer is defined as “the methodical replication of the expertise, wisdom, insight, and tacit knowledge of key professionals into the heads and hands of their co-workers”. It’s more than just on-the-job training.
- 2.10 Knowledge transfer is an important goal for maturing project delivery in an organisation. It is an essential part of having the capability to manage risk well in delivering projects.
- 2.11 The most successful methods for knowledge transfer include:
- Conducting project reviews and documenting lessons (most successful single method)
 - Mentoring
 - Knowledge Transfer Workshops/Seminars

- Intranet with centralised project knowledge

2.12 MDC has captured lessons from its project reviews and is commencing sharing and applying that knowledge. Lessons cannot be said to have been learnt until they have been shared, applied and their effectiveness assessed.

2.13 Future Key Project Reviews will be reported to the Audit and Risk Committee to support oversight on project delivery.

3 Discussion and Options considered

3.1 Five Key Projects have completed project reviews and documented their lessons over the past year. They are:

- CouncilMark
- PGF Business Case Development – Plastic Recycling
- Feilding Waste Water Treatment Plant (FWWTP) Construction
- Sanson Water Treatment Plant
- Pohangina Road (Grand Canyon) Resilience

3.2 The Project Reviews are attached to this report.

3.3 The success measures for the all key projects reviewed since 2018 are included in the following table:

Reported to Audit & Risk	Key Project	On Budget	On Schedule	Planned Benefits Delivered	Project Success
August 2020	CouncilMark	On Budget	Exceeded Original Schedule	Not Delivered	Challenged
August 2020	PGF Business Case Development – Plastic Recycling	Over Budget	Exceeded Original Schedule	Delivered	Challenged
August 2020	FWWTP Construction	Under Budget	On Schedule	Measurement In Progress	TBD
August 2020	Sanson Water Treatment Plant	Over Budget	Exceeded Original Schedule	Delivered	Challenged
August 2020	Pohangina Road (Grand Canyon) Resilience	Over Budget	Exceeded Original Schedule	Delivered	Challenged

Reported to Audit & Risk	Key Project	On Budget	On Schedule	Planned Benefits Delivered	Project Success
October 2018	LTP 2018-2028	Under Budget	On Schedule	Delivered	Success
October 2018	MAC Re-development	Under Budget	On Schedule	Delivered	Success
October 2018	Nannestad Line Box Culvert Replacement	On Budget (within acceptable limit)	Exceeded Original Schedule	Delivered	Challenged
October 2018	Jarvis	Under Budget	On Schedule	Measurement In Progress	TBD

3.4 The lessons from previous project reviews are included in this report along with lessons from more recently reviewed projects. The recently reviewed projects are shaded grey. This is to provide a comparison of lessons.

3.5 From the Project Reviews, there are the following key lessons of good practice to continue doing:

Lesson Category	Lesson – Keep Doing	Projects
Sponsorship and Governance	Sponsors need to act early to ensure external providers have the right personnel and approach	Jarvis
	Key Project Status reporting process is helpful for gaining engagement of Sponsors and Governance	LTP 2018-2028 MAC Re-Development
	A well informed project sponsor and a good communicating relationship between the project sponsor and project manager helps to resolve project risks and issues more effectively	LTP 2018-2028 MAC Re-Development
	Having Sponsors and Project Managers being champions for the benefits of the project builds enthusiasm and willingness of stakeholders to support the project.	CouncilMark
	Sponsors and Project Managers must create an open environment with full sharing of information to maintain Governance support	FWWTP Construction
Project Teams	Developing project teams who are committed to the same goal, timelines and each other produces enjoyable work environments, good teamwork and better results for customers of the project	LTP 2018-2028 MAC Re-Development Jarvis PGF Business Case – Plastic Recycling

Lesson Category	Lesson – Keep Doing	Projects
	Systems projects benefit from highly skilled technical people on the internal project team	Jarvis
	Ensure the project has a clear project structure with well-defined roles and responsibilities	MAC Re-development
	Appoint Project Managers with strong communication skills	Sanson Water Treatment Plant
Benefits Management	Sponsors and Project Managers must clearly understand and communicate the planned benefits of the project and make decisions to achieve those benefits	FWWTP Construction
	Sponsors and Project Managers must ensure the completion of a robust business case for significant projects.	FWWTP Construction PGF Business Case – Plastic Recycling
Project Methodology	Using a well-defined project methodology with good scheduling software supports resolving schedule issues and clarity of work programme	LTP 2018-2028
Procurement	Balance the time, cost, quality constraints with a structured procurement process	MAC Re-Development
People Development	Build an organisational capability in preparing Better Business Cases	PGF Business Case – Plastic Recycling
Stakeholder Engagement	Proactive stakeholder engagement is extremely important for ensuring work is done efficiently and effectively.	Nannestad Line
	Involve the team that will operate the output of the project early as this improves operational handover and output quality.	Sanson Water Treatment Plant

3.6 From the Project Reviews, there are the following key lessons to use to seek improvements in project practices:

Lesson Category	Lesson - Improve	Project
Communication	Include benefits education in the communication plan to help stakeholders understand the “Why” for a project.	MAC Re-Development
	Formalise communications plans to improve communication consistency and decrease project risk exposure.	Jarvis
Stakeholder Engagement	Be proactive in engaging all key stakeholders to ensure that everyone is informed in a timely way for their involvement.	LTP 2018-2028

Lesson Category	Lesson - Improve	Project
	Engage with iwi, early, preferably face-to-face and with Project Manager. (Not through third parties)	Nannestad Line
Project Teams	When a project structure or key personnel change, ensure that there is a process to manage the changes without losing project progress.	MAC Re-Development Jarvis Sanson Water Treatment Plant
	Ensure task roles and responsibilities are clearly understood by all the project team.	Jarvis
Risk Management	Do not just identify risks during the project start-up but formally throughout the project.	LTP 2018-2028
	Completing a risk assessment on contract bids ensures a robust plan with realistic expectations	Pohangina Road (Grand Canyon) Resilience
	Project Managers must allocate time for risk identification, analysis and putting risk treatments in place.	Pohangina Road (Grand Canyon) Resilience
Quality Management	Allocate formally in the project plan time and resources for error prevention tasks and quality inspections	LTP 2018-2028
Project Methodology	Apply a project methodology and project management practices to all project phases, not just the procurement and construction phases. (Especially important for multi-year projects)	MAC Re-Development FWWTP Construction
	Completing a thorough and well documented project start up and planning phase ensures information does not fall between gaps during project manage handovers	Sanson Water Treatment Plant
	Do not allow external deadlines to compromise proper project start up processes.	Sanson Water Treatment Plant
Scope Management	Project Managers must clearly define project scope and ensure that external contractors do not independently modify the project scope	FWWTP Construction
	Project Managers can benefit from planned regular scope reviews for projects with significant scope risk.	PGF Business Case – Plastic Recycling
Procurement	Do not enter a contract without an approved resource consent as it increases risk and schedule pressures.	Nannestad Line

4 Operational Implications

4.1 There are no operational implications associated with this report.

5 Financial implications

5.1 There are no capital/operating expenditure implications associated with this report.

6 Statutory Requirements

6.1 There are no statutory requirements associated with this report.

7 Delegations

7.1 The Audit and Risk Committee's Terms of Reference sets out its responsibility for considering risk management and the system of internal controls. This includes:

- Setting the Council's appetite for risk;
- Understanding the key risk areas including likelihood and consequences;
- Effectiveness of internal controls; and
- Fraud risk and procurement risk.

7.2 The Audit and Risk Committee has delegated authority to act on all matters within its Terms of Reference, except for those excluded by Clause 32(1) Schedule 7, Local Government Act 2002.

8 Consultation

8.1 There are no consultation requirements associated with this report.

9 Cultural Considerations

9.1 There are no cultural considerations associated with this report.

10 Conclusion

10.1 MDC has reviewed completed Key Projects and captured lessons from those projects.

11 Attachments

- Project Review - CouncilMark
- Project Review - PGF Business Case Development – Plastic Recycling
- Project Review - Feilding Waste Water Treatment Plant (FWWTP) Construction
- Project Review - Sanson Water Treatment Plant

- Project Review - Pohangina Road (Grand Canyon) Resilience

PROJECT REVIEW REPORT



PROJECT NAME:	CouncilMARK	PROJECT SPONSOR:	Richard Templer
REVIEW DATE:	3rd December 2020	PROJECT MANAGER:	Frances Smorti

HISTORY OF THE PROJECT

What was the justification for the project to proceed?

The LGNZ CouncilMARK Programme advertises an independent assessment system that assesses how councils are performing and the work they're undertaking to grow the value they deliver.

This project offered the ability for MDC to gain an external perspective on potential business improvement opportunities.

What were the key project milestones and their key issues?

A change to personnel at LGNZ meant that initial CouncilMARK planning discussions were delayed, and consequently the date for the CouncilMARK on-site assessment was not confirmed until late 2018. This issue did not cause any significant delays to the project, as the Project Manager was already completing the milestones required before on-site assessment in a timely manner.

Completion of the formal self-assessment document was aided by the enthusiasm of MDC staff and Councillors towards the process, and the organisation's openness towards an opportunity to critically assess strengths and weaknesses.

The CouncilMARK on-site assessment was undertaken in late April 2019. All parties to the process contributed constructively, and the assessors gave positive feedback in regards to the consistency of message they received from interviewees. It was noted by the project team that it was clear the CouncilMARK assessors had a large magnitude of information to cover in 2 days, and the process may have benefitted from additional on-site assessment time.

The final CouncilMARK grade was withheld by LGNZ until after Local Government Elections in October 2019, and the MDC Executive Team were amenable to the reasons for this. Following receipt of feedback and the final report from CouncilMARK, comprehensive briefings were held by the Sponsor and PM with both staff and Elected Members to explore the feedback.

What was the output delivered by the project?

The CouncilMARK assessment report and final CouncilMARK rating were the key outputs delivered by the project.

In addition, the self-assessment report completed by MDC as a requirement of the CouncilMARK process proved to be a highly valued output by the Project Team.

What are the planned benefits of the project? How and when will these be achieved?

Establishment of an independent baseline assessment of Council's overall performance, which was hoped to be achieved upon receipt of feedback and the final report from CouncilMARK assessors.

An additional planned benefit of the project was to promote continuous improvement within MDC, both during the project and once the assessment was completed.

How Successful Was the Project?	No	Yes	Explanation Assessment & Consequences
Were Budget targets met?		✓	

Were <u>Schedule Target Dates</u> met?		✓	Although some initial delays in CouncilMARK's confirmation of on-site assessment dates, all project deliverables were completed by the project team in a timely manner. Self-Assessment was completed two weeks before the on-site assessment date as required.
Did the project deliver its <u>Scope</u> ?		✓	
Were <u>Quality</u> targets met?		✓	Unfortunately, the quality of the CouncilMARK review report was considered as lacking by the project team, especially considering the large amount of time and resources committed by MDC to the process. The report included a range of key issues and a relatively low average rating score (BBB), with few new tangible suggestions for improvement. It also became clear to Council's executive and governance teams that benchmarking of rating did not occur between Councils, e.g. you have this many staff, and this much of a rating base. This is believed to have had clear effects on the final rating given to MDC in comparison to other Councils.
Was <u>Customer Satisfaction</u> achieved?		✓	In considering the customer of this project to be the MDC Executive and Governance team, customer satisfaction was not achieved. This was largely due to the lack of improvement opportunities identified from the final CouncilMARK report issued by LGNZ.
Did <u>Teamwork</u> meet requirements?		✓	Staff were organised and professional in their contributions to the self-assessment, aided by the coordination efforts of the Project Manager.
Were <u>Stakeholder Engagement</u> targets achieved?		✓	The combined workshop held with staff and Elected Members was a successful and well attended stakeholder engagement milestone. Discussion from this workshop helped to form the required internal review report (self-assessment).
Were <u>Risk & Issue Management</u> targets achieved?		✓	This was achieved through clear communication channels between the Sponsor and Project Manager, as well as between the Project Manager and contributing staff and Elected Members.
Were <u>Communication</u> targets met?		✓	Communication targets amongst the project team were achieved. However, some issues arose in communication between MDC and the CouncilMARK team. Issues included lack of consistency of messaging between CouncilMARK personnel, and on occasion, the presence of the assessors personal perspectives and opinions throughout the on-site assessment.
Were <u>Iwi</u> consultation targets met?		✓	Consultation was undertaken with Council's Principal Advisor – Māori during preparation of the self-assessment component in order to identify strengths and weaknesses in Council's engagement with and service to Iwi.

What Lessons have been learnt?	Lessons and Recommendations
What went well and should be retained?	<p>The Project Manager’s coordination and management of the project was commendable. This was reflected in all staff providing their contributions to the process and a timely and professional way.</p> <p>The enthusiasm and willingness of staff and Elected Members to identify opportunities for improvement was aided by the PM and Sponsor championing an organisational culture of continuous improvement.</p> <p>The self-assessment report produced by MDC staff and Councillors proved to be a useful exercise for internally identifying strengths, weakness, and improvement opportunities. The project team and Executive Team strongly feel that the main benefits of the project can be found in the self-assessment.</p>
What could be improved and how?	<p>Lack of consistent messaging between LGNZ & CouncilMARK team members – for example, the project team took advice from LGNZ who suggested that one meeting be held with all stakeholders to aid in self-assessment. The CouncilMARK assessors later noted that it would have been better to hold separate meetings with different stakeholder groups.</p> <p>From interactions with CouncilMARK assessors, it seemed that they had a great deal of information to get through in a short amount of time. If the on-site assessment duration was increased from 2 days, perhaps the Council may have gained greater insight into opportunities for improvement from the highly skilled CouncilMARK assessors.</p> <p>The Executive Team took the option of a follow up meeting with the reviewers after the grade was announced for an additional \$2,800 + GST. This meeting proved extremely disappointing as only one reviewer could attend, and he shared that the notes in relation to MDC’s assessment had been destroyed. Aside from the opportunity to share feedback with LGNZ on the flaws of the process, the follow up meeting added no value.</p>

Project Statistics	Planned	Actual	Variance	Explanation
Budget (\$)	21,100 + GST	21,100 + GST	-	Agreed fees with LGNZ upfront, and these did not change through the project. No material unplanned expenses incurred.
Schedule (Weeks)	30 weeks	60 weeks	30 weeks	Project delayed initially due to turnover of LGNZ staff; then release of report significantly delayed due to

				LGNZ decision regarding Local Body elections.
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PROJECT REVIEW REPORT



PROJECT NAME:	Recycling and Reuse Industry - PGF Business Case Development	PROJECT SPONSOR:	Richard Templer
REVIEW DATE:	20th November 2019	PROJECT MANAGER:	Stacey Bell

HISTORY OF THE PROJECT

What was the justification for the project to proceed?

In December 2018, the Manawatū District Council secured part funding from the Provincial Growth Fund (PGF) to investigate options for the development of a plastic processing industry to serve the regional demand for plastic disposal alternatives, and support the development of value-added market opportunities.

Local Government is experiencing growing pressures to address unsustainable disposal of plastic waste to landfill and the environment. Development of the proposed Plastic Processing and Reuse Industry in the Manawatū would provide MDC and neighbouring Councils alternatives to current recycling facilities or disposal to landfill, in addition to providing a solution for the sustainable disposal of commercial and agricultural plastic waste within New Zealand borders.

The potential benefits of the proposed industry provided justification for the preparation of a business case to explore potential options for delivery, and assess whether investment would be feasible.

What were the key project milestones and their key issues?

An initial project issue was the delayed announcement by Ministry of Business, Innovation and Employment (MBIE) of funding provided to MDC to prepare the business case. This meant that the project team were unable to consult with the community, industry or neighbouring councils until 3 April 2019. Following the announcement by MBIE, stakeholder consultation commenced in order to identify potential product and demand streams, partnerships and community feedback.

The investigation highlighted the supply and demand side conditions required to achieve strategic objectives at both local and central government level. These learnings meant that the project governance team were required to revisit the project scope. As a result, MDC held conversations with other local government organisations, industry and Massey University to determine how we could both increase the capture of plastic waste, and build the value of processing plastics through innovation in product development.

What was the output delivered by the project?

The options assessment and business case have been completed. The findings from the investigation have been presented to the MBIE and the Provincial Growth Fund (PGF) alongside options for investment. Subsequently, MDC prepared and submitted an application for funding to the MBIE as part of the \$40m waste allocation under the Provincial Growth Fund.

If the application is successful, there will be an opportunity for Council to consider the terms of the contract offered prior to acceptance. In addition, any investment by Council would be included in a consultation process.

What are the planned benefits of the project? How and when will these be achieved?

The key benefit of investigating options for the development of a plastic processing industry in the Manawatū and preparation of a Better Business Case was to give confidence to Council decision makers that investing in the proposed industry is justified, or not. The Better Business Case delivered by the project successfully answers the following questions for Council decision makers:

- Is there a compelling case for change? (Strategic case)

- Does the way forward optimise value for money? (Economic case)
- Is the potential deal with the market commercially viable? (Commercial case)
- Is the proposal is affordable? (Financial case)
- Can the proposal be successfully delivered? (Management case)

The benefits of the project were delivered to Council on the 14th November 2019 when, based on the findings of the business case, they were able to make an informed decision to submit a funding application to the PGF for the proposed facility.

How Successful Was the Project?	No	Yes	Explanation Assessment & Consequences
Were <u>Budget</u> targets met?	✓		Planned project costs were overrun due to the extended timeline, and further technical assessment required to complete the business case. No extra funding was received from MBIE based on the extended timeframe. The overrun in budget was able to be funded from existing Council budgets.
Were <u>Schedule Target Dates</u> met?	✓		To allow investigation into concerns about plastic supply volumes and to ensure quality of business case delivery, the project governance team decided to request a time extension from MBIE. This extension was fully supported by MBIE for the purpose of ensuring quality of the business case.
Did the project deliver its <u>Scope</u> ?		✓	Revised project scope was successfully delivered. Gateway review meetings were paramount to gaining a high level view of the business case process so far, and asking questions like: is this going to work? Do we need to go back and review anything?
Were <u>Quality</u> targets met?		✓	Quality assurance was essential to the project. Revisiting service scope and the technical assumptions ensured a high quality of work. The detailed Financial Model created was an outstanding feature of the project, and showed MBIE that MDC are serious about the proposed industry.
Was <u>Customer Satisfaction</u> achieved?		✓	Following submission of the completed business case to MBIE, we received guidance from MBIE officials to prepare a draft application for funding as part of the \$40m waste allocation under the Provincial Growth Fund.
Did <u>Teamwork</u> meet requirements?		✓	A key learning from the project is that it is important to work as a team, but effectiveness can be gained from playing to team member's strengths when assigning roles and responsibilities.
Were <u>Stakeholder Engagement</u> targets achieved?		✓	A positive of the project was that the project team brought Elected Members along on the journey, and ensured that any technical information was explained thoroughly to them.
Were <u>Risk & Issue Management</u> targets achieved?		✓	Risk and issue identification was done well from the beginning of the project. The project governance team was honest about the key project risks, and didn't keep

			any concerns concealed. In a Better Business Case process, it is important to be open to the idea that the project may not be viable.
Were Communication targets met?		✓	The across-council nature of this project has meant that cross council working and familiarity with other departments has increased.
Were Iwi consultation targets met?		✓	As part of the formation of the business case, Council has become more aware of the potential benefits of Mātauranga Māori as part of the proposed industry. The project team have therefore engaged a number of Iwi, including Ngāti Kauwhata as Mana Whenua, throughout this endeavour. Manawatū District Council are committed to formalising the relationship between Council and iwi if Provincial Growth Funding for the proposed project is approved.

What Lessons have been learnt?	Lessons and Recommendations
What went well and should be retained?	<p>For council, this project has been beneficial as in the future we know that preparing a Better Business Case will produce a positive outcome, regardless of whether or not the proposed project proceeds.</p> <p>Capability to complete business case process was largely thanks to organisational training on Better Business Cases. The project provided an opportunity for those who have gone through the training to put their theoretical skills into practice.</p> <p>The large proportion of work completed internally by Council Officers meant that the entire project team had a sound knowledge of the project. This was demonstrated in a presentation to MBIE's Chief Operating Officer when each attending team member contributed to presenting and answering questions.</p>
What could be improved and how?	<p>Consistent messaging to consultants was a challenge in a project that involved frequent new information. Extra cost was incurred from the back and forth with consultants. A better defined project scope could have improved this, and may have reduced overall expenditure. However, a well-defined scope can be a challenge in an environment where there is constant new information and changes.</p> <p>The scope of the project was inaccurately assessed in the beginning, which lead to the project team exceeding schedule and budget targets. However, the project team did have a process in place for stopping and reassessing the scope to get back on track.</p> <p>Did not receive sufficient buy-in from neighbouring councils, and consequently MDC have not received commitment from potential investment/supply partners for the proposed facility.</p>

	This buy-in could be improved in the future by more person-to-person interaction with the leadership of other councils.
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Project Statistics	Planned	Actual	Variance	Explanation
Budget (\$)	\$148,824	Consultants = \$70,820.05 Staff Time + Sundry = \$150,258.83 Total Actual = \$221,078.88	\$72,254.88	In order to ensure quality of the analysis and deliverables to the Ministry, the additional costs were deemed to be necessary. These costs have been funded from existing Council budgets, and largely consisted of staff time.
Schedule (Weeks)	15	25	10	MDC received a time extension from MBIE to ensure quality of the business case.

PROJECT REVIEW REPORT



PROJECT NAME:	Feilding Wastewater Treatment Plant (FWWTP)	PROJECT SPONSOR:	Hamish Waugh
REVIEW DATE:	15/11/2019	PROJECT MANAGER:	Chris Pepper

HISTORY OF THE PROJECT

What was the justification for the project to proceed?

The ability to spray irrigate a significant proportion of treated effluent onto land provided an excellent land treatment option and was anticipated to increase the productivity of the land to help produce a sustainable long term revenue stream for MDC. This revenue was proposed to be used to offset operational costs of the Feilding Waste Water Treatment Plant. The proposal of a shift to land treatment also underpinned MDC's commitment to the Manawatu River Accord and local iwi by removing a significant volume of treated effluent, which was at that time being discharged into the Oroua River.

What were the key project milestones and their key issues?

The project was novel, and its complexity meant that identifying steps required to meet objectives at the beginning of the project was difficult.

The larger project was broken down into a series of discrete projects in order to help with management. However, bringing all of these key areas/discrete projects together in a coordinated way was a challenge. Friday morning project team meetings were set up to address lack of cohesion between discrete pieces of work.

Key issues that were addressed throughout the project by the project team were as follows:

- Scope and timing of proposed works to ensure that the works are fit for purpose
- Operability of the completed WWTP at lowest feasible operating cost
- Completion and transfer of new plant operations to operational staff
- Procurement Practices that meet Council's procurement policies
- Provision of administration support to meet needs of the project

What was the output delivered by the project?

The number and complexity of the consent conditions means there is an element of uncertainty of how these conditions interact with one another. However, this difficult and complex project has been managed towards having clear evidence at completion that consent compliance can be achieved on an on-going basis.

By the date of 24th November 2019, the consent conditions relating to the impact of the treated wastewater discharged to the Oroua River can be met consistently.

What are the planned benefits of the project? How and when will these be achieved?

Long term improvements to condition and ecological health of the Oroua River.

How Successful Was the Project?	No	Yes	Explanation Assessment & Consequences
Were Budget targets met?		✓	<p>Spending in years 1 and 2 less than budget due to revised project scoping.</p> <p>Elected Members have indicated that project financial reporting to them had room for improvement.</p>
Were Schedule Target Dates met?		✓	<p>For the purposes of this review, project start date is July 2015, and completion date is April 2019.</p> <p>A key schedule success was irrigation to land beginning on time.</p>
Did the project deliver its Scope ?		✓	<p>Scope was confirmed through the Management Plan, and largely informed by consent requirements.</p> <p>Consideration was made towards futureproofing the facility, which was a key success of the project.</p> <p>Summary of the project plan into key tasks required to meet objectives would have helped the project team to keep informed with what they need to do to ensure scope was delivered.</p>
Were Quality targets met?		✓	<p>Project quality targets have been met as the Resource Consent Conditions can be satisfied.</p> <p>A comprehensive review of what has already been implemented would be useful. The focus has more been on getting things done than looking back.</p>
Was Customer Satisfaction achieved?		✓	<p>Operations staff need to be involved in the design, and at early stages of the project. This has been a lesson learned by the infrastructure team.</p> <p>There are improvements to be made in proactive comms to make the community aware of success/progress happening at the FWWTP site, including MDC staff and councillors.</p> <p>An open day was held at the WWTP in March 2019 which was well attended by the public.</p>
Did Teamwork meet requirements?		✓	<p>A formal project team/ steering group structure was in place, and continues to run to support implementation of project outputs.</p> <p>The project team has learnt that it is important to solve issues as a team, as opposed to leaving problems for individuals to solve.</p>
Were Stakeholder Engagement targets achieved?		✓	<p>Elected Members were empowered to ask the right questions, and officers worked hard to answer them.</p> <p>Project stakeholders (community members and site neighbours) were unique as they had the potential to obstruct the process. All stakeholders of the project also had different priorities and interest topics.</p> <p>Stakeholder engagement was completed at the front end of the project, but the project team had to realise that they could never satisfy all stakeholders. However, there are improvements to be made in this space -</p>

			recognising the importance of ensuring that clarity on stakeholders is achieved at the beginning of a project.
Were Risk & Issue Management targets achieved?		✓	Critical risks and mitigation actions were identified throughout the project. Weekly project team meetings including the sponsor and operations team representatives were an effective tool for risk and issue management. These meetings will continue through implementation of the project, with the intention to maintain an issue based agenda.
Were Communication targets met?		✓	The Infrastructure Department have made an improvement in communications between projects and operations staff as a result of lessons learnt in this project.
Were Iwi consultation targets met?		✓	This project has been a trigger for increased iwi engagement by the Council as a whole. This has involved the development of the Oroua Declaration, and working continually with Iwi in the development of mutual understanding around infrastructure works and their impacts.

What Lessons have been learnt?	Lessons and Recommendations
What went well and should be retained?	<p>Being innovative and thinking outside the square - The well qualified FWWTP team adopted an innovative approach to the project, while maintaining a value mind-set – understanding the value of what the project is achieving, and making decisions to get to that point. MDC made proactive steps towards avoiding discharge to river, instead of waiting until it was forced upon us.</p> <p>The project successfully considered futureproofing assets of plant, meaning that the facility now has capacity for future growth. Elected Members felt that the foresight to acquire land for future growth was a key success of the project.</p> <p>A transparent and open environment was maintained with elected members who felt that they could come to the Project Sponsor and Chief Executive with any questions about the project, instead of sourcing information from external parties.</p>
What could be improved and how?	<p>More effort could be taken to avoid reactionary action/approaches in favour of more thoughtful planning. Although the project was often time pressured, it is important not to let this pressure force unplanned reactions.</p> <p>Reliance on external providers/ suppliers sometimes meant that they had a mind-set towards increasing the scope in their area of expertise. If the project does not have a clearly defined scope before engaging external providers, it is important not to allow the externals to drive the process.</p> <p>At times, focus was given to introducing new projects, when attention to implementation/ operations should have had higher</p>

	<p>priority. Giving care and attention to the implementation of project outputs is important.</p> <p>Important to be clear of the project strategy at the start, and ensure that this is revisited and kept updated throughout the project. The project would have benefitted from an actively updated plan, especially as a multi-year undertaking where the world changes around the project. Friday project team meeting minutes are the closest the team had to an evolving project plan.</p> <p>Do a business case at the beginning of the project. This would enable a strategy to be well developed and put in place. However, with the time pressure the team faced at the outset of the project, preparation of a business case may not have been possible. Due to the time pressure placed on the project by Horizons, and consequently the governance team, it was a very deliberate decision to get on and begin the project, which had consequences for the planning process.</p>
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Project Statistics	Planned	Actual	Variance	Explanation
Budget (\$)	19,827,000	15,012,000	4,815,000	Spending in years 1 and 2 less than budget due to revised project scoping.
Schedule (Weeks)	208	208	0	For the purposes of this review, project start date is July 2015, and completion date is April 2019.

PROJECT REVIEW REPORT



PROJECT NAME:	Sanson Water Treatment Plant	PROJECT SPONSOR:	Glenn Young
REVIEW DATE:	14th July 2020	PROJECT MANAGER:	Michael Taylor

HISTORY OF THE PROJECT

What was the justification for the project to proceed?

The previous supply of drinking water to Sanson was provided through infrastructure located outside of the Sanson area, which had reached its end of life and was no longer fit for purpose.

This project was justified to proceed in order to provide Sanson residents with good quality and safe drinking water from within the town boundary, while allowing capacity for firefighting and growth.

What were the key project milestones and their key issues?

In 2015, Council was the successful recipient of a \$664,102 (excl GST) Drinking Water Subsidy through the Ministry of Health (MoH) for a new community water scheme for Sanson. The MoH subsidy was provided for a bore, and reservoir, and treatment. These three distinct components of the treatment plant were delivered separately to the project that is the subject of this review report. The MoH subsidy amount for the treatment plant alone was \$361,480.

Prior to the procurement phase, there was a change of MDC Project Manager as a result of staff turnover. Due to the lack of existing project structure and documentation available to the new Project Manager during handover, the procurement phase of the project suffered from some time delays. External providers noted that this meant the schedule for tender documents preparation was slightly compressed. However, it is worth noting that overall external providers rated the tender process as easy to engage with.

On 20th September 2018, a report was taken to Council recommending that the budget for the project be increased to allow the contract to be awarded. The initial budget baseline estimate had proved insufficient. This was partly due to the effects the Havelock North drinking water incident and resulting enquiry had on the availability of contractors, the cost of materials and the additional treatment complexities required to ensure future compliance. Council were assured by the project team that the right contractor for the job had been recommended, and the motion was carried by Council to approve the revised budget and award the contract.

The operating philosophy of the treatment plant was not completely agreed on between the consultant and the Operations Team. While professional tension is not always negative, this particular issue may have benefited from more formal and documented issue management.

Towards the end of the project, conflicting responsibilities of a key contractor meant that they lost some commitment towards project completion. This left a gap in professional expertise provided to the project team during this phase.

What was the output delivered by the project?

The new water treatment plant (WTP) at Sanson is a modern and resilient facility includes a bore water source, storage reservoir, water treatment, control, and booster pumping to the Sanson distribution network. The WTP project deliverables include the process design, and construction of: water treatment, analysis, SCADA, pumping, backup power generator etc. The treatment and control equipment is housed in a purpose-built shed, that includes a pump room, control room, electrical room, and toilet facilities. The chlorine dosing system is situated in a standalone shed.

The site is fully developed and surrounded by a security fence. Native planting around the perimeter provides screening to the facility. Site access is via a concrete driveway. The area of the WTP site allows for future development, and construction of a second water storage reservoir.

The WTP produces 4 litres per second of water for supply to the distribution network. The treated water exceeds the *Drinking-Water for New Zealand 2005 (Revised 2018)* requirements. The WTP produces flows to match the demand of the Sanson network, and automatically increases flows to match the demand created by firefighting. The WTP is largely autonomous in its operation, and is not required to be manned constantly.

The final project product is of a high quality, and will be considered by the MDC Infrastructure team as a gold standard when embarking on future water treatment projects.

What are the planned benefits of the project? How and when will these be achieved?

The key benefit of the project, which has now been achieved, was to deliver a secure and resilient supply of drinking water to the Sanson community. The project has also allowed capacity for firefighting and growth to occur in the future.

How Successful Was the Project?	No	Yes	Explanation Assessment & Consequences
Were Budget targets met?	✓		The initial project cost estimates were insufficient, and a consultant assisted budget baseline revision was consequently made in 2018 and approved by Council. A cost-quality tension arose during the procurement phase and, given the nature of drinking water and its effects on human health, the quality of professional services needed to be given precedence. The quality of plant and treatment options also became increasingly important following on from the Havelock North water incident. These factors had significant effects on project cost.
Were Schedule Target Dates met?		✓	The planned completion date was March 2019, with the actual completion date achieved by end of September 2019. The planned end date was largely driven by the expiry of crown funding. Feedback given by external providers to the project suggested that the time allocated to the project was not sufficient. One provider gave feedback that tight timeframes were contributed to by scope communication issues between the construction contractor and consultant engineer, and some loss of time was also due to handover between MDC project managers. There was a clear tension experienced between schedule and quality throughout the project. However, the overruns on scheduled dates were largely accepted by the project team due to the high level of quality and workmanship being delivered by project providers.
Did the project deliver its Scope ?		✓	The scope of the project was completion of a water treatment plant, and this was achieved.

			<p>A more formal scope definition process with input from key stakeholders at the beginning of the project would have been beneficial. When a new Project Manager was brought onboard, the scope had to largely be derived from the funding proposal provided to the Ministry of Health.</p> <p>The formal contract with the Ministry of Health meant that there was limited scope change throughout the construction phase.</p>
Were Quality targets met?		✓	<p>Quality targets were exceeded by the project. The project will be used by the MDC Infrastructure Department as a gold standard for future water treatment plants.</p> <p>A sound quality monitoring process was in place, which included formal review and acceptance measures.</p> <p>External providers noted that a key success of the project was the Council's decision to achieve a gold standard of water treatment for Sanson, as opposed to choosing the status quo of water treatment chosen by many small communities across NZ.</p>
Was Customer Satisfaction achieved?		✓	<p>As a project customer, the operations team were pleased with the workmanship involved, and consider the final project product as the gold standard for water treatment plants.</p>
Did Teamwork meet requirements?		✓	<p>The MDC project team had the knowledge, relationships, and delegation to make decisions quickly, keep the project on track and to respond to issues that arose.</p> <p>Professional respect between external providers, operations and the project team contributed to positive working relationships.</p>
Were Stakeholder Engagement targets achieved?		✓	<p>Key stakeholders were engaged throughout the project, and were kept informed in regards to the late completion date.</p> <p>The relationship between the project team and operations staff was positive throughout the project. Operations staff were involved early in the project as part of the design team. As a result, commissioning issues were often able to be identified and solved by operations instead of needing to engage consultants for this purpose. The project team felt that operations were proactive in their involvement with the project, as opposed to only being involved when asked. The overall positive relationship and great communication between the project team and operations made handover extremely efficient.</p>
Were Risk & Issue Management targets achieved?		✓	<p>The project was not perfect, but issues were actively resolved. Issue management was a key success of the project. The Project Manager proactively managed issues, and was approachable and understanding when issues were reported by other project personnel.</p> <p>Preparation of internal progress reports served as a successful method of risk identification, however the</p>

			project may have benefitted from a more formal risk management approach.
Were Communication targets met?		✓	<p>Transparency and communication from the Project Manager to all stakeholders was a key success of the project, and was commended by the MDC project team, Operations Team and external providers.</p> <p>External providers rated communication from the project team highly, and noted that information was provided in a transparent and timely manner. External Providers felt that project documentation and meetings assisted in information exchange, and clarification of project objectives.</p> <p>Communication with the Ministry of Health as the funding partner was to a sufficient level, and formal in nature.</p> <p>A significant communication/information gap existed in handover between project managers due to the absence of a thorough and well documented project start up and planning phase. The deadline for the Ministry of Health subsidy application meant the proper process and documentation were not undertaken at the outset of the project.</p>

<i>What Lessons have been learnt?</i>	Lessons and Recommendations
What went well and should be retained?	<p>A Project Manager talented in communication was invaluable to the project's success.</p> <p>The receipt of good technical advice is worth the extra cost to procure.</p> <p>Involvement of the Operations Team early in the project, and continuously throughout, increases the efficiency of handover and ultimately improves the quality of the project product.</p>
What could be improved and how?	<p>In projects with no room for compromise in quality, budget estimates need to be more realistic from the outset.</p> <p>A thorough and well documented project start up and planning phase would allow for a more successful handover of project personnel if and when required. More formalised project documentation would also allow a better record of meetings and decisions made throughout the project.</p> <p>Proper project start up processes should not be compromised by deadlines for Ministry subsidies. A balance needs to be found between comprehensive project set-up and meeting subsidy deadlines.</p>

Project Statistics	Planned	Actual	Variance	Explanation
Budget (\$)	2015 project cost estimate: \$425,271	Project cost: \$1,189,119	280%	Baseline budget was estimated by comparison of similar projects, coupled with expert advice.
	2018 construction contract estimate: \$720,000	Construction contract cost: \$994,551.21	138%	Initial budget estimates proved too low, largely due to the increased quality standards and contractor availability resulting from the Havelock North drinking water incident. CPI adjustments over the time period of the project were also a contributing factor.
Schedule	End date March 2019	End date September 2019	6 months	Initial schedule estimates were insufficient based on the quality requirements of the project product.

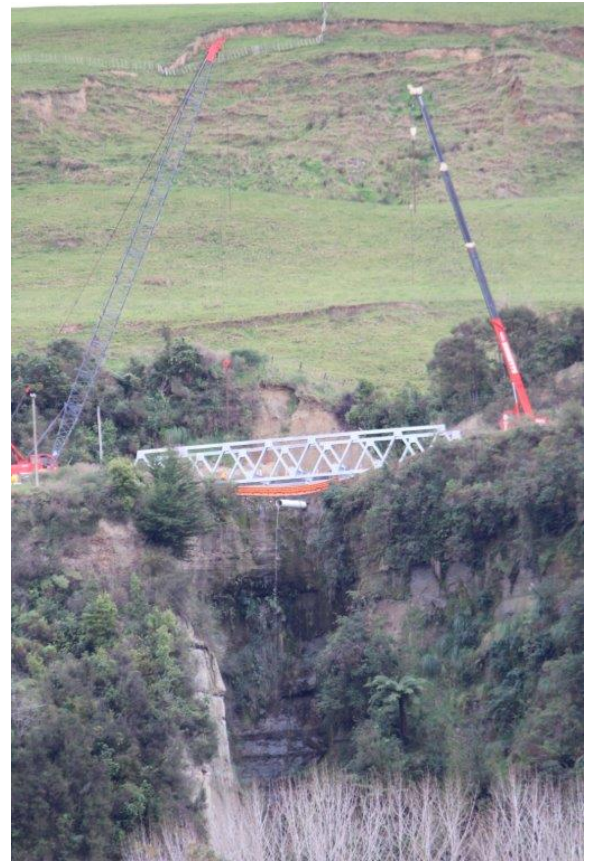
PROJECT REVIEW REPORT			
PROJECT NAME:	POHANGINA ROAD (GRAND CANYON) RESILIENCE	PROJECT SPONSOR:	HAMISH WAUGH
REVIEW DATE:	28TH NOVEMBER 2018	PROJECT MANAGER:	JIM MESTYANEK
<i>History of the Project</i>			
<i>What was the justification for the project to proceed?</i>			
Ongoing erosion problems, which first appeared in 2004, accelerated and put at risk the resilience of the roading network in the upper Pohangina Valley. If left untreated, the erosion was likely to require a full road closure within 12 months.			
<i>What were the key project milestones and their key issues?</i>			
<p>Completion of Indicative Business Case – The project site was particularly unique, and the IBC severely underestimated project costs. The preferred solution (retreat the road and divert the stream) turned out far too expensive during the detailed design. A range of 6 other options were considered, but all lacked safety in design. They were all considered too unsafe to construct and to later inspect and maintain.</p> <p>Bridge Fabrication – Bridge was purchased in March 2018 and was fabricated by a Hawkes Bay company. Fabrication was fast-tracked to ensure delivery by mid-June to meet the end of the financial year. Working with the vendor was positive, but there were some omissions from their design, e.g. approach safety barriers, which added unbudgeted project costs.</p> <p>Bridge Installation – The sole tender submission for the installation contract was received at 210% over the engineers estimate. Consideration was put towards retendering in the new financial year, however it was decided to proceed in order to utilise NZTA funding that could not be carried forward from a 3-year funding cycle ending 30 June. Negotiation with the sole tenderer resulted in their price being reduced by 21%.</p> <p>Foundation & Drainage Design – Design engineers were under pressure (1) by the fast-tracked bridge production and (2) by their original offer of service, which turned out to be too low for the work required. These two factors led to shortfalls and omission in the foundation design and thus resulted in variations.</p>			
<i>What was the output delivered by the project?</i>			
Completion of drainage and foundations, followed by installation of ‘through truss’ bridge			
<i>What are the planned benefits of the project? How and when will these be achieved?</i>			
Planned benefits of the project have been achieved. Full road closure due to erosion was avoided, and resilience has been restored to the roading network in the upper Pohangina Valley.			

<i>How Successful Was the Project?</i>	No	Yes	Explanation Assessment & Consequences
Were Budget targets met?	✓		46% over budget due to a number of necessary variations, largely due to shortfalls in the foundation and drainage design, and the fast tracked programme.

			A number of programmed works have been deferred from the 2018-19 FWP to cover extra project costs. The bottom line for Structures Component Replacements 2018-19 will remain unchanged.
Were Schedule Target Dates met?	✓		Within acceptable limits
Did the project deliver its Scope ?		✓	
Were Quality targets met?		✓	Design of bridge has been futureproofed as is capable of extension.
Was Customer Satisfaction achieved?		✓	Customer satisfaction was achieved, and this was reflected in the opening ceremony where Mayor Helen had nearby residents cut the ribbon.
Did Teamwork meet requirements?		✓	
Were Stakeholder Engagement targets achieved?		✓	Contractor made provision to escort pedestrians (esp school children) safety through the site with a two-car shuttle system. All landowners and regular road users were informed.
Were Risk & Issue Management targets achieved?		✓	Fast tracking of the project lead to technical and safety risks. Issue management led to good outcome for stakeholders, however with increased risk management at business case stage, the outcome could have been enhanced.
Were Communication targets met?		✓	

<i>What Lessons have been learnt?</i>	Lessons and Recommendations
What went well and should be retained?	<p>Effective issue management through technical expertise and practical solutions.</p> <p>Project Engineers job is to lubricate the inner workings of the project.</p>
What could be improved and how?	<p>The competitive nature of procurement can work against Council. Need to complete risk assessment of contract bids to ensure they are realistic, and not too low. It is better to get the consultant to spend more time and be paid for it, instead of underestimating and being unlikely to complete the job to a high standard.</p> <p>Important to reassess how the engineer is progressing throughout the project.</p> <p>Invaluable for a Project Engineer to seek time away from the daily stresses of a fast-tracked project to assess risk of underperformance, market conditions and form risk mitigation plans.</p>

Project Statistics	Planned	Actual	Variance	Explanation
Budget (\$)	\$671,664	\$981,028	\$309,364	Inadequate IBC cost estimates Fast tracked procurement Design omissions resulting in VOs
Schedule (Weeks)	10	15	5	Fabrication of components required VOs



Audit and Risk Committee

Meeting of 13 August 2020

Business Unit: Corporate and Regulatory

Date Created: 28 July 2020

Corporate Risk Register - Risk Identification Update

Purpose

The purpose of this report is to present to the Audit and Risk Committee an update of the Manawātū District Council Corporate Risk Register Database.

Significance of Decision

The Council's Significance and Engagement policy is not triggered by matters discussed in this report.

Recommendations

That the Audit and Risk Committee receives the report "Corporate Risk Register – Risk Identification Update".

Report prepared by:
Michael Hawker
Project Delivery Manager

Approved for submission by:
Brent Limmer
General Manager - Community and Strategy

1 Contribution to the Council Vision and Council Outcomes

1.1 Relationship to the Council Outcomes that underpin the Council’s Vision:

Connected, vibrant and thriving Manawatū District – the best lifestyle in New Zealand

Manawatū District protects the natural environment through stewardship of the District’s natural and physical resources.	Manawatū District attracts and retains residents and businesses.	Manawatū District develops a broad economic base from its solid foundation in the primary sector.	Manawatū District is connected via quality infrastructure, services and technology.	Manawatū District’s built environment is safe, resilient and attractive.	Manawatū District Council is a customer-focussed and efficient organisation.
					✓

2 Background

- 2.1 Manawatū District Council (MDC) is continuing its process of maturing its risk management practice.
- 2.2 An Audit and Risk Committee has been established with responsibility for oversight of Financial Reporting, Internal and External Audit and Risk Management.
- 2.3 MDC has followed the standard “ISO 31000 Risk Management” which provides guidelines for the design, implementation and maintenance of risk management processes throughout an organization. The standard defines risk as the “impact of uncertainty on objectives”. In other words, a risk is something that has not happened but if it did happen would impact the achievement of objectives, either positively or negatively.
- 2.4 A Risk Appetite Statement was adopted by MDC in April 2016 and this was endorsed by a new Council in 2017. The Risk Appetite Statement is due for review. A Risk Assessment Framework has been adopted to classify the likelihood and consequences of risks impacting at the strategic level.
- 2.5 At the 10 November 2017 Audit and Risk Committee, it was reported that a Corporate Risk Register Database had been established and populated with risks. These risks were sourced from the Long Term Plan 2015-2025 and its associated Asset Management Plans. 218 threat risks were identified from these documents.
- 2.6 At the 16 February 2018 Audit and Risk Committee, the current treatments and controls for the key risks were reported. At the next Audit and Risk Committee meeting in August 2018, a further report will be presented covering the effectiveness and sufficiency of the treatments and controls for key risks. This report can be used as one input in considering the audit programme.
- 2.7 The Long Term Plan and Asset Management Plan process does not identify many risks associated with the capability of MDC to deliver the plans, such as staff capability, staff retention, cybersecurity, fraud, procurement, project and contract management, corruption, and health and safety. This was a limitation with the first round of Corporate-level risk identification.
- 2.8 To overcome earlier risk identification limitations, the next round during 2018 of risk identification included reviewing:

- Draft Long Term Plan 2018-2028 and its Asset Management Plans;
- Health & Safety Risk Register;
- Key Project Status Report Risks; and
- Conducting interviews with key staff.

2.9 This process during 2018 increased the number of risks identified from 218 risks to 346 risks and more categories of risk have been included in the identification process.

2.10 MDC has developed a Risk Register for Health and Safety specific risks. It complies with WorkSafe New Zealand Health and Safety risk register practices. This aids compliance with the Health and Safety Act (2015) and contributes to better Health and Safety practices for MDC staff and Manawatū District citizens.

3 Discussion and Options considered

3.1 The next step in Corporate Risk Identification is to progressively undertake risk identification workshops for operational risks to identify any risks that need to be added to the Corporate Risk Register and/or into the list of Key Risks.

3.2 During 2019 and the early part of 2020 risk identification workshops were held for the following areas:

- Health & Safety Updated Review
- People & Culture
- Information Management and Information & Communications Technology

3.3 This process added 40 new risks to the Corporate Risk Register.

Key Risks

3.4 The following key risks have been previously identified and reported to Audit and Risk Committee. These key risks (events that might happen) from the Corporate Risk Register requiring monitoring to ensure that controls and risk treatments maintain their effectiveness:

- If an external cyber-attack was successful, then work would be interrupted, impacting on objectives to deliver work programmes and achieve service levels.
- If an external cyber-attack was successful, then MDC Public Records would be lost or incorrect, impacting on objectives to maintain legal compliance, maintain public confidence and achieve service levels.
- If a Critical Person leaves voluntarily (decision) or non-voluntarily (accident), then work for that role will be interrupted impacting on objectives to deliver work programmes and achieve service levels.
- If a Critical Role is vacated, then work for that role will be interrupted impacting on objectives to deliver work programmes and achieve service levels.

- If there is insufficient capacity or capability with the Civil Defence and Emergency Management Team (CDEM) to meet disaster events, then disaster events cannot be managed in a timely and effective manner, impacting on objectives to maintain public confidence, and achieve purposeful growth and development.
- If demographic changes are significantly different from assumptions and plans, then work programmes will not match community requirements, impacting on objectives to operate within financial targets and to achieve purposeful growth and development.
- If economic growth is significantly different from assumptions and plans, then infrastructure and services will not match , impacting on objectives to achieve purposeful growth and development.
- If there are ineffective systems and processes to connect strategic plans and their operational implementation, then plans are not effectively or fully implemented, impacting on objectives to achieve purposeful growth and development and deliver work programmes.
- If water assets fail, then the required safety, quality, and quantity of water will not be delivered to citizens and businesses, impacting on objectives to achieve service levels and maintain legal compliance.
- If waste water treatment assets fail, then the treatment and disposal of waste water will not meet legal and consent conditions, impacting on the objective to maintain legal compliance.
- If Asset Management Systems contain incomplete and/or incorrect data, then plans and budgets will not be optimised for the actual needs of the infrastructure and community, impacting on objectives to operate within financial targets, maintain legal compliance and achieve service levels.
- If Asset Management Systems contain incomplete and/or incorrect data, then budgets for depreciation and insurance will not be appropriate for actual needs, impacting on objectives to operate within financial targets, deliver work programmes and achieve service levels.
- If there are ineffective consent monitoring systems and processes, then consent breaches are less likely to be detected and treated, impacting on objectives to maintain legal compliance and to maintain public confidence.
- If there are ineffective maintenance systems and processes for infrastructure assets required for consents, then asset failures would cause consent breaches, impacting on objectives to operate within financial targets, maintain legal compliance and to maintain public confidence.
- If a sabotage attack (poisoning) of the District water supply was successful, then water would be unsafe for human consumption, impacting on objectives to maintain public confidence and achieve service levels.
- If the District Plan Review Project has insufficient resources, then delivery of a reviewed District Plan will be delayed, impacting on objectives to achieve purposeful growth and development, maintain public confidence and maintain legal compliance.

New Key Risks

3.5 The following is a new key risk (events that might happen) identified in this round of risk identification.

- If the 1 fibre line that crosses Kimbolton Road Bridge going north towards Cheltenham is damaged, then Council systems are unable to access the Internet and Cloud-based systems, impacting on objectives to deliver work programmes and achieve service levels.

4 Operational Implications

4.1 There are no operational implications associated with this report.

5 Financial implications

5.1 There are no capital/operating expenditure implications associated with this report.

6 Statutory Requirements

6.1 There are no statutory requirements associated with this report.

7 Delegations

7.1 The Audit and Risk Committee's Terms of Reference sets out its responsibility for considering risk management and the system of internal controls. This includes:

- Setting the Council's appetite for risk;
- Understanding the key risk areas including likelihood and consequences;
- Effectiveness of internal controls; and
- Fraud risk and procurement risk.

7.2 The Audit and Risk Committee has delegated authority to act on all matters within its Terms of Reference, except for those excluded by Clause 32(1) Schedule 7, Local Government Act 2002.

8 Consultation

8.1 There are no consultation requirements associated with this report.

9 Cultural Considerations

9.1 There are no cultural considerations associated with receiving this report.

10 Conclusion

10.1 This report provides an update on the Corporate Risk Register and the key risks for Council.

10.2 This report on the update of the Corporate Risk Register supports MDC with:

- Regular reporting of risks to Council and MDC management;
- Informing discussions for the work plan of Audit investigations of the effectiveness and sufficiency of controls and treatments for risks;
- Providing focus of key risks for the Audit and Risk Committee to monitor;
- Supporting MDC Management in prioritising risk management actions; and
- Improving MDC risk management processes.

Audit and Risk Committee

Meeting of 13 August 2020

Business Unit: Corporate and Regulatory

Date Created: 04 August 2020

Interim Management Report from Audit New Zealand 2019-20

Purpose

To present the Interim Management Report from Audit New Zealand for the 2019-20 year.

Significance of Decision

The Council's Significance and Engagement policy is not triggered by matters discussed in this report.

Recommendations

That the Audit and Risk Committee receives the Interim Management Report from Audit New Zealand for the 2019-20 financial year and notes the points raised within the document, along with the management response.

Report prepared by:
Amanda Calman
Chief Financial Officer

Approved for submission by:
Shayne Harris
General Manager - Corporate and Regulatory

1 Contribution to the Council Vision and Council Outcomes

1.1 Relationship to the Council Outcomes that underpin the Council's Vision:

Connected, vibrant and thriving Manawatū District – the best lifestyle in New Zealand

Manawatū District protects the natural environment through stewardship of the District's natural and physical resources.	Manawatū District attracts and retains residents and businesses.	Manawatū District develops a broad economic base from its solid foundation in the primary sector.	Manawatū District is connected via quality infrastructure, services and technology.	Manawatū District's built environment is safe, resilient and attractive.	Manawatū District Council is a customer-focussed and efficient organisation.
✓	✓	✓	✓	✓	✓

2 Background

- 2.1 Audit New Zealand complete two visits per year, an interim visit prior to balance date and a final visit to substantiate the Annual Report. An Interim Management Report has been received following their interim visit.
- 2.2 This year the interim visit was conducted remotely, due to the Covid-19 lockdown.

3 Discussion and Options considered

- 3.1 One issue is raised within the report. Management will respond to this issue and Audit New Zealand will follow up this issue during their final audit.
- 3.2 The report also contains a list of previous recommendations. The progress on these is not updated in the Interim Report, but will be updated for the end of year report

4 Operational Implications

- 4.1 There are no operational implications at this point.

5 Financial implications

- 5.1 There are no financial implication as a result of this report.

6 Statutory Requirements

- 6.1 There are no statutory requirements resulting from this report.

7 Delegations

- 7.1 The Audit and Risk Committee have the delegated authority to receive this report.

8 Consultation

- 8.1 There are no community consultation requirements associated with this report.

9 Cultural Considerations

- 9.1 There are no cultural considerations associated with this report.

10 Conclusion

- 10.1 The point raised has been noted and will be responded to by management. Audit New Zealand will follow up the management response at their final visit. No actions are required at this point.

11 Attachments

- Manawatu District Council Interim Report to Governors 20J

**Report to the Council
on the interim audit of**

Manawatu District Council

For the year ended 30 June 2020

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Key messages

We have completed our interim audit for the year ended 30 June 2020. This report sets out our findings from the interim audit.

We have performed a high level assessment of the control environment, risk management process, and monitoring of controls relevant to financial and service performance reporting. We reviewed the internal controls, in your information systems and related business processes. This included the controls in place for your key financial and non-financial information systems.

Our assessment is that the elements of the control environment provide an appropriate foundation for other components of internal control. Overall, the controls in each system are capable collectively of preventing or detecting and correcting material misstatements.

Impact of COVID-19

As a result of the COVID-19 emergency there are implications that may arise that will have an impact on the District Council's financial statements and performance information. We encourage management to look into these implications to ensure they are taken into account when preparing the financial statements and performance information.

We identified that some controls changed during and as a result of the lockdown period. Some information was also not available during the interim audit which took place remotely due to the lockdown. As a result of changes in controls we will be taking a fully substantive approach for our final audit.

We recommend that the District Council complete the COVID-19 checklist provided to assist the District Council to ensure issues are identified and addressed.

Guidance

We have published on our Audit New Zealand website two Bulletins intended to provide high-level guidance to audit committees and preparers of financial statements and performance information. This first Bulletin gives guidance on the implications of COVID-19 emergency for revaluations of property plant and equipment and investment property and the second Bulletin gives guidance on the implications of COVID-19 emergency for service performance reporting – guidance for preparers of performance information.

Thank you

We would like to thank management and staff for assistance received during the audit, particularly during the challenging work environment during the COVID-19 lockdown.

Clint Ramoo
Appointed Auditor
Draft – 31 July 2020

1 Recommendations



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

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

1.1 New recommendations

The following table summarises our recommendations and their priority.

Recommendation	Reference	Priority
<p>Performance monitoring of outsourced contract</p> <p>We recommend that formal performance reporting and monitoring be re-established on the outsourced IT contract.</p>	2.3	Necessary

1.2 Status of previous recommendations

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

Priority	Priority			
	Urgent	Necessary	Beneficial	Total
Open	1	8	1	10
Implemented or closed	-	3	-	3
Matters that will be followed up during our final audit visit	1	7	2	10
Total	2	18	3	23

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2 Assessment of internal control



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

2.1 Control environment

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

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

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

2.2 Internal controls

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

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

The controls in each system are capable collectively of preventing or detecting and correcting material misstatements, however we noted a number of prior year recommendations that have not yet been addressed.

2.3 Performance monitoring of outsourced contract

Recommend

We recommend that formal performance reporting and monitoring be re-established on the outsourced IT contract.

Background

Objective have taken over the company who previously provided outsourced IT support to the council.

Whilst there have been no changes in the service provided, the monthly reporting and contract performance monitoring has ceased.

Management comment

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3 Adoption of new accounting standards



Public benefit entities must apply the new “group” accounting standards, PBE IPSAS 34 *Separate Financial Statements*, PBE IPSAS 35 *Consolidated Financial Statements*, PBE IPSAS 36 *Investments in Associates and Joint Ventures*, PBE IPSAS 37 *Joint Arrangements*, and PBE IPSAS 38 *Disclosure of Interest in Other Entities*, in preparing their 30 June 2020 financial statements.

Management is responsible for performing the necessary transition work to successfully implement these new standards. Areas of focus with the transition include:

- Assessing whether the revised control definition and guidance result in an entity being assessed as controlled under PBE IPSAS 35 for those entities previously assessed as not controlled under prior standards. For example, trusts established by the District Council that support the District Council in achieving its objectives.
- Determining whether a joint arrangement is categorised as a joint venture or joint operation. Joint ventures must be accounted for using the equity method.
- Updating the “group” accounting policies and “group” related disclosures in the financial statements. PBE IPSAS 38 generally requires more disclosure about interests in other entities than the previous standards.
- Implementing changes to systems and processes that may be necessary to support changes in accounting practices.
- Keeping relevant parties informed, such as your auditor and audit committee.

The transition to these new standard may require significant judgement for some arrangements and maybe particularly time consuming for those entities with a large number of potentially controlled entities. It is important that management substantially completes its transition work on these new standards well in advance of the final audit. We recommend that as part of this, management prepare pro-forma financial statements so that revised group-related disclosures can be agreed.

The District Council has shared its assessment with us and we have raised queries that management has responded to. We are in the process of reviewing these responses.

4 Useful publications



Based on our knowledge of the District Council, we have included some publications that the Council and management may find useful.

Description	Where to find it
Client updates	
<p>In March and April 2019, we hosted a series of client updates. The theme was “Improving trust and confidence in the public sector”.</p> <p>These included speakers from both Audit New Zealand and external organisations.</p> <p>The 2020 client updates covered a range of topics, including the implications of COVID-19 and climate change.</p>	<p>On our website under publications and resources.</p> <p>Link: Client updates</p>
COVID-19 Impact on Public Sector Reporting	
<p>The state of emergency in response to the COVID-19 coronavirus has significantly impacted most public sector entities. The consequences for the completion of annual reports and the annual financial statements are one part of this impact.</p> <p>We have developed a series of Bulletins in response:</p> <ul style="list-style-type: none"> • revaluations of Property, Plant and Equipment and investment property; and • service performance reporting. 	<p>On our website under good practice.</p> <p>Link: COVID-19 bulletins</p>

Description	Where to find it
Model financial statements	
<p>Our model financial statements reflect best practice we have seen to improve financial reporting. This includes:</p> <ul style="list-style-type: none"> • significant accounting policies are alongside the notes to which they relate; • simplifying accounting policy language; • enhancing estimates and judgement disclosures; and • including colour, contents pages and subheadings to assist the reader in navigating the financial statements. 	<p>On our website under publications and resources.</p> <p>Link: Model Financial Statements</p>
Client substantiation file	
<p>When you are fully prepared for an audit, it helps to minimise the disruption for your staff and make sure that we can complete the audit efficiently and effectively.</p> <p>We have put together a tool box called the Client Substantiation File to help you prepare the information you will need to provide to us so we can complete the audit work that needs to be done. This is essentially a tool box to help you collate documentation that the auditor will ask for.</p>	<p>On the OAG's website under publications and resources.</p> <p>Link: Client Substantiation File</p>
Good practice	
<p>The OAG's website has been updated to make it easier to find good practice guidance. This includes resources on:</p> <ul style="list-style-type: none"> • audit committees; • conflicts of interest; • discouraging fraud; • good governance; • service performance reporting; • procurement; • sensitive expenditure; and • severance payments. 	<p>On the OAG's website under good practice.</p> <p>Link: Good practice</p>

Description	Where to find it
Post-implementation reviews	
<p>The OAG have recently completed a review of Auckland Council’s post-implementation review process. While many aspects of the report are specific to Auckland Council, it documents the process that Auckland Council uses, and includes a post-implementation review checklist.</p>	<p>On the OAG’s website under publications. Link: Post-implementation review process</p>
Reporting fraud	
<p>The OAG have released data from 2012-2018 on fraud in public entities. This includes how the fraud was detected, the type of fraud and the methods and reasons for the fraud. The graphs show the high-level sector, and this can be broken down further into sub-sectors by opening the spreadsheets available.</p>	<p>On the OAG’s website under data. Link: Reporting Fraud</p>

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Appendix 1: Status of previous recommendations

Open recommendations

Recommendation	First raised	Status
Urgent		
<p>Lack of robust review for journals posted</p> <p>It is recommended that staff are given "approve only" access if they are reviewing journals, and that the preparation of journals is restricted to specific staff members only.</p> <p>Also - approval of journals involve checking the prepared journal back to supporting documentation.</p>	June 2016	<p>In progress</p> <p>All of the finance team have access to the preparation of journals and when reviewing journals, they are able to make a change, however the file is stamped as modified by the approver. Accountants, finance officers can post journals without review but after being posted, it needs to be reviewed and approved within a week.</p> <p>Journals are approved via the document management system (Jarvis) – relevant documentation is saved within the system, reviewer checks this and either approves or rejects.</p>
<p>Revenue undercharged for Development Contributions</p> <p>We recommend that the District Council implements a formal review process to ensure that changes made to fees and charges are accurate and that the District Council is collecting all of the revenue it is entitled to collect.</p>	June 2017	<p>To follow up at final when testing occurs</p>
Necessary		
<p>Sensitive Expenditure Policy and System</p> <p>We recommend that where possible expenditure is approved on a one up basis. For example, the Chair of the Audit Committee should approve the Mayor's expenditure and his expenditure should then be approved by the Deputy Mayor.</p> <p>We recommend that with the next update of the sensitive expenditure policy,</p>	Interim 2019	<p>In progress</p> <p>The recommendation remains open – no changes have been made to the policy.</p>

Recommendation	First raised	Status
consideration be given to incorporating the OAG guidelines.		
<p>Formal assessment of fair value or impairment of infrastructure assets at year end</p> <p>As part of the year end procedures, a formal fair value assessment, using the latest contract rates, should be completed and documented. A formal assessment of any potential impairment of assets should be prepared, taking in to account information asset condition information.</p>	Interim 2019	To follow up during the final when testing occurs
<p>Procurement Policy</p> <p>We recommended that the District Council continues to develop the policies, processes and templates required to support the procurement policy.</p>	June 2016	<p>Open</p> <p>No changes have been made to the procurement policy – recommendation remains.</p>
<p>Contract management</p> <p>We continue to recommend that the District Council develops an organisation-wide contract management system. We further recommend that Council develops appropriate policies and procedures to facilitate the oversight of contracts</p>		<p>Open</p> <p>No changes have been made to the contract management system – recommendation remains.</p>
<p>No fraud risk assessment performed</p> <p>We recommended that the District Council perform a formal fraud risk assessment and clearly document:</p> <ul style="list-style-type: none"> • what procedures were performed; • results of the process; • how often council plans to perform this assessment; and • people involved in the fraud risk assessment process. 	June 2017	<p>In progress</p> <p>The internal fraud audit is currently underway by a third party, this is expected to be completed by year end. We will follow this up at the final audit.</p>
<p>Work-in-Progress Classification</p> <p>We recommended that capital projects be capitalized on the date that the asset becomes available for use. This capitalization is to occur within the relevant asset management system (RAMM/AssetFinda) as well as the Fixed</p>	June 2017	<p>To be followed up during the final audit</p> <p>Management have indicated capitalisation occurs when assets are identified as complete by budget managers. For most areas this is done as the projects are completed</p>

Recommendation	First raised	Status
<p>Asset Register within the financial reporting system.</p> <ul style="list-style-type: none"> • Perform a review of capital work-in-progress at least quarterly; • Transfer completed assets, from capital projects, to their respective asset categories and commence charging depreciation when the assets become available for use. 		<p>each month. Reports are now reviewed by Executive each quarter to ensure a more robust review is obtained.</p> <p>Any assets capitalised at a time later than completion are automatically backdated in depreciation so the full depreciation costs are still incurred within the correct financial year.</p> <p>We will follow this up during the final audit.</p>
<p>Unit rates in Roading valuation</p> <p>We recommended that the District Council develops a schedule of actual unit rates paid for its roading contracts and use the average of these rates as the unit rate in future valuations.</p>	<p>June 2017</p>	<p>In progress</p> <p>Unit rates were subject to peer review this year. We are still in the process of confirming the unit rates used at the date of this report.</p> <p>We noted that the council has increased these rates to be in line with other councils and we require corroboration that these approximate the actual costs to replace assets for the District Council.</p>
<p>Non-compliance with drinking water standards</p> <p>We recommend that the District Council implement procedures to ensure that it is able to collect samples in a timely and regular manner in order to allow for testing and that compliance with the various criteria of the standards be prioritised.</p>	<p>June 2017</p>	<p>To be followed up during the final audit</p>
<p>Scope of peer review</p> <p>We recommend that the future scope of peer reviews includes a detailed review of the Asset Management Systems for errors and omissions and a detailed review of the valuation results to assess their accuracy.</p>	<p>June 2017</p>	<p>In progress</p> <p>A peer review was conducted this year, which included reviewing data confidence; as well as an external review of unit rates. The scope of review did not include inspecting the system for errors and omissions.</p>

Recommendation	First raised	Status
<p>Completeness of assets subject to valuation</p> <p>We recommend that the District Council reviews the valuation report and asset schedule for future revaluations to ensure that all assets have been revalued and the valuations are accurate.</p>	<p>June 2017</p>	<p>In progress</p> <p>We did not identify any omissions in our testing. We noted that the District Council does not have any controls processes to confirm that all assets are revalued and that the listing is complete. Reliance is placed on the two asset management systems in this regard.</p> <p>The accuracy of the valuations was subject to peer review this year, as well as internal reviews. We note that the peer reviewer highlighted that he not inspected the assets. We did not identify any other significant issues but are still in the process of confirming unit rates used at the date of this report.</p> <p>We noted that the council has increased these rates to be in line with other councils and we require corroboration that these approximate the actual costs to replace assets for the District Council.</p> <p>We noted that management has not taken the condition of assets in to account in the valuation which would improve the accuracy. We have requested management to provide an assessment of this to identify any impact.</p>
<p>Review of Project Management</p> <p>We recommend the guidance associated with the developing project management practices should be formalised to mitigate the risk of variable practices and possible loss of knowledge through staff movement/attrition.</p>	<p>June 2018</p>	<p>To be followed up at final</p>
<p>The commencement of any project should be supported by a project plan which sufficiently clearly defines and confirms the scope of the project, how it can be</p>	<p>June 2017</p>	<p>To be followed up during the final audit</p>

Recommendation	First raised	Status
<p>delivered and managed together with defined roles and responsibilities.</p> <p>Clear project critical success factors should be determined at the project justification stage and monitored against throughout and at the end of the project. It is essential that a project has specific, well defined and measurable benefits identified so that the District Council can ensure the benefits used to justify the investment in the project are delivered in practice.</p> <p>Consider the use of formal independent Project Quality Assurance arrangements to help provide comfort that the project is being conducted appropriately and complies with management standards and policies.</p> <p>Clearly define change management approval processes including where appropriate the definition and application of tolerance levels for such changes or deviations from plan.</p> <p>Ensure the governance and accountability structure in place for the project continues through to the formal project closure approval.</p>		
<p>Asset Management Plans</p> <p>We recommend that council continue work to improve their Asset Management Plans to ensure accuracy of data relating to condition and performance.</p>	<p>June 2017</p>	<p>In progress</p> <p>From our testing on the revaluation we noted that, data on condition is improving but there are still gaps.</p> <p>We recommend that the District Council prioritise information around critical assets for the upcoming LTP.</p> <p>Management comment</p>
<p>Procurement of Consultants</p> <p>We recommend that the District Council carries out the following actions:</p> <ul style="list-style-type: none"> • Deliver training to all staff involved in procurement on documenting a procurement plan, estimating the total value of procurement over the 	<p>June 2018</p>	<p>To be followed up during the final audit</p>

Recommendation	First raised	Status
<p>life of the project, and how to correctly apply the exemptions in the procurement policy.</p> <ul style="list-style-type: none"> • Develop an organisation wide set of standard templates for documenting the various aspects of the procurement process. • Update the procurement policy to make it clear that the financial limits, which dictate the type of procurement process that is required, be considered first, and then other policy exemptions. 		
<p>Review of Useful Lives</p> <p>We recommend that remaining useful lives are reviewed and adjusted for those assets that are due to be replaced before the end of their useful lives as the remaining useful life is a key input into the valuation calculation.</p> <p>An impairment provision be recognised for decommissioning costs for waste water treatment plants planned to be shut down.</p>	<p>Final 2019</p>	<p>To be followed up during the final audit</p>
<p>Beneficial</p>		
<p>Retentions under investigation</p> <p>We recommended that the District Council establishes a formal process to investigate and resolve retention balances that it is withholding from contractors.</p>	<p>June 2017</p>	<p>To be followed up during the final audit</p>
<p>Update fraud policy to align with best practice guidance</p> <p>That the fraud policy is updated to align with the Office of the Controller and Auditor General's (OAG) best practice guidance.</p>	<p>June 2017</p>	<p>Open</p> <p>Policy is still to be reviewed – recommendation remains.</p>
<p>Performance Reporting on Halls</p> <p>We recommend that actions be taken to ensure reporting against this performance measure is possible in 2019/20.</p>	<p>Final 2019</p>	<p>To follow up during the final audit</p>

Implemented or closed recommendations

Recommendation	First raised	Status
<p>Information Systems (IS) Policies</p> <p>IS policies need to be adopted by management and staff need to be made aware of the new policies.</p> <p>Policies need to be available in an easily accessible space and new staff need to be trained in the policies.</p>	<p>June 2015</p>	<p>Closed</p> <p>IS policies have been reviewed, updated and approved by council management.</p>
<p>Test Business Continuity and IT Disaster Recovery</p> <p>We recommend that council tests its business Continuity and IT Disaster Recovery plans and updates the plans to correct issues arising during testing</p>	<p>June 2015</p>	<p>Closed</p> <p>Continuity of IT service was tested during the recent Covid-19 lockdown event and council's IT services were able to continue.</p> <p>Learnings from this event are being reviewed and brought in to further organisational and IT continuity planning.</p>
<p>Review Ozone users and their access levels</p> <p>We recommended that a full review of users on the network be performed.</p>	<p>June 2015</p>	<p>Closed</p> <p>Finance and IT work together to review users' roles in Ozone on at least an annual basis. Where possible, role based access has been implemented.</p>

Appendix 2: Disclosures

Area	Key messages
Our responsibilities in conducting the audit	<p>We carry out this audit on behalf of the Controller and Auditor-General. We are responsible for expressing an independent opinion on the financial statements and performance information. This responsibility arises from section 15 of the Public Audit Act 2001.</p> <p>The audit of the financial statements does not relieve management or the Council of their responsibilities.</p> <p>Our audit engagement letter contains a detailed explanation of the respective responsibilities of the auditor and the Council.</p>
Auditing standards	<p>We carry out our audit in accordance with the Auditor-General's Auditing Standards. The audit cannot and should not be relied upon to detect every instance of misstatement, fraud, irregularity or inefficiency that are immaterial to your financial statements. The Council and management are responsible for implementing and maintaining systems of controls for detecting these matters.</p>
Auditor independence	<p>We are independent of the District Council in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): <i>Code of Ethics for Assurance Practitioners</i>, issued by New Zealand Auditing and Assurance Standards Board.</p> <p>To date, in addition to the audit and the audit of the subsidiary we have carried out an engagement in the area of the debenture trust deed, which is compatible with those independence requirements. Other than the audit and these engagements, we have no relationship with or interests in the District Council or its subsidiaries.</p>
Fees	<p>The audit fee for the year is \$149,416, as detailed in our Audit Proposal Letter.</p> <p>To date, no other fees have been charged in this period.</p> <p>To date, other fees charged in the period are \$5,000, for the debenture trust deed engagement.</p>
Other relationships	<p>To date, we are not aware of any situations where a spouse or close relative of a staff member involved in the audit occupies a position with the District Council or its subsidiaries that is significant to the audit.</p> <p>We are not aware of any situations to date where a staff member of Audit New Zealand has accepted a position of employment with the District Council or its subsidiaries during or since the end of the financial year.</p>



AUDIT NEW ZEALAND

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Audit and Risk Committee

Meeting of 13 August 2020

Business Unit: People and Culture

Date Created: 05 August 2020

Health and Safety Report for Quarter to 30 June 2020

Purpose

To present the Health and Safety quarterly report to 30 June 2020.

Significance of Decision

The Council's Significance and Engagement policy is not triggered by matters discussed in this report.

Recommendations

That the Audit and Risk Committee notes the Health and Safety quarterly report to 30 June 2020.

Report prepared by:

Allie Dunn

Governance Team Leader

Approved for submission by:

Frances Smorti

General Manager - People and Culture

1 Contribution to the Council Vision and Council Outcomes

1.1 Relationship to the Council Outcomes that underpin the Council's Vision:

Connected, vibrant and thriving Manawatū District – the best lifestyle in New Zealand

Manawatū District protects the natural environment through stewardship of the District's natural and physical resources.	Manawatū District attracts and retains residents and businesses.	Manawatū District develops a broad economic base from its solid foundation in the primary sector.	Manawatū District is connected via quality infrastructure, services and technology.	Manawatū District's built environment is safe, resilient and attractive.	Manawatū District Council is a customer-focussed and efficient organisation.
✓	✓	✓	✓	✓	✓

2 Background

- 2.1 Quarterly governance reports provide interim updates towards end of year results to be published in the Annual Report 2019/20. The Annual Report accounts for how Council performed against 2019-20 Annual Plan. The quarterly reports summarise Council's financial performance, progress on capital projects, levels of service performance and reasons for significant differences from what was planned.
- 2.2 The Health and Safety quarterly report usually accompanies the reports on financial performance, progress on capital projects, levels of service performance.
- 2.3 For this meeting the Health and Safety quarterly report is provided separately, as the reports on financial performance, progress on capital projects and levels of service performance will be provided to the Audit and Risk Committee's September 2020 meeting.

3 Discussion and Options considered

- 3.1 This report is for information only. Any matters that require resolution would be reported separately to Council.

4 Operational Implications

- 4.1 There are no capital or operating expenditure implications, or maintenance costs associated with this paper.

5 Financial implications

- 5.1 Any financial implications would be reported separately to Council.

6 Statutory Requirements

- 6.1 The Health and Safety at Work Act 2015 sets out the requirements for Council with the main purpose to provide for a balanced framework to secure the health and safety of workers and workplaces.

7 Delegations

- 7.1 The Audit and Risk Committee's Terms of Reference includes the responsibility for financial reporting, and also risk management and the system of internal controls. The committee has delegated authority to act on all matters within its Terms of Reference (except those excluded by Clause 32(1) Schedule 7, Local Government Act 2002).

8 Consultation

- 8.1 There are no consultation requirements associated with this matter.

9 Cultural Considerations

- 9.1 There are no cultural considerations associated with this report.

10 Conclusion

10.1 The Health and Safety quarterly report appended provides an update on key indicators and activities for the three months to 30 June 2020.

11 Attachments

- Health and Safety Quarterly Report to 30 June 2020

Health and Safety

For the period ended 30st June 2020



Manawatū District Council Health & Safety Committee

Work Safe, Home Happy - Marutai Ki Te Mahi, Manahau Ki Te Kainga

Lead and Lag Indicators

Indicator	Goal	Current
Notifiable incidents (lag)	0	0
Inductions for new staff	100%	100%
Team risk reviews 2019/20	100%	24%
Active contractors pre-qual	100%	99%
H&S engagement score	80%	80%

Significant Incidents:

- Covid-19

Strategic Activities

- 1.2 Team risk register workshops delayed due to Covid-19
- 2.1 Pre-qualification of all in-use contractors 99% complete
- 3.1 Mental health added to MDC Academy
- 4.1 Good feedback on H&S recognition awards
- 5.1 Inreach trial completed
- 5.2 Remote work policy and devices underway
- 6.1 New process for tracking condition of PPE created and now in use
- 9.3 Each HSR has been allocated a section to review; first review completed

Audits & Compliance

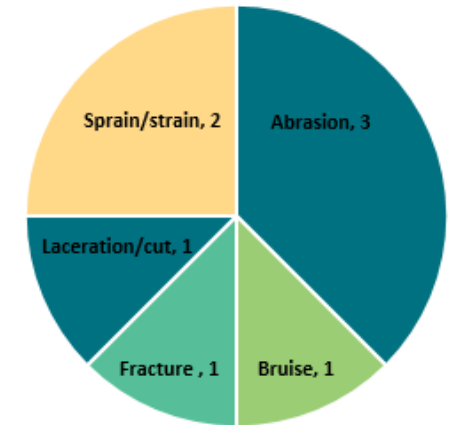
Site Audits

Site audits postponed due to Covid-19; all rebooked 1st quarter 2020/21

Due Diligence

Councillor Marsh, GMs and CE attended H&S Committee Meetings during the period
Audit and Risk Councillors continued the Institute of Directors online Health and Safety training

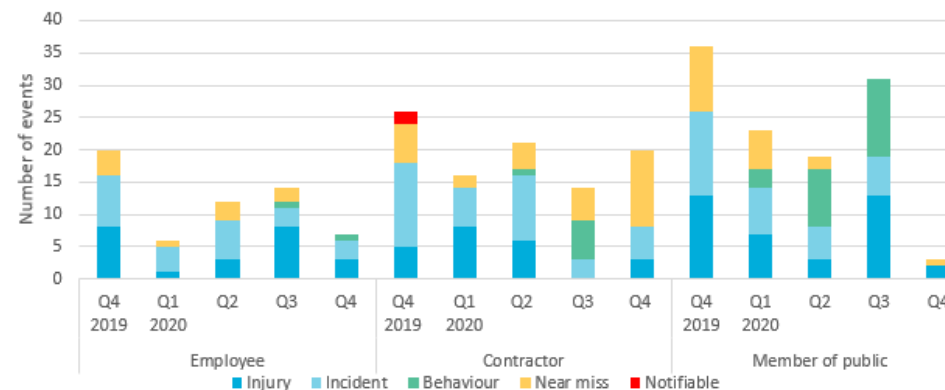
Injuries This Quarter



Training

No training this quarter due to Covid-19

Events Reported



Wellness & Communication

- Workstation assessments
- Pre-employment drug and alcohol testing

Staff Newsletter Articles

- From the Healthy Food Guide:
 - Health benefits related to having a dog
 - How to foster optimism
 - Maintain a slower pace of life after lockdown