



NOTICE OF AN AUDIT AND RISK COMMITTEE MEETING

**Ōpōtiki District Council Chambers, 108 St John Street, Ōpōtiki
Thursday, 26 October 2017
Commencing at 2.30pm**

ORDER PAPER

APOLOGIES

DECLARATION OF ANY INTERESTS IN RELATION TO OPEN MEETING AGENDA ITEMS

PUBLIC FORUM

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STANDING ITEM:

RISK WORKSHOP – TO BE HELD AT THE CONCLUSION OF THE MEETING

Members: **Cr Arihia Tuoro (Chairperson)**

Cr Ken Young

Ex-Officio: **Mayor John Forbes**

Independent Member: **David Love**

Committee Secretary: **Gae Newell**

Quorum: **2**

LOCAL AUTHORITIES (MEMBERS' INTERESTS) ACT 1968

Councillors are reminded that if you have a pecuniary or non-pecuniary interest in any item on the agenda, then you must declare this interest and refrain from discussing or voting on this item, and are advised to withdraw from the Council chamber.

Aileen Lawrie

CHIEF EXECUTIVE OFFICER

AUDIT AND RISK COMMITTEE TERMS OF REFERENCE

1. The Audit and Risk Committee is a Committee of the Ōpōtiki District Council.
2. **Objective**

The objective of the Committee is to assist the Council in carrying out its duties in regard to financial reporting and legal compliance.
3. **Membership**

Chairperson: Councillor Tuoro
Members: Councillor Tuoro, Councillor Young
Ex-Officio: Mayor Forbes
Independent Member: David Love
4. **Meetings**
 - 4.1 A quorum is two members.
 - 4.2 The Committee shall meet as needed but in any event, at least annually.
 - 4.3 Notice of meetings shall be in accordance with the requirements set out in the Local Government Act 2002.
5. **Terms of Reference**

The Audit and Risk Committee will:

 1. *Review Council's annual financial statements with Council management and the Auditors prior to their approval by Council.*
 2. *Oversee statutory compliance in terms of financial disclosure.*
 3. *Monitor corporate risk assessment and internal risk mitigation measures and oversee:*
 - *Council's risk management framework*
 - *internal control environment*
 - *legislative and regulatory compliance*
 - *internal audit and assurance*
 - *oversee risk identification on significant projects*
 - *compliance to Treasury Risk Management Policies.*
 4. *Review the effectiveness of Council's external accountability reporting (including non financial performance).*
 5. *Conduct the process for the Chief Executive's Performance, for report to Council.*

6. *Draw to the attention of Council any matters that are appropriate.*
7. *Investigate and report on any matters referred to the Committee by Council. The circumstances the Council may refer matters to the Audit and Risk Committees include:*
 - a. *Any significant issues arising from the financial management of councils affairs.*
 - b. *Any complaints against elected members or alleged breaches of the Councils code of conduct.*
 - c. *Any significant issues arising from Audit New Zealand processes.*
 - d. *Due Diligence on strategic asset acquisition or disposal.*
 - e. *Setting up of Council Controlled Organisations.*
 - f. *Development of a Council risk assessment and mitigation strategies.*

6. **Authority**

- 6.1 The Committee is authorised to investigate any activity referred to it by Council resolution. It is authorised to seek any reasonable information it requires from Council staff.
- 6.2 The Committee is authorised by the Council to obtain outside legal or other independent professional advice and to arrange for the attendance at meetings of outside parties with relevant experience and expertise if it considers this necessary.

MINUTES OF AN ŌPŌTIKI DISTRICT COUNCIL AUDIT AND RISK COMMITTEE MEETING HELD ON MONDAY, 4 SEPTEMBER 2017 IN THE OPOTIKI DISTRICT COUNCIL CHAMBERS, 108 ST JOHN STREET, ŌPŌTIKI AT 9.30AM

PRESENT:

Councillor Arihia Tuoro (Chairperson)
Councillor Ken Young
Deputy Mayor Lyn Riesterer

IN ATTENDANCE:

Aileen Lawrie (Chief Executive Officer)
Bevan Gray (Finance and Corporate Services Group Manager)
Muriel Chamberlain (Health & Safety and HR Advisor)
Gae Newell (Personal Assistant to CEO and Mayor)

APOLOGY

David Love, Mayor John Forbes.

RESOLVED

(1) That the apology be sustained.

Tuoro/Young

Carried

DECLARATION OF ANY INTERESTS IN RELATION TO OPEN MEETING AGENDA ITEMS

Nil.

PUBLIC FORUM

Nil.

**1. CONFIRMATION OF MINUTES – AUDIT AND RISK COMMITTEE MEETING
14 AUGUST 2017**

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RESOLVED

- (1) That the report minutes of the Audit and Risk Committee meeting held on 14 August 2017 be confirmed as a true and correct record.**

Young/Tuoro

Carried

2. ACTION SCHEDULE

Verbal Update

The Finance and Corporate Services Group Manager tabled the Action Schedule and spoke to the action items.

The Chairperson asked that in future the Action Schedule be included in the agenda document.

Leave balances to be added in to the Action Schedule.

RESOLVED

- (1) That the Action Schedule be received.**

Young/Riesterer

Carried

Deputy Mayor Riesterer and the Chief Executive Officer entered the meeting at 9.34am.

3. DRAFT ANNUAL REPORT 2016/17

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The Chairperson noted the amount of \$1.6m from unclaimed development contributions which will go to the library redevelopment.

The Finance and Corporate Services Manager will provide the Audit and Risk Committee members with a revised draft Annual Report document on the morning of Monday, 18 September 2017.

The Chairperson asked that a bullet point list be provided with the revised draft Annual Report, noting significant changes/updates.

- (1) That the report titled "Draft Annual Report 2016/17" be received.**

Young/Riesterer

Carried

The Health & Safety and HR Advisor entered the meeting at 10.49am.

4. LOCAL GOVERNMENT – SHE CONTRACTOR PRE-QUALIFICATION

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The Committee supported the approach taken by the Bay of Plenty Regional Council regarding the limited times, with conditions as set out in the report, when they will use contractors who are not pre-qualified.

From a discussion it was agreed that clause 2 of the recommendations be amended by replacing “the approach” with “the *general* approach”.

The Chief Executive Officer acknowledged the work being done by the Health & Safety and HR Advisor in the Health & Safety area.

RESOLVED

- (1) That the report titled “Local Government – SHE Contractor Pre-qualification” be received.**
- (2) That the Audit and Risk Committee endorse the general approach that contractors must be SHE approved.**

Tuoro/Riesterer

Carried

The Health & Safety and HR Advisor left the meeting at 11.09am.

5. KOHA PAYMENTS

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The Chairperson declared an interest in relation to the koha provided for the Whakatōhea Agreement in Principle event.

In response to a query from Deputy Mayor Riesterer, the Finance and Corporate Services Group Manager will look into whether flowers should be included as koha.

RESOLVED

- (1) That the report titled “Koha Payments” be received, except for the items relating to flowers.**

Young/Tuoro

Carried

THERE BEING NO FURTHER BUSINESS THE MEETING CLOSED AT 11.15AM.

**THE FOREGOING MINUTES ARE CERTIFIED AS BEING A
TRUE AND CORRECT RECORD AT A SUBSEQUENT IN-
COMMITTEE MEETING OF THE AUDIT AND RISK
COMMITTEE ON 26 OCTOBER 2017.**

COUNCILLOR ARIHIA TUORO

CHAIRPERSON

	Issue	Recommendation	Done	Assigned To	Status	Comments
5	Resource recovery centre	Recommend Council review systems and controls around cash handling	<input type="checkbox"/>	Chris Hopman	In Progress	Finance have implemented tills for all RRC's, and a cash pickup process for Te Kaha and Waihou Bay. Chris and Ian still need to do some work with Opotiki RRC as Finance are coming up against resistance there.
6	Suspense accounts	Recommend Council undertake regular reviews of suspense accounts and ensure appropriate policies and procedures are in place for their use	<input type="checkbox"/>	Jan Burkhart	In Progress	Reconciliations have been performed on all suspense accounts as at 30 June 2017. Monthly reconciliations will be performed in accordance with the internal controls that will be implemented in early November. This includes the lodgement accounts that currently account for unallocated receipts.
7	Asset management plans	Recommend Council ensures that asset management plans are updated on a continuous basis	<input type="checkbox"/>	Chris Hopman	In Progress	New roles have been introduced to the organisation to help address this issue. A process was started to integrate asset management with financial planning however this stalled due to staff leaving, we need to put in additional resource to pick this back up.
8	Contract and project management	Recommend robust and reliable contract management and project management systems be implemented	<input type="checkbox"/>	Chris Hopman	Complete	Datacom Contract Management module implemented by Finance to manage contract payments, variations, and retentions. Finance have also engaged a consultant to help develop robust project management systems, this process was started but has now stalled due to resourcing to continue to develop it. The project manager also developed a project management framework document to be rolled out across the organisation. This action is replicated again further down the action list as it was still outstanding at 2017 audit. So will mark this as complete to avoid duplication
12	Contracts	Over runs need to be approved by the CE and Council, delegated authority for overspends needs to be clarified. Schedule at the front of the file should include key documents, and rolled contracts should be reviewed for competitiveness and transparency.	<input type="checkbox"/>	Chris Hopman	Complete	Finance implemented contract module to manage contracts and require authorisation of contract variations. A complete contract management framework and process needs to be developed. As above, this is duplicated below. Will mark as complete.
16	High number of superusers	Recommend that Council reviews and reduces the number of users with superuser access	<input type="checkbox"/>	Bevan Gray	Complete	Council has identified 10 users with superuser access, 6 of these are Datacom users. Contact has been made with Datacom to reduce their numbers of users. Council has reduced theirs to a maximum of 1. Action completed.
17	Generic superuser accounts	Recommend that the "Datacom" users are changed to be identifiable Datacom personnel, and a process established for ensuring vendor access is limited to current required staff only	<input type="checkbox"/>	Sue Watson	Complete	In response to the Audit request to disable the generic logins for Datacom users, I recommend that both the users DATACOM and DATACOM2 are left as System Administration access to facilitate online support. Management of access to Ozone is reviewed and requested by Sue Watson, and until such time as Council appoints a dedicated IT support person we currently engage Datacom to load version releases to our DEV, TEST and LIVE environments, plus investigate support issues as they arise on an ad-hoc basis. This is especially important as Sue begins to reduce hours in an attempt to gradually prepare for retirement. Action completed
19	Sensitive expenditure policy	Recommend that policy is updated in relation to credit card use, who is responsible for them and their use, the process for cancelling and destroying cards, how credit limits are set, how transaction documentation is compiled, review processes, and consequences of unauthorised use.	<input type="checkbox"/>	Bevan Gray	Not Started	The sensitive expenditure policy will be reviewed in line with OAG best practice, will contain a section on credit cards and their use with appropriate guidance.
21	Contract Management policy and Guidance	Recommend Council develop a contract management policy and guidance, to include procedures and templates for consistency	<input type="checkbox"/>	Chris Hopman	Not Started	Contact Regional Council who have just undertaken a similar exercise. KDC and WBOPDC have both just employed contract management roles.
22	Contract management oversight	Have individual or team in place with responsibility for oversight of contract management activities	<input type="checkbox"/>	Chris Hopman	Not Started	
23	Contract management system	Put in place a contract management system to capture all contract information	<input type="checkbox"/>	Chris Hopman	In Progress	Finance have implemented the Contracts Module within Ozone to manage contracts and contract payments.
24	Project Management	Recommend a documented approach and methodology, planned approach to undertake post implementation reviews, have independent quality assurance reviews.	<input type="checkbox"/>	Chris Hopman	In Progress	Project management framework has been drafted.
25	NZTA to GL reconciliation	NZTA audit recommendation that Council reconciles its ledger against claims to the NZTA for financial years ending 30 June 14, 15 and 16 by 15/09/17	<input type="checkbox"/>	Bevan Gray	Complete	Reconciliation completed by Jan following NZTA audit
26	Retention account review	NZTA audit recommendation that Council reviews its retention account every 6 months with first review on 30/06/17	<input type="checkbox"/>	Bevan Gray	Complete	Retention account reviewed by Jan following NZTA audit
27	Procurement	Council to ensure that late tender policy in contract documents is consistent with Procurement Strategy, ongoing.	<input type="checkbox"/>			
28	Qualified proposal evaluators	Council to correct the wording in its contract documents for Qualified Proposal Evaluators by 30/06/17	<input type="checkbox"/>	Chris Hopman		
29	Procurement Strategy	Council to amend Procurement Strategy to include how it will procure professional services, which of those services are to be procured in-house and the rationale for the decision and seek endorsement for the amended policy from the Transport Agency by 30/06/18	<input type="checkbox"/>			
30	Contract Management	NZTA audit recommend that Council improves its contract management documentation to reflect actions agreed and undertaken by 30/06/17	<input type="checkbox"/>			

REPORT

Date : 20 October 2017

To : Audit and Risk Committee Meeting, 26 October 2017

From : Finance and Corporate Services Group Manager, Bevan Gray

Subject : **DRAFT ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2017**

File ID : A124095

EXECUTIVE SUMMARY

To provide for the Committee's information the Draft Annual Report for Opotiki District Council for the year ended 30 June 2017.

PURPOSE

To provide for the Committee's information the Draft Annual Report for Opotiki District Council for the year ended 30 June 2017, and to seek a recommendation from the Audit and Risk Committee that Council adopt the report at its Extra Ordinary Council Meeting on 31 October 2017 - subject to receiving a signed audit opinion.

BACKGROUND

Every year Council must prepare an Annual Report summarising how the Council went compared to the Long Term Plan or Annual Plan. This document has a statutory deadline to be adopted by 31 October each year, and must be audited. It is good practice for the Audit and Risk Committee to review the document and make a recommendation to Council to adopt the report.

At the time of writing this report Audit New Zealand had completed their on-site audit for Council's 2016/17 Annual Report and the final document was under review by the audit team. It is hoped to have an unmodified audit report available for adoption by Council at the Extra Ordinary Council Meeting on 31 October 2017.

The draft Annual Report is provided with the agenda as a separate document.

SIGNIFICANCE ASSESSMENT

Assessment of significance

Under Council’s Significance and Engagement Policy, on every issue requiring a decision, Council considers the degree of significance and the corresponding level of engagement required. The level of Significance for recommending the draft 2016/17 Annual Report for adoption by Council is considered to be low as determined by the criteria set out in section 12 of the Significance and Engagement Policy.

Assessment of engagement requirements

As the level of significance for recommending the draft 2016/17 Annual Report for adoption by Council is considered to be of low significance the level of engagement required is determined to be at the level of inform according to Schedule 2 of the Significance and Engagement Policy.



RECOMMENDATIONS:

- 1. That the report titled **Draft Annual Report for the year ended 30 June 2017** be received.
- 2. That the **Audit and Risk Committee** recommend that **Council adopt the draft 2016/17 Annual Report subject to receiving a signed audit opinion.**

Bevan Gray

FINANCE AND CORPORATE SERVICES GROUP MANAGER

REPORT

Date : 4 October 2017

To : Audit and Risk Committee Meeting, 26 October 2017

From : Engineering and Services Group Manager, Chris Hopman

Subject : **NZ TRANSPORT AGENCY INVESTMENT AUDIT REPORT**

File ID : A123217

EXECUTIVE SUMMARY

The NZ Transport Agency [NZTA] undertook an investment audit of Opōtiki District Council in May 2017. As a result of that audit they highlighted areas where Council needed improvement in some areas. There were no unsatisfactory ratings.

PURPOSE

The purpose of the audit was to provide assurance that the NZTA's investment in ODC's land transport programme is being well managed and delivering value for money. It was also to provide assurance that Council were appropriately managing risk.

BACKGROUND

The previous investment audit occurred in December 2013. Audits are completed three yearly within that financial year. This audit covers the 2013/14, 2014/15 and 2015/16 financial years. A procedural audit, to review road management practices, is also carried out every three years, with the next audit due in 2018.

The investment audit reviews:

1. Previous audit December 2013
2. Land Transport Disbursement Account
3. Final Claims for 2013/14, 2014/15 and 2015/16
4. Transactions (accounts payable) – 2005/16
5. Retentions Account

6. Procurement Procedures
7. Contract Management and Administration
8. Contract Variations
9. Professional Services
10. Transport Investment On-Line (TIO) reporting

DISCUSSION AND OPTIONS SECTIONS

The report highlights a number of recommendations which staff have implemented. The recommendations were:

Recommendation	Implementation Target Date	Action	Dept
1. Reconciles its general ledger against its claims to the Transport Agency for the financial years ending 30 June 2014, 2015 and 2016.	15/09/2017	Completed	Finance
2. Biannually reviews its retentions account.	30/06/2017	Completed	Finance
3. Corrects the wording in its contract documents for Qualified Proposal Evaluators.	30/06/2017	Completed	Engineering
4. Confirms it has amended its procurement strategy to include how it will procure professional services, which of those services are to be procured in-house and the rationale for the decision and seek endorsement for the amended policy from the Transport Agency.	30/06/2018	Under Review	CEO
5. Improves its contract management documentation to reflect actions agreed and undertaken.	30/06/2017	Completed	Engineering

SIGNIFICANCE ASSESSMENT

Assessment of significance

Under Council's Significance and Engagement Policy, on every issue requiring a decision, Council considers the degree of significance and the corresponding level of engagement required. The level of Significance for NZTA is considered to be low as determined by the criteria set out in section 12 of the Significance and Engagement Policy.

Assessment of engagement requirements

“As the level of significance for NZTA is considered to be of low the level of engagement required is determined to be at the level of ‘low’ according to Schedule 2 of the Significance and Engagement Policy.



CONSIDERATIONS

Financial/budget considerations

The audit identified a small over-claim from the previous audit. However it was established that there was enough qualifying expenditure to satisfy the claims.

Policy and planning implications

Council has identified that its Procurement Policy is currently under review. This review will include how it procures professional services in all areas. There was also discussion on late tenders with Council’s policy not aligning with NZTA policy. This should also be reconsidered when the Procurement Policy is reviewed.

Risks

The audit also revealed the following risks assessments:

Issue	Risk Assessment
1. Previous audit issues	Some improvement needed
2. Financial management	Significant improvement needed
3. Procurement	Some improvement needed
4. Contract management	Some improvement needed
5. Professional services	Effective

All risks should now be reduced to **Effective** except for “3- Procurement”. This will be resolved under the Procurement Policy review within this financial year, which is within the implementation target date.

CONCLUSION

NZTA have highlighted a number of deficiencies regarding Council's internal financial processes, contract management activities and procurement procedures. Ōpōtiki District Council staff have recognised and rectified these deficiencies in the financial management and contract management areas.

Deficiencies in the area of procurement have been programmed for later this financial year and can be simply addressed.

RECOMMENDATIONS:

- 1. That the report titled "NZ Transport Agency Investment Audit Report" be received.**
- 2. That an action to review the procurement of professional services and late tenders is considered when Council reviews its Procurement Policy in consideration with the requests in the NZ Transport Agency Investment Audit Report.**

Chris Hopman

ENGINEERING AND SERVICES MANAGER

NZ TRANSPORT AGENCY INVESTMENT AUDIT REPORT

Monitoring Investment Performance

Report of the investment audit carried out under section 95(1)(e)(ii) of the Land Transport Management Act 2003.

Approved Organisation (AO):	Opotiki District Council
NZ Transport Agency Investment (2015 - 2018 NLTP)	\$4,928,374 (budgeted programme value)
Date of investment audit:	15-18 May 2017
Investment Auditor:	Glenn McGregor
Report No:	IAGMI -1660

OBJECTIVE

The objective of this audit is to provide assurance that the New Zealand Transport Agency's investment in Opotiki District Council's land transport programme is being well managed and delivering value for money. We also sought assurance that the Council is appropriately managing risk associated with the Transport Agency's investment. We recommend improvements where appropriate (for audit programme refer appendix A).

EXECUTIVE SUMMARY

Opotiki District Council needs to improve its internal processes for financial claims to the Transport Agency and the documentation of contract management activities.

It was not possible to accurately reconcile Council's claims to the Transport Agency for funding assistance against Council's general ledger records. However it was possible to establish that there was enough overall qualifying expenditure to satisfy the claims. Council acknowledges this and is implementing processes to address the issue.

Council has generally good processes in place to ensure compliance with the Transport Agency's procurement procedures but some improvement is needed. Wording in Council's tender documents do need amending relating to the use of Qualified Proposal Evaluators and its late tender policy. The procurement strategy also needs updating. Opotiki DC needs to further improve its documenting of agreed contract management actions and outcomes.

DISCLAIMER

While every effort has been made to ensure the accuracy of this report, the findings, opinions, and recommendations are based on an examination of a sample only and may not address all issues existing at the time of the audit. The report is made available strictly on the basis that anyone relying on it does so at their own risk, therefore readers are advised to seek advice on specific content.

RISK ASSESSMENT

	Issue	Risk Assessment*
Q.1	Previous audit issues	Some improvement needed
Q.2	Financial management	Significant improvement needed
Q.3	Procurement	Some improvement needed
Q.4	Contract management	Some improvement needed
Q.5	Professional services	Effective

* Key to risk assessment - refer appendix C

RECOMMENDATIONS SUMMARY

That Opotiki District Council:

	Recommendation	Implementation target date
Q.2	Reconciles its general ledger against its claims to the Transport Agency for the financial years ending 30 June 2014, 2015 and 2016.	15/9/17
Q.2	Biannually reviews its retentions account.	30/6/17
Q.3	Ensures that the late tender policy in its contract documents is consistent with its Procurement Strategy.	NA
Q.3	Corrects the wording in its contract documents for Qualified Proposal Evaluators.	30/6/17
Q.3	Confirms it has amended its procurement strategy to include how it will procure professional services, which of those services are to be procured in-house and the rationale for the decision and seek endorsement for the amended policy from the Transport Agency.	30/6/18
Q.4	Improves its contract management documentation to reflect actions agreed and undertaken.	30/6/17

Note: Before being finalised this report was referred to Opotiki District Council for comment. Council's responses are included in the report.

FINDINGS

Question 1:	What issues, if any, remain unresolved from the previous procedural audit?	
Findings	There were four recommendations resulting from the December 2013 investment audit. They related to a small over claim, the lack of a Qualified Proposal Evaluator, a tender evaluation error and the lack of contract management documentation. The first three have been addressed and the latter partially addressed (see question 4).	
Opotiki DC response	See below	

* * *

Question 2:	Does the Opotiki District Council have good financial systems in place to effectively manage the NZ Transport Agency's investment in the delivery of its land transport programme?	
Findings	<p>It was not possible to accurately reconcile Council's claims to the Transport Agency for funding assistance against Council's general ledger records for the three financial years ending 30 June 2016. However it was possible to establish that there was enough overall qualifying expenditure to satisfy the claims.</p> <p>The reasons for this problem relate to the way claims are prepared and submitted to the Transport Agency. Current practice is for the Engineering and Services Group to prepare the claims based on the general ledger plus other expenditure known to the Group (such as administration overheads) not accounted for in the general ledger. Engineering and Services then submit the claim. However claims have not been regularly reconciled to the general ledger.</p> <p>We suggest that a better practice is for Council's Finance and Corporate Services Group to prepare the claim based on the general ledger and have the claim approved by Engineering Services before submission to the Transport Agency. The claim should always be reconciled to the general ledger before submission.</p> <p>Council acknowledges this and is putting in processes to address the issue.</p> <p>The retentions account is well managed but would be enhanced by biannual reviews of the account to check for out of date or large retentions.</p>	
Recommendations	That Opotiki District Council:	

	<p>a) reconciles its general ledger against its claims to the Transport Agency for the financial years ending 30 June 2014, 2015 and 2016 and;</p> <p>b) biannually reviews its retentions account.</p>
Suggestion	That the Opotiki District Council asks its Finance and Corporate Services Group to prepare its claims to the Transport Agency for financial assistance, seek the Engineering Services Group's endorsement for each claim and reconciles these claims with its general ledger before submitting them to the Transport Agency.
Opotiki DC response	<p>Prior years reconciliations performed and summarised. Retentions account procedure implemented to reconcile quarterly.</p> <p>Claims to the Transport Agency prepared and submitted by Finance staff from the general ledger on a monthly basis.</p>

* * *

Question 3	Has Opotiki District Council acted in accordance with its endorsed procurement strategy and the NZ Transport Agency's procurement requirements?	
Findings	<p>Seven physical works contracts, including the key road maintenance contract, were examined for compliance with the Transport Agency's procurement requirements and Council's Procurement Strategy. One professional services contract was also reviewed. All contracts reviewed complied, with the following exceptions:</p> <ul style="list-style-type: none"> All seven physical works Requests for Proposals examined stated that no late tenders would be accepted under any circumstances whereas Council's late tender policy, as described in its Procurement Strategy, states that Council reserves the right to extend the period allowed for the submission of the tender, at its sole discretion. Wording in requests for tender documents needs to be corrected relating to the use of a Qualified Proposal Evaluator (QPE). It currently states that the preferred tender must be peer reviewed by an independent NZ Transport Agency assessor. This is not so. The Transport Agency requires through its Procurement Manual section 10.19, that for all contracts with an estimated value exceeding \$200,000 at least one member of the proposal evaluation team hold the QPE qualification. There is no requirement for this person to be independent of Council. <p>A review of Council's endorsed Procurement Strategy found that it does not address how professional services are to be procured or which professional services are to be obtained in-house or the rationale for the decision. Council needs to amend its procurement strategy to address how professional services are to be procured, which professional services are to be obtained in-house and the rationale for the decision. Once these conditions have been met, Council needs to</p>	

	seek further endorsement for the changes to its Procurement Strategy from the Transport Agency.
Recommendations	<p>That Opotiki District Council:</p> <ul style="list-style-type: none"> a) Ensures that the late tender policy in its contract documents is consistent with its Procurement Policy; b) Corrects the wording in its contract documents for Qualified Proposal Evaluators; c) Confirms it has amended its Procurement Strategy to include how it will procure professional services, which of those services are to be procured in-house and the rationale for the decision and seek endorsement for the amended policy from the Transport Agency.
Opotiki DC response	<ul style="list-style-type: none"> a) The late tender policy in ODC contract documents is consistent with the Procurement Policy; Contract documents do not allow late tenders. The Policy allows Council to extend the period allowed for the submission of the tender, at its sole discretion. Any late tender in respect of which Council chooses not to exercise its discretion shall be returned to the supplier unopened. b) Wording in all the new contract documents has been corrected to read "Qualified Proposal Evaluators" since 30/06/2017. c) Council is currently reviewing its Procurement Policy to include how it will procure professional services in all areas. This will include which of these services will be procured in-house. The rationale for the decision and seeking endorsement of the amended policy will be checked with the NZ Transport Agency.
Auditor's response	<p>In reference to recommendation (a), Council's late tender statement in its Requests for Proposal "Tenders not submitted by the due time will not be accepted <u>under any circumstances</u>" appears not to reflect Opotiki DC's Procurement Policy, section 5.20 Handling of late tenders "Tenders (including RFP Proposals, EIOs, etc.) shall be delivered to the place for closing before the closing time. If the tender arrives after the latest date and time required for submission, it may be considered as invalid. <u>However, Council shall reserve the right to extend the period allowed for submission of the tender, at its sole discretion.</u> Any late tender in respect of which Council chooses not to exercise its discretion shall be returned to the supplier unopened".</p> <p>To avoid any confusion many councils include the reference to their right to accept late tenders under special circumstances at their sole discretion in their Requests for Proposals.</p>

* * *

Question 4	Has Opotiki District Council contract management practices in place to ensure contracts are managed effectively?	
Findings	<p>Contract management records have improved since the last investment audit in December 2013 but could still be improved by documenting:</p> <ul style="list-style-type: none"> • Areas covered by the monthly joint road inspections with Council’s roading contractor. • The findings and agreed actions from those inspections. • Agreed actions and timing for implementation resulting from the formal monthly contractor meetings. <p>Council delivers a small minor improvements programme that has been agreed with the Transport Agency. Projects are typically of a value less than \$50,000.</p> <p>Council has a multiparty agreement with Whakatane District Council (January 2005) for the maintenance of Wainui Road, a shared boundary road. All other boundary roads are with the state highway.</p>	
Recommendation	That Opotiki District Council improves its contract management documentation to reflect actions agreed and undertaken.	
Opotiki DC response	Opotiki District Council will further improve its contract management documentation to reflect actions agreed and undertaken.	

* * *

Question 5	Are Opotiki District Council's professional services providing value for money?	
Findings	<p>All professional services to which the Transport Agency provides a funding contribution are outsourced to Opus International. Council believes it is getting good value from this provider.</p> <p>Currently no in-house professional services are being charged to the Transport Agency. Council intends to start doing so for the 2018–2021 National Land Transport Programme. Agreement has been reached with the Transport Agency as to what overheads would be applied to these services.</p>	
Opotiki DC response	Agreed.	

Audit Programme

1. Previous audit December 2013
2. Land Transport Disbursement Account
3. Final Claims for 2013/14, 2014/15, and 2015/16
4. Transactions (accounts payable) – 2015/16
5. Retentions Account
6. Procurement Procedures
7. Contract Management & Administration
8. Contract Variations
9. Professional Services
10. Transport Investment On-line (TIO) Reporting
11. Other issues that may be raised during the audit
12. Close out meeting

APPENDIX B

(From Question 3)

CONTRACTS AUDITED

Contract Number	Tenders Received	Date Let	Description	Contractor		
			Physical Works			
84	4	Aug 2014	Roading maintenance management and engineering works 2014-17	Delta Contracting	Estimate Let Price Final Cost	\$4,687,321 \$4,299,364 Ongoing
110	4	Feb 2016	Sealing 2015/16	HEB Construction	Estimate Let Price Final Cost	\$269,481 \$223,007 \$301,187
116	2	Apr 2016	Pakihi Bridge No.30 replacement 2016	Concrete Structures	Estimate Let Price Final Cost	\$782,375 \$950,871 \$955,599
130	2	Jan 2017	Rural road rehabilitation - upgrade to Hukutaia Rd (560M)	Delta Contracting	Estimate Let Price Final Cost	\$65,000 \$81,991 \$65,163
132	2	Nov 2016	Urban street upgrade 2016/17 - Potts Ave (King to Elliot streets)	Delta Contracting	Estimate Let Price Final Cost	\$121,802 \$136,156 \$140,537
133	3	Nov 2016	Sealing 2016/17	Fulton Hogan	Estimate Let Price Final Cost	\$429,719 \$363,205 \$294,428
138	1	Jan 2017	Ngarue Rd Bridge replacement (Bridge No.17)	Waiotahi Contractors	Estimate Let Price Final Cost	\$129,000 \$128,644 \$108,686
			Professional Services			
N/A	1	Oct 2015	RAMM services and asset management support	Opus	Estimate Let Price Final Cost	As required Small contract

AUDIT RATING TABLE

Rating	Definition
Effective	<p>Investment management – effective systems, processes and management practices used.</p> <p>Compliance – Transport Agency and legislative requirements met.</p> <p>Findings/deficiencies – opportunities for improvement may be identified for consideration.</p>
Some improvement needed	<p>Investment management – acceptable systems, processes and management practices but opportunities for improvement.</p> <p>Compliance – some omissions with Transport Agency requirements. No known breaches of legislative requirements.</p> <p>Findings/deficiencies - error and omission issues identified which need to be addressed</p>
Significant improvement needed	<p>Investment management – systems, processes and management practices require improvement.</p> <p>Compliance – significant breaches of Transport Agency and/or legislative requirements.</p> <p>Findings/deficiencies – issues and/or breaches must be addressed or on-going Transport Agency funding may be at risk.</p>
Unsatisfactory	<p>Investment management – inadequate systems, processes and management practices.</p> <p>Compliance – multiple and/or serious breaches of Transport Agency or legislative requirements.</p> <p>Findings/deficiencies – systemic and/or serious issues must be urgently addressed or on-going Transport Agency funding will be at risk.</p>

June 2017

Investment Audit of Opotiki District Council

Report Number: IAGMI –1660

Prepared by: 

Glenn McGregor, Senior Investment Auditor

Reviewed by: 

Tony Pinn, Senior Investment Auditor

Approved by: 

Jenny Fildes, Practice Manager Audit & Assurance

REPORT

Date : 10 October 2017

To : Audit and Risk Committee Meeting, 26 October 2017

From : Finance and Corporate Services Group Manager, Bevan Gray

Subject : **KOHA PAYMENTS**

File ID : A123566

EXECUTIVE SUMMARY

The purpose of this report is to provide details of koha payments made from 24 August 2017 to 11 October 2017.

PURPOSE

The purpose of this report is to provide details of koha payments made from 24 August 2017 to 11 October 2017.

BACKGROUND

Audit New Zealand considers koha to be sensitive expenditure. To ensure transparency of the size of koha and the occasions for giving koha, the Audit and Risk Committee receives regular reports on koha payments made, disclosing the following information:

- The amount of koha
- The purpose of the payment
- The reason or justification for the amount.

Set out below is a schedule of koha payments for the year to date:

Date	Amount	Details	Number of Attendees
9 October 2017	\$50.00	Use of Marae for Civil Defence Emergency Response Hui	20

SIGNIFICANCE ASSESSMENT

Assessment of significance

Under Council’s Significance and Engagement Policy, on every issue requiring a decision, Council considers the degree of significance and the corresponding level of engagement required. The level of Significance for receiving the Koha Report is considered to be low as determined by the criteria set out in section 12 of the Significance and Engagement Policy.

Assessment of engagement requirements

As the level of significance for receiving the Koha Report is considered to be of low the level of engagement required is determined to be at the level of inform according to Schedule 2 of the Significance and Engagement Policy.



RECOMMENDATIONS:

- 1. That the report titled "Koha Report" be received.**

Bevan Gray
FINANCE AND CORPORATE SERVICES GROUP MANAGER