



NOTICE OF AN AUDIT AND RISK COMMITTEE MEETING

**Opotiki District Council Chambers, 108 St John Street, Opotiki
Monday, 18 February 2019
Commencing at 10.00am**

ORDER PAPER

APOLOGIES

DECLARATION OF ANY INTERESTS IN RELATION TO OPEN MEETING AGENDA ITEMS

PUBLIC FORUM

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PUBLIC EXCLUDED BUSINESS

ITEM 07 CONFIRMATION OF IN-COMMITTEE MINUTES – AUDIT AND RISK COMMITTEE MEETING 15 OCTOBER 2018	
ITEM 08 HEALTH, SAFETY, STAFF RESOURCES AND WELLBEING REPORT	
ITEM 09 RESOLUTION TO RESTATE RESOLUTIONS AND READMIT THE PUBLIC	

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, 15 OCTOBER 2018 IN THE OPOTIKI DISTRICT COUNCIL CHAMBERS, 108 ST JOHN STREET, ŌPŌTIKI AT 10.00AM

PRESENT:

Councillor Ken Young (Acting Chairperson)
David Love

IN ATTENDANCE:

Aileen Lawrie (Chief Executive Officer)
Bevan Gray (Finance and Corporate Services Group Manager)
Ari Erickson (Engineering and Services Group Manager)
Billy Kingi (Chief Financial Officer)
Gae Newell (Personal Assistant to CEO and Mayor)

APOLOGIES

Chair Arihia Tuoro, HWTM John Forbes

RESOLVED

(1) That the apologies be sustained.

Young/Love

Carried

DECLARATION OF ANY INTERESTS IN RELATION TO OPEN MEETING AGENDA ITEMS

David Love noted that he is a Bay of Plenty Regional Councillor and is also a member of the Regional Council's Audit and Risk Committee.

The Chairperson and Councillor Young declared an interest in any item in relation to the Opotiki Harbour Development Project.

PUBLIC FORUM

Nil.

**1. CONFIRMATION OF MINUTES – AUDIT AND RISK COMMITTEE MEETING
13 SEPTEMBER 2018**

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RESOLVED

- (1) That the minutes of the Audit and Risk Committee meeting held on 13 September 2018 be confirmed as a true and correct record.**

Love/Young

Carried

2. ACTION SCHEDULE

p13

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

The Engineering and Services Group Manager updated the Committee on the items assigned to him, noting that the Procurement, Qualified Proposed Evaluators and Contract Management items have been completed.

David Love queried if the Committee should still be doing any work around the Shand Report.

The Chief Executive Officer stated that an eye should be kept on what comes out of central Government around funding.

With regard to the comprehensive Stormwater Consent Update item, David Love asked that an e-mail be sent to him so he can follow up the matter with Regional Council staff.

In relation to Risk Register Reporting, David Love advised that he has met with Sarah Jones.

The Finance and Corporate Services Group Manager made mention of the items marked as completed.

It was agreed that the completed items be moved off the Action Schedule and a clause to this effect be added to the recommendation.

RESOLVED

- (1) That the Action Schedule be received.**
(2) That the completed items be moved off the Action Schedule.

Love/Young

Carried

3. ANNUAL REPORT UPDATE

Verbal Item

The Finance and Corporate Services Group Manager used the whiteboard to provide the Committee with an historical and current position in relation to assets, along with 'what we are doing/where we are going' around Activity Reporting, i.e. income, expenditure, capex, assets, liabilities, equity.

The Committee agreed to resolve the receipt of the verbal Annual Report Update.

RESOLVED

(1) That the verbal Annual Report Update be received.

Love/Young

Carried

4. RISK REPORT

p14

RESOLVED

(1) That the report titled "Risk Report" be received.

Love/Young

Carried

5. HEALTH AND SAFETY

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David Love stated that he would like to see a list of all occurrences with staff reported to the Audit and Risk Committee.

The Chief Executive Officer explained that issues have been experienced with the software which is migrating from Vault to SHE.

David Love would like it to be noted that Council provides hearing defenders to staff.

RESOLVED

(1) That the report titled "Health and Safety" be received.

Love/Young

Carried

6. RESOLUTION TO EXCLUDE THE PUBLIC

p19

SECTION 48 LOCAL GOVERNMENT OFFICIAL INFORMATION & MEETINGS ACT 1987

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

- 7. Confirmation of In-Committee Minutes – Audit and Risk Committee Meeting 13 September 2018.**
- 8. Infrastructure on Property.**
- 9. Evolution Networks Update.**

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:

Item No	General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
7.	Confirmation of In-Committee Minutes – Audit and Risk Committee Meeting 13 September 2018	That the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists.	Section 48(1)(a)
8.	Infrastructure on Property	That the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists.	Section 48(1)(a)
9.	Evolution Networks Update	That the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists.	Section 48(1)(a)

This resolution is made in reliance on section 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by section 6 or section 7 of that Act or section 6 or section 7 or section 9 of the Official Information Act 1982, as the case may require, which would be prejudiced by the holding of the whole or the relevant part of the proceedings of the meeting in public are as follows:

7.	Maintain effective conduct of public affairs Protect information Protect the privacy of natural persons Protection from improper pressure or harassment Carry out negotiations Prevent the disclosure of official information Carry out commercial activities without prejudice or disadvantage	Section 7(2)(f)(i) & (ii) Section 7(2)(b)(i) & (ii), (d) & (e) Section 7(2)(a) Section 7(2)(f)(ii) Section 7(2)(i) Section 7(2)(j) Section 7(2)(h)
8.	Protect the privacy of natural persons Protect information Free and frank expression of opinions Protection from improper pressure or harassment Carry out negotiations	Section 7(2)(a) Section 7(2)(b)(ii) Section 7(2)(f)(i) Section 7(2)(f)(ii) Section 7(2)(i)
9.	Protect the privacy of natural persons Protect information Free and frank expression of opinions Protection from improper pressure or harassment	Section 7(2)(a) Section 7(2)(b)(ii) Section 7(2)(f)(i) Section 7(2)(f)(ii)

Love/Young

Carried

RESOLVED

- (1) That the resolutions made while the public was excluded, except for clauses 2 and 3 of Item 8, Infrastructure on Property, be confirmed in open meeting.**
- (2) That the public be readmitted to the meeting.**

Young/Love

Carried

RESOLVED

- (1) That the in-committee minutes of the Audit and Risk Committee meeting held on 13 September 2018 be confirmed as a true and correct record.**

Love/Young

Carried

RESOLVED

- (1) That the report titled "Infrastructure on Property" be received.**

Love/Young

Carried

RESOLVED

- (1) That the report titled "Evolution Networks Update" be received.**

Love/Young

Carried

THERE BEING NO FURTHER BUSINESS THE MEETING CLOSED AT 11.52AM.

**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 18 FEBRUARY 2019.**

**COUNCILLOR ARIHIA TUORO
CHAIRPERSON**

Audit & Risk Action Sheet

Issue	Recommendation	Done	Assigned To	Status	Comments
21	Contract Management Policy and Guidance		Ari Erickson	In Progress	Contract management processes are currently being built, upon completion a Policy will be assembled. Asset Management Plan's have included necessary budgets to develop contracts and processes surrounding contracts.
22	Contract management oversight		Ari Erickson	In Progress	Training recently provided to team in relation to the contract module. Initial development of Internal process is already underway with resource, structure and responsibility changes within the Engineering & Services department first on the agenda towards its development. ProMap champion will build processes. Potential contract manager position being assessed - consideration to funding systems and justification against 10 year works programme.
24	Project Management		Ari Erickson	In Progress	Project management framework has been drafted. Some significant changes required. Resources presently stretched due to Asset Manager position currently vacant. Project management policy, asset management policy and contract management policy will likely be assembled in conjunction as they are closely related.
32	Asset Management		Ari Erickson	In Progress	Monthly reconciliations to be performed between the fixed asset register and the general ledger. These should be independently reviewed.
33	Asset Management		Ari Erickson	In Progress	Develop and implement an asset capitalisation policy that states the minimum amount of assets that will be capitalised as well as guidance for the type of expenditure to be capitalised.
39	Legislative compliance		Bevan Gray	Complete	Including this in Annual Plan project that we are currently developing for the 2019- 20Annual Plan. Council has undertaken a review of changes in legislation and is happy that there have been no material changes.
40	Shand Report		Sarah Jones	In Progress	Overtaken by Productivity Commission Inquiry into funding and financing of local government. Submission has been drafted since December A&R workshop and extension obtained from PC until after they have met with us..
41	RRC's		Ari Erickson	In Progress	Recommendation that Council improves the controls regarding revenue at the RRC's.
44	Conflicts of Interest		Sarah Jones	In Progress	Recommend Council update the interest register to record the nature of the interest, type of conflict, and the mitigating actions to manage the conflict.
45	ANZ		Bevan Gray	In Progress	Review and report on what would be required to change banks
51	IANZ audit update		Gerard McCormack	In Progress	Once IANZ letter is received an update to be provided back to the Committee
54	Annual Report		Bevan Gray	In Progress	More information to be provided for other revenue and expenditure in the notes to the financial statements. Currently the bulk sits in Other
55	Property Update		Tina Gedson	Complete	To be a standing report to A&R on quarterly basis
56	Risk Register Reporting		Sarah Jones	In Progress	Review structure and reporting
57	Annual Report Process		Billy Kingi	In Progress	Workshop - 18 February 2019 meeting.
58	Asset disposals		Billy Kingi	In Progress	Recommend a project approach to preparing the Annual Report, with monitoring to ensure milestones are met. Preparation of substantiation file.
59	Asset reclassification		Billy Kingi	In Progress	Supporting documentation to be captured and retained for asset disposals
60	Site improvements asset class		Billy Kingi	Complete	Develop appropriate processes to capture asset reclassification
61	Contract Management		Ari Erickson	In Progress	Create an asset class for playgrounds,
62	Datapay		murielc@odc.govt.nz	In Progress	Implement appropriate processes and procedures for contract management
63	Investment Property		Michael Homan	In Progress	Resolve issues with Datacom payroll system in a timely manner
64	Contact Centre Module		Ari Erickson	In Progress	Implement appropriate procedures to ensure the fair value of investment property reflects market conditions
65	Certificate of exemption		Aileen Lawrie	In Progress	Review processes to ensure that the time recorded in the Contact Centre Module is based on time taken for matter to be resolved
66	Reimbursements		Billy Kingi	In Progress	Create a process to ensure exemption for ToI EDA is reviewed before 3 year term expires.
67	Related parties		Billy Kingi	In Progress	Scheduled for March Council meeting
69	Retention accounts		Billy Kingi	Complete	This will now be processed through accounts payable instead of payroll, so documentation for all reimbursements will need to be provided and retained. There may be exceptions where tax invoices or receipts are not provided (eg car parking ticket). In such instances a screenshot of the payment made from the staff members personal account, and explanation of the expense, will be sufficient.
70	Historic payables		Gerard McCormack	Complete	Monitor related parties on a regular basis to ensure any potential transactions that may go over \$25k are approved by the auditor general
71	Tolerance levels		Bevan Gray	Complete	Recommend Council ensures compliance with amended Construction Contracts Act
					Council has created a separate trust account for retentions, these are reconciled and updated monthly.
					Mostly cleaned up late 2018. Less than 5 still to sort out. Processes established to prevent recurrence. Now BAU.
					Recommend Council reduce tolerance levels on PO's
					This has been reviewed and agreed by the A&R committee, but not viewed, discussed, or signed off by audit in their last visit. So remains on our management report.

Issue	Recommendation	Done	Assigned To	Status	Comments
72	RRC's	<input type="checkbox"/>	Billy Kingi	In Progress	A process is now in place whereby variances between daily banking and till-tape reports are investigated.
73	Bank account changes	<input type="checkbox"/>	Billy Kingi	Complete	This heightened requirement is now in place. Where the supplier is known and/or is a closely held entity, for practical purposes, verbal contact may also be made, noted and used for support.
74	Capitalisation policy	<input type="checkbox"/>	Ari Erickson	In Progress	An asset capitalisation policy is currently in DRAFT.
75	Suspense accounts	<input type="checkbox"/>	Billy Kingi	Complete	This is already done, and is part of a monthly process. Audit did not view or check this when on site.
76	Fixed asset reconciliations	<input type="checkbox"/>	Ari Erickson	In Progress	Reconciliation processes are being refined with every reconciliation carried out. At this stage reconciliations have been reduced from year end to every 6 months. The intention is to bring this down to quarterly. This was almost achieved this year and with the new Asset Engineer having started in the engineering team this is expected to be achieved moving forward.
77	Internal loans	<input type="checkbox"/>	Bevan Gray	Complete	this was done, and signed off by A&R but not reviewed by Audit
78	Financial Strategy in LTP	<input type="checkbox"/>	Bevan Gray	Not Started	as part of AP process. Will review in line with 30 year infrastructure assumptions.
80	Demand forecasting	<input type="checkbox"/>	Bevan Gray	Not Started	Unsure exactly what Audit are suggesting as these are reviewed implicitly with each Annual Plan and formally with each LTP.
81	Annual Plan	<input type="checkbox"/>	Bevan Gray	In Progress	We will put a lot of effort into this for this Annual Plan process.

REPORT

Date : 6 February 2019
To : Audit and Risk Committee, 18 February 2019
From : Chief Financial Officer, Billy Kingi
Subject : **FINANCIAL REPORT TO 31 DECEMBER 2018**
File ID : A157889

EXECUTIVE SUMMARY

The Financial Report for the quarter ended 31 December 2018 provides the Council with an understanding of progress against Year 1 of the LTP 2018-28 for the current financial year.

PURPOSE

The purpose of this report is to present the Financial Report to 31 December 2018 to the Audit and Risk Committee.

BACKGROUND

This report is for the six months ending 31 December 2018 and is designed to provide Audit and Risk Committee with an understanding of progress against year 1 of the LTP 2018-28.

The report provides a concise but comprehensive overview of the Council’s financial position as at 31 December 2018, and is structured as follows:

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Financial Overview

1. Financial Overview

This report summarises the key financial highlights for the quarter ended 31 December 2018. Please note that variances stated without brackets are favorable, whereas variances stated with brackets are unfavorable.

1.1. Income Statement

	2017-18 2nd Qtr Actual YTD 000's	2018-19 2nd Qtr Actual YTD 000's	2018-19 2nd Qtr Budget YTD 000's	Variance to Budget YTD 000's	2018-19 Annual Plan Full Year 000's
Income Statement					
Operating income	7,234	7,582	7,380	202	16,433
Operating expenditure	6,201	7,120	6,966	(154)	14,283
Net Surplus/(deficit)	1,033	462	413	49	2,150
Income					
Rates	5,227	5,492	5,536	(44)	10,607
Fees & charges	746	847	810	37	1,295
Development and FCs	4	0	1	(1)	4
Subsidies & grants	1,166	1,184	954	230	4,210
Interest revenue	49	35	50	(15)	100
Other revenue	42	24	29	(5)	217
	7,234	7,582	7,380	202	16,433
Expenditure					
Personnel costs	1,759	2,071	2,319	248	4,658
Depreciation & amortisation	1,151	1,429	1,229	(200)	2,458
Finance costs	82	121	149	27	297
Other expences	3,209	3,499	3,269	(229)	6,870
	6,201	7,120	6,966	(154)	14,283
Net Surplus/(deficit)	1,033	462	413	49	2,150

1.2. Significant Variances

Revenue

Revenue to date is \$202,000 ahead than budget. This is mostly related to subsidies and grants received to date. Regulatory fees and charges revenue are also favourable \$37,000. The other areas of revenue are tracking close to budget for the year to date so far. Staff will monitor and report on these should this change.

Expenditure

Although personnel costs are under spent \$248,000 mostly as a result of staff numbers being lower than anticipated during the first half of the year, total expenditure for the year to date is overspent (\$154,000). This occurs mostly as a result of increased activity in solid waste, regulatory, and the effects of weather related roading remedial works undertaken earlier in the year. Further explanation on these variances by Activity is explained in section 1.3.

Finance costs are less than budget due mostly to the timing and delay of a number of loan funded capital projects (refer to the additional commentary in the capital projects section of this report).

Depreciation and amortization expense is tracking higher than budget as a result of the July 2017 asset revaluations on Council's land and buildings, parks and infrastructure assets (comprising three waters, roads and bridges). This is expected to continue throughout the remainder of the year.

1.3. Explanation of Key Variances by Activity

Support Services

Software license fees are likely to be overspent by year end. Overall operational expenditure however is within budget year to date. Depreciation is unfavorable (\$148,000).

Solid Waste

Although RRC revenue is tracking in line with budget estimates, operational costs are overspent (\$110,000) based on year to date budget. This unfavourable variance is a result of numerous factors including:

- The requirement to dispose of timber waste to landfill instead of burning
- A 20% increase in landfill tariffs
- A 27% increase in cost to mulch green waste.

With the additional waste to landfill and timber, we have already reached our usual total annual volume. Management will provide further verbal comment regarding plastics.

Regulation and Safety

Revenue is favorable in Animal Control \$30,000 (increased registration and improvement in recovery of impoundment charges), Building Control (more applications) \$28,000, Compliance (infringements and monitoring of swimming pools) \$5,000, Environmental Health (improved process for cost recovery of inspections undertaken) \$4,000 and Resource Management (improved process for time recording and subsequent cost recovery) \$30,000.

Over expenditure as a result of increased activity occurs in Building Control (\$15,000), Environmental Health due to consultants which cover vacant FTE position (\$13,000), Emergency Management (\$34,000), and Resource Management (\$65,000), due mostly to BCA accreditation, unbudgeted CDEMG contribution, contractor/consulting and legal costs. These are partially offset by under expenditure in Animal Control \$6,000, Compliance \$4,000 and Liquor Licensing \$6,000. Overall net operations are unfavourable (\$33,000) due to District Plan review/appeal costs).

Community Facilities

Council rental and lease revenue continues to track behind budget (\$13,000). Library lease expense for the temporary premises is unbudgeted (\$16,000). Although CycleWay subsidy received to date is favourable \$65,000, the balance of further expected funding of \$550,000 is subject to a revised business case which is due to be submitted in February. There is a risk of project slippage into next year which may result in the anticipated further funding not being realised this financial year.

Leadership

Expenditure is favourable due to the timing of subscriptions and memberships \$13,000, election costs \$6,000, Annual Plan/community consultation \$12,000 and in strategic planning \$7,000.

Community Development

Under expenditure occurs due to the timing of grants \$30,000 and operational projects related to CBD/CCTV camera/internet expansion. This variance is expected to dissipate over the remainder of the year.

Economic Development

Visitor Information Centre operations is favourable \$36,000, due mostly to staffing, and funding received towards summer events. The timing of Harbour Development operational costs continue to also result in under expenditure here of \$78,000. However, an emerging risk is that Council is incurring costs in advance of seeing a funding agreement from MBIE. To date, costs are mainly arising from the rock source project, and project management.

Land Transport

Roading subsidies are favourable \$154,000 mostly due to sealed and unsealed pavement maintenance expenditure currently ahead of budget (\$178,000) which was due to weather related remedial works during the first quarter. These are expected to be met within existing budgets over the remainder of the year. Depreciation is unfavorable (\$44,000).

Three Waters

Depreciation is unfavorable in water supply (\$11,000), while savings occur in wastewater \$40,000, due to staffing and treatment costs, and in water supply due to staffing. Finance costs are less than budget due to the timing and delay of a number of capital projects, and tenders coming in under budget. There are other minor variances to budget within the rest of the activities but individually these are not considered significant.

1.4. Cash and Cash Investment Balance

	2017-18 Actual to June 000s	2018-19 2 nd Quarter Actual YTD 000s	2018-19* Budget 000s	Variance to Budget 000s
Cash and Short Term Investments	3,630	2,964	4,727	(1,763)
Term Investments	-	-	-	-
Total	3,630	2,964	4,727	(1,763)

**budget is for full year*

The second quarter cash position of \$2.964 million is mainly due to a strong opening cash balance as at 30 June 2018 of \$3.630 million, resulting from lower capital expenditure and no new borrowing last year, than what was planned. Available cash is utilized as much as possible before any new debt is raised. Council has invested the balance into short term investments as per our treasury policy.

1.5. Cash and Cash Investment

Balance Interest and Debt Level

	2017-18 Actual YTD 000s	2 nd Quarter Actual YTD 000s	2018-19* Budget 000s	Variance to Budget 000s
Finance Costs	87	121	297	176
Term Loans	5,000	5,000	18,181	13,181

**budget is for full year for Term Loans, Finance Costs are year to date.*

Finance costs are less than YTD budget by \$27,000. A number of debt-funded capital projects were still in progress at year end 2017-18, while current year debt-funded projects are still only on track.

Council borrowing currently remains at \$5m. Council has not yet had to draw down any further debt to fund capital projects this year. As available cash is utilized as much as possible before Council draws on further debt, the expectation is borrowings will increase once capital projects near completion.

Capital expenditure

2. Capital Expenditure

Total capital expenditure completed for the second quarter year to date was \$2,019,523 compared to a full year budget of \$19.2 million, which includes carry forward budget from 2017-18 of \$835,000, and budget by Council resolution of \$612,778. The bulk of the budget is for the three waters and roading projects. We project that we will be underspent at the end of the year for a number of reasons.

Of the \$19.2 million forecast, we expect delays or deferral of approximately \$8.1 million. More information is provided in the commentary to the schedule.

Please refer to Appendix 1 for the detail of significant capital projects. The table below summarises the capital expenditure report:

	Carry Forward 2017-18	Council Resolve 2018-19	Budget for 2018-19	Actual to December 2018	% Spent Adjusted for Deferred	Projects to be Deferred
Growth	-	204	1,807	148	16.37	1,107
Level of Service	288	409	7,968	551	7.16	970
Renewal	547	-	8,014	1,320	15.53	60
Total	835	613	17,789	2,019	39.09	2,137

Treasury Report

3. Treasury Report

3.1. Debt Position

	Actual 2017-18	YTD Actual 2018-19	Budget 2018-19
	000s	000s	000s
Secured loans – less than 12 months	1,500	1,500	1,500
Secured loans – greater than 12 months	3,500	3,500	16,681
Total Secured Loans	5,000	5,000	18,181

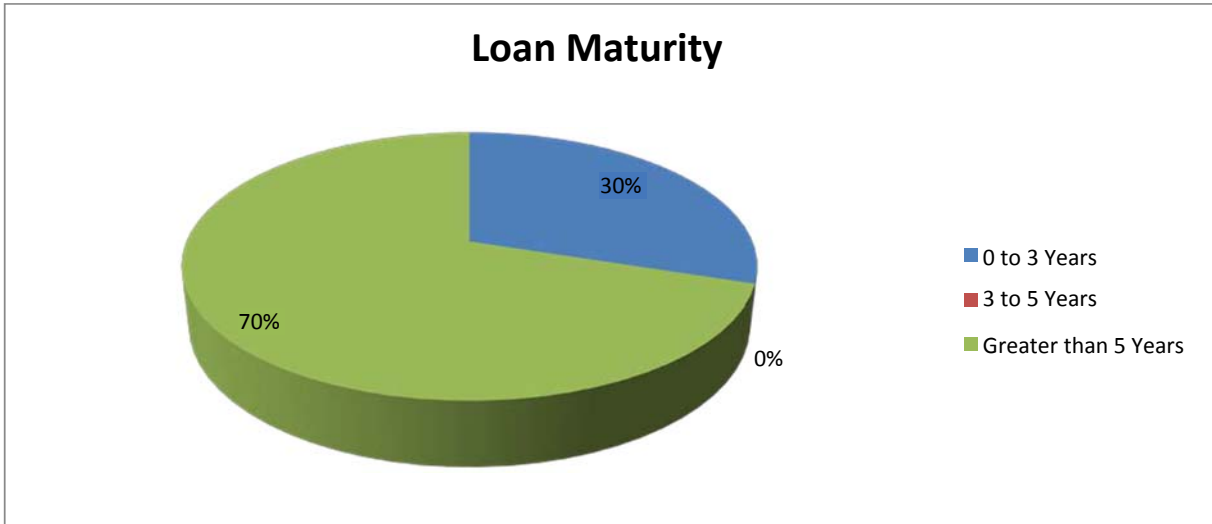
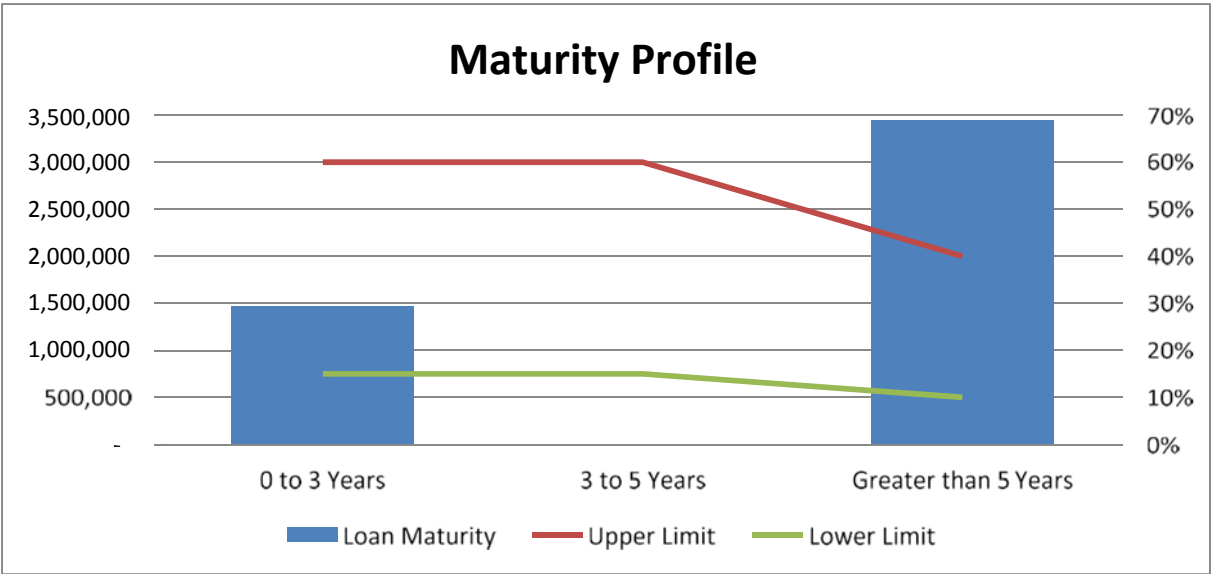
There was no change in Council’s debt position for the second quarter. In December 2017, Council fixed the floating rate loan of \$2 million with LGFA at 4.12%, out to April 2027. There are two other fixed rate term loans of \$1.5 million each, one of which matures in March 2019.

3.2. Funding maturity

The chart below illustrates the funding maturity profile of Council. Council has three loans totaling \$5 million maturing between 0 and 9 years.

Council’s budget in the Annual Plan (year 1 of the LTP) expects further borrowing this year to fund the numerous projects that are planned.

Although the spread between fixed rate loans and floating rate loans is currently 100% on fixed rates and nil% on floating rates, this is expected to come within the 90% fixed rate maximum policy limits (as defined in the Treasury Risk Management Policy, adopted by Council on 30 June 2018) as debt funded capital projects progress throughout the second half of the year.



Compliance with Liability Management Policy

The specific requirements of the Liability Management Policy are detailed below.

Key Performance Targets

The following key performance targets have been set in the Long Term Plan 2018-28:

Measure	Policy Target	Forecast	Actual
Increase in General Rates Revenue	3% + LGCI	1.82%	-5.82%
Increase in Targeted Rates Revenue	10.0%	11.6%	6.68%
Net Interest Expense/Total Revenue	< 10%	1.81%	1.60%
Net Interest Expense/Rates Revenue	< 15%	2.80%	2.20%
Net cash flow from Operating/Interest Expense	≥ 2	15.96	14.76

Council is within policy for all of the measures.

Rates Arrears

4 Report on Rates Arrears

(Due to IT technical issues, the report on rates arrears to December was not able to be published at time of print. We will endeavor to have this report available in time for the next meeting agenda to full Council).

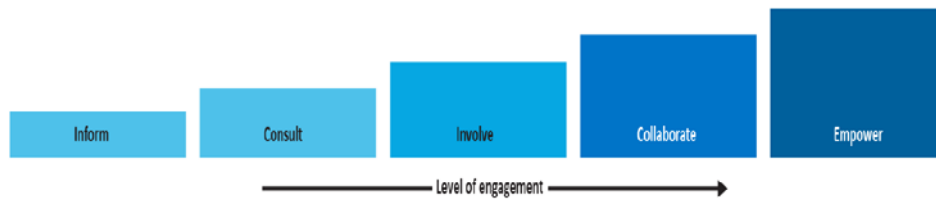
SIGNIFICANCE ASSESSMENT

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 the Financial Report to 31 December 2018 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 the Financial Report to 31 December 2018 is considered to be 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.



RECOMMENDATION:

- 1. That the report titled "Financial Report to 31 December 2018" be received.**

Billy Kingi

CHIEF FINANCIAL OFFICER

Capex Progress Report YTD December 2018	Proj ID.	2018/19 Total Budget	Approved C'FWDs from 2017-18	Council Resolution	2018/19 Forecast	2018/19 YTD Actuals	Remaining Budget			
ACTIVITY		\$	\$	\$	\$	\$	\$	TYPE	STATUS	COMMENTARY
Grand Total		17,789,464	835,000	612,778	19,237,242	2,019,523	17,217,719			
Property		150,000	-	-	150,000	0	150,000			
Community Facilities/Property	278007	0			0	0	0	LoS	Deferred	Wharf Precinct
Property Development - Potts	278006	100,000			100,000	0	100,000	LoS	Deferred	Other priorities
Cycle Way		1,232,000	-	-	1,232,000	35,098	1,196,902			
Feasibility Study - EBOP Trail	272006	-			-	32,973	(32,973)	Grwth	On track	Funded by grant. \$20k more to spend. Should be included below
Opo - Waiiotahe Bch - Ohiwa	272001	1,007,000			1,007,000	2,125	1,004,875	Grwth	Deferred	Likely to be deferred to next year, revised business case to submit Feb.
Tirohanga Military Track	272004	195,000			195,000	0	195,000	LoS	Slippage	Access negotiations underway, may spend some by end of year.
Trail Enhancements - LOS	272002	30,000			30,000	0	30,000	LoS	On track	Doing some work on it now
District Library		-	80,000	-	80,000	23,879	56,121			
Library Relocation Costs	278005	-	80,000		80,000	23,879	56,121	LoS	Delays	Incurred costs in moving library to ANZ, budget was originally for the full development project
Playgrounds		80,000	-	-	80,000	780	79,220			
Play Equipment	271800	80,000			80,000	780	79,220	Ren	Delays	Majority will be spent on Rose Gardens which will be delayed
Public Toilets		480,000	-	-	480,000	75,932	404,068			
Pipi Beds - Reserve Upgrade	271603	480,000			480,000	8,260	471,740	Ren	On track	RC issued, disposal field in, requires site beautification. Building upgrade underway.
Renew Pipi Beds Disposal Field	271605	-			-	67,672	(67,672)	Ren	On track	RC issued, disposal field in, requires site beautification. Building upgrade underway.
Parks & Reserves		910,000	24,000	-	934,000	79,099	854,901			
Hukutaia Domain - 2018 Centena	277005	60,000			60,000	28,906	31,094	LoS	Complete	Complete
Memorial Park - Upgrades	277002	100,000			100,000	0	100,000	Grwth	Deferred	Drainage and carpark, budget insufficient. Project needs to be revisited
Pakowhai Bridge Lighting	277004	-	24,000		24,000	3,284	20,716	LoS	Complete	Solar lights installed. Spent in 2018 year. Opportunity to look at power supply to bridge

Capex Progress Report YTD December 2018	Proj ID.	2018/19 Total Budget	Approved C'FWDs from 2017-18	Council Resolution	2018/19 Forecast	2018/19 YTD Actuals	Remaining Budget			
ACTIVITY		\$	\$	\$	\$	\$	\$	TYPE	STATUS	COMMENTARY
Parks & Reserves Equipment	275200	-			-	5,489	(5,489)	Ren	On track	Pole pruner and planting strategy document
Reserves Improvements 2019	275201	500,000			500,000	9,890	490,110	Grwth	Delays	Rose Garden plan complete. Also covers reserves asset and management planning. Planting strategy. Awaiting BOPRC consenting process
Reserves Management Plans 2019	275202	-			-	1,825	(1,825)	Grwth	On track	Part of pre-planning to Reserves Improvements above.
Asset Management Plans 2019	275203	-			-	15,439	(15,439)	Grwth	On track	Part of pre-planning to Reserves Improvements above.
Rose Garden Renovation Implementation	277003	250,000			250,000	14,266	235,734	LoS	Delays	Verbal update provided at December Council meeting. Currently seeking additional funding from MBIE/various trusts to supplement budget to carry out upgrades as conceptualised by consultants.
Community Development		20,000	-	-	20,000	713	19,288			
CBD Cameras & Internet Expansi	321201	20,000			20,000	713	19,288	LoS	Delays	Reviewing ownership model
Harbour Development		-	-	-	-	83,333	(83,333)			
Harbour Dev - Construction	373500	-			-	21,818	(21,818)	Grwth	Complete	Final part of geotech investigations
Harbour Dev - Project Mgmt	373501	-			-	61,515	(61,515)	Grwth	Delays	Ongoing project management. Awaiting MBIE funding agreement.
Tourism Promotion/Visitor Information Centre		-	-	-	-	12,074	(12,074)			
I-Site Improvements	373400	-			-	12,074	(12,074)	LoS	Complete	Final part of signage and kete install.
Compliance		8,000	-	-	8,000	0	8,000			
Compliance Equipment	424201	8,000			8,000	0	8,000	LoS	Delays	Not needed
Emergency Management		105,000	-	-	105,000	0	105,000			
Civil Defence Renewals	424700	20,000			20,000	0	20,000	Ren	Delays	Uncertain if needed
Civil Defence alternative EOC	424702	85,000			85,000	0	85,000	LoS	On track	Scoping solutions now
Refuse Collection		86,800	-	104,000	190,800	0	190,800			
Refuse Bins 40 Litre	433602	86,800			86,800	0	86,800	LoS	On track	Will need recycling bins as well

Capex Progress Report YTD December 2018	Proj ID.	2018/19 Total Budget	Approved C'FWDs from 2017-18	Council Resolution	2018/19 Forecast	2018/19 YTD Actuals	Remaining Budget			
ACTIVITY		\$	\$	\$	\$	\$	\$	TYPE	STATUS	COMMENTARY
Recycling Bins	433603	-		104,000	104,000	0	104,000	LoS	On track	Procurement started February.
Solid Waste Management		20,000	-	-	20,000	0	20,000			
Te Kaha - Replace Outside Bins	433502	20,000			20,000	0	20,000	Ren	On track	
Stormwater		3,000,000	263,000	274,778	3,537,778	335,380	3,202,398			
Opotiki Plant Replacements	469409	-	137,000		137,000	1,701	135,299	Ren	On track	Working on procurement now.
Condition & Performance Assessments	469404	-	10,000		10,000	0	10,000	LoS	On track	Delayed by collaboration opportunity with BOPRC
Comprehensive Discharge RC	469407	-	56,000		56,000	0	56,000	LoS	Delays	Potentially requiring additional budget. Will report to Council in due course.
SW Reticulation Replacements	469418	35,000			35,000		35,000	Ren	On track	Normalised renewal budget may not be needed
Land & Prop Purch -Wellington/Union	469402	-		274,778	274,778	274,778	0	LoS	Complete	Purchase completed December.
Tarawa Creek Flood Water	469403	1,550,000			1,550,000	39,623	1,510,377	LoS	Delays	Staged approach being investigated. Will report to Council in due course.
Upgrade Richard Street	469412	0			0	18,678	(18,678)	LoS	Deferred	Postponed due to high tender price. Ongoing technical modelling.
Replacemenet of section of 900 gavity main	469416	-	60,000		60,000	0	60,000	Ren	Deferred	Postponed due to high tender price.
Wellington/Brabant St Pump Stn	469401	15,000			15,000	600	14,400	LoS	On track	
Opotiki Sewerage		5,695,000	70,000	204,000	5,969,000	800,308	5,168,692			
Factory Road Wastewater Ext	549609	50,000			50,000	0	50,000	LoS	Deferred	Pending growth
Opotiki WasteWater - Pumps Replace	549614	-	70,000		70,000	6,355	63,645	Ren	On track	Working on procurement now.
Opotiki WW - Private Laterals	549612	1,000,000			1,000,000	29,522	970,478	Ren	On track	Part of wider contract
Reticulation Renewals	549616	45,000			45,000	0	45,000	Ren	On track	Normalised renewal budget may not be needed
Wastewater Extension SH2	549615			204,000	204,000	0	204,000	Grwth	On track	Likely to come in under budget. Tender awarded 5th February.
Wastewater Rehabilitation	549605	4,600,000			4,600,000	764,431	3,835,569	Ren	On track	Contract in progress
Waihau Bay Sewerage		72,800	-	-	72,800	0	72,800			
WW W'Bay Retic Renewals	549701	2,800			2,800	0	2,800	Ren	On track	Normalised renewal budget may not be needed

Capex Progress Report YTD December 2018	Proj ID.	2018/19 Total Budget	Approved C'FWDs from 2017-18	Council Resolution	2018/19 Forecast	2018/19 YTD Actuals	Remaining Budget			
ACTIVITY		\$	\$	\$	\$	\$	\$	TYPE	STATUS	COMMENTARY
WWTP Renewals	549617	70,000			70,000	0	70,000	Ren	On track	Normalised renewal budget may not be needed
Ohiwa Water		16,500	-	-	16,500	0	16,500			
Ohiwa Filtration	583204	15,000			15,000	0	15,000	LoS	On track	Direct procurement
Ōhiwa Treatment Renewals	583205	1,500			1,500	0	1,500	Ren	On track	Normalised renewal budget may not be needed
Opotiki/Hikutaia Water		990,000	140,000	-	1,130,000	111,982	1,018,018			
Clarks Cross/Otara Rd booster	583013	800,000			800,000	36,549	763,451	LoS	On track	Contracted awarded.
Hikutaia Booster Station	583001	-	15,000		15,000	0	15,000	Ren	On track	
Opotiki Water - Spare Pumps	583019	-	95,000		95,000	72,541	22,459	Ren	On track	In progress
Water Retic Renewals Opotiki	583022	60,000			60,000	0	60,000	Ren	On track	Normalised renewal budget may not be needed
Water Treatment Renewals Opo	583021	50,000			50,000	0	50,000	Ren	On track	Normalised renewal budget may not be needed
WaterS Condition & Performance	583000	80,000			80,000	2,892	77,108	LoS	On track	Undertaking now
WTP Backwash Pump	583010	-	10,000		10,000	0	10,000	Ren	On track	Pump purchased in 2016/17 ready for install. Sweating old pump.
WTP Chlorine Pipe upgrade	583011	-	20,000		20,000	0	20,000	LoS	On track	Component purchased ready for install. Sweating old assets.
Te Kaha Water		88,000	49,000	30,000.00	167,000	2,625	164,375			
Southern Ext Stage 2a	583106	-			-	2,525	(2,525)	Grwth	Delays	Still working through process with landowners and MLC. 56% funded by MoH. Report request to go to Council with recommended option post land owner agreements.
Te Kaha Water - Spare Pumps	583108	-	49,000		49,000	100	48,900	Ren	On track	Working on procurement now.
Water Retic Renew Te Kaha	583110	20,000			20,000	0	20,000	Ren	On track	Normalised renewal budget may not be needed
Water Te Kaha New	583111	50,000			50,000	0	50,000	LoS	On track	Settlement banks
Rider-Main - Water Supply Extn	583112	-		30,000	30,000	0	30,000	LoS	On track	In progress
Water Treatment Renew Te Kaha	583109	18,000			18,000	0	18,000	Ren	On track	Normalised renewal budget may not be needed
Subsidised Roding		1,839,364	-	-	1,839,364	208,038	1,631,326			
Asset Management Planning	626108	-			0	2,633	(2,633)	Ren	On track	Not Capex - to expense out

Capex Progress Report YTD December 2018	Proj ID.	2018/19 Total Budget	Approved C'FWDs from 2017-18	Council Resolution	2018/19 Forecast	2018/19 YTD Actuals	Remaining Budget			
ACTIVITY		\$	\$	\$	\$	\$	\$	TYPE	STATUS	COMMENTARY
Drainage Renewals	626100	93,888			93,888	42,244	51,644	Ren	On track	
Minor Improvements	626101	204,864			204,864	18,653	186,211	Ren	On track	
New Roads	626111	800,000			800,000	0	800,000	LoS	Deferred	Harbour dev roads
Pavement Rehabilitation	626102	177,189			177,189	74,035	103,154	Ren	On track	In progress
Sealed Resurfacing	626103	398,044			398,044	(44)	398,088	Ren	On track	In progress
Street Lighting Upgrade	626110	-			0	36,048	(36,048)	LoS	On track	In progress
Structures Component Replace	626401	20,831			20,831	0	20,831	Ren	On track	
Traffic Services Renewals	626104	44,548			44,548	7,251	37,297	Ren	On track	
Unsealed road metalling	626105	-			0	27,219	(27,219)	Ren	On track	To expense out
Urban Undergrounding	626112	100,000			100,000	0	100,000	LoS	On track	Completed, expecting invoice for Council contribution soon.
Non-Subsidised Roading		302,000	11,000	-	313,000	0	313,000			
Footpath	628401	50,000			50,000	0	50,000	Ren	On track	Contract let
Seal Extension	628402	220,000			220,000	0	220,000	LoS	Delays	Budget for requests for seal only
Urban Kerb & Channel	628400	32,000	11,000		43,000	0	43,000	Ren	On track	In progress
Information Systems		343,000	-	-	343,000	93,265	249,735			
AssetFinda Upgrade	707508	20,000			20,000	0	20,000	LoS	Deferred	Subject to IT strategy defer to next year
Hardware & Software Renewal	707500	40,000			40,000	45,713	(5,713)	Ren	On track	
Mobile Capture Project	707504	30,000			30,000	0	30,000	LoS	Delays	Will be carried forward to next year
Online Building Consent Prog	707507	30,000			30,000	24,208	5,792	LoS	On track	
Property File Digitisation	707505	150,000			150,000	0	150,000	LoS	Delays	Subject to IT strategy and other process improvements
Software Systems & Improvement	707400	30,000			30,000	9,344	20,657	LoS	On track	
Sphere Online Services	707506	29,000			29,000	0	29,000	LoS	Delays	Will be carried forward to next year
Antenno App Implementation	707509	14,000			14,000	14,001	(1)	LoS	Complete	
Plant Operating		321,000	-	-	321,000	146,078	174,922			
Fleet Vehicle & Plant renewal	707700	321,000			321,000	114,494	206,506	Ren	On track	As required.

Capex Progress Report YTD December 2018	Proj ID.	2018/19 Total Budget	Approved C'FWDs from 2017-18	Council Resolution	2018/19 Forecast	2018/19 YTD Actuals	Remaining Budget			
ACTIVITY		\$	\$	\$	\$	\$	\$	TYPE	STATUS	COMMENTARY
Office Equipment	277306	-			0	31,584	(31,584)	Ren	Complete	Office furniture for Regulatory Dept
Admin Buildings		-	-	-	-	4,151	(4,151)			
Library Site Improvements	707301	-			0	4,151	(4,151)	LoS	Complete	Storage shed complete
Land & Buildings		2,030,000	198,000	0	2,228,000	6,789	2,221,211			
Additional Office Space	277308	200,000	98,000		298,000	4,389	293,611	LoS	On track	Tenders received, ready to let contract
Earthquake Prone Buildings	278000	130,000	100,000		230,000	0	230,000	Ren	On track	In progress
Investigation - CBD Integration	278001	0			0	0	0	Grwth	Deferred	To tie in with Harbour dev
Redevelop of Mechanics Inst	277600	0			0	2,400	(2,400)	LoS	Deferred	Consenting for floor levels

REPORT

Date : 7 February 2019

To : Audit and Risk Committee Meeting, 18 February 2019

From : Corporate Planner and Executive Officer, Sarah Jones

Subject : **DRAFT CONFLICT OF INTEREST POLICY**

File ID : A157856

EXECUTIVE SUMMARY

Audit New Zealand has recommended that the Council develop a policy to manage the way the Council deals with Conflict of Interest. A draft Conflict of Interest Policy is attached for review and comment.

PURPOSE

To provide to the Committee the draft Conflict of Interest Policy for review and comment.

BACKGROUND

The Interim Audit for the year ended 30 June 2018 prepared by Audit New Zealand included a recommendation that the Council “update the interest register for elected members and staff to record the nature of the interest, type of conflict and the mitigating actions to manage that conflict”. This was noted as an “urgent” matter relating to a “serious deficiency that exposes the Council to significant risk”.

The recommendation was reiterated in Audit New Zealand’s final Report to Council for the year ended 30 June 2018, where they also noted that the existing interest register “only records the interests elected members and staff have. It does not provide information about:

- The nature of the interest, whether it is pecuniary or non- pecuniary
- Whether it represents an actual, potential or perceived conflict, or
- The agreed approach to managing any conflicts amongst the declared interest”.

A draft Conflict of Interest Policy has been put together to address the recommendations made by

Audit New Zealand. The Policy has been drafted based on policies that exist in other district councils who have developed a policy in response to similar recommendations from Audit New Zealand. However, it has been edited to suit our requirements and processes.

DISCUSSION

From an organisational perspective the draft Conflict of Interest Policy provides a clear set of principles and process for declaring and recording conflict of interest. It clearly sets out what can be expected of all those involved decision making. It will ensure a consistent approach is applied across the Council and will address the concerns raised by Audit New Zealand.

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 the draft Conflict of Interest Policy 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 the Enforcement Policy 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 Conflict of Interest Policy" be received.
- 2. Subject to any comments being incorporated, that the draft Conflict of Interest Policy be recommended to Council for adoption.

Sarah Jones

CORPORATE PLANNER AND EXECUTIVE OFFICER

POLICY	STATUS	AT	DATE	DOC ID
<i>Conflict of Interest Policy</i>	<i>Draft</i>	<i>Ordinary Council</i>		



Opotiki District Council
 STRONG COMMUNITY STRONG FUTURE

OPOTIKI DISTRICT COUNCIL

CONFLICT OF INTEREST POLICY

1. BACKGROUND

Elected Members, appointed representatives and all staff working for a Local Authority are obliged under the Local Authorities (Members' Interests) Act 1968 (the Act) to meet defined standards in regards to transparency and integrity in the performance of their roles.

The Act helps protect the integrity of local authority decision-making by ensuring that people are not influenced by personal motives when they participate in local authority decision-making and that they cannot use their position to obtain preferential or inappropriate access to contracts.

For the local government sector, specific rules are set out in the Act that govern requirements for disclosing and managing conflicts of interest at the governance level.

Complying with any relevant statutory requirements will not necessarily be enough to ensure that decision-making processes meet the more general public law requirements of fairness and transparency. Council must also take steps to ensure that no other aspect of the process could be tainted by a conflict of interest arising outside of those processes regulated by statute.

The responsibility for identifying and acknowledging any conflict of interest sits with the elected or appointed member, tender evaluation team member or individual staff member.

While the statutory requirements are primarily confined to the declaration and management of conflicts of interest by members of a governing board or council, conflict problems might also arise as a result of the interests or associations of staff members or other participants in any procurement process.

Council staff should be aware that the potential for conflicts of interest exists for every staff member and adviser who is directly or indirectly involved in any aspect of a procurement process. This includes governance, management, operational staff and Council as the approving authority itself.

This expectation of integrity extends beyond the Code of Conduct for Elected Members, and the detailed procurement process involving the Tender Evaluation Team. It includes the general staff of a local authority in the conduct of all day to day activities and functions.

Conflicts of Interest are common in New Zealand. Having one is not an issue in itself, once declared it will be determined whether it is material or not and how it will then be addressed. Not declaring a conflict or perceived conflict can be an issue and could jeopardise the integrity of any process.

2. PURPOSE

The purpose of this policy is to clearly explain how a conflict of interest should be dealt with by elected and appointed members, tender evaluation teams and all other staff working for Ōpōtiki District Council.

3. INTRODUCTION

For the purposes of this policy, there are three basic groups, each of which has a variation of associated risk which requires declaration of any potential conflict of interest.

- Elected or appointed members (both Council and Community Board Members)

- Tender evaluation teams
- General staff

3.1. Elected or appointed members:

Members must ensure that they maintain a clear separation between their personal interests and their role as a Member. This is to ensure that those who fill positions of authority carry on their duties free from bias (whether real or perceived). Members therefore need to familiarise themselves with the provisions of the Act which concerns financial interests, and with other legal requirements concerning non-financial conflicts of interest.

For Elected and Appointed Members the risk would be classified as high and therefore declaration of any and all conflicts of interest should be considered a high priority before any decision-making process commences.

3.2. Tender evaluation teams and tender sub-committee:

As part of a robust and transparent procurement strategy all members of any Tender Evaluation Team or Tender Sub-Committee are required to proactively declare any actual or potential conflicts of interest or risk of bias as they arise.

As with Elected and Appointed Members, the risk for Tender Evaluation Teams and the Tender Sub-Committee would be classified as high and therefore declaration of any and all conflicts of interest should be considered a high priority before any decision-making process commences.

3.3. General staff:

It is expected that all staff shall perform their duties honestly and impartially, and avoid situations which might compromise their integrity or otherwise lead to a conflict of interest. All staff are required to avoid financial or other undertakings that could directly or indirectly compromise the performance of their duties, or the standing of the Council in relationships with the public, clients or Councillors/Community Board members.

Conflict of interests are commonly lower risk, however any and all risks, regardless of severity, need to be acknowledged and therefore any potential conflict of interest should be registered. This is, in part, to reflect the fact that all general staff members are potentially involved in procurement for the Council as part of their day to day activities. This particularly applies to all staff who hold a purchase order book and/or have a delegated authority. The higher the delegated authority the higher the potential risk.

The following section set out the procedures and guidelines for managing conflict and interest in relation to each of the three groups outlined above.

4. PROCEDURES AND GUIDELINES

4.1. Elected and Appointed Members

Elected Members must ensure that they maintain a clear separation between their personal interests and their duties as an elected member. This is to ensure that those who fill positions of authority carry on their duties free from bias (whether real or perceived). Members therefore need to familiarise themselves with the provisions of the Act which concerns financial interests, and with other legal requirements concerning non-financial conflicts of interest.

The Act provides that an elected member, without the consent of the Office of the Auditor General (OAG), is disqualified from office, or from election to office, if that member is concerned or interested in contracts under which payments made by or on behalf of the local authority exceed \$25,000 (GST inclusive) in any financial year.

Additionally, elected members are prohibited from participating in any council discussion or vote on any matter in which they have a pecuniary interest, other than an interest in common with the general public. The same rules also apply where the member's spouse contracts with the authority or has a pecuniary interest. Members must declare their interests at council meetings when matters in which they have a pecuniary interest arise.

Members shall annually make a general declaration of interest as soon as practicable after becoming aware of any such interests. These declarations are recorded in a register of interests maintained by council. The declaration must notify the council of the nature and extent of any interest, including:

- Any employment, trade or profession carried on by the member or the member's spouse for profit or gain
- Any company, trust, partnership etc. for which the member or their spouse is a director, partner, trustee or beneficiary
- The address of any land in which the member has a beneficial interest greater than the public at large and which is in the Ōpōtiki District
- The address of any land where the landlord is Ōpōtiki District Council and:
- The member or their spouse is a tenant, or
- The land is tenanted by a firm in which the member or spouse is a partner, or a company of which the member or spouse is a director, or a trust of which the member or spouse is a trustee or beneficiary
- Any other matters which the public might reasonably regard as likely to influence the member's actions during the course of their duties as a member.

If the member is in any doubt as to whether or not a particular course of action (including a decision to take no action) raises a conflict of interest, then the member should seek guidance from the Chief Executive immediately.

Members may also contact the Audit Office for guidance as to whether that member has a pecuniary interest. If there is a pecuniary interest, the member may seek an exemption to allow that member to participate or vote on a particular issue in which they may have a pecuniary interest. The latter must be done before the discussion or vote. The Chief Executive must also seek approval from the Audit Office for contractual payments to members, their spouses or their companies that exceed the \$25,000 (GST inclusive) annual limit.

Failure to observe the requirements of the Act could potentially invalidate the particular decision made, or the action taken, by Council. Failure to observe these requirements could also leave the

elected member open to prosecution under the Act. In the event of a conviction elected members can be ousted from office.

From an agenda item:

Any Member with a conflict of interest (real or perceived) arising from an agenda item must:

- Declare the conflict verbally prior to commencement of any Council discussions and/or deliberation associated with the agenda item. The Mayor and Chief Executive will evaluate the associated risks and determine the appropriate measures required to mitigate those risks.
- Should the item require further council discussions and/or deliberation at subsequent meetings, complete a formal written declaration (Appendix 1) prior to any future meetings.

Standing/ongoing:

Any Member with a conflict of interest (real or perceived) which will be an ongoing conflict throughout their time in office must:

- Declare the conflict verbally to the Mayor and/or Chief Executive
- Complete a formal written declaration (Appendix 1), at which time the Mayor and Chief Executive will evaluate the associated risks and determine the appropriate measures required to mitigate those risks.
- Keep the Mayor and/or Chief Executive updated should the circumstances of the conflict cease/alter/increase.

4.2. Tender Evaluation Teams and Tender Sub-Committee

As part of a robust and transparent procurement strategy all members of any Tender Evaluation Team and the Tender Sub-Committee are required to proactively declare any actual or potential conflicts of interest or risk of bias as they arise.

With any procurement process, (including Registrations of Interest and Requests for Proposals) there may be stages of the process when the respondents are unknown. However, members of the Tender Evaluation Team or Tender Sub-Committee may have a reasonable idea of who the potential respondents will be. Rather than a reactive response, a proactive approach of identifying potential conflicts is recommended.

Using public scrutiny and perception as the guideline the recommended approach would be to err on the side of caution. A declared non-conflict is always preferred over a non-declared conflict.

As part of the general obligation to act fairly, councils must take care that their decision-making processes cannot be challenged on the basis of actual or potential bias and/or conflicts of interest.

Council staff should be aware of the potential for conflicts of interest for every staff member and/or adviser who is directly or indirectly involved in any aspect of the procurement process. This includes governance, management, operational staff and Council as the approving authority itself.

Prior to commencement of procurement process all members of a Tender Evaluation Team (TET) must either:

1. Complete the Tender Evaluation Team Declaration – Part 1 (Appendix 2) confirming whether there is any conflict of interest to be declared.
2. If required, declare any potential conflict of interest by completing the Tender Evaluation Team Declaration - Part 2 (Appendix 3), at which time the Tender Evaluation Team Leader will make a determination as follows:
 - a. The TET member may be permitted to remain on the team – this would occur only when the declaration is confirmed as a perceived conflict with a zero risk factor, or
 - b. The TET member may be permitted to be present for the evaluations but will not take any part in the decision making, or
 - c. The TET member may be required to withdraw from the procurement process

Please Note: Declaration of a conflict of interest and withdrawal from any procurement process does not automatically preclude that person from inclusion in another TET. Each evaluation is a stand-alone process, including the declaration of any conflict of interest.

Prior to the commencement of a Tender Sub Committee meeting, all Tender Sub Committee Members (TSCM) must either:

1. Complete the Tender Sub Committee Declaration – Part 1 (Appendix 4) confirming whether there is any conflict of interest to be declared.
2. If required, declare any potential conflict of interest by completing the Sub Committee Declaration - Part 2 (Appendix 5), at which time the Chair of the Sub Committee will make a determination as follows:
 - a. The TSCM member may be permitted to remain on the committee – this would occur only when the declaration is confirmed as a perceived conflict with a zero risk factor, or

- b. The TSCM member may be permitted to be present for some agenda items, but not others,
- c. The TSCM member may be permitted to be present for the evaluations but will not take any part in the decision making, or
- d. The TSCM member may be required to withdraw from the Tender Sub Committee meeting.

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4.3. General Staff

It is expected that all staff shall perform their duties honestly and impartially, and avoid situations which might compromise their integrity or otherwise lead to a conflict of interest. All staff are required to avoid financial or other interest or undertaking that could directly or indirectly compromise the performance of their duties, or the standing of the Council in relationships with the public, clients or Councillors/Community Board members.

This may include any situations where actions taken in an official capacity may be seen to influence or be influenced by a staff member's private interest such as outside employment.

If any actual or potential conflict of interest arises during the full, effective, and impartial discharge of their official duties, staff should inform their Manager or the Chief Executive. It will then be the responsibility of the Manager or Chief Executive to determine the nature and degree of the conflict (if any) as it may relate to the official duties of the staff member making the declaration and decide upon the appropriate course of action.

Identified Conflict:

Any staff member who identifies a Conflict of Interest (real or perceived) arising from, or pertaining to the fulfilment of their role within Council must:

1. Declare the conflict verbally to their Manager and/or Chief Executive
2. Complete a formal written declaration (refer appendix 6), at which time their Manager and/or the Chief Executive will evaluate the associated risks and determine the appropriate measures required to mitigate those risks.
3. Keep their Manager and/or Chief Executive updated should the circumstances of the conflict cease/alter/increase.

Building Control Authority exemption:

The Building Control Authority function of the Council is bound by the requirements of the Building (Accreditation of Building Consent Authorities) Regulations 2006. These Regulations set out specific requirements for assuring quality (Regulation 17). Regulation 17 (2) requires a Quality Assurance system to be in place and one of the specified components of that system is a procedure for identifying and managing conflicts of interest (Regulation 17 (2)(i)).

The Ōpōtiki District Council Building Control Authority meets the requirements of this Regulation through the production and review of the Quality Manual.

Staff working for the Councils Building Control Authority are bound by the requirements of the Building Regulations and subject to the Conflict of Interest process set out in the Quality Manual, which follows a similar process to the process set out above for general staff. For that reason, and to avoid a duplication of effort, staff working for the Council's Building Control Authority, making decisions governed by the Building Regulations, are exempt from the requirements of this policy.

5. BREACHES OF THE POLICY

Should a breach of the policy be identified, the process set out below must be followed to mitigate the associated risk.

Elected and Appointed Members:

Any undeclared conflict identified during or following any Council decision making will be managed by the Mayor.

The Mayor will first discuss the conflict and its implications with the Council. Then, working in conjunction with the Chief Executive this conflict will be presented to the Office of the Auditor General for a formal decision.

The process for such a circumstance is clearly outlined in the Act, and will be adhered to.

Outcomes range from seeking consent from the Office of the Auditor General through to dismissal of the member.

Tender Evaluation Team (TET) and Tender Sub Committee (TSC) Members:

Any undeclared conflict identified during or following any procurement process will be managed by the Chief Executive and the TET Leader. The Mayor is to be informed throughout this process.

The process for such a circumstance is set out in the flowchart attached (appendix 7), and will be adhered to.

Outcomes range from exclusion from the singular tender evaluation process to dismissal of the employee.

General Staff Members:

Any undeclared conflict identified during or following any operational process will be managed by the Chief Executive and the Manager of the department concerned.

The process for such a circumstance will be dependent on the severity of the conflict and will be determined by the Chief Executive based on the requirements of the Act.

Outcomes range from risk mitigation through to dismissal of the employee.

6. RELEVANT LEGISLATION AND GUIDANCE

- Local Authorities (Members' Interests) Act 1968
- Building (Accreditation of Building Consent Authorities) Regulations 2006 (Regulation 17 (2)(i))

The Office of the Auditor General has produced two guides on conflict of interest issues to assist public entities:

- Managing conflicts of interest: Guidance for public entities applies to all public entities and sets out an approach for dealing with conflict of interest issues when they arise. www.oag.govt.nz/2007/conflicts-public-entities
- Guidance for members of local authorities about the law on conflicts of interest has been developed specifically for local authorities and other entities that are subject to the Local Authorities (Members' Interests) Act 1968. www.oag.govt.nz/2010/lamia

7. REVIEW

Due 2021 (Every third year).

Appendix 1



ELECTED AND APPOINTED MEMBER DECLARATIONS

Any elected or appointed member wishing to declare an interest should complete this form and submit to Chief Executive or Mayor

Name:	
Date raised:	
Description of actual/potential interest (to be completed by member):	
Decision/action require to mitigate conflict (to be completed by Mayor or Chief Executive):	
Review completed by:	
Signed:	
Dated:	
Date member advised of decision/action:	

Appendix 2



TENDER EVALUATION TEAM DECLARATIONS - PART 1

All Tender Evaluation Team members to complete this form

Date:	
Contract name:	
Contract number:	
Tender Evaluation Team Member:	

Conflict of Interest Declaration – please circle which applies – (either A or B)	
A.	<p>I declare that to the best of my knowledge, I do not have:</p> <ul style="list-style-type: none"> Any financial interest in the supply of goods, and or services for this project Any relatives, or friends with any financial interest in the supply of goods, and or services for this project Any personal bias, inclination, personal obligations, allegiance or loyalty which would in any way affect my decisions in relation to the evaluation of the tenders/proposals.
B.	<p>I have declared a potential conflict of interest as follows:</p> <ul style="list-style-type: none"> I have completed a Tender Evaluation Team Declaration – Part 2, see attached. This declaration has been addressed by the Leader of the TET team and I agree to the approved method of mitigation.

Confidentiality Declaration
<p>During the tender evaluation period and prior to the formal announcement of the successful supplier, I will not:</p> <ul style="list-style-type: none"> Pass any information on the project to any potential suppliers for the project.

Declaration				
Tender Evaluation Team Member	Title	A or B	Date	Signature

Approval				
Tender Evaluation Team Leader	Title		Date	Signature

Appendix 3



TENDER EVALUATION TEAM DECLARATIONS – PART 2

This form needs to be completed when an interest is declared in Part 1 (Option B). If your answer is 'Yes' to any of the questions below, then you have a potential conflict that may require mitigation.

Date:				
Contract name:				
Contract number:				
Tender Evaluation Team Member:				
Potential conflict		Yes	No	Details (required when answer is yes)
1.	Have you carried out works for any tenderer (or member of its group) in the last two years?			
2.	Do you have a family and/or personal relationship with any tenderer (or member of its group)?			
3.	Are you employed by, or do you have a professional relationship with, or hold any office with any tenderer, including executive relationships such as Director or Board Member?			
4.	Are you currently involved, or about to be involved, with any tenderer in submitting another tender to Ōpōtiki District Council or any other party?			
5.	Are you advising any party that is in a dispute with any tenderer?			
6.	Have you been a witness for or against any tenderer, or an expert witness in proceedings involving any tenderer in the past two years?			
7.	Do you have a financial or other relevant interest in any tenderer (or member of its group)?			
8.	Are you a creditor or do you hold any security over any tenderer (or member of its group)?			
9.	Does any company, trust, or other organisation in which you hold office, or over which you have any material influence, have an interest?			
10.	Without making specific enquiry, to the best of your knowledge does any member of your immediate family have an interest?			
11.	Any other conflict?			

Signature:	Date:
Agreed mitigation/method to remove potential conflict of interest:	
Approval for member to remain on team – TET Leader to sign	
Team Leader Name:	
Signature:	Date:



TENDER SUB COMMITTEE DECLARATIONS – PART 1

All Tender Sub Committee Members to complete this form prior to the commencement of the Tender Sub Committee meeting.

Tender Sub Committee Meeting Date:	
Tender Sub Committee Member:	

Conflict of Interest Declaration – please circle which applies – (either A or B)	
A.	<p>I declare that to the best of my knowledge, I do not have:</p> <ul style="list-style-type: none"> • Any financial interest in the supply of goods, and or services for any project on the agenda of this meeting • Any relatives, or friends with any financial interest in the supply of goods, and or services for any project on the agenda of this meeting • Any personal bias, inclination, personal obligations, allegiance or loyalty which would in any way affect my decisions in relation to the evaluation of the tenders/proposals.
B.	<p>I have declared a potential conflict of interest as follows:</p> <ul style="list-style-type: none"> • I have completed a Tender Sub Committee Declaration – Part 2, see attached. • This declaration has been addressed by the Chair of the Tender Sub Committee and I agree to the approved method of mitigation.

Declaration				
Tender Sub Committee Member	Title	A or B	Date	Signature
Approval				
Chair of Tender Sub Committee	Title		Date	Signature

Appendix 5



TENDER SUB COMMITTEE DECLARATIONS – PART 2

This form needs to be completed when an interest is declared in Part 1 (Option B). If your answer is 'Yes' to any of the questions below, then you have a potential conflict that may require mitigation.

Tender Sub Committee Meeting Date:				
Tender Sub Committee Member:				
Agenda Item:				
Potential conflict		Yes	No	Details (required when answer is yes)
1.	Have you carried out works for any tenderer (or member of its group) in the last two years?			
2.	Do you have a family and/or personal relationship with any tenderer (or member of its group)?			
3.	Are you employed by, or do you have a professional relationship with, or hold any office with any tenderer, including executive relationships such as Director or Board Member?			
4.	Are you currently involved, or about to be involved, with any tenderer in submitting another tender to Ōpōtiki District Council or any other party?			
5.	Are you advising any party that is in a dispute with any tenderer?			
6.	Have you been a witness for or against any tenderer, or an expert witness in proceedings involving any tenderer in the past two years?			
7.	Do you have a financial or other relevant interest in any tenderer (or member of its group)?			
8.	Are you a creditor or do you hold any security over any tenderer (or member of its group)?			
9.	Does any company, trust, or other organisation in which you hold office, or over which you have any material influence, have an interest?			
10.	Without making specific enquiry, to the best of your knowledge does any member of your immediate family have an interest?			
11.	Any other conflict?			

Signature:	Date:
Agreed mitigation/method to remove potential conflict of interest:	
Approval for member to remain on team – Chair of Tender Sub Committee to sign	
Chair of Tender Sub Committee:	
Signature:	Date:

Appendix 6

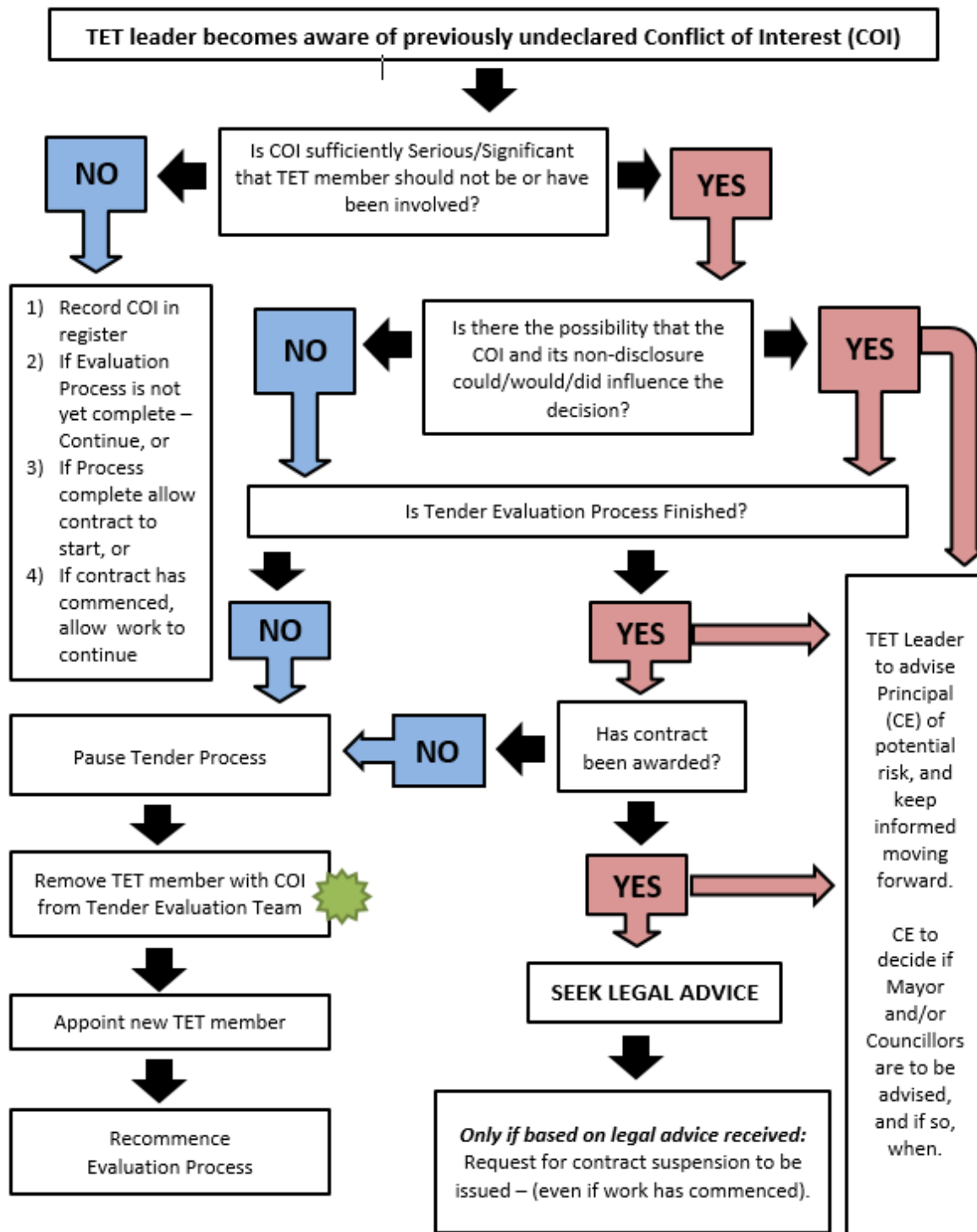



GENERAL STAFF DECLARATIONS

Any staff member wishing to declare an interest should complete this form and submit to manager or Chief Executive

Name:	
Date raised:	
Description of actual/potential interest (to be completed by staff member):	
<p style="text-align: center;">DRAFT</p>	
Decision/action require to mitigate conflict (to be completed by manager/CEO):	
<p style="text-align: center;">DRAFT</p>	
Review completed by:	
Signed:	
Dated:	
Date staff member advised of decision/action:	

Appendix 7



 At this point it would be for the TET Leader and CE to decide if the member can remain available as an expert or observer for the remainder of the evaluation process.

REPORT

Date : 7 February 2019

To : Audit and Risk Committee Meeting, 18 February 2019

From : Chief Executive Officer, Aileen Lawrie

Subject : **RESOLUTION TO EXCLUDE THE PUBLIC**

SECTION 48 LOCAL GOVERNMENT OFFICIAL INFORMATION & MEETINGS ACT 1987

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

- 7. Confirmation of In-Committee Minutes – Audit and Risk Committee Meeting 15 October 2018.**
- 8. Health, Safety, Staff Resources and Wellbeing Report.**

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:

Item No	General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
7.	Confirmation of In-Committee Minutes – Audit and Risk Committee Meeting 15 October 2018	That the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists.	Section 48(1)(a)
8.	Infrastructure on Property	That the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists.	Section 48(1)(a)

This resolution is made in reliance on section 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by section

6 or section 7 of that Act or section 6 or section 7 or section 9 of the Official Information Act 1982, as the case may require, which would be prejudiced by the holding of the whole or the relevant part of the proceedings of the meeting in public are as follows:

7.	Maintain effective conduct of public affairs Protect information Protect the privacy of natural persons Protection from improper pressure or harassment Carry out negotiations Prevent the disclosure of official information Carry out commercial activities without prejudice or disadvantage	Section 7(2)(f)(i) & (ii) Section 7(2)(b)(i) & (ii), (d) & (e) Section 7(2)(a) Section 7(2)(f)(ii) Section 7(2)(i) Section 7(2)(j) Section 7(2)(h)
8.	Protect the privacy of natural persons Protection from improper pressure or harassment	Section 7(2)(a) Section 7(2)(f)(ii)