



**The Meeting of the
Audit and Risk Committee will be
held on Monday 5 August 2024
commencing at 1.00pm**

A G E N D A

AUDIT AND RISK COMMITTEE

Her Worship the Mayor – F K N Tunui

Councillor C J Ion

Councillor A Rangihika

Councillor B J Julian

Philip Jones – Consultant - P J Associates (Chair)

KAWERAU DISTRICT COUNCIL

The Meeting of the Audit and Risk Committee will be held on
Monday 5 August 2024
commencing at 1.00pm

AGENDA

Karakia Timatanga

Apologies

Declarations of Conflict of Interest

Any member having a “conflict of interest” with an item on the Agenda should declare it, and when that item is being considered, abstain from any discussion or voting. The member may wish to remove themselves from the meeting while the item is being considered.

1 CONFIRMATION OF AUDIT AND RISK COMMITTEE MINUTES

1.1 Audit and Risk Committee – 10 June 2024

Pgs. 1 - 3

Recommendation

That the minutes of the Audit and Risk Committee Meeting held on 10 June 2024 be confirmed as a true and accurate record.

2 Health, Safety and Wellbeing Report for Period 1 June – 30 June 2024 (Group Manager, Regulatory & Planning) (509500)

Pgs. 4 - 11

Attached is the report from the Group Manager, Regulatory & Planning covering the Health, Safety and Wellbeing for period 1 June - 30 June 2024.

Recommendation

That the report “Health, Safety & Wellbeing Report for period 1 June – 30 June 2024” be received.

3 Top Emerging Kawerau District Council Risks (Chief Executive Officer) (105000)

Pgs. 12 - 15

Attached is the report from the Chief Executive Officer covering the Top emerging Kawerau District Council Risks.

Recommendation

That the report “Top emerging Kawerau District Council risks” be received.

4 **Treasury Report to 31 May 2024 and 30 June 2024 (Group Manager, Finance and Corporate Services) (110551)**

Pgs. 16 - 21

Attached is the report from the Group Manager, Finance and Corporate Services covering Treasury Report to 31 May 2024 and 30 June 2024.

Recommendation

That the report "Treasury Report to 31 May 2024 and 30 June 2024" be received.

5 **Audit and Risk Review Timetable from August 2024 to June 2025 (Group Manager, Finance and Corporate Services) (101300)**

Pgs. 22 - 24

Attached is a report from the Group Manager, Finance and Corporate Services covering Audit and Risk Review Timetable from August 2024 to June 2025.

Recommendation

That the report "Audit and Risk Review Timetable from August 2024 to June 2025" be received.

6 **Long Term Plan 2025-2034 (Group Manager, Finance and Corporate Services) (110555)**

Pgs. 25 - 29

Attached is a report from the Group Manager, Finance and Corporate Services covering Long Term Plan 2025-2034.

Recommendation

That the report "Long Term Plan 2025-2034" be received.

7 **Interim Audit Management Report for Year Ended 30 June 2024 (Group Manager, Finance and Corporate Services) (201000)**

Pgs. 30 - 43

Attached is a report from the Group Manager, Finance and Corporate Services covering Interim Audit Management Report for year ended 30 June 2024.

Recommendation

That the report "Interim Audit Management Report for year ended 30 June 2024" be received.

8 **Review of Council's Procurement Policy (Group Manager, Finance and Corporate Services) (110551)**

Pgs. 44 - 66

Attached is a report from the Group Manager, Finance and Corporate Services covering Review of Council's Procurement Policy.

Recommendation

1. *That the report “Review of Council’s Procurement Policy” be received.*
2. *That the Audit and Risk Committee review and recommend any changes to the Procurement Policy, as proposed.*

Karakia Whakamutunga

M Godfery

Chief Executive Officer

Z:\KDC Taxonomy\Governance\Democratic Services\Meetings\Audit and Risk\Agenda's\Audit + Risk Agenda - DRAFT 24.08.05.docx

**Kawerau District Council Minutes of an
Audit and Risk Committee held on 10 June 2024
commencing at 1.00pm**

Present: Philip Jones – P J Associates (Chair)
Her Worship the Mayor – F K N Tunui
Deputy Mayor – A Rangihika
Councillor C Ion
Councillor B J Julian

In Attendance: Chief Executive Officer (M Godfery)
Group Manager, Finance and Corporate Services (L Butler)
Group Manager, Regulatory and Planning (M Glaspey)
Group Manager, Operations and Services (R Nel)
Administration Officer (T Barnett)

Karakia Timatanga | Opening Prayer

Chief Executive Officer Godfery opened the meeting with a prayer.

Apologies

No apologies were received.

Declarations of Conflict of Interest

No conflicts of interest were received.

1 CONFIRMATION OF AUDIT AND RISK COMMITTEE MINUTES

1.1 Audit and Risk Committee – 4 April 2024

Resolved **Her Worship the Mayor / Councillor Ion**

That the minutes of the Audit and Risk Committee Meeting held on 4 April 2024 be confirmed as a true and accurate record.

2 Health, Safety and Wellbeing Report for Period 1 April 2024 – 31 May 2024 (Group Manager, Regulatory and Planning (509500))

Committee discussed the report from the Group Manager, Regulatory and Planning covering Health, Safety and Wellbeing report for period 1 April 2024 – 31 May 2024.

Resolved **Deputy Mayor Rangihika / Councillor Ion**

That the report “Health, Safety and Wellbeing report for period 1 April 2024 – 31 May 2024” be received.

3 Treasury Report to 31 March and to 30 April 2024 (Group Manager, Finance and Corporate Services) (110551)

Committee discussed the report on the Treasury Report to 31 March to 30 April 2024.

Resolved **Councillor Julian / Her Worship the Mayor**

That the report "Treasury Report to 31 March and to 30 April 2024" be received.

4 Annual Plan Performance for the Nine Months Ended 31 March 2024 (Group Manager, Finance and Corporate Services) (110551)

Committee discussed the report on the Annual Plan Performance for the Nine Months Ended 31 March 2024.

Resolved **Chair Jones / Deputy Mayor Rangihika**

That the report "Annual Plan Performance for the Nine Months Ended 31 March 2024" be received.

5 Kawerau District Council Top 8 Risks (Chief Executive Officer) (105000)

Committee discussed the report on Kawerau District Council's Top 8 Risks

Resolved **Chair Jones / Deputy Mayor Rangihika**

1. *That the report "Kawerau District Council's Top 8 Risks" be received.*

2. *That Committee members engage in the identification of relevant strategic risks.*

6 Kawerau District Council Policies Overview (Group Manager, Regulatory and Planning) (110800)

Committee discussed the report on Kawerau District Council Policies Overview.

Resolved **Councillor Ion / Her Worship the Mayor**

That the report "Kawerau District Council Policies Overview" be received.

7 Audit and Risk – Capital Projects 2023 - 24 (Group Manager, Operations and Services) (440000)

Committee discussed the report on the Audit and Risk – Capital Projects 2023 - 24.

Resolved **Chair Jones / Deputy Mayor Rangihika**

That the report "Audit and Risk – Capital Projects 2023 - 24" be received.

8 Audit and Risk Review Timetable (Group Manager, Finance and Corporate Services) (101300)

Committee discussed the Audit and Risk Review Timetable.

Resolved **Her Worship the Mayor / Councillor Ion**

That the report "Audit and Risk Review Timetable" be received.

9 Update on Audit Management Report Recommendations for the Year Ended 30 June 2023 (Group Manager, Finance and Corporate Services) (201000)

Committee discussed the update on Audit Management Report Recommendations for year ended 30 June 2023.

Resolved **Her Worship the Mayor / Deputy Mayor Rangihika**

That the report "Update on Audit Management Report Recommendations for Year Ended 30 June 2023" be received.

10 Proposed Timetable for Annual Report to 30 June 2024 (Group Manager, Finance and Corporate Services) (110400)

Committee discussed the proposed timetable for Annual Report to 30 June 2024.

Resolved **Chair Jones / Her Worship the Mayor**

That the report "Proposed Timetable for Annual Report to 30 June 2024" be received.

11 Audit New Zealand – Draft Audit Plan for the Annual Report to 30 June 2024

Committee discussed the Audit NZ – Draft Audit Plan for the Annual Report to 30 June 2024.

Action Item:

Circulate deed 11.3 (Deed of Supervision) to Committee Members

Resolved **Chair Jones / Deputy Mayor Rangihika**

That the report "Audit New Zealand – Draft Audit Plan for the Annual Report to 30 June 2024" be received.

12 Long Term Plan 2025 – 2034 Proposed Timetable (Group Manager, Finance and Corporate Services) (110555)

Committee discussed the report on the Long Term Plan 2025 – 2034 Proposed Timetable.

Resolved **Her Worship the Mayor / Councillor Ion**

That the report "Long Term Plan 2025 – 2034 Proposed Timetable" be received.

Meeting closed with a karakia at 2.45pm

P Jones

Chairperson

Meeting: Audit and Risk Committee

Meeting Date: 5 August 2024

Subject: **Health, Safety and Wellbeing Report for period – 1 June 2024 to 30 June 2024**

File No: 509500

1 **Purpose**

This report provides a summary of the activities Kawerau District Council undertakes to meet the requirements of the Health and Safety at Work Act 2015 and our efforts to ensure everyone goes home healthy and safe.

2 **Executive Summary**

The core systems and controls in place to manage Council's health, safety and wellbeing risks include:

- Ensuring Elected Members and all Council Staff are aware of their specific and general duties under current Health and safety legislation, through inductions and training.
- Development of a health and safety culture that encourages the identification, reporting and mitigation of new and existing health, safety and wellbeing risks, with ongoing risk monitoring and reviews.
- Dedicated Health and Safety Officer engaged to monitor compliance with health and safety legislation, driving continuous improvement and continual learning.
- Maintaining an effective Health and Safety Committee by engaging with staff, which enables participation and provides leadership, guidance and support across the organisation to better inform health and safety decisions and policies for Council staff, contractors and visitors.
- Implementation of health, safety, and wellbeing software (BWARE) to enable reporting, investigation and ongoing monitoring of identified risks.
- Provision of an employee assistance programme, a wellbeing service, policies and training for staff.
- Health and safety monitoring of contractors engaged by Council, through random site audits.

The key items which elected members should note from this report are:

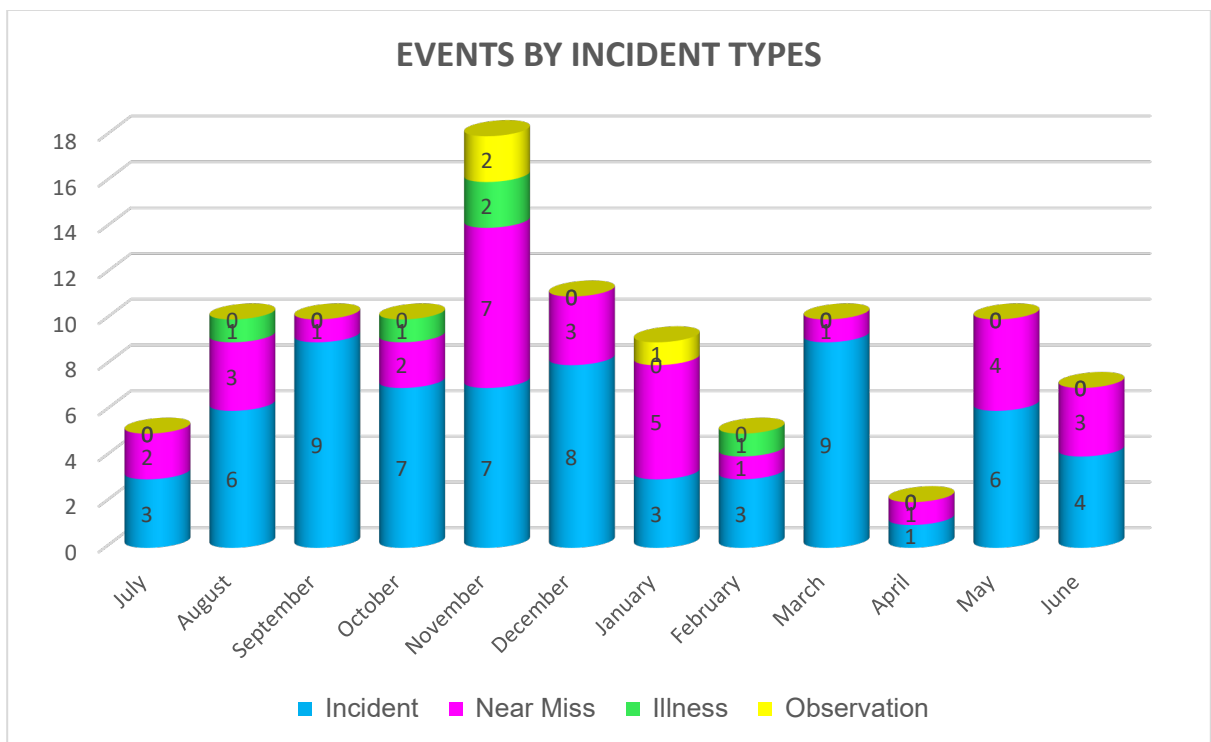
- No notifiable events occurred during this period.

- A total of 7 health and safety incidents reported for the period 1 June 2024 to 30 June 2024. This includes two vehicle incidents/observations which related to members of the public rather than staff. Staff assisted in one, due to the serious nature of the incident and the ability to provide first aid.
- One contractor audit was completed for the period of 1 June 2024 to 30 June 2024. Only issue identified was one vehicle warrant expired in May 2024.
- Contractors Annual Monitoring Target (10 per year) was achieved for financial year 2023/2024.

3 Incident and Injury Reporting

**Incidents for period – 1 June 2024 – 30 June 2024
(Brackets – Year to Date)**

Incidents 4 (66)	Near Miss 3 (33)	Illness 0 (5)	Observations 0 (3)
------------------	------------------	---------------	--------------------



Note:

- Illness is defined as a health condition or disease directly caused or significantly aggravated by factors in the workplace. These include breathing issues, heat exhaustion, dehydration, but not include covid-19 cases.
- Safety Violations (staff actions in breach of policy) are recorded as observations.

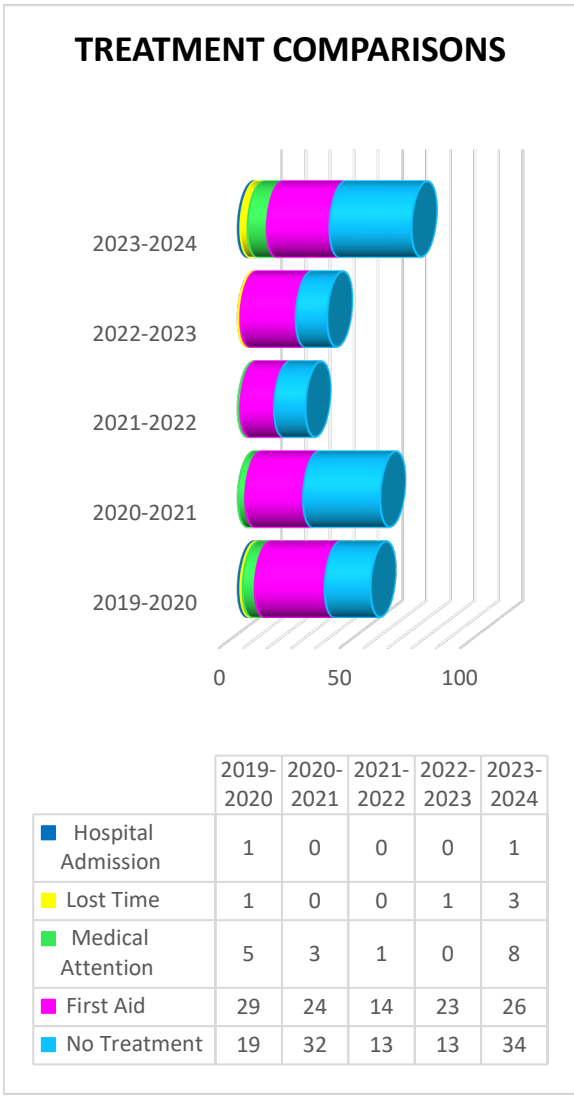
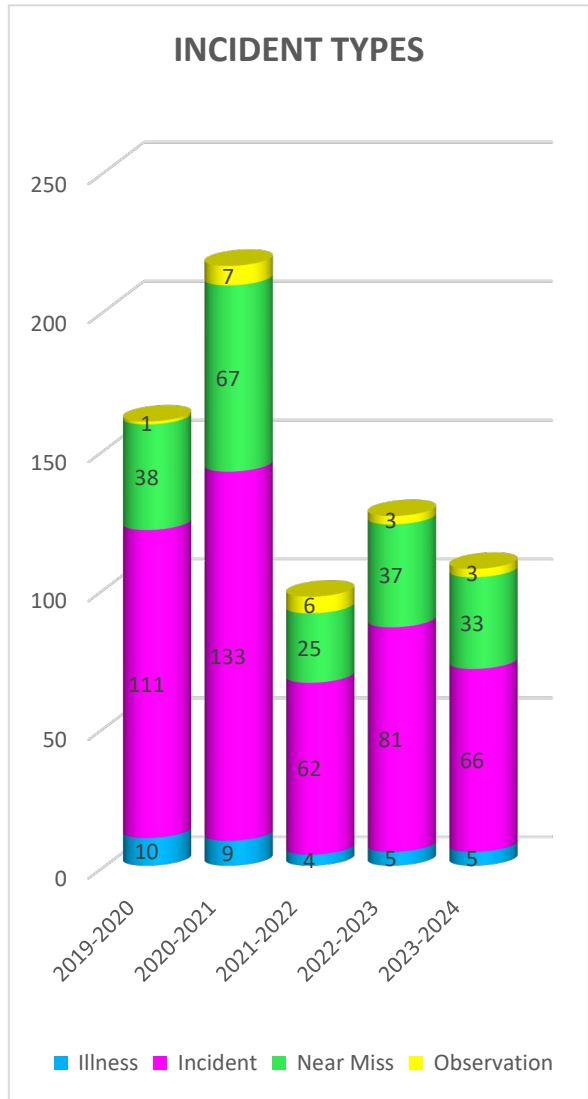
**Incidents Risk Type and Treatment for Period
1 June 2024 – 30 June 2024**

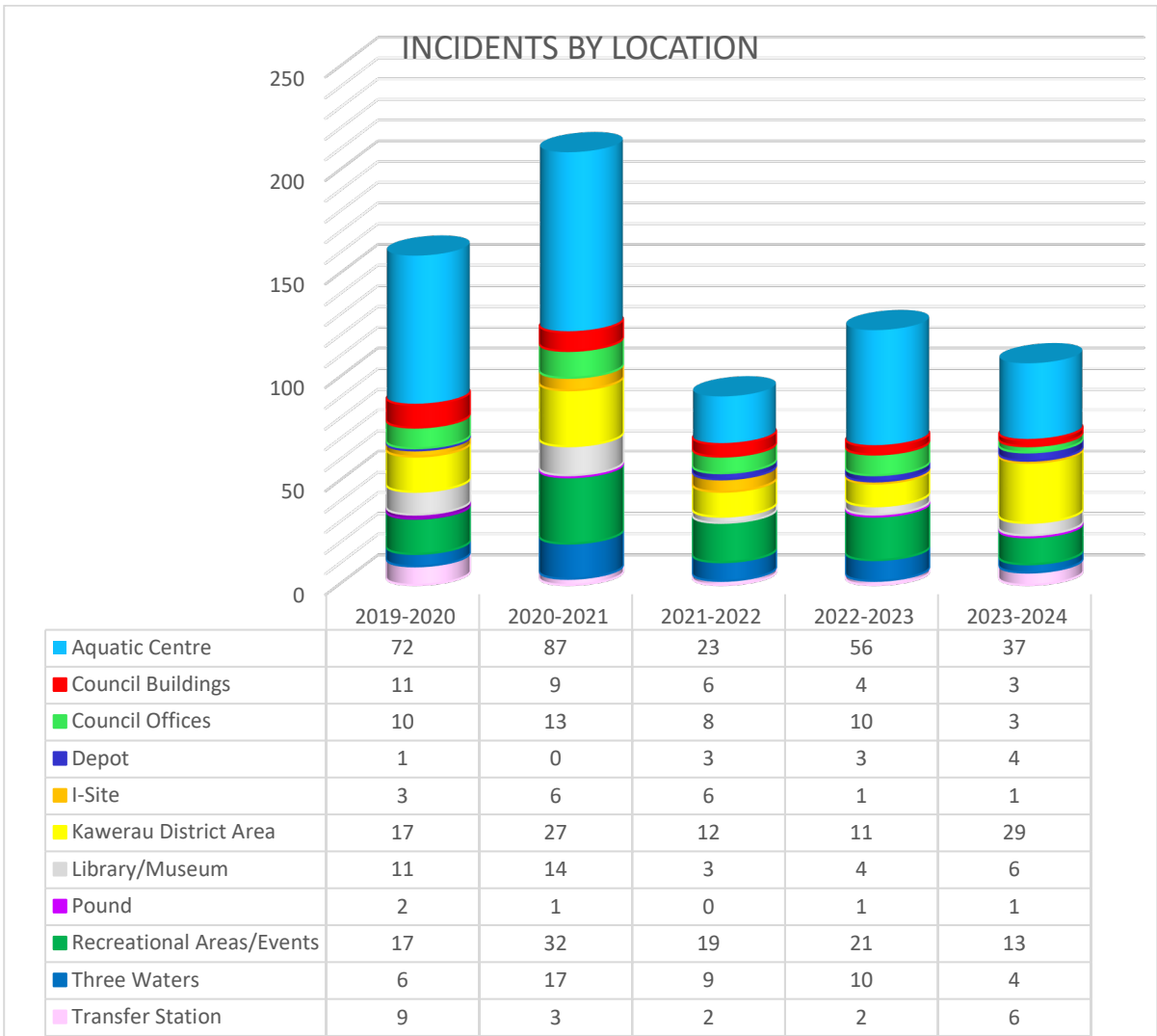
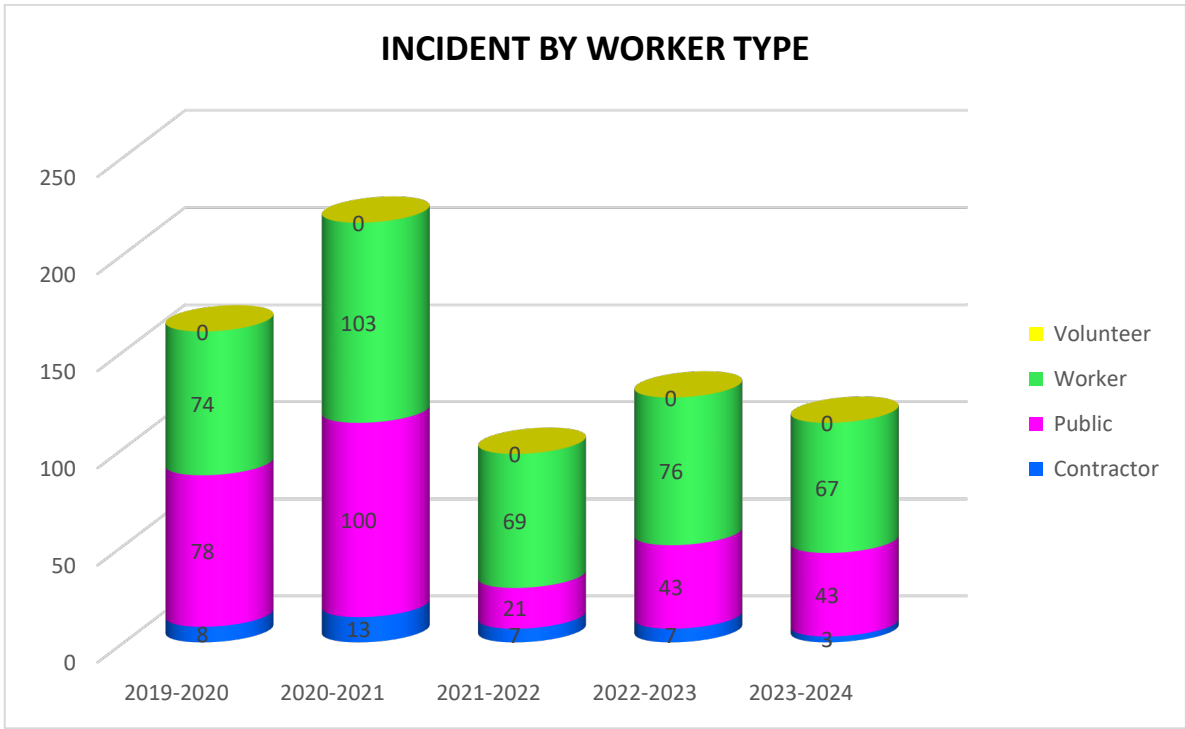
Events by Critical Risk	
Public/People/ Customers	1
Stress	0
Slips, Trips and Falls	1
Lone Working	0
Manual Handling	1
Other *	4

Outcome of Incidents	
No Treatment	2
First Aid	1
Medical Treatment	0
Lost Time	0
Hospital	1
*Does not include Near Misses	
Investigations Required	
Formal Investigation	0
Work Safe Investigation	0

* Other – Vehicle related matters x 3, Use of weed eaters in town x 1

Incidents and Treatment Comparisons





Potentially Critical Events/Critical Events
1 June 2024 – 30 June 2024

Event	Critical Risk	Potential Consequence	Actual Consequence	Controls and Status
Removing contents of rubbish bins (full of large nang bottles) – Strained shoulder	Manual Handling	High	Low	<ul style="list-style-type: none"> Manual Handling Policy Operator training/care Workers reminded to be careful when lifting/moving heavy objects, including having assistance. Attempt to inspect contents prior to removal of bins. First aid issued – Panadol
Bicycle rack causes trip hazard, near miss	Slips, Trips and Falls on the same level	High	Low	Members of the public can be distracted and potentially trip.
Verbal abuse and threats after uplift of owners dogs – while heated, threats not followed through - no injury	Violence - People/ Customers /Visitors	High	Low	<ul style="list-style-type: none"> Customer Conflict Training Dealing with Abusive Customers Process Worker took all appropriate steps and removed themselves once able. Manager followed up to check worker wellbeing. Limited options to protect staff when in public area, other than above training.
Vehicle hit pedestrian on pedestrian crossing –police attendance – serious injury requiring hospital treatment (Not KDC a workplace incident)		High	High	<ul style="list-style-type: none"> First Aid Training Traffic Management Training Workers took all appropriate steps to assist. Unable to remove risk on public road – pedestrian crossing in suitable location. Additional equipment (cones and torches) has been ordered to better enable staff to assist in similar situations. Trauma Support was provided to those involved.
Vehicle accident during parking manoeuvre, no injury, minor damage to both vehicles.		High	Low	Worker reminded of obligations under the safe driver policy and more care to be taken. Manager spoke to staff involved to ensure awareness of obligations.

KEY:

High	Potential or actual consequence which is serious in nature and could cause medium to long term loss of time (over a week), hospitalisation or significant damage to property
Medium	Potential or actual consequence which is moderate in nature and could cause short term loss of time (under a week), medical treatment, or damage to property.
Low	Potential or actual consequence which is minor in nature resulting in no loss of time, no medical treatment (first aid only) and minimal damage to property.

4 Health, Safety and Wellbeing Risk Related Activities

Health, Safety and Wellbeing Related Activities		
Risk	Key Activity	Planned Activity
General Health and Safety Risk Management Programme	<ul style="list-style-type: none"> • BWARE went live on 1 July 2023 and work has been ongoing to ensure all data is included into the system and reviewed. • BWARE forms now available via APP <ul style="list-style-type: none"> - Contractor Site Monitoring - Checklists (accessible in the field) - Health and Safety Staff Inductions - Risk Assessments - Vehicle Inspections • Slide show has been prepared for the BWARE APP to assist in training. • Antenno App training has been developed and incorporated into the induction training for new staff. This helps staff report health and safety matters in our community. • Library, Museum & Archives Site Safety Induction (2) • District Office Site Safety Induction (2) • Workstation Assessment (1) • Monthly meeting ongoing – fully represented by all work groups. 	<ul style="list-style-type: none"> • Arrange for a SafePlus audit (a performance improvement initiative) to be completed late 2024. This audit will help identify areas of weakness and provide ideas for ongoing improvement. • Finalise the top critical risks. Critical risks identified and grouped. Health and Safety committee have been unable to reduce the top 13 to 10 critical risks. A report has been prepared for the Leadership Team for consideration. • Re-establish Wellbeing Committee. • Health and Safety Awards will be scheduled for 2025.
Contractor Management	<ul style="list-style-type: none"> • One contractor audit completed <u>Road Repair/Replacement</u> - Site inspection completed. Contractor using a health and safety system similar to Council, with documentation available for review through their software system. 	<ul style="list-style-type: none"> • Contractor audits to be completed monthly (except December and January).

	<p>Checked job safety analysis, plant pre-checks and traffic management plan.</p> <p>Temporary traffic management in place during works, using traffic lights and cones, with Traffic Controllers and a Site Traffic Management Supervisor, overseeing the site.</p> <p>Vehicle registration had expired previous month and the contractor was requested to update to ensure it meets requirements.</p>	
Training	<ul style="list-style-type: none"> • Basic Chainsaw Safe Operations (6) • First Aid Training (3) • Work Station Assessment (1) 	<ul style="list-style-type: none"> • Accident Investigation Training for Health and Safety Reps scheduled for early July. • Customer Conflict Training arranged for July 2024. • Dangerous Goods (D) Endorsement Training scheduled for July 2024. • Bullying and Harassment Training arranged for August 2024. • Basic Chainsaw Training booked for August 2024 • First Aid Refresher scheduled for August 2024 • Organise Dangerous Dog Training for Outdoor Staff. Deferred to next financial year.
Policy Reviews		<ul style="list-style-type: none"> • Review KDC Property Spray Plan • Sun Protection Policy – Draft has been developed, for consideration of the Leadership Team before consultation with staff.
Risk Reviews	<ul style="list-style-type: none"> • Dog Rangers – Risk review completed 	

Risk	Potential Score	Risk	Activity	Planned Activity	Desired Risk level outcome (as per risk matrix)
No new risks identified during June					

5 Health and Wellbeing

Health and Wellbeing

Emergency Readiness

Automatic External Defibrillators (AED's) available at Aquatic Centre and District Office
Emergency Response Team being developed and trained

General Health

Influenza Vaccination is currently available to staff
Skin Checks will be offered again in Spring 2024

Wellbeing initiatives

Employment assistance programme provide by Vitae.
My Everyday Wellbeing web platform available to staff and their families.

Health Monitoring

Ongoing random drug testing and pre-employment drug testing
Annual Respirator Face Fit Testing is booked for July (lifeguards, parks and reserves, maintenance staff and animal control)
Occupational Health Monitoring (Audio, Spiro & Asbestos) commenced June and continues into July and August 2024

6 RECOMMENDATION

That the report "Health, Safety and Wellbeing Report for period - 1 June 2024 – 30 June 2024" be received.

Michaela Glaspey

Group Manager Regulatory and Planning

Z:\KDC Taxonomy\Governance\Democratic Services\Meetings\Audit and Risk\Reports\August 2024\IR-ARC - Health Safety Report August 2024-08-05.docx

Meeting: Audit and Risk Committee

Meeting Date: 5 August 2024

Subject: Top emerging Kawerau District Council risks

File No.: 105000

1 **Background**

At the Committee's request the CEO is adopting a public sector risk reporting framework which tracks the top risks to Kawerau District Council. This risk reporting framework, with rankings and commentary attached in the table below, is a shorthand guide to the primary risks to the public sector in general and Council in particular. Aon, the insurance company, and the Office of the Auditor-General (OAG) adopt a similar framework.

The framework before the Committee differs slightly from the last framework presented to the Committee. At the meeting of 10 June 2024 the Committee discussed the "Top 8" risks to Council. The report at this meeting discusses the top "emerging risks". As at the meeting of 10 June 2024, the top emerging risks are taken from Aon's analysis with adjustments for the particular circumstances of Council.

2 **Top emerging risks**

RISK	RANKING	MITIGATION
IT systems failure	HIGH	On 19 July 2024, a software update failure led to business interruptions across the world. The "blue screen" issue, where IT systems were failing to boot on start-up, meant governments and businesses had operations interrupted. Council was only moderately affected, and by Monday 23 July, all Council systems were online and operating as normal. The event demonstrated that IT business interruption does not necessarily require a malicious act or internal failure to occur. The mitigation in place is to maintain external collaboration between

		<p>regional IT teams. Council cannot control the quality of software updates, but it can control its response. In the event of 19 July, Council staff worked cross-regionally to reboot systems. This collaboration meant faster identification of the problem and solution.</p>
Reputational damage	HIGH	<p>Controversial political issues can impact Councils. For example, the mandate to fluoridate, the ongoing Local Water Done Well reforms, and the referendum requirement for Māori constituencies are impacting Council. This impact is partly resource-based – implementation requires resource – and partly reputation-based – Council is often held accountable for decisions it did not make. The mitigation in place for any reputational damage this might entail is open communication. Council aims to differentiate and communicate when it is implementing mandates or directives and when it is making decisions of its own accord.</p>
Attracting top talent	MODERATE	<p>Council aims to attract top talent. Market trends, with increasing unemployment and more moderate wage growth than in 2023, mean employees are increasingly likely to stay put. In the last 3 months advertisements for tier 3 managerial positions have varied in the breadth and depth of the talent pool. Some positions attracted a large</p>

		<p>number of high quality applicants while others only attracted a small number. The mitigation in place to ensure as many positions as possible attract top talent is to advertise and promote beyond local government and beyond the Eastern Bay of Plenty. This opens a significantly wider talent pool.</p>
<p>Slower than expected economic recovery</p>	<p>MODERATE</p>	<p>In the Reserve Bank's last monetary policy statement the bank's governor indicated interest rate cuts are likely before the end of the year. The latest inflation figures record the CPI falling to 3.3% - close to the target band of inflation of 1-3%. The major banks are also indicating their mortgage and interest rates will also fall with most banks pricing in a 15 basis point cut (0.15%) for August. This is important for Council in that there is significant investment tied up in residential development. If interest rates fall that may help boost the housing market, creating better conditions for borrowers, and help Council realise its investment faster.</p>

3 Mitigations

The moderate risks are largely outside of Council's control – labour and housing market forces work in aggregate – but internal mitigations can occur. For example, as the economy recovers slowly, Council can identify ways to protect its cash position until the local housing market recovers and investment is fully realised. As of August 2024, buyer interest in Council developments remains relatively resilient, and sales have taken place, but often the barrier is a circumstance outside of Council control (e.g. a prospective buyer fails to obtain the necessary finance in the high interest rate environment). While these external risks remain Council can take internal actions to protect its position.

4 **Strategic context**

Committee members offer a different perspective in the identification of risk. Given this process is iterative, relying on constant review, Committee members are invited to consider from a governance perspective any strategic risks.

Strategic risks are external risks that threaten planned or desired outcomes. This differs from operational risks which are internal risks threatening planned or desired outcomes. For illustrative purposes, a strategic risk is central government regulation while an operational risk is human error. A strategic risk is inflation (external) while an operational risk is incorrect creditor systems (internal).

5 **RECOMMENDATION**

That the report “Top Emerging Kawerau District Council Risks” be received.



Morgan Godfery
Chief Executive Officer

Z:\KDC Taxonomy\Governance\Democratic Services\Meetings\Audit and Risk\Reports\August 2024\R-Top emerging KDC risks 2024-08-05.docx

Meeting: Audit and Risk Committee

Meeting Date: 5 August 2024

Subject: **Treasury Report to 31 May 2024 and 30 June 2024**

File No: 110551

1 **Purpose**

The purpose of this report is to inform members of the funds held by Council as at 31 May 2024 and 30 June 2024 and provide explanations for any significant variances from the previous year.

2 **Background**

This report was presented to the Regulatory and Services Committee on 12 June 2024 for the Treasury Report to 31 May 2024, and 17 July 2024 for the Treasury Report to 30 June 2024. The report shows the funds currently held and the banks where those funds are invested. All investments were made in accordance with Council's Investment Policy.

Council's investment policy allows up to 50% of total funds to be invested with any one bank but up to a limit of \$1.5 million. The exception is Council's principal bank where funds can exceed 50% and/or \$1.5 million.

Council currently has reduced surplus funds than in previous years making it more difficult to spread investments, but it is still required to act prudently.

Council raised a loan of \$2.0 million in December 2022, which was used to fund the water reticulation renewal project. The interest rate for this loan is 5.75% (fixed) and the maturity date is April 2025. On the 26th of October 2023 the next \$2.0m loan for the water reticulation project was uplifted, with a fixed interest rate of 6.5% with the same maturity date of April 2025.

Staff recommended a relatively short-term loan due to the increasing interest rates and the uncertainty around the 3 waters and other reforms that are currently being undertaken.

3 **Funds Held**

The following table shows Council's reserve and general funds balances as at 31 May 2024:

	May 2024	May 2023
Reserve Funds		
Depreciation Funds*	\$3,605,288	\$5,716,615
Total Special Funds	\$3,605,288	\$5,716,615
General Funds	\$621,547	\$495,725
Total – comprising cash & internal loans	\$4,226,835	\$6,212,340

* This includes loan funds uplifted.

The following funds were held at 31 May 2024:

Invested in	\$	Interest Rate	% External
ANZ – on call	739	3.35%	0.03%
BNZ – current & on-call	2,657,588	2.95%	99.09%
Rabobank (on-call)	23,602	4.25%	0.88%
Total Funds (Cash)	2,681,929		100.0%
Internal Loans	1,544,906		
Total Investments	4,226,835		

The following table shows Council's reserve and general funds balances as at 30 June 2024:

	June 2024	June 2023
Reserve Balances		
Depreciation Reserve Funds*	\$3,754,211	\$4,822,777
Total Reserve Balances	\$3,754,111	\$4,822,777
General Funds	\$207,074	\$579,980
Total (comprising funds & internal loans)	\$3,961,285	\$5,402,757

* This includes loan funds uplifted.

The following funds were held at 30 June 2024:

Invested in	\$	Interest Rate	% External
ANZ – on call	741	3.35%	0.03%
BNZ – current & on-call	2,399,320	2.95%	99.00%
Rabobank (on-call)	23,602	4.25%	0.97%
Total Funds (Cash)	2,423,663		100.0%
Internal Loans	1,537,622		
Total Investments	3,961,285		

The figures show that overall Council has \$1,441,472 fewer funds at the end of June than this time last year. The June 2024 balance includes the additional \$2m loan funds that Council uplifted for the water asset renewals. Council's depreciation reserve funds are also \$1.07m lower than the previous year, as these funds are being spent on capital projects and renewals. Council also has further funds invested in the duplex houses at Bell Street, that will be realised cash funds once sold.

Overall Council's cashflows for the last year have continued to be lower than previous years, as Council has short term cash funds invested in the Central Cove sections and two Porritt Glade units that will become realised cash funds once they are sold and have occupation agreements, respectively.

4 RECOMMENDATION

That the report "Treasury Report to 31 May 2024 and 30 June 2024" be received.



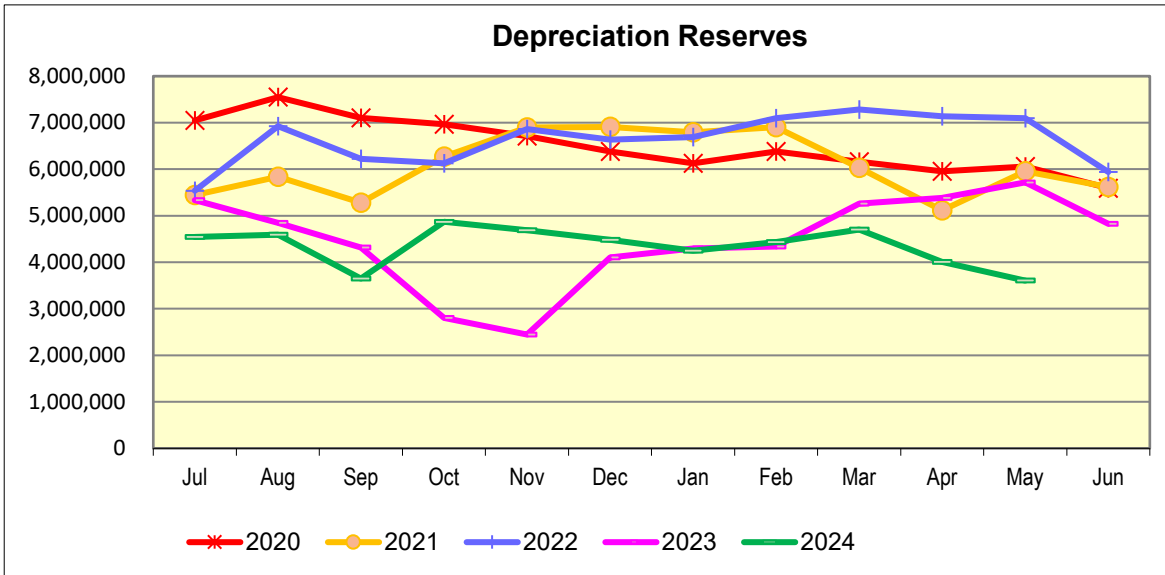
Lee-Anne Butler, CA, BMS

Group Manager, Finance & Corporate Services

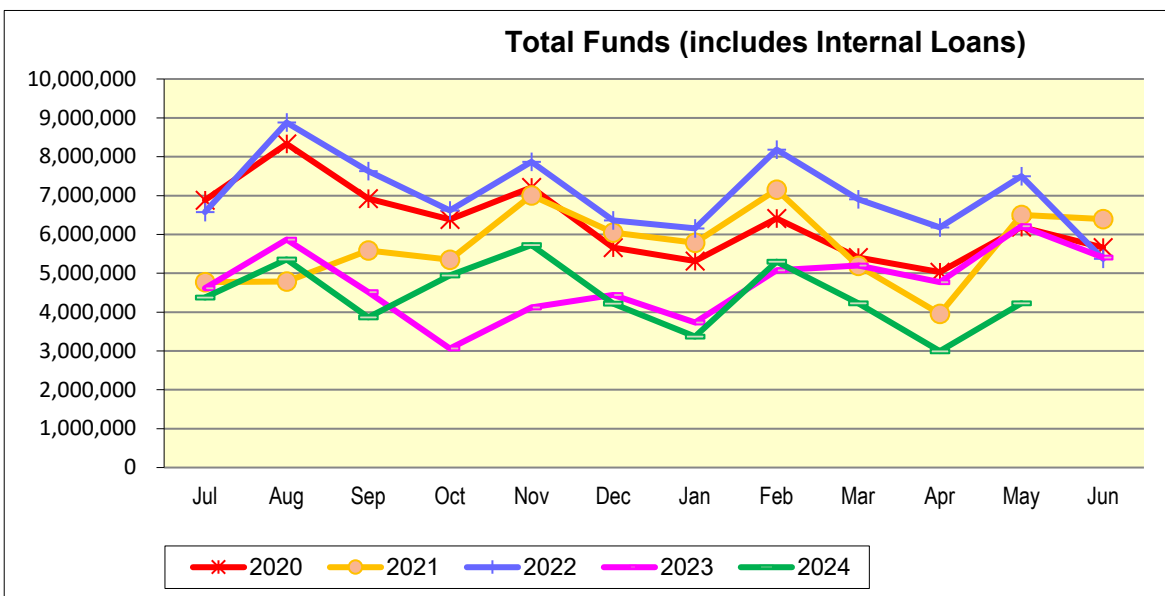
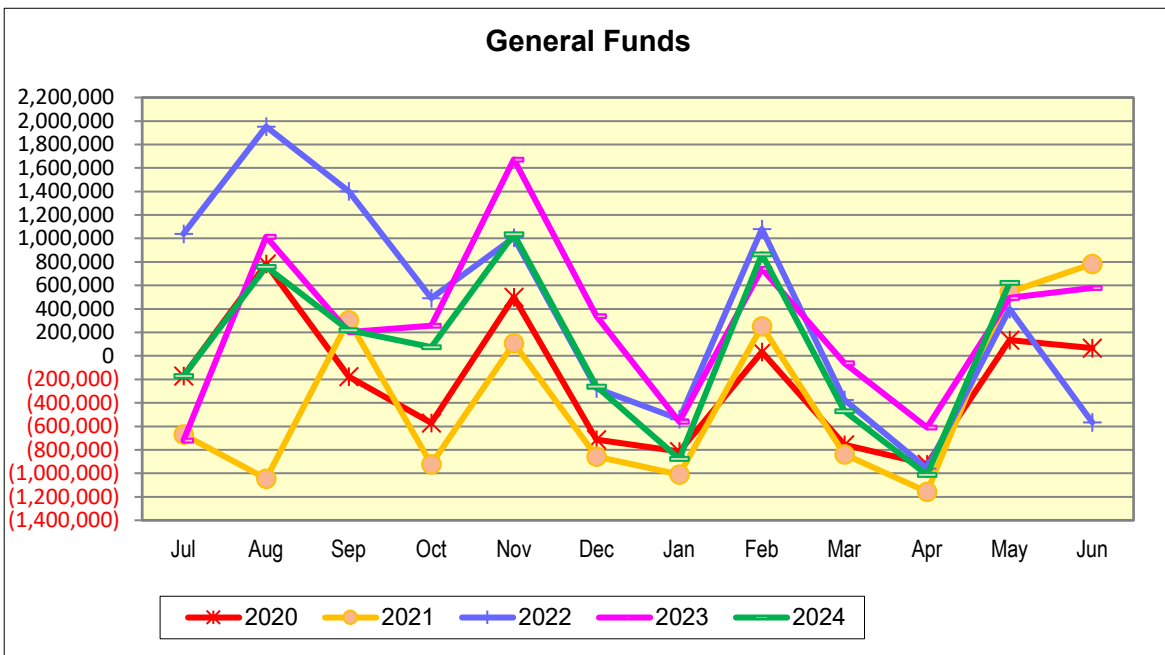
Z:\KDC Taxonomy\Governance\Democratic Services\Meetings\Audit and Risk\Reports\August 2024\R-AR Treasury Report for May and June 2024 - 2024-08-05 - LAB.docx

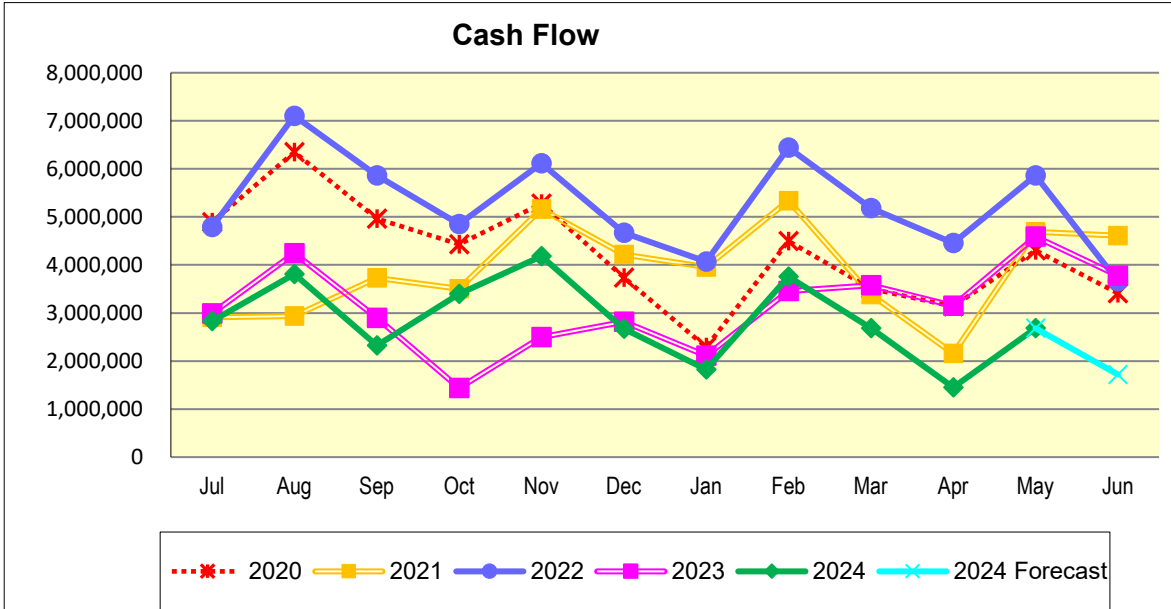
Appendix

May 2024 – Financial Data



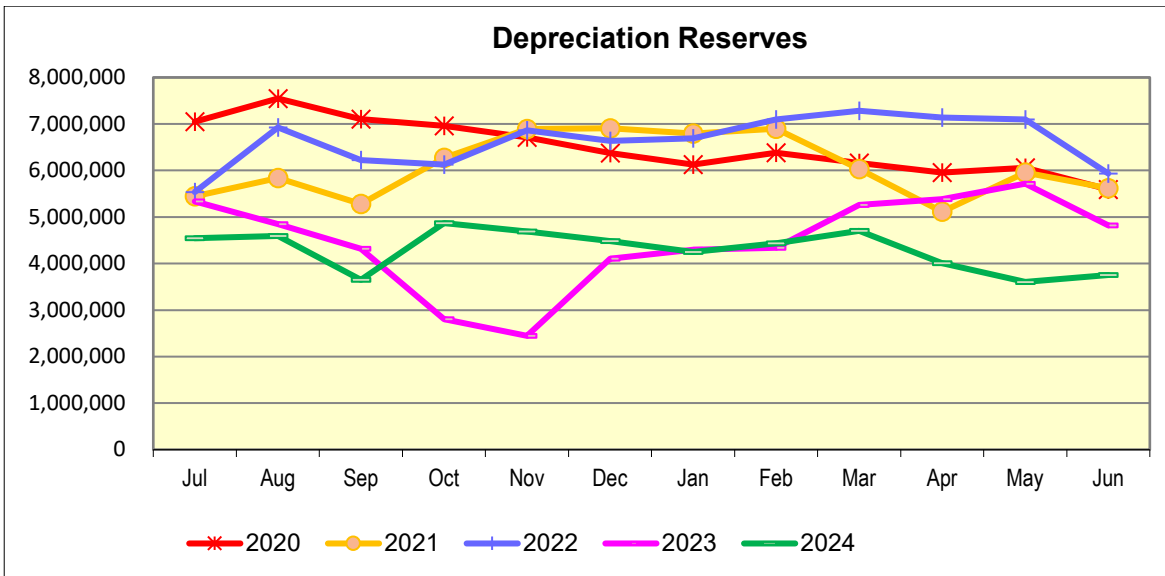
The depreciation reserves funds above includes the loan funding Council has uplifted.



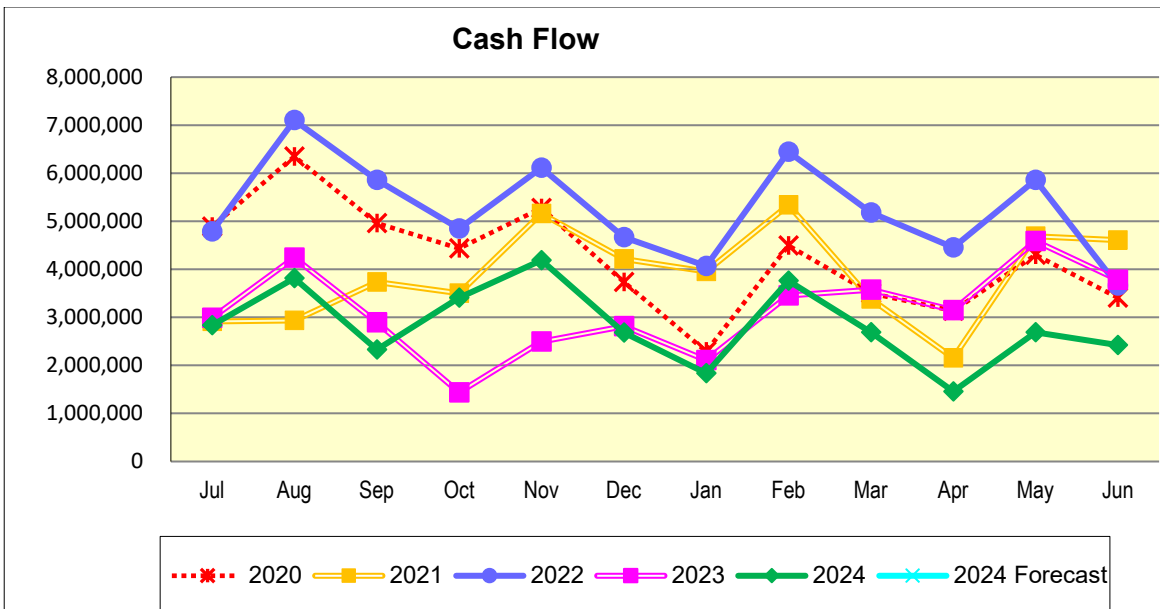
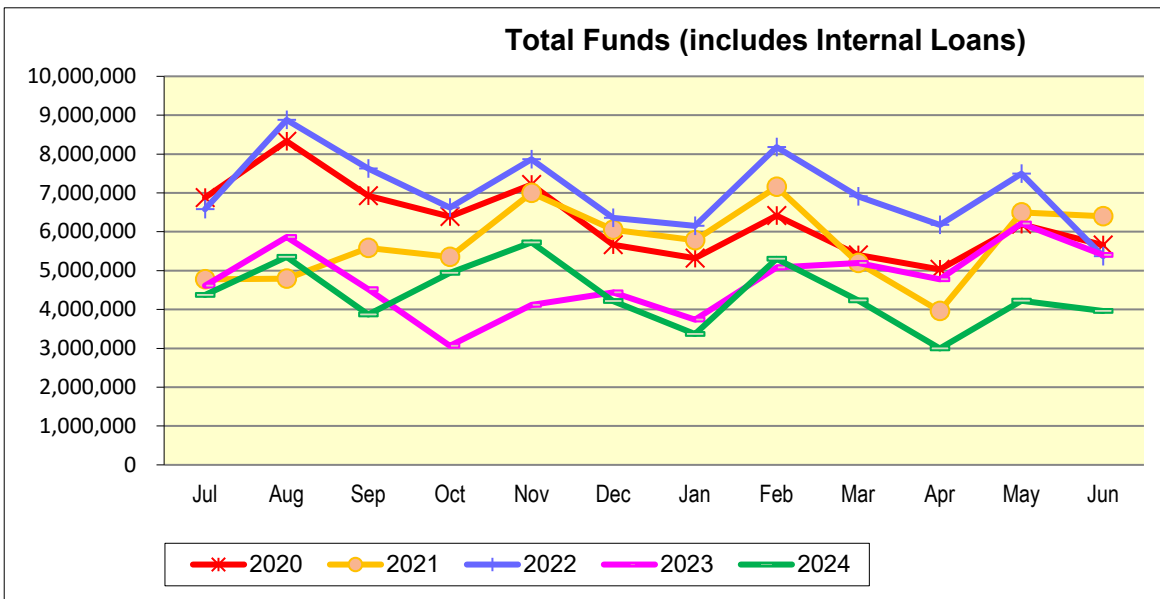
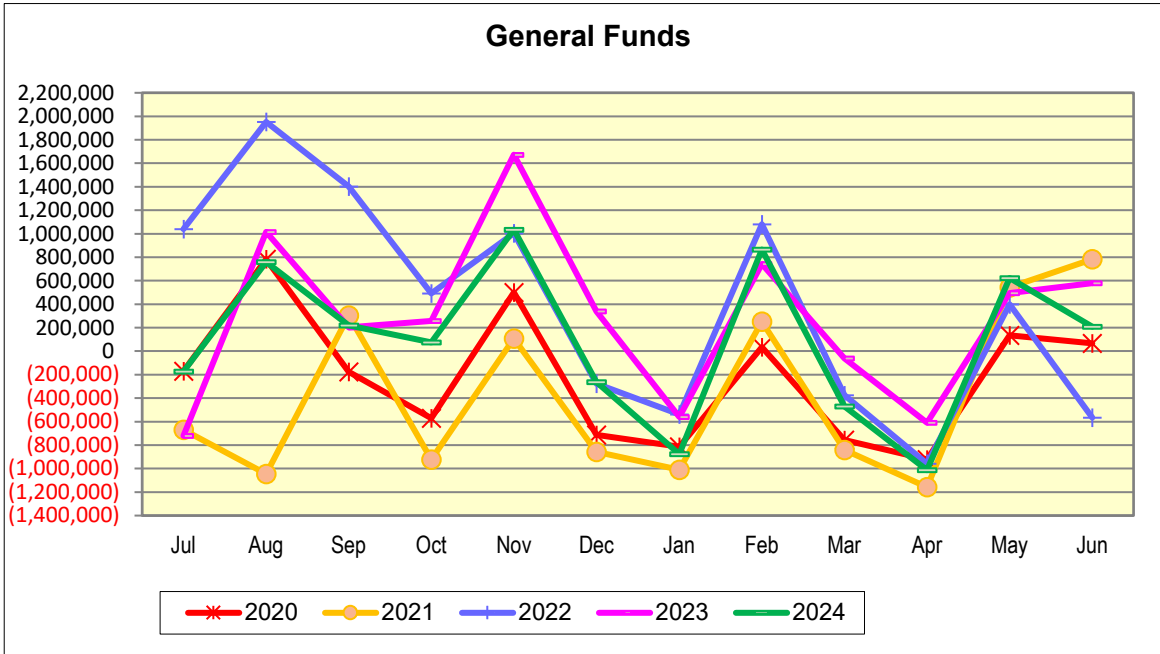


Please note that the 2023/24 actual cashflow is the same as the forecast cashflow for months year to date.

June 2024 – Financial Data



The depreciation reserves funds above includes the loan funding Council has uplifted.



Please note that the 2023/24 actual cashflow is the same as the forecast cashflow for months year to date.

Meeting: Audit and Risk Committee

Meeting Date: 5 August 2024

Subject: **Audit and Risk Review Timetable from August 2024 to June 2025**

File No: 101300

1 Purpose

The purpose of this report is to inform the committee of the proposed timetable for the review of key risks and financial policies and performance for the Audit and Risk Committee for the next 12 months.

2 Background

Council has appointed an Audit and Risk Committee to overview Council's finances and risks, to ensure that adequate controls are in place to safeguard the community's assets. Most Councils have an Audit and Risk committee to undertake these functions. This Council first established its Audit and Risk Committee on 8 April 2015.

The Proposed Audit and Risk Review Timetable for 2024 was presented to the committee at the 8 April 2024 meeting. A request was made for this report to be to be presented at each meeting as a rolling timetable of work to be completed.

3 Proposed Audit and Risk Review Timetable

The appendix to this report contains the proposed timetable for the review of risk management, financial policies, as well as financial reporting and planning, for the next 12 months of scheduled meetings.

There may be other policies or reviews that the committee would like to be reviewed that can be added to the schedule at any stage.

4 RECOMMENDATION

That the report "Audit and Risk Review Timetable from August 2024 to June 2025" be received.



Lee-Anne Butler, CA, BMS

Group Manager, Finance & Corporate Services

Z:\KDC Taxonomy\Governance\Democratic Services\Meetings\Audit and Risk\Reports\August 2024\AR - Committee Review Schedule 2024-08-05 - LAB.docx

Appendix

Audit & Risk Committee Meetings and Review Schedule

Topic	Tasks	5 August 2024	7 October 2024	9 December 2024	10 February 2025	7 April 2025	9 June 2025
Risk management	Insurance renewal plan		Insurance Update Report	Provide insurance renewal proposals	Report on current Council insurance policies		
	Health and safety policy and reporting requirements	Reports (monthly) monitoring Council's Health and Safety systems throughout the year					
	Review/update Risk Policy, Risk Register and Risk Framework	Review/update risk framework, register and policy			Undertake further reviews as required in line with best practice		
	Identification of risks and mitigations for significant projects		Residential Developments – Risks identified and mitigations & controls		Undertake further reviews as required in line with best practice		
Policy Review	Sensitive Expenditure Policy			Review/update policy for committee consideration			
	Procurement Policy (OAG guidelines)	Review/update policy for committee consideration					
	Financial policies (Code of Conduct, Gifts Policy, Fraud Policy)		Fraud Risk Assessment	Review/update Council's gift policy.			

Topic	Tasks	5 August 2024	7 October 2024	9 December 2024	10 February 2025	7 April 2025	9 June 2025
	Bylaws and Policies	Update on Council By-Laws		Update on Council Policies and By-Laws		Update on Council Policies and By-Laws	
	Investment and Liability Management Policies				Review/update policy for committee consideration		
Financial reporting and Annual Report	Treasury Reports	Reports (monthly) monitoring Council's Health and Safety systems throughout the year					
	Quarterly financial and non-financial performance		Performance report to 30 June 2024	Performance report to 30 September 2024		Performance report to 31 December 2024	Performance report to 31 March 2025
	Audit Management Report	Report on Interim Audit Management Report - 2024		Final Audit Management Report 2023/24			
	Prepare 2023/24 Annual Report		Draft Annual Report				Timetable for Annual Report
Annual Plan/LTP amendments	Timetable for the preparation and adoption of AP/LTP amendments	Long Term Timetable and update	Update on Financial Strategy and LTP Risks & issues	Long Term Plan Progress Report	Updated Long Term Plan timetable		
Internal Audit	Review and consider provision of internal audit functions			Proposed internal audit programme for Council			
Asset Management Plans	On-going programme to improve the AMPs		Report progress on AMP's and Infrastructure Strategy for 2025-34 Long Term Plan		Report progress on AMP's and Infrastructure Strategy for 2025-34 Long Term Plan		

Meeting: Audit and Risk Committee

Meeting Date: 5 August 2024

Subject: Long Term Plan 2025 – 2034

File No: 110555

1 **Purpose**

The purpose of this report is to provide the committee with an update on the Long Term Plan 2025-2034 and timetable.

2 **Background**

The Local Government Act 2002 requires Council to prepare a Long Term Plan at least every three years and an annual plan in the years in between. Council must also consult on its Long Term Plan using the special consultative process, which includes preparing a consultation document and engaging with the community. There is also a requirement that the Long Term Plan and the consultation document must be audited.

The 2024 - 2025 rating year would have been year one of the new 2024 - 2034 Long Term Plan. However, due to the Government reforms on the Three Waters Legislation, on 10 April 2024, Council resolved that *“under clauses 48 and 49 of Schedule 1AA of the Local Government Act 2002 (inserted by the Water Services Acts Repeal Act 2024),* to prepare an Annual Plan for 2024 - 2025 and a nine year Long Term Plan 2025 - 2034. The Long Term Plan must be adopted prior to the commencement of the year to which it relates (that is before 1 July 2025).

3 **Long Term 2025 – 2034**

Following the completion of the Annual Plan 2024-2025, work has begun on the preparation of the nine year Long Term Plan 2025-2034. Staff have prepared a timetable for the preparation of the Long Term Plan to ensure that all the necessary tasks are completed prior to the adoption.

3.1 **Audit Focus Areas**

Council’s Auditors in planning the audit of the Long Term Plan 2025 - 2034, require Council to complete a self-assessment to provide key information regarding the development of the Long Term Plan. The self-assessment covers the following key areas:

1. Council specific risks and issues
2. Project management processes
3. Contents of the consultation document and Long Term Plan
4. Governance
5. Activity Planning, asset management planning and infrastructure strategy
6. Financial strategy and financial management systems
7. Performance management and reporting information
8. Responding to climate change
9. Legislative compliance

The self-assessment questionnaire assists in laying the expectations of what audit will be specifically reviewing as part of the Long Term Plan audit.

Further, in preparing this report Council's Auditors have provided additional guidance on some of the key areas of focus for the Long Term Plan 2025 - 2034, as follows:

- Capital do-ability assumption
- Balanced budget (if an issue)
- Local Water Done Well – impacts (if any)
- Levels of Service
- Financial Strategy
- Financial model:
 - Quality of model in terms of assumptions and linkages to underlying information.
 - Benchmarks included in the financial model.
 - Variance explanations for any large year-on-year movements throughout the financial model
- Infrastructure Strategy
- Asset Management Plans
- Forecast performance reporting
- Climate change assumptions
- Quality Assurance and reviews.

The majority of the above focus areas link into either Asset Management Plans and the Infrastructure Strategy or the Financial Strategy and modelling. The one area where additional clarity will be sought from Audit is regarding climate change assumptions and Audit's requirements for Climate Change disclosures.

4 Timetable for Long Term Plan 2025 - 2034

The appendix to this report contains the timetable for the preparation and adoption of the Long Term Plan 2025-2034. The timeframe for the completion of the asset management plans has been revised with an extension of four weeks, which is due to the requirement to ensure that the asset management plans include all the infrastructure assets as at 30 June 2024. This process is still underway as staff prepare the Annual Report to 30 June 2024 and include all year end accruals and finalise depreciation, additions and disposals in the fixed asset register, which must reconcile to the asset management plans.

There are two audit reviews required for the Long-Term Plan. At this stage there are no set times for the audit, as Council is yet to receive the Audit Long Term Plan engagement letter. The first audit will likely be in March 2025, for the Long-Term Plan Consultative Document and then the final audit of the full Long-Term plan is likely to be in May 2025. The audit dates require discussion and confirmation from Audit New Zealand, therefore the dates in the timetable are tentative.

The audit dashboard detailing Audit's requests for information for the Long Term Plan is already available which is helpful in assisting staff to start working through all the audit requirements.

5 **RECOMMENDATION**

That the report "Long Term Plan 2025 – 2034" be received.



Lee-Anne Butler, CA, BMS

Group Manager Finance and Corporate Services

Z:\KDC Taxonomy\Governance\Democratic Services\Meetings\Audit and Risk\Reports\August 2024\IR-AR Long Term Plan 2025-2034 Timetable 2024-08-05 - LAB.docx

Project Plan for 2025 – 2034 Long-Term Plan

Tasks	Responsible	Completion
Policy & Strategy Reviews		
Investment Policy	GMFCS	25/09/2024
Liability Management Policy	GMFCS	25/09/2024
Financial Contributions Policy	GMRP	25/09/2024
Significance and Engagement Policy	CEM/GMFCS	30/10/2024
Significant Forecasting Assumptions	GMFCS	30/10/2024
Infrastructure Strategy (30 years)	GMOS/GMFCS	27/11/2024
Financial Strategy	GMFCS	27/11/2024
Revenue and Financing Policy	GMFCS	27/11/2024
Rates Review	GMFCS	11/12/2024
Rates Remission & Postponement Policies	GMFCS	11/12/2024
Asset Management Plans		
Roading	GMOS/FA	25/09/2024
Water Supply	GMOS/FA	25/09/2024
Wastewater	GMOS/FA	25/09/2024
Stormwater	GMOS/FA	25/09/2024
Community Facilities & Property	GMOS/FA	30/10/2024
Parks & Reserves	GMOS/FA	30/10/2024
Financials		
Prepare initial Budgets for 2025-2034 LTP	SLT	11/10/2024
Budget Collation and Managers Review	GMFCS/SLT	30/10/2024
Budget Overview	GMFCS	20/11/2024
Rates Impact	GMFCS	20/11/2024
Agree Budget and Rates impact for Community Consultation	GMFCS	29/01/2025
Long Term Plan Preparation & Consultation		
Pre-Consultation with Community	CEM/GMFCS	1/09/2024 to 30/09/2024
Prepare Performance targets (non-financial)	All Managers	30/10/2024
Draft LTP Consultation Document – LTP Statement of Proposal prepared and presented to Council for consideration and changes	CEM/GMFCS	26/02/2025
Audit of LTP Statement of Proposal	GMFCS	6/03/2025 to 21/03/2025

Tasks	Responsible	Completion
Adoption of LTP Statement of Proposal/Draft LTP Document for Consultation	Council	26/03/2025
Special Consultative Consultation Period: Public Meetings/Newsletter/Website/Media	CEM/GMFCS	27/03/2025
Submissions Close		28/04/2025
Advise Submitters wanting to speak	CEM/Admin	1/05/2025
Hear and consider all submissions	Council	7/05/2025 to 8/05/2025
Submission Deliberations	Council	14/05/2025 to 15/05/2025
Implement any changes – amend LTP & prepare rates		22/05/2025
Audit of LTP 2025-2034 (to be confirmed by Audit)	Auditors	26/05/2025 to 6/06/2025
Obtain Legal opinion concerning FIS & rates resolution		6/06/2025
Implement any changes – amend LTP & prepare rates	Any audit adjustments	9/06/2025 to 16/06/2025
Adopt Long Term Plan 2025-2034 & rates resolution	Council	25/06/2025
Long Term Plan on website	CEM/GMFCS	30/06/2025

GMFCS = Group Manager Finance and Corporate Services
 CM = Communications & Engagement Manager
 GMRP = Group Manager Regulatory and Planning
 FA = Financial Accountant
 SLT = Senior Leadership Team

Meeting: Audit and Risk Committee

Meeting Date: 5 August 2024

Subject: **Interim Audit Management Report for year ended 30 June 2024**

File No: 201000

1 Purpose

The purpose of this report is to update the committee with the recommendations raised in the Interim Audit New Zealand Management Report for the year ended 30 June 2024, which includes management's responses to the recommendations identified.

2 Background

The Local Government Act 2002 requires that Council produces each year an annual report which must be audited, within the statutory timeframes.

As part of the audit process, an audit management report is prepared by Council's auditors, which identifies recommendations that Council needs to address to improve its internal controls and ensure it is meeting the legal obligations.

The audit process usually involves an interim audit, which reviews the control environment, including the effectiveness of systems and internal controls that are in place. Then the final audit focuses on the financial data reported in the Annual Report to ensure accuracy, completeness and compliance.

3 Recommendations in Interim Audit Management Report to 30 June 2024

The interim Audit was conducted by Audit New Zealand from 20 to 31 May 2024. This year Audit New Zealand have provided an Interim Audit Management Report to 30 June 2024, which is attached and includes management's responses to the recommendations raised.

There was one internal control recommendation raised that the Group Manager Finance and Corporate Services should approve (including supporting evidence) access to Ozone, which is Council's primary software system. While there were already approvals of access in place by Managers or Team Leaders, following this recommendation all approvals are now to be by the Group Manager Finance and Corporate Services.

There were two open recommendations, which have been addressed and recommendations implemented. Of note the requirement for weekly automated Ozone access reports to be produced and checked is not possible, however a report will be completed monthly, which will be reviewed and evidenced as reviewed. There are appropriate systems in place for the on-boarding of new staff and the removal of access for exiting staff.

The interim report also includes the recommendations that will be reviewed as part of the final audit process and those that have been implemented or closed.

4 **RECOMMENDATION**

That the report “Interim Audit Management Report for year ended 30 June 2024” be received.



Lee-Anne Butler, CA, BMS

Group Manager, Finance & Corporate Services

Z:\KDC Taxonomy\Governance\Democratic Services\Meetings\Audit and Risk\Reports\August 2024\IR-AR Interim Audit Management Report to 30 June 2024 - 2024-08-05 - LAB.docx

Report to the Council on the interim audit of

Kawerau District Council

For the year ending 30 June 2024

Contents

Key messages	3
1 Recommendations	4
2 Assessment of internal control	6
Appendix 1: Status of previous recommendations	8
Appendix 2: Disclosures	11

Key messages

We have completed our interim audit for Kawerau District Council (the District Council) for the year ending 30 June 2024. This report sets out our findings from the interim audit.

The primary purpose of our interim audit was to update our understanding of the District Council's control environment and to gain a better understanding of the issues facing the District Council and how these are being addressed.

We performed a high-level review of the District Council's control environment. Overall we are satisfied the control environment is effective for the purpose of undertaking an efficient and effective audit.

We follow a fully substantive audit approach for Council's audit, and therefore has not compliance tested the controls we identified during the interim audit. In this scenario our audit scope includes evaluating the design of your controls within the significant business processes and reporting any deficiencies that we pick up as a result of the high-level evaluation. Controls are not tested in depth.

We also followed up on the status of issues raised in previous audits. These are detailed further in Appendix 1.

Thank you

We would like to thank the Council, management and staff for their assistance during the interim audit.



René van Zyl
Appointed Auditor
17 July 2024

1 Recommendations



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

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

1.1 New recommendations

Recommendation	Reference	Priority
Access to Ozone is approved by the Group Manager Finance and Corporate Services and evidence of this approval is retained.	3.1	Urgent

1.2 Status of previous recommendations

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

Priority	Priority			
	Urgent	Necessary	Beneficial	Total
Open	-	2	-	2

Priority	Priority			
	Urgent	Necessary	Beneficial	Total
Implemented or closed	-	2	-	2
Matters that will be followed up during our final audit visit	1	4	-	5
Total matters considered	1	8	0	9

2 Assessment of internal control



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

2.1 Control environment

The control environment reflects the overall attitudes, awareness, and actions of those involved in decision-making in the organisation. It encompasses the attitude towards the development of accounting and performance estimates and its external reporting philosophy and is the context in which the accounting system and control procedures operate.

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

Overall, we concluded that the control environment is effective. However, we have identified an area for improvement.

2.1.1 No evidence of approval for access to new users on Ozone

During our review of the general information technology environment, we identified some instances where the request form for adding new users to the Ozone application has not been approved by the Group Manager Finance and Corporate Services. There is a potential risk that users are added to Ozone that should not have access to this system.

Recommendation

We recommend access to Ozone is approved by the Group Manager Finance and Corporate Services and evidence of this approval is retained.

Management comment

The Ozone forms had been approved by either the Manager or the Team Leaders for the new staff member to be added to Ozone as was the process. The process has now been changed, whereby Ozone access is now being approved by the Group Manager Finance and Corporate Services and evidence of approval is retained.

2.2 Internal controls

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

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

Appendix 1: Status of previous recommendations

Open recommendations

Recommendation	First raised	Status
Necessary		
Monthly suspense and payroll reconciliations		
Reconciliations should be evidenced as prepared and independently reviewed. Any variances are appropriately investigated and corrected, in a timely manner.	2022/23	<p>Our review of payroll reconciliations identified instances where the reconciliation itself did not show evidence of review, although there was a sign off on the front page of the list of reviews.</p> <p>We were unable to review suspense reconciliations and we will perform this at our final audit visit.</p> <p>Management comment</p> <p><i>The payroll reconciliations are now evidenced as prepared and reviewed. A couple of the instances identified as not reviewed were evidenced as reviewed on the front reconciliation page. To ensure no queries on this moving forward the reconciliation payroll pages will also be signed as reviewed.</i></p>
Regular reviews of network users not being performed		
Regular reviews and reporting be carried out on the network, and within applications, to ensure that only current, approved users have access. These reviews could include automated weekly reports of users who have not logged in for a period of time. These reviews should be evidenced as reviewed and any mitigating or corrective actions noted.	2022/23	<p>Our review of the IT systems shows that there is no documentation evidencing this review.</p> <p>Management comment</p> <p><i>There are key controls on the adding and removal of users with access to Ozone. Given there are very few system changes, a monthly report will be run and reviewed to ensure user access is correct, which will be evidenced as reviewed. There is no option of an automated weekly report.</i></p>

Implemented or closed recommendations

Recommendation	First raised	Status
Necessary		
Password configuration settings		
<p>The District Council improve password settings to minimise the risk of easy to guess passwords. Should the password settings adopted still not align with NZISM recommendations these should be presented to Council for approval.</p> <p>Additional mitigating actions such as the implementation of multi factor authentication and user training on the use of passphrases could also be considered.</p>	2022/23	<p>Current year review shows that the council has implemented some of the NZISM recommendations and there is also multi-factor authentication as an additional security.</p> <p>Management comment</p> <p><i>Multi-factor authentication was implemented on <u>1 June 2022</u>.</i></p> <p><i>The passwords requirements have been updated to comply with NZISM.</i></p>
Procurement practices		
<p>The next revision of the procurement policy includes a comparison with the Government Procurement Rules, to ensure all good practice elements are reflected in the policy.</p>	2020/21	<p>The Procurement Policy which was reviewed in June 2023.</p> <p>Management comment</p> <p><i>The Procurement Policy is currently being reviewed.</i></p>

Recommendations to be followed up during our final audit visit

Recommendation	First raised
Urgent	
Roading smoothness survey – traffic counts	
<p>The District Council ensures traffic counts are performed at least annually.</p> <p>It is possible the District Council measures traffic counts every two years if they consider it to be more cost effective, provided the lack of annual information does not result in poor decisions on which roads to perform maintenance/renewals work on.</p>	2022/23
Necessary	
Property, plant and equipment reconciliations	
<p>The District Council prepares an annual reconciliation of its asset management systems to the fixed asset register and the reconciliation is evidenced as independently reviewed and any variances corrected.</p>	2022/23
Approval for disposal of property, plant and equipment	
<p>The District Council implements a process that all asset disposals are approved by the asset managers and this is provided in written format.</p>	2022/23
Completeness of valuations	
<p>The District Council ensures all assets within a class are subject to periodic revaluation in accordance with the requirements of PBE IPSAS 17 <i>Property, plant and equipment</i>.</p>	2021/22
Sensitive expenditure testing	
<p>The District Council remind staff of the importance of ensuring expenditure incurred complies with the sensitive expenditure policy and accepted good practice in the public sector.</p>	2019/20

Disclosures

Area	Key messages
Our responsibilities in conducting the audit	<p>We carry out this audit on behalf of the Controller and Auditor-General. We are responsible for expressing an independent opinion on the financial statements and performance information. This responsibility arises from section 15 of the Public Audit Act 2001.</p> <p>The audit of the financial statements does not relieve management or the Council of their responsibilities.</p> <p>Our audit engagement letter contains a detailed explanation of the respective responsibilities of the auditor and the Council.</p>
Auditing standards	<p>We carry out our audit in accordance with the Auditor-General's Auditing Standards. The audit cannot and should not be relied upon to detect every instance of misstatement, fraud, irregularity, or inefficiency that are immaterial to your financial statements. The Council and management are responsible for implementing and maintaining systems of controls for detecting these matters.</p>
Auditor independence	<p>We are independent of the District Council in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: <i>International Code of Ethics for Assurance Practitioners</i>, issued by New Zealand Auditing and Assurance Standards Board.</p> <p>To date, other than the audit, we have no relationship with or interests in the District Council.</p>
Fees	<p>The audit fee for the year is \$149,389 (excluding GST), as detailed in our Audit Proposal Letter.</p> <p>To date, no other fees have been charged in this period.</p>
Other relationships	<p>To date, we are not aware of any situations where a spouse or close relative of a staff member involved in the audit occupies a position with the District Council that is significant to the audit.</p> <p>We are not aware of any situations to date where a staff member of Audit New Zealand has accepted a position of employment with the District Council during or since the end of the financial year.</p>

AUDIT NEW ZEALAND

Mana Arotake Aotearoa

PO Box 1165
Auckland 1140
Phone: 04 496 3099

www.auditnz.parliament.nz



Meeting: Audit and Risk Committee

Meeting Date: 5 August 2024

Subject: **Review of Council's Procurement Policy**

File No.: 110551

1 Introduction

The purpose of this report is to provide the updated Procurement Policy for the committee's consideration and an opportunity to provide recommendations or amendments.

2 Background

Council has a procurement policy to ensure there is a robust process to follow and ratepayers are assured that the best value for money is obtained.

The procurement policy includes processes for staff to follow when acquiring goods, services and works for Council. All councils will have a procurement policy to mitigate as much as possible the risks associated with procurement and ensure that ratepayers get the best value.

The policy also ensures that procurement is conducted in a fair and transparent manner and the risk of fraud or impropriety is reduced. At the same time the policy enables staff to conduct the procurement function efficiently and minimise risk.

Council's current Procurement Policy was adopted on 15 May 2020 and is due for review to ensure that the procurement decision framework is meeting Council's policy objectives, including the best value for money and that the policy aligns with best practice. Council's Auditors also recommend regular reviews of financial policies to ensure good practice elements are reflected in the policy.

3 Procurement Policy

Council is reviewing a number of policies, with a new format which will provide a consistent presentation of all Council policies.

A review and update of the Procurement Policy has been undertaken and the updated policy is attached in appendix A. With the change in the format of the policy, plus the proposed amendments, appendix B includes the current procurement policy to assist with illustrating the policy updates.

The updated Procurement Policy as provided has essentially the same principles and objectives and overall has a consistent intent with the current policy. However additional information has been added to enhance the policy, include best practice

objectives, as well as reflect the practical logistics of procurement for Council. A summary of the key changes are as follows:

- The order of the objectives has been changed to fairly reflect the priority of the objectives. An additional objective has been added to ensure a local focus is taken into consideration - “Demonstrates a positive local economic outcome and local employment opportunities” and the objective of legal compliance has been moved to be included under the policy statement.
- Under Principles a key recommendation from the Auditors is that the procurement policy aligns with “The Government Procurement Rules”. These five principles have been added under this section. These Principles are consistent with Council’s current procurement policy; however the inclusion ensures that this further articulates the principle expectations of procurement under this policy.
- The current principles statement includes compliance, conflicts and risks which have been moved into the policy statement section of the proposed policy, where it more appropriately sits.
- The scope of the policy has been moved forward to follow the policy principles. The scope has been expanded to specifically state the areas where the procurement policy is not applicable.
- Definitions and Guidelines have been added into a specific section. Throughout the document reference to “officer” a dated term, has been replaced with staff or staff member. With regards to the procurement methods and types of quotations the following changes have been made:
 - A new procurement method added of Sole Agency, with a definition of what this entails. A sole agency does impact the procurement process and compliance with the procurement process and in these instances could have a negative impact.
 - The types of quotations did include summaries of how each method would be used. These details have been removed as they are covered under the procurement thresholds.
 - The tender evaluation has been moved to a separate tender section under Policy Statement.
- The Policy Statement has been reviewed to streamline the process and remove any information that is not applicable or referenced elsewhere in the policy. The key changes are:
 - Inclusion of the compliance, conflicts and risks which were under policy principles.
 - The references to the tender process have been moved under the tender evaluations section and examples removed so as not to limit examples or context.

- A threshold table has been introduced to easily illustrate the appropriate financial thresholds applicable to the various levels of total cost procurement. With the increased costs over many years the thresholds have also been increased to reflect the movement in costs and to reflect a realistic and pragmatic approach to the logistics of procurement. With this change the flowchart has been removed.
- For the Tender evaluation section, relevant information has been included under this heading for consistency and simplicity.
- The References and Relevant Legislation is a new section, providing a link to both legal and other Council policy obligations.

4 Policy and Plan Considerations

There is no legal requirement for Council to adopt a procurement policy. However, Council's fundamental legal obligation is always to act fairly and reasonably, and in accordance with the law. To ensure that this always occurs when undertaking any procurement activity, it is preferable that a policy is adopted to provide the necessary processes and guidance, so staff act fairly and reasonably.

There are no Council policies or plans that are inconsistent with this policy.

5 Financial Considerations

While there is no additional cost to Council for the preparation of this policy, key to the procurement policy is ensuring that Council purchases are incurred through a robust system to obtain the best value for money and Council's core procurement principles are met.

7 RECOMMENDATIONS

1. That the report "Review of Council's Procurement Policy" be received.
2. That the Audit and Risk Committee review and recommend any changes to the Procurement Policy, as proposed.



Lee-Anne Butler, CA, BMS

Group Manager Finance and Corporate Services

Z:\KDC Taxonomy\Governance\Democratic Services\Meetings\Audit and Risk\Reports\August 2024\R-AR-Review of Councils Procurement Policy 2024-08-05 - LAB.docx

Council Policy Procurement

Effective date: September 2024

Review date: 30 June 2027

File reference: 40400

1. Purpose

To establish a framework of good procurement practice, accountability and sustainability that provides a consistent approach to procurement by Council.

2. Policy Objectives

The objectives of Kawerau District Council's procurement policy are to provide clear direction to management and staff in relation to the purchasing function and establishes a decision framework that:

- delivers best value for money over the whole life of the goods, services, works or assets;
- ensures purchases are made in an open and transparent manner with full and fair opportunity for all eligible suppliers;
- ensures adequate probity – integrity, equity and fairness
- minimises relationship costs, ongoing operational costs and consequential costs;
- demonstrates a positive local economic outcome and local employment opportunities.
- contributes to Council's sustainability objectives and also has regard to the economic, environmental, and social impacts over their life cycle;
- appropriately manages risk;
- promotes efficient purchasing practices and their continuous improvement;
- ensures Council's purchasing activities are managed in accordance with its statutory and legal responsibilities.

3. Principles

Council believes it is necessary to have a robust procurement policy in place so there is confidence and transparency in the procurement process and ratepayers are assured that processes are followed to ensure the best value for money is obtained. Also, by having a procurement policy staff are aware of the steps that must be taken when acquiring goods or services on behalf of Council.

To ensure procurement good practice Council's should align with The Government Procurement Rules (4th edition) and general industry best practice. The five principles of Government Procurement will be used to guide all procurement activity (per New Zealand Government Procurement Rules, Edition 4, 2019) which are as follows:

1.	Plan and manage for great results
	<ul style="list-style-type: none"> ➤ Identify what you need, including what broader outcomes should be achieved, and then plan how to get it. ➤ Set up a team with the right mix of skills and experience. ➤ Involve suppliers early – let them know what you want and keep talking ➤ Take the time to understand the market and your effect on it. Be open to new ideas and solutions. ➤ Choose the right process – proportional to the size, complexity and any risks involved. ➤ Encourage e-business (for example, tenders sent by email).
2.	Be fair to all suppliers
	<ul style="list-style-type: none"> ➤ Create competition and encourage capable suppliers to response. ➤ Treat all suppliers equally – we don't discriminate (this is part of our international obligations). ➤ Seek opportunities to involve New Zealand businesses, including Māori, Pasifika and regional business and social enterprises. ➤ Make it easy for all suppliers (small and large) to do business. ➤ Be open to subcontracting opportunities in big projects. ➤ Clearly explain how you will assess proposals – so suppliers know what to focus on. ➤ Talk to unsuccessful suppliers so they can learn and know how to improve next time.
3.	Get the right supplier
	<ul style="list-style-type: none"> ➤ Be clear about what you need, and fair in how you assess suppliers – don't string suppliers along. ➤ Choose the right supplier who can deliver what you need, at a fair price and on time. ➤ Choose suppliers that comply with the Governments Supplier' Code of Conduct. ➤ Build demanding, but fair and productive, relationships with suppliers. ➤ Make it worthwhile for suppliers – encourage and reward them to deliver great results. ➤ Identify relevant risks and get the right person to manage them.
4.	Get the best deal for everyone
	<ul style="list-style-type: none"> ➤ Get best <u>public value</u> – account for all costs and benefits over the lifetime of the goods or services. ➤ Make balanced decisions – consider the possible social, environmental, economic and cultural outcomes that should be achieved. ➤ Encourage and be receptive to new ideas and ways of doing things – don't be too prescriptive. ➤ Take calculated risks and reward new ideas. ➤ Have clear performance measures – monitor and manage to make sure you get great results. ➤ Work together with suppliers to make ongoing savings and improvements. ➤ It's more than just agreeing the deal – be accountable for results.
5.	Play by the rules
	<ul style="list-style-type: none"> ➤ Be accountable, transparent and reasonable. ➤ Make sure everyone involved in the process acts responsibly, lawfully and with integrity. ➤ Stay impartial – identify and manage conflicts of interest. ➤ Protect suppliers' commercially sensitive information and intellectual property.

4. Scope

This policy covers activities associated with the purchasing of all goods, services and works by, or on behalf of the Kawerau District Council. It applies equally to the Council, the Leadership Team and other staff – permanent, temporary or contract.

The policy does not apply to the following activities:

- Employment payments (excluding the engagement of contractors and consultants to supply services).
- The purchase, disposal or leasing of land or buildings (except for the design, construction or refurbishment of buildings).
- Sale or disposal of Council assets.
- Financial instruments, including investments and loans.
- Grants, gifts, sponsorship, koha and donations.
- Payments to Government and regulatory bodies, including taxation and levies.
- Court awarded or negotiated settlements.

Council may depart from this policy to undertake urgent procurement required to provide emergency assistance and welfare relief.

Activities funded through the National Land Transport Programme will follow the Waka Kotahi New Zealand Land Transport Agency procurement procedures.

Any departure from this policy due to an emergency or any specific funding process departure must be fully justified and documented and approved by the Chief Executive Officer.

5. Definitions and Guidelines

5.1 Definitions

Council – means the Kawerau District Council (KDC).

Emergency – an event which results in one or more of the following:

- Staff, public, supplier, property and equipment in immediate risk
- Significant impairment of Council delivery of service if Council fails to respond promptly.
- A declared or undeclared response to an emergency as defined in the Civil Defence and Emergency Management Act 2002.

Probity – means the quality of having strong moral principles, by acting ethically and fairly.

Procurement – the process of acquiring and delivering products, services and works (including refurbishment and new construction).

Public Value – means getting the best possible/available result for the money spent, including total costs and benefits.

Staff – means all members, office holders, managers and employees of Kawerau District Council.

Supplier – A person, business, company or organisation that supplies or can supply goods, services or works.

Total Value – means value of the supply agreement over its entire term.

5.2 Procurement Methods

Council has considerable discretion on how it procures goods and services. However, staff have a responsibility to manage Council's resources in an efficient and effective manner, and in accordance with its obligations under legislation for sound business practice, due diligence, probity and fairness. This policy takes these principles into considerations when council is undertaking any procurement.

Council will follow the policies as set down in this document however, there will be instances where these will not be followed, such as:

5.2.1 Urgent Requirements

It is recognised that there may be times when due to time constraints that it is not practical to follow the policies for procurement. However, any departure from these policies must be authorised by the Chief Executive Officer and must be granted by the Chief Executive Officer in writing.

Expenditure incurred in the event of an emergency, must be in accordance with the appropriate emergency expenditure procedures rather than the requirements of this policy.

5.2.2 Joint Initiatives

Council may elect to participate in a range of syndicated or joint procurement activities. The Bay of Plenty Shared Services (BOPLASS) Procurement Group has jointly achieved enhanced value for its member authorities in the procurement of goods and services such as insurance services and office supplies.

5.2.3 Negotiated Supply Arrangements

There may be instances where it can be shown that the best outcome for Council, without compromising obligations as to fairness, avoiding monopolies, and the like, can be achieved through the negotiation of a longer-term supply agreement.

5.2.4 Sole Agency (Exclusive Supplier)

Sole Agency is the situation where there is only one exclusive supplier for a specific product, for example for certain pumps if you need a replacement part there is only one exclusive supplier in New Zealand who can provide that part. To not use the specified part could compromise warranties or be more costly to change to a different product. In these situations, a letter confirming the sole agency as an exclusive supplier will be obtained, to support this except.

5.3 Types of Quotation

Quotations are used in most circumstances when procuring goods and services. The objective is to achieve value for money. There are different types of quotations that can be used, and selection will be determined by the procurement value and level of risk. These types of quotation include:

Verbal quotations	Verbal quotations provide a quick and convenient way of exploring the market and determining availability and price for low value, low/medium risk goods or services.
Written quotations	Written quotations follow the same principles as verbal quotations. As the value of these goods or services are higher, there should be documentation to support the quotes for the goods or services.
Request for Quotation (RFQ)	A formal means of seeking quotations from the market for goods or services where price plus other terms and conditions form part of the main selection criterion.
Request for Information (RFI)	A formal request for information to gain a more detailed understanding of the supplier market and the range of solutions and technologies that may be available. ¹
Request for Proposal (RFP)	A formal means of seeking proposals from the market for goods or services where the public entity is open to supplier innovation – that is, where the outputs and the outcomes are important, rather than the process the supplier follows to deliver them.
Public Tender Process	The public tender process is inviting tenders or proposals through a public notice. A formal process seeking tenders from the market to provide goods and services where the public entity specification or requirement are clearly defined.

6. Policy Statement

6.1 Compliance with legislation and public law

Compliance with legislation is mandatory in all procurement activity.

Council's governing legislation, particularly the Local Government Act 2002, includes obligations to consult with the community or key stakeholders, on significant issues.

¹ Definitions per Office of the Auditor General Procurement Guidelines

If a tender or other procurement process may result in significant changes to the content or level of services being delivered to the community by Council (e.g. Library Services), Council may need to consider the relationship between the procurement process and community consultation obligations.

Council's fundamental public law obligation is always to act fairly and reasonably, and in accordance with the law. This imposes a higher standard of conduct than that which applies to the private sector. Public law obligations could apply to any aspects of a procurement process – including the pre-selection of potential tenderers. Council as a public body must meet the legitimate expectations of prospective tenderers.

6.2 Conflicts of interest, gifts and hospitality and maintaining confidentiality

As part of the general obligation to act fairly, staff must also take care that their decision-making processes cannot be challenged on the basis of actual or perceived bias, particularly in relation to conflicts of interest. There are formal requirements for the disclosure and management of conflicts of interest.

Council requires its staff to declare any personal interest which may affect, or could be perceived to affect, their impartiality in any aspect of their work. Any declarations will then provide the basis for deciding the steps needed to manage any potential conflict of interest.

Under no circumstances should a procurement process allow a staff member to receive preferential treatment in a contracting situation. No gifts, hospitality, or other incentives from suppliers submitting a tender (or are likely to submit a tender) are to be accepted by Council staff during a tender process.

Council should take particular care in its handling of commercially sensitive information. Council will also need to consider its' obligations under the Local Government Official Information and Meetings Act 1987, as these obligations may affect Council's capacity to give comprehensive assurances about the protection of sensitive information. Legal advice may, at times, be required on how to reconcile duties of this nature with Council's contractual or common law obligations to maintain commercial confidentiality.

6.3 Risk Management of Procurement Process

Risk is inherent in any procurement activity. Council's approach is to manage risk so that it is acceptable from a contractual and delivery point of view, to ensure that ratepayers are not exposed to significant unmitigated risk and future liability.

All Council staff are responsible for identifying and managing or mitigating risk effectively through each stage of the procurement process within their respective areas of responsibility. Council will also promote a "risk aware, risk prepared" culture to all its staff and managers.

By ensuring that procurement is conducted in a fair and transparent manner, the risk of fraud or impropriety should be reduced. Also, following the procurement policy and

procurement procedures, and having appropriate internal controls in place, will assist this.

Council must ensure that each staff member or agent involved in a procurement process has the required skills for the type and level of procurement.

For NZTA contracts, the guidelines as provided by NZTA (NZTA Procurement Manual) must be followed to ensure funding assistance is not put at risk.

When engaging an agent, Council also needs to ensure that an experienced staff member with the necessary delegated authority works with the agent. Council's own procurement policies and procedures should be used during the procurement process.

Staff will comply with applicable financial delegations when procuring goods or services.

Staff must also comply with legislation which limits their procurement authority or governs their internal delegation practices.

6.4 Procurement Application and Thresholds:

To achieve Council's procurement objectives and to enhance professional integrity, accountability and probity, all purchasing activity within Council shall be undertaken in accordance with the full procurement policy. Different procurement methods are to be used depending on the total value of the goods, services or works and the risk involved as follows:

Estimates Total Value (excl GST)	Up to \$10,000	\$10,001 to \$25,000	\$25,001-\$100,000	Greater than \$100,000
Direct Procurement (verbal and written quotes)	✓	x	x	x
Written Quotes – 2 to 3 quotes	✓	✓	x	x
Request for Quotes (RFQ) – formal process requesting quotes, a minimum of 3 written quotes	✓	✓	✓	x
Request for Information (RFI)	✓	✓	✓	x
Request for Proposal (RFP)	✓	✓	✓	x
Public Tender	✓	✓	✓	✓

- Ideally in the first instance purchases of less than \$10,000 should be sourced from suppliers designated as '**preferred suppliers**' where such preferred supply relationships have been established as a standing arrangement. All "**preferred suppliers**" will be reviewed annually to ensure that they have continued to provide quality and value for residents
- Council's preferred or default method for procurement is "public tender" as it provides the least risk to the organisation. However, there is a cost associated with this process and therefore it will be used for those contracts that exceed the stated

amounts in the threshold table. At any time if a procurement is of high significance, risk or sensitivity the procurement shall be by “public tender” to reduce the risk associated with this procurement.

- The Chief Executive is delegated to approve contracts without going to public tender or obtaining three competitive written prices for reasons of practicality and/or market conditions. Any approved exception greater than \$50,000 are subject to a report being provided to the next Regulatory and Services Committee meeting summarising the contract and reasons for not going to public tender.
- Approval for the purchase of goods, works or services including the acceptance of tenders shall be in accordance with the staff member’s delegation. Any purchase exceeding the Chief Executive’s delegation will go to Council for approval.
- Summary details shall be provided to the next Regulatory and Services Committee meeting for any cases when any acquisition of goods, works or services valued at \$50,000 or more is undertaken.
- For New Zealand Transport Agency (NZTA) subsidised activity Council is obligated to follow the NZTA Procurement Manual.
- Where Council has commissioned and paid for the establishment of intellectual property, Council retains the ownership of that property unless the contract specifically states otherwise
- Council has a commitment to sustainability and environmental protection. This will be pursued by promoting purchasing practices which conserve resources, save energy, minimise waste, and will protect the environment and human health whilst maintaining environmental safety and quality.
- From time to time a review process shall be undertaken by the Leadership Team to ensure that Council's policies for procurement are being followed.

6.5 Tender Evaluations

The tender process and rules should be:

- fair to all tenderers;
- determined before the tender process starts;
- communicated clearly to prospective tenderers; and
- followed consistently.

The contract documents used for major physical works and therefore the vast majority of KDC contracts will be the model documents prepared based on NZS 3910: 2013, Conditions of Contract for Building and Civil Engineering Construction (Contract Model

When staff are undertaking an evaluation of a tender, they will need to consider the following principles:

- When assessing a procurement proposal, staff should consider the “whole of life” cost (also referred to as Total Cost of Ownership) of the goods or services it is procuring. Often, the acquisition cost of a product is only a small proportion of this total cost of ownership.

- The Lowest Price Conforming Tender and Weighted Attributes models are the most commonly used evaluation models in Local Government. However, NZTA has now replaced the Weighted Attributes model with the Price Quality model which will only be used for NZTA contracts.
- In a two-envelope evaluation (e.g. price and non-price attributes) the non-price attributes will be evaluated in isolation and signed off by the evaluation team prior to opening the pricing envelope. It is important when asking for pricing information in a submission that the information received is comparable across the submissions.
- The nature of the procurement and the outcomes you require will determine which evaluation model is most appropriate.

The tender evaluation team will comprise the staff principally responsible for the contract as well as the responsible Manager. The Manager responsible for the contract will undertake any contract negotiation and approval of variation(s). The communication of any contract negotiation will usually be with Council's representative for the contract.

Late tenders will not be accepted except in exceptional circumstances. The Chief Executive will consider and decide on any requests to accept a late tender.

All awarded tenders are monitored against project schedules.

The extension or re-definition of any contract that increases the originally approved contract sum, and where that original sum is beyond the delegated authority of the Chief Executive, shall be presented to the Council for approval. It is acknowledged that where the additional costs of a service or project are small in relation to the costs of preparing specifications, seeking tenders, and contractors preparing their bids, an approved contract extension will often be preferred to a new or separate tender process.

7. References and Relevant Legislation

1. New Zealand Government Procurement Rules
2. Local Government Act 2002
3. The Controller and Auditor-General Procurement Guidance for Public Entities
4. The New Zealand Transport Agency's Procurement Manual
5. Council Policies
 - a. Fraud and Corruption Policy
 - b. Sensitive Expenditure Policy
 - c. Staff Conduct Policy

COUNCIL POLICY

TITLE:	PROCUREMENT POLICY
ADOPTED:	15 May 2020
OFFICER RESPONSIBLE	Manager Finance and Corporate Services
FILE REFERENCE:	112010
REVIEW:	30 June 2023

1. POLICY OBJECTIVES

The objectives of Kawerau District Council's procurement policy are to provide clear direction to management and staff in relation to the purchasing function and establishes a decision framework that:

- delivers best value for money over the whole life of the goods, service or asset;
- ensures purchases are made in an open and transparent manner with full and fair opportunity for all eligible suppliers;
- minimises relationship costs, ongoing operational costs and consequential costs;
- contributes to Council's sustainability objectives and also has regard to the economic, environmental, and social impacts over their life cycle;
- appropriately manages risk;
- promotes efficient purchasing practices and their continuous improvement;
- ensures adequate probity – integrity, equity and fairness
- ensures compliance with the requirements of Council's procurement policy; and
- ensures Council's purchasing activities are managed in accordance with its statutory and legal responsibilities.

2. PRINCIPLES

Council believes it is necessary to have a robust procurement policy in place so that there is confidence in the procurement process and ratepayers are assured that processes are followed to ensure the best value for money is obtained. Also by having a procurement policy staff are aware of the steps that must be taken when acquiring goods or services on behalf of Council.

2.1 Compliance with legislation and public law

Compliance with legislation is mandatory in all procurement activity.

Council's governing legislation, particularly the Local Government Act 2002, includes obligations to consult with the community or key stakeholders, on significant issues.

If a tender or other procurement process may result in significant changes to the content or level of services being delivered to the community by Council (e.g. Library Services), Council may need to consider the relationship between the procurement process and community consultation obligations.

Council's fundamental public law obligation is always to act fairly and reasonably, and in accordance with the law. This imposes a higher standard of conduct than that which applies to the private sector.

Public law obligations could apply to any aspects of a procurement process – including the pre-selection of potential tenderers. Council as a public body must meet the legitimate expectations of prospective tenderers. An example of a breach of such an expectation would be where a prospective tenderer who is a current supplier and has relevant experience and expertise has not been invited to submit a tender.

This means that:

- when deciding whether or not to tender, Council may have an obligation to consult with affected or interested persons. For example, existing suppliers may have reasonable expectations in relation to continuity;
- each decision in the overall process may have legal significance. Particular attention may need to be paid to how decisions are communicated to potential suppliers;
- care should be taken:
 - with the selection of evaluation criteria and decisions on how they will be weighted; and
 - with the decisions on the level of detail to be disclosed to potential suppliers;
 - when advising suppliers who have provided quotes, tenders, proposals or the like on the outcome of the selection process and details of the successful, or other unsuccessful, participants in the process.

The tender process and rules should be:

- fair to all tenderers;
- determined before the tender process starts;
- communicated clearly to prospective tenderers; and
- followed consistently.

2.2 Conflicts of interest, gifts and hospitality and maintaining confidentiality

As part of the general obligation to act fairly, officers must also take care that their decision-making processes cannot be challenged on the basis of actual or perceived bias, particularly in relation to conflicts of interest.

There are formal requirements for the disclosure and management of conflicts of interest.

Council requires its staff to declare any personal interest which may affect, or could be perceived to affect, their impartiality in any aspect of their work. Any declarations will then provide the basis for deciding the steps needed to manage any potential conflict of interest.

Under no circumstances should a procurement process allow an officer to receive preferential treatment in a contracting situation.

No gifts, hospitality, or other incentives from suppliers submitting a tender (or are likely to submit a tender) are to be accepted by Council officers during a tender process.

Council should take particular care in its handling of commercially sensitive information. Council will also need to consider its' obligations under the Local Government Official Information and Meetings Act 1987, as these obligations may affect Council's capacity to give comprehensive assurances about the protection of sensitive information. Legal advice may, at times, be required on how to reconcile duties of this nature with Council's contractual or common law obligations to maintain commercial confidentiality.

2.3 Risk Management of Procurement Process

Risk is inherent in any procurement activity. Council's approach is to manage risk so that it is acceptable from a contractual and delivery point of view, to ensure that ratepayers are not exposed to significant unmitigated risk and future liability.

All Council staff are responsible for identifying and managing or mitigating risk effectively through each stage of the procurement process within their respective areas of responsibility. Council will also promote a "risk aware, risk prepared" culture to all its staff and managers.

By ensuring that procurement is conducted in a fair and transparent manner, the risk of fraud or impropriety should be reduced. Also by following the procurement policy and procurement procedures, and having appropriate internal controls in place, will assist this.

Council must ensure that each employee or agent involved in a procurement process has the required skills for the type and level of procurement.

For NZTA contracts, the guidelines as provided by NZTA (NZTA Procurement Manual) must be followed to ensure funding assistance is not put at risk.

When engaging an agent, Council also needs to ensure that an experienced officer with the necessary delegated authority works with the agent. Council's own procurement policies and procedures should be used during the procurement process.

Officers will comply with applicable financial delegations when procuring goods or services.

Officers must also comply with legislation which limits their procurement authority or governs their internal delegation practices.

Another mechanism to manage risk is by selecting the appropriate contract/basis of payment method. The general principle of risk management will be for Council to assume the risk and not transfer it to the contractor or consultant.

3. SCOPE

This policy covers activities associated with the purchasing of all goods and services by, or on behalf of the Kawerau District Council. It applies equally to the Council, the Leadership Team and other staff – permanent, temporary or contract.

4. DEFINITIONS AND GUIDANCE

4.1 Procurement Methods

Council has considerable discretion on how it procures goods and services. However, officers have a responsibility to manage Council's resources in an efficient and effective manner, and in accordance with its obligations under legislation for sound business practice, due diligence, probity and fairness. The policies listed below take these principles into considerations when council is undertaking any procurement.

Council will follow the policies as set down in this document however, there will be instances where these will not be followed and these instances could include:

4.1.1 Urgent Requirements

It is recognised that there may be times when due to time constraints that it is not practical to follow the policies for procurement. However, any departure from these policies must be authorised by the Chief Executive.

4.1.2 Joint Initiatives

Council may elect to participate in a range of syndicated or joint procurement activities. The Bay of Plenty Shared Services (BOPLASS) Procurement Group has jointly achieved enhanced value for its member authorities in the procurement of goods and services such as insurance services and office supplies.

4.1.3 Negotiated Supply Arrangements

There may be instances where it can be shown that the best outcome for Council, without compromising obligations as to fairness, avoiding monopolies, and the like, can be achieved through the negotiation of a longer-term supply agreement.

4.2 Types of Quotation

Quotations are used in most circumstances when procuring goods and services. The objective is to achieve value for money. There are three different types of quotations that can be used, and your selection will be determined by the procurement value and level of risk. These types of quotation include:

<p>Verbal quotations</p>	<p>Verbal quotations provide a quick and convenient way of exploring the market and determining availability and price for low value, low/medium risk goods or services. In summary:</p> <ul style="list-style-type: none"> • 2-3 verbal quotes may be obtained, for procurements between \$3,000 and \$5,000 (where there are no preferred suppliers). • Records of quotes obtained and decisions, including the reason for recommending and deciding on the offer selected should be kept. • A written agreement/quote should be obtained from the successful supplier. • Be careful when talking to suppliers to avoid inadvertently making a verbal promise to purchase from that supplier.
<p>Written quotations</p>	<p>Written quotations follow the same principles as verbal quotations. As the value and risk of these goods or services are higher, the process and documentation should be more comprehensive. In summary:</p> <ul style="list-style-type: none"> • 3 written quotes are required, where practicable, for procurements between \$5k to \$10k, while 3 written prices (with set closing time/date and sealed envelopes) are required for procurements between \$10k and \$50k. A formal process (RFQ/RFT) should be used, when appropriate. • It is important to have a clear, written statement of the requirements and any questions to ask before speaking to suppliers. This will help to seek the same information from across the suppliers to properly compare the goods and services. • The process and documentation should be more comprehensive than verbal quotations. Records of decisions, including reasons for the selection and rejection of offers, must be kept. • Be careful when talking to suppliers to avoid inadvertently making a verbal promise to purchase from that supplier.

<p>Request for quotations (RFQ), or Request for Tender (RFT), or Request for Proposal (RFP)</p>	<p>A RFQ, RFP or RFT is a formal means of seeking prices from the market for goods or services. In summary:</p> <ul style="list-style-type: none"> • Use a RFT for procurements above \$50k and above \$25k where the risk is medium/high. • Use a RFQ for procurements between \$10k to \$25k and above \$25k (to \$50K) where the risk is low, where the price is the main selection criteria and where the requirement is for "stock standard" or "off the shelf" goods or services. • A RFP is used for all procurements above \$50k and for medium/high risk procurements above \$25k when there is more than one option for constructing, repairing or renewing a council asset. Sometimes a RFT process will then be used once the optimal solution has been decided. • For a RFQ detailed conditions of submission (as included in an RFP) should not be required, since quotations should be evaluated on the basis of price only. However you must stipulate how you wish price to be presented. • If there are only a limited number of known suppliers the RFT, RFQ or RFP may be forwarded directly to those suppliers. • The item being procured should be clearly scoped and described. • Records of decisions, including the reason for the selection and rejection of offers, must be kept.
<p>Public Tender Process</p>	<p>The public tender process is inviting tenders or proposals through a public notice.</p>

4.3 Tender Evaluations

When staff are undertaking an evaluation of a tender, they will need to consider the following principles:

- When assessing a procurement proposal, officers should consider the “whole of life” cost (also referred to as Total Cost of Ownership) of the goods or services it is procuring.
- Often, the acquisition cost of a product is only a small proportion of this total cost of ownership.
- The Lowest Price Conforming Tender and Weighted Attributes models are the most commonly used evaluation models in local government. However, NZTA has now replaced the Weighted Attributes model with the Price Quality model which will only be used for NZTA contracts.
- In a 2 envelope evaluation (e.g. price and non-price attributes) the non-price attributes will be evaluated in isolation and signed off by the evaluation team prior to opening the pricing envelope. It is important when asking for pricing information in a submission that the information received is comparable across the submissions.
- The nature of the procurement and the outcomes you require will determine which evaluation model is most appropriate.

- The tender evaluation team will comprise the officer that is principally responsible for the contract as well as the officer's Manager.

5. POLICY STATEMENT

To achieve Council's procurement objectives and to enhance professional integrity, accountability and probity, all purchasing activity within Council shall be undertaken in accordance with the policy as set out:

- Council has a commitment to sustainability and environmental protection. This will be pursued by promoting purchasing practices which conserve resources, save energy, minimise waste, and will protect the environment and human health whilst maintaining environmental safety and quality.
- From time to time a review process shall be undertaken by the Leadership Team to ensure that Council's policies for procurement are being followed.
- Where the value of the goods or works proposed to be purchased or sold exceeds \$50,000, publicly advertised tenders are to be invited, unless there are reasons for not doing so which must be recorded in writing. Those circumstances include where there are only limited known or specialist suppliers (then a RFP would be forwarded to those suppliers), or in cases of obvious emergency.
- Where the value of the goods or works proposed to be purchased or sold falls between \$10,000 and \$50,000, the procedure will be:
 - Purchases between \$10,000 and \$25,000 at least three written competitive prices (RFQ with sealed envelopes and set closing date and time) shall be sought and recorded.
 - Purchases between \$25,000 and \$50,000 which are low risk, at least three written competitive prices (RFQ with sealed envelopes and set closing date and time) shall be sought and recorded.
 - Purchases between \$25,000 and \$50,000 which are medium/high risk, publicly advertised tenders are to be invited.

There may be circumstances when this procedure is not followed for specific reasons. These circumstances could include: emergencies, where there is only one (or a very limited number of) supplier. Those need to be recorded and approval obtained from the relevant Manager.
- Where the value of the goods or works proposed to be purchased or sold falls between \$5,000 and \$10,000, and there is no preferred supplier agreement in place, three quotes shall be sought and recorded, wherever practicable.
- Purchases between \$3,000 and \$5,000, 2-3 verbal quotes should be obtained from known suppliers. Purchases for less than \$3,000 should be obtained from existing suppliers and the officer is confident that the price is competitive with those of other suppliers.
- Purchases of less than \$10,000 may be sourced from suppliers designated as '**preferred suppliers**' where such preferred supply relationships have been established following:
 - a) the adoption of an approved business case presented to the Leadership Team; or
 - b) following a subsequent competitive procurement process; or
 - c) All-of-Government contracts, following a competitive procurement process.

- All “*preferred suppliers*” will be reviewed annually to ensure that they have continued to provide quality and value for residents
- A current schedule of ‘*preferred suppliers*’ shall be circulated to all staff and regularly updated.
- Council’s preferred or default method for procurement is “public tender” as it provides the least risk to the organisation. However, there is a cost associated with this process and therefore it will be used for those contracts that exceed the stated amounts (above).
- The Chief Executive is delegated to approve contracts without going to public tender or obtaining three competitive written prices (above \$5,000.00) for reasons of practicality and/or market conditions, subject to a report being provided to the next Regulatory and Services Committee meeting summarising the contract and reasons for not going to public tender.
- Approval for the purchase of goods, works or services including the acceptance of tenders shall be in accordance with the staff member’s delegation. Any purchase exceeding the Chief Executive’s delegation will go to Council for approval.
- Summary details shall be provided to the next Regulatory and Services Committee meeting for any cases when any acquisition of goods, works or services valued at \$50,000 or more is undertaken.
- The extension or re-definition of any contract that increases the originally approved contract sum, and where that original sum is beyond the delegated authority of the Chief Executive, shall be presented to the Council for approval. It is acknowledged that where the additional costs of a service or project are small in relation to the costs of preparing specifications, seeking tenders, and contractors preparing their bids, an approved contract extension will often be preferred to a new or separate tender process.
- For New Zealand Transport Agency (NZTA) subsidised activity Council is obligated to follow the NZTA Procurement Manual.
- The contract documents used for major physical works and therefore the vast majority of KDC contracts will be the model documents prepared based on NZS 3910: 2013, Conditions of Contract for Building and Civil Engineering Construction (Contract Model)
- Council has appointed Holland Beckett Lawyers as its preferred provider of legal services. However, Council will use other providers when obtaining specialist advice.
- Where Council has commissioned and paid for the establishment of intellectual property, Council retains the ownership of that property unless the contract specifically states otherwise
- Council, at this point in time, does not include “sustainability requirements” in its tender documents or contracts. However, Council will consider the sustainability of each tender and contract and will look to include these requirements in the future
- For all high value (>\$50k), sensitive or unique procurement staff will prepare a business case or project plan to be approved by Council prior to inviting tenders. Also for high value and/or sensitive expenditure a procurement plan will be prepared.
- Tender documents requiring two envelopes (attributes and price) will need to be received as a hardcopy, However, Council will accept other types of tender

documents that are sent electronically as well as electronic enquiries concerning the tender. Tender documents will also be forwarded electronically (if requested).

- Late tenders will not be accepted except in exceptional circumstances. The Manager Operations will consider any requests to accept a late tender.
- The Manager responsible for the contract will undertake any contract negotiation and approval of variation(s). The communication of any contract negotiation will usually be with Council's representative for the contract.
- Council will inform all unsuccessful tenderers within two weeks of determining the successful tender. Council will not provide a formal debrief, however, Council will give feedback to an unsuccessful tenderer if requested.
- Staff will prepare a contract plan (post contract award) for all high risk contracts. The contract management plan will include:
 - An assessment and management of any transitional arrangements
 - Mechanisms and timeframes for monitoring performance
 - Ensuring that both parties fulfil their contractual arrangements
- Staff will commence a review of any contract subject to a tender process, at least four months prior to the existing contract ending or a new contract commencing.
- Where the procurement policy is not followed staff will record the instance in a separate register and the Chief Executive will report it to Council

Flowchart: Procurement method selection

