



**AGENDA FOR THE MEETING OF THE
AUDIT AND RISK SUBCOMMITTEE**

**TO BE HELD IN THE
SELWYN DISTRICT COUNCIL CHAMBER,
2 NORMAN KIRK DRIVE, ROLLESTON
ON TUESDAY 6 MAY 2025
COMMENCING AT 9AM**

Audit and Risk Subcommittee - 6 May 2025 PUBLIC

Attendees: Mayor (S T Broughton), Ms A Elstob (Chair), Councillors P Dean (Deputy Chair), S N O H Epiha, and N C Reid; Mr B Gemmell

06 May 2025 09:00 AM

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Public portions of this meeting are audio-recorded and livestreamed via the Council's YouTube channel.

Whakataka te hau ki
te uru

Cease the winds from
the west

Whakataka te hau ki
te tonga

Cease the winds from
the south

Kia mākinakina ki uta

Let the breeze blow
over the land

Kia mātaratara ki tai

Let the breeze blow
over the sea

E hī ake ana te
atakura

Let the red-tipped
dawn come with a
sharpened air

He tio, he huka, he
hau hū

A touch of frost, a
promise of a glorious
day

Tīhei mauri ora!

**MINUTES OF AN ORDINARY MEETING OF THE
AUDIT AND RISK SUBCOMMITTEE
HELD IN THE COUNCIL CHAMBERS
ON MONDAY 24 MARCH 2025 COMMENCING AT 1.00PM**

PRESENT

Ms A Elstob (Chair), Mayor S T Broughton, S N O Epiha, N C Reid; and Mr B Gemmell

ATTENDEES

Mrs S Mason (Chief Executive); Messrs; S Gibling (Executive Director People, Culture and Capability), R Love (Executive Director Development and Growth), T Mason (Executive Director Infrastructure and Property), M England (Head of Asset Management), Wayne Stack (Health and Safety Lead), N Koch (Head of Financial Control), M Strong (Chair for LWDW Programme), J Knight (Head of Health, Safety and Wellbeing), D Seath (Deloitte), J Tan (Audit NZ), L Hautler (HEB), Mesdames; A Sneddon (Chief Financial Officer), M Kruger (Audit NZ), J Hands (Head of Legal and Risk), S Healy (Risk Manager), Maria Mudgway (Health and Safety Specialist), Tracy Copping (Wellbeing Lead), K Bryla (Deloitte), K Hansen (Head of People), H Tate (Communications Advisor), Jodie Beker (Legal Counsel, Policy and Compliance), Michelle Mordaunt (Assistant to the CDO and CFO), and T Van der Velde (Assistant to the ED People, Culture and Capability).

The meeting was opened with a karakia.

APOLOGIES

Apologies were received from Councillor Dean.

Moved – Mr Gemmell / **Seconded** – Councillor Epiha

‘That the Audit and Risk Subcommittee receive the apologies from Councillor Dean.’

CARRIED

EXTRAORDINARY OR GENERAL BUSINESS

The meeting began in Public at 1pm and moved into Public Excluded at 4.07pm.
The meeting moved back into public at 4.09pm.

CONFLICTS OF INTEREST

None.

TERMS OF REFERENCE

For information only.

ORDER OF BUSINESS

1. CONFIRMATION OF MINUTES

Minutes of the ordinary meeting of the Audit and Risk Subcommittee held on Tuesday 5 November 2024.

Moved – Mayor Broughton / **Seconded** – Mr Gemmell

‘That the Audit and Risk Subcommittee confirms the minutes of the ordinary meeting of the Subcommittee held on Tuesday 5 November 2024, as circulated.’

CARRIED

REPORTS

1. Chairperson’s Report / Actions Register

Chairperson’s (Verbal) Report

Chairperson acknowledged the extensive agenda, noting it as the largest the Committee has received. Thanked staff for their work on the Annual Report and also highlighted the high quality of the meeting pack. The Chair wished to extend her thanks to the management team for their efforts.

Moved – Ms Elstob / **Seconded** Councillor Epiha

‘That the Audit and Risk Subcommittee receives the Chairperson’s (verbal) Report to Committee for information.’

CARRIED

Actions Table

Item	Meeting referred from	Action required	Report Date
Internal Audit Programme	6 August 2024	Deloitte to confirm how they will identify any actual or perceived and how will they manage these going forward. Discussed at the 24 March meeting.	Closed

Health, Safety and Wellbeing	6 August 2024	Staff to report back the process for selecting contractor management providers. Discussed at the 5 November meeting. Discussed at the 24 March meeting.	Closed
Local Government Official Information and Meetings Act (LGOIMA)	24 March 2024	A request from the subcommittee for staff to compile statistics on LGOIMA numbers, including numbers on repeat applicants.	6 May 2025

Moved – Mayor Broughton / **Seconded** Mr Gemmell

'That the Audit and Risk Subcommittee receives the actions table to Committee for information.'

CARRIED

2. Annual Report

Chief Financial Officer

Head of Financial Control

The Chief Financial Officer (CFO), introduced Council's Head of Financial Control, who presented high-level details of the report. The Annual Report consists of three sections: the front section, the statement of service performance, and the financial statements

Council reported a \$5 million surplus after tax, in the 2023/24 financial year, which is \$17.1 million below budget. The majority of the expenses incurred this year was due to additional expenses related to district growth, including asset maintenance, building levies, and insurance. Revenue remained on budget.

Subcommittee members thanked staff for a readable and well-structured report.

There was a question whether growth was solely population-related or included growth of Council's work. The CFO confirmed there were multiple contributing factors.

There was discussion on council's development of an investment and disinvestment framework over the past 12 months which takes into account CORDE and Orion. This framework leads to strategic conversations and opportunities.

There was discussion on forestry assets, staff highlighted the governance focus on climate change through the Climate Change and Sustainability Subcommittee and its integration with council plans.

The Chair commented that the Annual Report tells a good story about major projects but they also would have liked to have seen more on health and safety and the council's health and safety journey especially given the great progress being made on this important area.

A subcommittee member observed that the accounts generally aligned with expectations for the Long-Term Plan. However, he would like to see more clarity on the intended direction for the Selwyn area and an explanation of why certain decisions were made and emphasised the importance of linking these decisions to the overall vision.

There was reflection on the Annual Plan, emphasising the importance of timely completion for the year's plan and ensuring adherence to statutory timelines.

Subcommittee members thanked Julian Tan and the team from Audit NZ, for their contributions, guidance and services over the past years as Julian moves off auditing Selwyn District Council.

Moved – Councillor Epiha / **Seconded** – Mr Gemmell.

'That the Audit and Risk Sub-Committee receives for information the Selwyn District Council Draft Annual Report for the year ended 30 June 2024' and:

a. Receive the 'Draft Letter of Representation for the year ended 30 June 2024' to be signed by the Mayor and Chief Executive at the Council adoption meeting on 26 March 2025.

b. Receive the 'Draft Independent Auditor's Report' to the readers of Selwyn District Council's annual report for the year ended 30 June 2024, to be signed by Audit New Zealand (Audit NZ) at the Council adoption meeting on 26 March 2025.

c. Recommend to Council adoption of the Draft Annual Report for the year ending 30 June 2024, subsequent to Audit NZ providing written sign-off on their 'Independent Auditor's Report'.

d. Delegates to the Chief Financial Officer the authority to make alterations of minor effect or to correct any minor errors to the Draft Annual Report for the year ended 30 June 2024, as or if required.'

3. Executive Director's Report

Executive Director People, Culture and Capability

The Executive Director for People, Culture, and Capability acknowledged the efforts of the team since the last subcommittee meeting, emphasising that it has been an organisation-wide effort. The report is taken as read and the Establishment Chair for

Your Water Done Well (YWDW) Programme was invited to speak.

Your Water Done Well

The Chair of the Your Water Done Well Programme provided an update to Your Water Done Well, noting the upcoming deliberations on Wednesday and emphasizing the need to avoid influencing the decision-makers ahead of their meeting on Wednesday.

The council will decide on either proceeding with a water service CCO or retaining an in-house model by April 2nd. Various pieces of work have been ongoing to meet the July 1st start-up deadline if the decision is to proceed. The chair of YWDW spoke of the Water Services Preliminary Arrangement Act, which outlines the government's expectations for water service delivery. There were lots of discussion points that came out of the conversations at the hearings last week.

The Executive Director of Infrastructure and Property noted that the council received over 400 submissions. Considerable time was spent reviewing these submissions and hearing submitters. The findings have been incorporated into the deliberation agenda, with a detailed discussion scheduled for Wednesday.

Mr Gemmel shared his observations on the 'Your Water Done Well' programme, with discussion on decentralised and centralised approaches. He noted that both models have their advantages. He highlighted that decentralisation, when implemented effectively, can offer significant benefits. With the support of Artificial Intelligence (AI) tools and the appointment of the right individuals, additional opportunities could emerge.

The Chair discussed the benefits of both options, highlighting their respective perspectives. She raised the question of whether these options provide support for intergenerational needs and long-term planning.

People Dashboard

A question was asked about a breakdown on exit surveys, which includes statistics on the percentage of staff who fill this survey out. Staff did not have this on hand but will look to provide this information within the next Dashboard report to the Committee.

The theme of 'frustration with systems and processes' was discussed and it was asked how council are approaching this. The Chief Executive responded by explaining that budget prioritisation currently focuses on financial management ('financial hygiene') and infrastructure needs, as aligned with the five-year strategic plan.

Discussion was held around feedback at exit interviews that, where feedback was provided that job descriptions do not adequately reflect the actual role, asked how this feedback being managed. Staff commented that two years ago a review of all position descriptions (PDs) was conducted. Emphasis has also been placed on leadership development to equip leaders with the necessary tools for productive performance conversations. This ensures alignment between individual goals and broader organisational strategies and plans. Efforts are ongoing to transition everyone to this new framework.

A subcommittee member commented on the challenges of striking a balance between dynamic change and structured frameworks. He emphasised that overly rigid frameworks could stifle growth. Additionally, he highlighted the importance of fostering the right skill sets in staff and supporting them as they adapt to shifting scopes and organisational dynamics.

Moved – Councillor Reid / **Seconded** – Mr Gemmell

‘That the Risk and Audit Committee:

1. Receive the report ‘Executive Directors Joint Report to February 2025.’

2. Note the updated memo from Deloitte regarding their provision of Internal Audit services.’

CARRIED

4. Health, Safety and Wellbeing Update

Head of Health, Safety and Wellbeing, Health and Safety Lead and Wellbeing Lead

The Executive Director of People, Culture, and Capability introduced the new Head of Health, Safety, and Wellbeing. The Head of Health, Safety, and Wellbeing took the report as read and highlighted its key points. Additionally, the Health and Safety Lead emphasised key aspects of the report, while the Wellbeing Lead outlined key wellbeing initiatives.

In the discussion on body cameras, it was clarified that body cameras are available for all lone workers to book and use.

Lee Hautler, South Island Regional Manager from HEB Construction spoke of the service strikes of three live overhead electric cables within 18 months. Incidents were deemed HiPo (high potential incidents). Mr Hautler spoke of the findings, learnings and the controls put in place to mitigate these incidents.

‘Cr Epiha left the Chambers 2.41pm’

‘Cr Epiha returned 2.43pm’

The Chair highlighted the need for officers, management and executives to engage in learning and development programmes, site visits, and other required work. Drawing from experience on other boards, she noted the practice of logging completed work and suggested discussing expectations for staff, including KPIs and monitoring processes.

Moved – Councillor Reid / **Seconded** – Councillor Epiha

‘That the Audit and Risk Subcommittee receive the Health, Safety and Wellbeing Update Report.’

CARRIED

‘Meeting adjourned for an afternoon tea break at 2.55pm’

'Meeting reconvened at 3.00pm'

'Cr Epiha left the meeting during the break'

5. Internal Audit Report

Head of Legal and Risk and Risk Manager

Council's Risk Manager introduced David Seath and Kasia Bryla from Deloitte. This is the first internal audit report from the programme, Deloitte staff highlighted the objectives and findings of the report.

The report is divided into two main sections, focusing on three control objectives. The first half assesses whether operating expenditures are classified and funded in compliance with revenue policy, and whether costs and debt allocations align with this policy. The second half reviews key systems and controls related to development contributions.

Management has committed to continuous improvement, and the committee is encouraged to track progress on recommendations.

There was discussion on the funding of operating expenditure (OPEX) through debt, an issue identified during the Long-Term Plan (LTP) review. Borrowing has been used to cover funding shortfalls, with some smoothing applied. While smoothing itself is not a problem, it must align with the revenue and finance policy by being linked to capital projects.

A key challenge is the timing mismatch between development contributions, borrowings, and OPEX expenditures. While the council has addressed past shortfalls through rate increases, further work is needed to ensure borrowings comply with financial policies.

Additionally, some of these issues stem from legacy financial decisions. However, the council has had open discussions, leading to greater transparency about past funding practices and future financial strategies.

Moved – Ms Elstob / **Seconded** – Mr Gemmel

'That the Audit and Risk Subcommittee:

a) Receives for information the "Revenue & Financing Internal Audit" report.'

CARRIED

6. LTP Process Review March 2025

Chief Financial Officer

David Seath from Deloitte spoke to the report. The discussion focused on lessons learned from the Long-Term Plan (LTP) process and areas for improvement. Recognising the strain the process placed on staff, management proactively engaged an external team to assess internal capacity, capability, and governance structures. Moving forward, a dashboard will track internal and external audit actions, timelines, and responsibilities.

The subcommittee recognised the importance of these improvements, particularly in enhancing data collection and financial prioritisation. Encouragingly, some recommendations have already been implemented.

A subcommittee member commented that in future consultations it would be beneficial for leadership team to first articulate their vision and purpose clearly, allowing the team to respond to it. This approach would provide more clarity, rather than starting with broad, open-ended questions that leave the meaning unclear.

Moved – Mr Gemmell / **Seconded** – Mayor Broughton

'That the Audit and Risk Subcommittee:

a) Receive the "Long Term Plan Process debrief and lessons learned" report.

CARRIED

7. Risk Management Update

Head of Legal and Risk and Risk Manager

The Head of Legal and Risk provided an update on the risk framework introduced in November, which involved a series of six risk workshops. The findings from the engagement revealed that the workshops were conducted at a fast pace, making engagement challenging and the maturity level of risk management was lower than initially expected, suggesting the need to take a step back and reassess.

The Executive Director for People, Culture and Capability, emphasised the importance of "doing the basics well" in risk management. He noted that the risks were not adequately managed due to the lack of proper tools and systems, and some controls were either non-existent or ad hoc. Additionally, the scope and pace of changes within the organisation had evolved, particularly in the areas of effective workforce management. This includes managing people information, ensuring current role design, and aligning it with the skills and capabilities of staff (as reflected in the exit surveys). Training for staff is also a priority, and failing to address these issues could have major consequences.

A subcommittee member discussed the potential benefits of Artificial Intelligence (AI) for enhancing productivity and stated that the Council is well-positioned to leverage AI to its advantage.

The Chair congratulated the staff for presenting a risk register to the subcommittee. She suggested that, in the future, the Audit & Risk (A&R) subcommittee members and councillors should provide feedback on this register.

Moved -Mayor Broughton / **Seconded** – Mr Gemmell

“That the Audit and Risk Subcommittee:

a) Receive the “Risk Management Update” report.

b) Endorse the development of a Three-Year Risk Roadmap.

CARRIED

8. Quarterly Treasury Report for the quarter ended 20 December 2024

Head of Financial Control

The Head of Financial Control spoke to the report with the report covering financial details for the quarter ending December 31, 2024, and provided a summary of the report.

Moved – Mr Gemmel / **Seconded** –Mayor Broughton

‘That the Audit and Risk Sub-Committee receives for information the Selwyn District Council Quarterly Treasury Report for the quarter ended December 2024.’

CARRIED

9. Legal and Policy Report

Head of Legal and Risk and Legal Counsel - Policy and Compliance

The Head of Legal and Risk provided a summary of the report. The report provides key updates in the legal and policy space including a Local Government Official Information and Meeting Act (LGOIMA) update.

A fully established legal function is now in place, with two senior counsels who have significantly contributed in a short time. Their focus is on identifying legal and commercial risks, working with the organisation to proactively manage them.

They've also begun rolling out training on statutory compliance, including areas like privacy, construction contracts, and local government consultation principles. The legal team is building a system to track legislative changes, as the government is expected to introduce many new laws relevant to local government in the coming year.

Subcommittee members thanked the Head of Legal and Risk and team for the update.

It was discussed that there was a general rise of interest in the public of what council do throughout the organisation with an increase in LGOIMA's. There was a request by

a subcommittee member for staff to provide statistics on LGOIMA numbers in terms of repeat applicants. There was discussion on making LGOIMA information publicly available with staff progressing work in this space.

Moved – Mayor Broughton / **Seconded** – Mr Gemmell

‘That Audit and Risk Subcommittee receive the Legal and Policy Report’

CARRIED

10. Development Timelines Update

Executive Director Development and Growth and Head of Asset Management

The Executive Director for Development and Growth spoke to the report. The report was taken as read. It highlighted the high volumes of resource consent applications, which are putting a strain on processes and staff. The report details the challenges and outlines the procedures and additional actions being put in place to address them.

There have been changes in staffing, capacity, resilience, and depth. To address these, more resources have been allocated, including the addition of a dedicated duty engineer. The website has also been updated with relevant forms and information.

It was discussed that one of the biggest hurdles are systems that do not communicate with each other, leading to no single view of the customer, which complicates processes.

The Chief Executive reiterated the earlier discussion about budgets and other priorities. The focus is on taking the time to do things well, rather than rushing.

Moved – Councillor Reid / **Seconded** – Mayor Broughton

“That the Audit and Risk Subcommittee receives this report”.

CARRIED

GENERAL BUSINESS

None

11. RESOLUTION TO EXCLUDE THE PUBLIC**Moved** – Mayor Broughton **Seconded** – Mr Gemmell**RESOLUTION TO EXCLUDE THE PUBLIC**

'That the public be excluded from the following proceedings of this meeting. The general subject matter to be considered while the public is excluded, the reason of passing this resolution in relation to the matter, and the specific grounds under Section 48(1) of the Local Government official Information and Meetings Act 1987 for the passing of this resolution are as follows:

General subject of each matter to be considered		Reasons for passing this resolution in relation to each matter	Ground(s) under Section 48(1) for the passing of this resolution	Date information can be released
1.	Public Excluded Minutes	<i>Good reason to withhold information exists under Section 7</i>	<i>Section 48(1)(a)</i>	

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

1	Enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities; or enable the local authority holding the information to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).	Section 7(2)(h) & (i)
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2. that appropriate officers remain to provide advice to the Committee.'

CARRIED

The meeting closed at 4.10pm

DATED this day of 2025

CHAIRPERSON

ACTIONS – Audit and Risk Subcommittee

Item	Meeting referred from	Action required	Report Date
Local Government Official Information and Meetings Act (LGOIMA)	24 March 2024	A request from the subcommittee for staff to compile statistics on LGOIMA numbers, including numbers on repeat applicants.	6 May 2025

AUDIT AND RISK SUBCOMMITTEE - TERMS OF REFERENCE

The Audit and Risk Subcommittee shall be a Subcommittee of Council, established by Council. The existence of the subcommittee does not remove from council any of its legal obligations or responsibilities.

Chair:	Analisa Elstob (Independent Chair)
Deputy Chair:	Councillor Phil Dean
Members:	<p>The number of members shall be no less than five, with two members independently appointed by Council.</p> <ul style="list-style-type: none"> ▪ Councillor Reid ▪ Councillor Epiha (Chair of Finance & Performance Committee) ▪ Independent Member (Bruce Gemmell) <p>The maximum term an elected member may serve on the Subcommittee shall be two consecutive electoral cycles</p>
Quorum:	Three members
Meeting Cycle:	Quarterly, or as required
Reports to:	Council
Delegations Powers:	The Subcommittee has the powers necessary to perform its responsibilities within the approved Long Term Plan and Annual Budgets
Reporting Officer:	Executive Director People, Culture and Capability

1. Purpose

The purpose of the Audit and Risk Subcommittee is to assist the Council to discharge its responsibilities to exercise due care, diligence, and skill in relation to the oversight of:

- health, safety and wellbeing responsibilities as required under the Health and Safety at Work Act 2015;
- the robustness of Council's internal control framework;
- the integrity and appropriateness of external accountability and reporting;
- the robustness of risk management systems, processes and practices;
- compliance with appropriate laws, regulations, standards and best practice guidelines;
- establishment and maintain controls to safeguard council's financial and non-financial assets; and
- Council's compliance with its financial policies including liability management (borrowing) policy and investment policies.

To allow it to undertake these responsibilities the Subcommittee can request information and reports from staff on matters relating to its purpose.

2. Health, Safety and Wellbeing Responsibilities

- 2.1. Monitor all aspects of health and safety legislative compliance.
- 2.2. Receive reports from an Internal Management Committee focused on health, safety and wellbeing issues (including reference to mental health, incidents and near-misses, responses and initiatives implemented to mitigate risks).

3. Internal Control Framework

- 3.1. Ensure that management's approach to maintaining an effective internal control framework is sound and effective.
- 3.2. Enquire as to the steps management has taken to embed a culture that is committed to probity and ethical behaviour.
- 3.3. Review whether there are appropriate processes and systems in place to identify and investigate fraudulent behaviour.

4. Risk Management

- 4.1. Review the risk management framework and associated procedures for effective identification and management of Council's significant risks.
- 4.2. Review at least annually, the Council's risk profile.
- 4.3. Assist the Council to determine its appetite for risk.
- 4.4. Provide input, annually, into the setting of the risk management programme of work.
- 4.5. Receive updates on current litigation and legal liabilities.

5. External Reporting and Accountability

- 5.1. Enquire of external auditors any information that affects the quality and clarity of Council's financial statements and assess whether appropriate action has been taken by management.
- 5.2. Satisfy itself that the financial statements (statutory and monthly) are supported by adequate systems of internal control.
- 5.3. Receive and consider external financial statements, and recommend their adoption, or not, by Council.

6. Financial Governance

- 6.1. Consider the appropriateness of Council's existing accounting policies and principles and any proposed changes.
- 6.2. Enquire of the external auditors on practices and issues surrounding financial governance.

7. External Audit

- 7.1. Confirm the terms of the appointment and engagement, including the nature and scope of the audit, timetable and fees, with the external auditor.
- 7.2. Receive the external audit reports and review action to be taken by management on significant issues and audit recommendations raised within.
- 7.3. Conduct a member only session with external audit to discuss any matters that the auditors wish to bring to the subcommittee's attention.
- 7.4. The Committee will manage Council's relationship with the external auditor.

8. Internal Audit

- 8.1. Review and approve the annual internal audit plan
- 8.2. Receive all internal audit reports and review management's response to internal audit recommendations.
- 8.3. Provide a functional reporting line for internal audit and ensure objectivity of internal audit.
- 8.4. Conduct a member only session with internal audit to discuss any matters that the auditors wish to bring to the subcommittee's attention.
- 8.5. Oversee and monitor the performance and independence of internal auditors. Review the range of services provided by the co-sourced partner and make recommendations to Council regarding the conduct of the internal audit function.

9. Compliance with Legislation, Standards and Best Practice Guidelines

- 9.1. Review the effectiveness of the system for monitoring Council's compliance with laws, Council's own standards and best practice guidelines.

10. Review Process

- 10.1. On an annual basis the subcommittee will review its terms of reference to ensure all relevant legislation is acknowledged and incorporated.
- 10.2. At the commencement of each calendar year the Subcommittee will develop its work programme for the year ahead. The work programme will include linkage to Council's Long-term Plan and Annual Plan key activities and projects, the CEO's agreed KPIs and to risk assessment.

11. Reporting

- 11.1. The Chair will formally report to Council any matters of significance that have been brought to the attention of the Audit and Risk Subcommittee.
- 11.2. These reports will be accompanied by comments on corrective actions.

TERMS OF REFERENCE REVIEW TABLE

Date of review	Status / summary of changes made
December 2019	Adopted by Council.
June 2020	Reviewed and re-adopted by Council following appointment of an independent director
November 2020	Reviewed and re-adopted by Council
August 2021	Reviewed
June 2022	Next review
November 2022	Review undertaken
14 December 2022	Adopted by Council
21 February 2023	Adopted by Audit and Risk Subcommittee Cr Phil Dean appointed Deputy Chair
1 August 2023	Altered by Audit and Risk Subcommittee with the inclusion of Councillor Epiha.
8 August 2024	Review undertaken to update Reporting Officer and include oversight of Internal Audit activities.

REPORT

TO: Chief Executive Officer

FOR: Audit and Risk Committee -6 May 2025

FROM: Steve Gibling, Executive Director People, Capability and Culture

DATE: 29 April 2025

SUBJECT: **EXECUTIVE DIRECTORS REPORT**

RECOMMENDATIONS

'That the Audit and Risk Committee:

Receive the report 'Executive Directors Joint Report to April 2025.'

1. PURPOSE

The purpose of this report is to provide the Risk and Audit Subcommittee with a general overview of the actions and delivery of services relating to this Subcommittee's Terms of Reference.

The summary here, within this report, and within the substantive agenda, contribute towards meeting the Audit and Risk Committees requirements of due diligence as stated in the Terms of Reference.

This report is naturally smaller than normal due to the recent Audit and Risk Meeting concluded in April to endorse the Annual Report.

2. SIGNIFICANCE ASSESSMENT/COMPLIANCE STATEMENT

The decisions and matters of this report are assessed as of low significance, in accordance with the Council's Significance and Engagement Policy.

3. UPDATE TO APRIL

Council's approach for the Annual Plan

Following the lessons learned from the 2024–2034 Long-Term Plan (LTP) process, Deloitte's independent review identified key areas for improvement across governance, process, people, and technology. These included limited formal governance structures, unclear roles and responsibilities, inconsistent communication, lack of documentation, and challenges associated with the MAGIQ system. While not all recommendations were directly applicable to the Annual Plan process due to its different scope and scale, several key improvements such as strengthening governance, clarifying roles, improving planning and documentation, and enhancing system use have been adopted. These improvements have helped shape a more structured, collaborative, and well-

governed Annual Plan 2025–2026 process. The specific practices applied to the Annual Plan process are outlined below.

Governance: At the onset of the process, a project team was formed, consisting of key members from Finance, Legal, Communications, Infrastructure and Property, and Strategy Team. This cross-functional team ensured that the right people were involved in managing and delivering the plan, with clearly defined roles and responsibilities. Additionally, the team played a crucial role in data collection, ensuring accurate information was gathered from all relevant business units to inform Annual Plan. Additionally, Executive Leadership members, including the CFO and Executive Director Strategy and Performance, were part of the project team to facilitate timely decision-making and provide guidance on resolving any issues that arose.

Process: A detailed project plan was developed, outlining specific tasks, actions, and clear timelines. This plan was communicated to the project team to ensure everyone had a comprehensive understanding of deliverables, milestones, and timelines. The process was well-defined, providing clear direction for the team to follow.

People: The project team held weekly meetings to track progress, share regular updates, and address any challenges. Clear communication and well-defined roles and responsibilities ensured effective collaboration throughout the process.

Technology: Prior to commencing the annual planning process, the finance team discussed and developed an approach to leverage the MagiQ system for effectively tracking and updating both OPEX and CAPEX budgets.

As part of our commitment to continuous improvement, a retrospective session will be held with the project team once the Annual Plan is signed off by the council in June 2025. This session will focus on identifying any gaps and areas for enhancement in the process, with the aim of refining the approach for the upcoming years.

CORDE update:

A minor amendment to Corde's workplan, shifting from a quarterly to a six-monthly reporting cycle to align with the existing Letter of Expectation.

Building Consent Authority update

The registration of a new private building consent authority operating in Selwyn is imminent.

The Building Act 2004 enables Private BCAs to establish themselves in the market through becoming an accredited organisation (AO) via an independent accreditation body (IANZ) assessing their policies, procedures, and systems to ensure they meet technical and quality standards. Once accredited, the entity can then apply to be registered as a BCA with the Ministry of Business, Innovation and Employment (MBIE). This new party has indicated that they will target the low complexity building consent applications.

What this could mean for Council is a reduction of workload, and a potential labour over-supply. Additionally, there is a labour force flight risk with a new alternative employer

establishing in Selwyn. Private BCAs are required to lodge documentation with the Territorial Authority (TA) being the office of record at 3 key stages during the consenting process being application, consent issue, and issue of the code compliance certificate to ensure that the TA is aware of building work in the district, to maintain up to date property files, and can include relevant information in any Land Information Memorandum (LIM) requested. To ensure the TA can recover costs associated with filing applications, the building teams fees and charges set for the 2024/25 financial year included file lodgement fees for this work.

There are a number of implications with this new entity being established, that staff will be present to talk to.

People Dashboard

The People team update is provided as Appendix 1 to this report and will be presented by Head of People Kylie Hansen. Key points to note include ongoing assessment of Annual Leave Liability, progress on Councils approach to Flexible Working Arrangements, and an update on reporting our Turnover rates.

A handwritten signature in blue ink, appearing to read 'SG', is positioned above the name Steve Gibling.

Steve Gibling
Executive Director People, Capability and Culture

OUR PEOPLE

Audit and Risk Committee report

March 2025

If you don't read anything else for the month of April



Annual Leave Liability:

Ongoing review of individual actions plans put in place last year to reduce excessive leave, and any team members who have shifted into the red-light category (6 weeks plus). We will also be working with leaders and those team members identified with action plans in place that have not helped reduce leave. We are now able to report on booked and approved leave which provides a better understanding.

Flexible Working Arrangements:

Two leaders' briefings sessions were held on Thursday 3 April with approximately 75 people leaders attending. Feedback and questions have been included into future communications and FAQs. Communication to staff commenced in the CEO an update 11 April. The Flexi-work request form is now active and leaders will be receiving requests from your team for ad hoc and or formal flexible working requests.

Bargaining/Annual Remuneration:

The Collective Agreement with the PSA expires 30 June 2025. Claims are due to be exchanged 5 June with bargaining planned to take place on 18 and 19 June. Planning for the Annual Remuneration review taking place but will occur following the completion of bargaining.

Employment Law changes: Living wage increases to \$28.95 per hour, a \$1.15 increase from the previous rate, (4.2% increase) effective 1 September 2025.

Turnover: *Turnover is now being reported on as a rolling 12 month average - 12.68% (9.55% if casuals/fixed term staff are not included). We will provide trend data in future reports, combined with quarterly analysis of exit trends to understand how we can reduce our turnover.*

Headcount vs FTE

Approved FTE – 530.5 ↓ (down 4.5) Actual FTE – 459.9 ↑ (up 12.3,) Headcount ↓ – 638 (down 17)

People data

Headcount levels today	FTE levels today	Fixed term FTE	Approved FTE levels today
638	440.8	19.1	530.5

Snapshot of staffing levels today

Department	Staff numbers	Total FTE	Approved FTE
Chief Executive	4	4.0	6.0
Community Services and Facilities	296	137.6	157.0
Councillors	1	0.0	0.0
Development and Growth	104	100.0	114.8
Digital Services	48	44.9	46.0
Finance	33	30.9	32.8
Infrastructure and Property	91	83.7	104.1
PCC - People Culture and Capability	24	23.5	24.0
S&E - Strategy and Engagement	37	35.3	46.0
Total	638	460.0	530.5

Actual FTE v approved FTE variance – 11

Considerations

- 5 FTE added to actual FTE from BI data unassigned hours (data discrepancies)
- Less 46.49 FTE vacancies (active and inactive)
- Less 8 FTE vacancies hired but not yet to started

Contract Types - Head Count

Team	Full time	Part time	Fixed term	Casual
Finance	26	3	3	0
Digital	33	6	7	1
D&G	98	4	3	0
I&P	79	8	2	6
S&E	29	4	1	0
CSF	106	135	8	47
Exc	4	0	0	0
PCC	20	2	2	0
Total	394	162	26	54

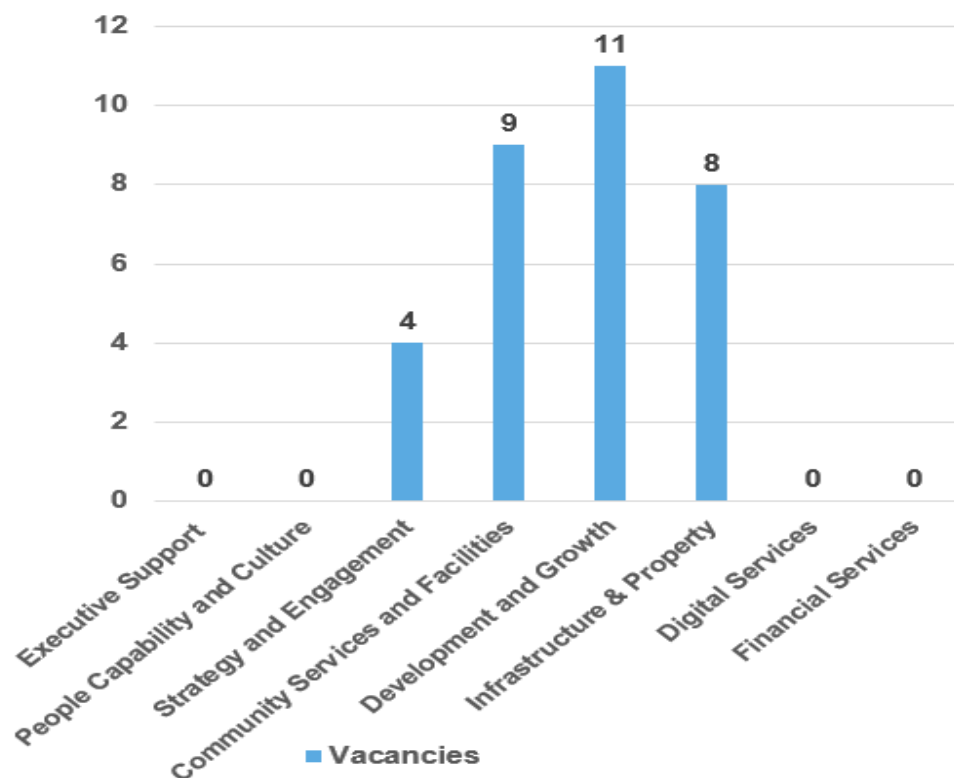
Headcount variance Feb-March, is likely to reflect LWDW staff and Contractors not included in the staff numbers

Data as of 8.04.2025

Purpose of FTE count is core people data only, it does not reflect cost allocation or funding source, this is captured in budgets and business cases.

Active Vacancies

Total Active Vacancies = 32 roles (26.6935 FTE) as of 9 April



Hard to fill roles (open 40+ days or roles readvertised): Customer Service Officer for SAC - Casual uncertainty of hours making it harder to recruit, 2 candidates withdrew at offer stage. Third offer looking positive (reviewed person criteria for the role).

Delays: Head of Commercial (with Agency), slight delays, due to significant good interest for the agency has shortlisted – looking positive.

Applications: Direct traffic to our SDC Jobs Page, highest volume of applications, followed closely from Seek then LinkedIn.

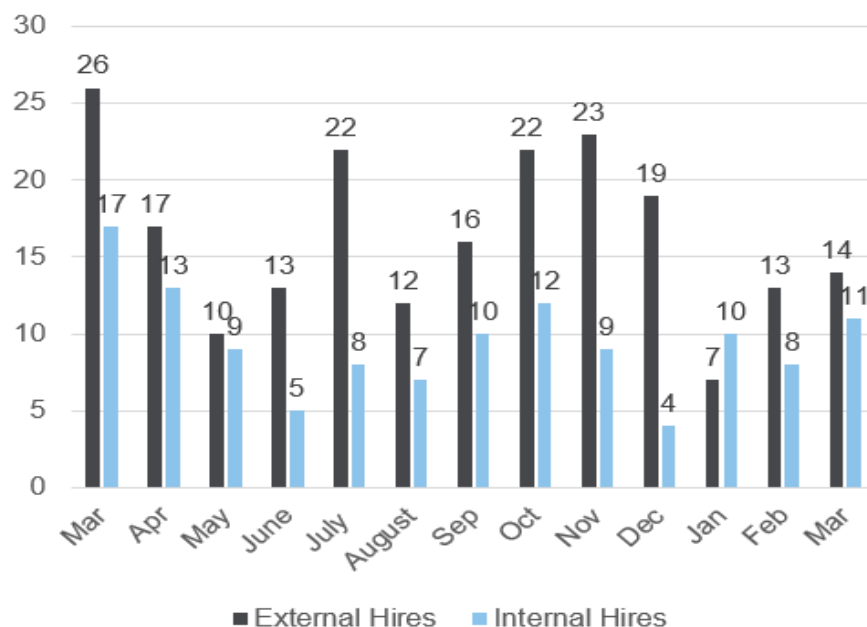
NZ Labour Market: Job advert volumes were down from last month across NZ, but applications continue to rise – applications per job adverts across NZ jumped 5% (a new peak for applications), this is evidence of significant candidate interest.

Recruitment

Total Hires FY 24/25 – 227 (FY 23/24 – 307)

External Hires – 148 (FY 23/24 – 187)

Internal Transfers – 79 (FY 23/24 – 120)



*Internal Hires includes transfers to new positions, casual to perm, fixed term to perm, additional/dual roles and secondments.

Hires:

There were 25 offers made in March.

14 to external candidates - hired, 11 to internal employees - hired. This shows SDC's commitment to creating opportunity and growing internal talent.

Time to Hire:

From advert open to offer accepted: 24 days (Industry average is 50 days) .

New Starters:

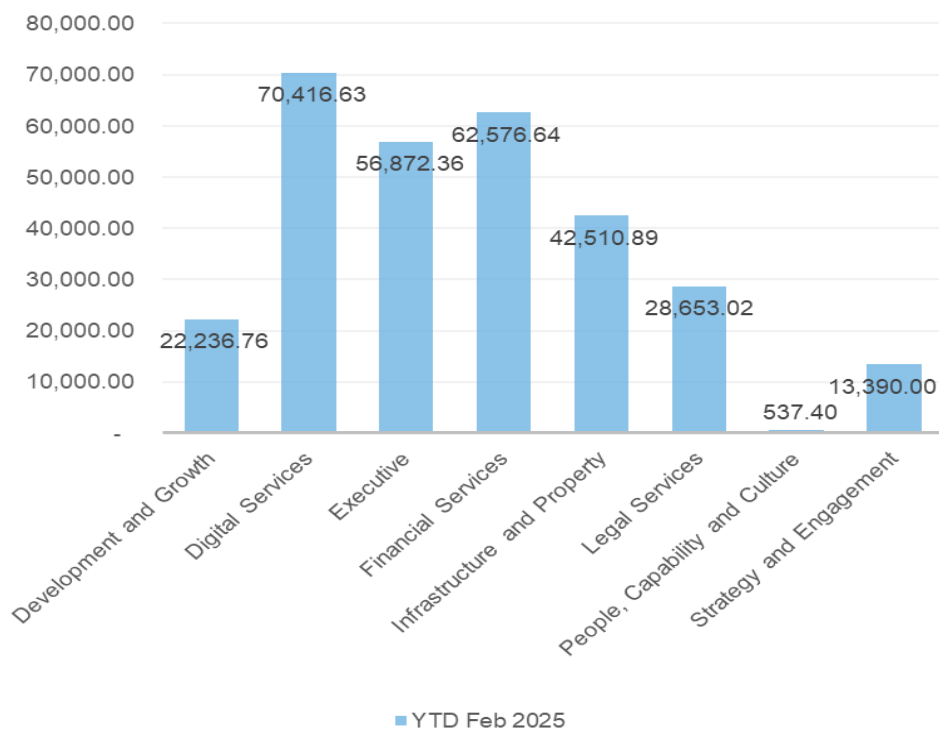
There were 17 new to SDC starters in March

Employee Referrals:

11 successful in total since established (Aug 23). This demonstrates our teams are promoting SDC as an Employer of choice.

Recruitment

Recruitment Agency Spend by Department



Agency Spend:

(known spend, includes perm/fixed term and temps)

March 2025 spent: \$15,068.64 (February cost)

FY 23/24 = \$522,699.99

FY 24/25 = \$297,193.70

New Recruitment and Advertising Policy clarifies the use and approval requirements for using agencies. Presented to ELT early Feb.

Aim: to reduce agency spend, by maximising the use and value of our internal Talent and Careers Team.

Contractor Spend: Working with Finance to be able to provide a summary on contractor spend by Exec group including whether direct cost/recoverable. Need to consider if current procurement process for contractors is fit for purpose.

Exits and Turnover



Turnover: Rolling turnover of all leavers is **12.68%** and **9.55 %**, (excluding fixed term/casual endings) as of 31 March 2025

Exits March 2025 - 16

Reasons - 13 Fixed Term ending (summer lifeguards/intern)

3 Personal reasons

A summary of exit interview information will be provided on a quarterly basis

Turnover comparisons NZ Councils - The overall turnover median is 13.3% per annum, and the median turn over for the first year of employment is 16.8%

* Next report will have a generated rolling turnover graph.

Annual leave

Annual Leave Liability Total Cost –March			
Team	February	March	Total Cost
D&G	\$448,255	\$462,524.	↑
S & E	\$269,750	\$278,873	↑
I&P	\$455,236	\$520,620	↑
CSF	\$558,621	\$622.805	↑
Digital	\$198,174	\$224,771	↑
Finance	\$103,510	\$129,345	↑
Exec	\$47,406	\$ 54.117	↑
PCC	\$95,180	\$114.418	↑
Total	\$2,183.084	\$2,407.473	↑

High Annual Leave Balance –Individuals 6 plus weeks			
Team	March	Cost	Approved booked /pending (hrs)
D&G	2	\$20,439	56
S & E	3	\$91,497	360
I&P	7	\$74,562	128.5
CSF	9	\$127,408	320
Digital	2	\$22,754	40
Executive	1	\$13,887	80
Finance	2	\$22,903	24
PCC	0	\$0	0
Total	26 (up 2)	\$373,450 (up \$39,199)	1008.5 (hrs) approx. 25.2 wks on an average 40 hr wk

Performance Development Conversations

< Performance activities

2024 / 25 - REVIEW - PERFORMANCE AND DEVELOPMENT CONVERSATION V1.0 (8 APRIL 2025)

Sections

- Open Short Review
- Open **OPTIONAL - Leadership Competencies**
- Open OPTIONAL - Performance Objectives and Development Goals
- Open Values and Role Performance - Employee Responses
- View-only Values and Role Performance - Leader Responses

OPTIONAL - LEADERSHIP COMPETENCIES

Your responses (once submitted) are visible to: your **Managers**, your **Manager's managers**. They are also visible to those granted access to performance reports. Show others' responses ☐

* Response required

THIS IS AN OPTIONAL SECTION

This section is recommended but not required. If you have not previously done this section, or unable to complete it this time, please scroll to the bottom and click next section to progress on OR use the menu on the left to go to the Values and Role Performance sections which are required.

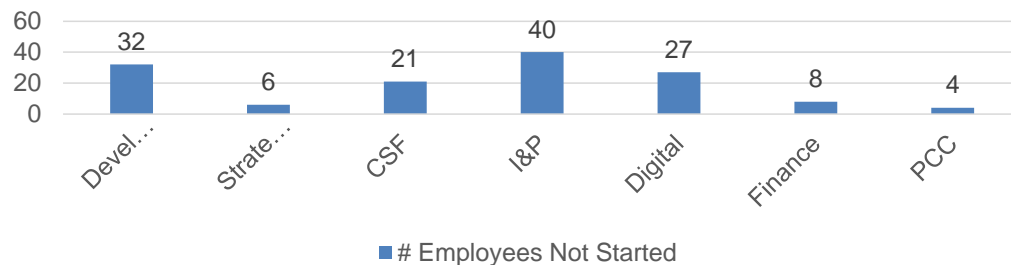
Leadership Competencies

We have leadership competencies for all Selwyn District Council employees. In short, these are knowledge, skills, and actions that we value and believe will help our team members achieve their full potential. You can find out more about them [HERE < \(opens in new window\)](#).

The intent of this exercise is to help you recognise where you have strengths, and also guide opportunities for development.

Please review the below eight competencies and rate yourself against them. You can add a comment about why you chose this rating if you wish.

- The Review part of the cycle is now open
- Changes have been made:
 - making the requirement for the leadership competencies and performance objectives and development goals optional
 - adding short review section with 2 free text questions which can take attachments
- Those who have not done the start of cycle part will still be able to record performance for employees in the Review – focus should now be on the review
- Please continue to encourage your leaders to continue having the conversations with their team members.
- List of those who have not recorded anything in the start of cycle to be provided to each ELT member



Organisation Learning, Training and Development

	Training Spend	YTD Budget	YTD Var	Full Year Budget	Budget Remaining
CSF	94,182	193,978	99,756	256,704	162,521
Dev. & Growth	123,661	218,316	94,655	293,547	169,886
Strategy & Engag.	74,882	99,286	24,404	132,148	57,266
Digital	11,869	59,535	47,666	79,371	67,502
Infra. & Property	68,394	168,723	100,329	224,972	156,578
Finance	12,308	52,884	40,576	70,521	58,213
PCC	32,053	51,517	19,464	80,354	48,301
Central Budget	153,428	236,631	83,203	301,000	147,572
Total	631,085	1,132,522	501,437	1,507,076	875,991

Training spend represents actual journaled invoices at the end of the calendar month.
- This does not include committed spend

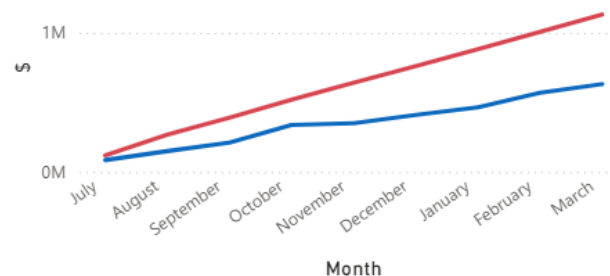
Spend represents only external spend and does not account for internal costs such as employee time.

Financial Figures at as **31st March 2025**

Central Budget – There is planned training which will result in >80% spend to budget by E.O.F.Y

YTD Actual and YTD Budget by Month

● Sum of YTD Actual ● Sum of YTD Budget



HR Employment Relations & Projects

Employment Relations	
Formal on-going	<p>1 x Performance Improvement Plan 1st review meeting set</p> <p>1 x Personal Grievance raised unjustified disadvantage during change process, SDC has responded- awaiting response/further action from employee</p> <p>1 x Personal Grievance raised unjustified– not settled in Mediation and has now lodged claim with ERA. A response to the claim is being prepared.</p> <p>1 x Formal Complaint, Bullying and Harassment – a waiting final investigation report due 11 April</p>
Formal New	<p>1 x Letter of Expectation issued</p> <p>1 x PiP started</p>
Legal Spend	\$34,620 (YTD)
Consultant Spend	\$8,625.00 (YTD)
Projects	<p>Flexi-work request roll out – underway</p> <p>On-call work review – on-going</p>
Investigations	

Employment Law Updates 2025-2026

Living wage Increase

The 2025/2026 New Zealand Living Wage will rise by \$1.15 up from \$27.80 to \$28.95 per hour ,effective September 1

It means living wage employees will earn at least \$5.45 per hour more than those on the minimum wage of \$23.50 an hour

SDC is not an accredited living wage employer but is committed to paying the Living Wage.

PUBLIC REPORT

TO: Audit and Risk Subcommittee

FROM: John Knight – Head of Health, Safety Wellbeing
Wayne Stack – Health and Safety Lead
Tracy Copping – Wellbeing Lead

DATE: 6 May 2025

SUBJECT: **HEALTH, SAFETY AND WELLBEING UPDATE**

RECOMMENDATION

'That the Audit and Risk Subcommittee receives the Health, Safety and Wellbeing Update Report.'

1. PURPOSE

The purpose of this report is to provide the Audit and Risk Subcommittee with an update in relation to health, safety, and wellbeing activity and sets out planned activities for the coming three-month period.

The attached Dashboard provides a breakdown of these activities and presents an overall view of both the lag and lead indicators.

2. HSW OVERVIEW

H&S Leadership:

The HSW team are currently developing a Charter and Strategy framework incorporating both the Future Selwyn model and capturing the actions from the recent HSE Global report that it provides and ensuring that these align with both HR and legal frameworks, this will be sent for review and comment by all stakeholders.

We continue engaging in relationship building within all departments and developing the Work as Imaged versus Work as done profiles and further understanding the risk profiles associated with the Critical Risks in these areas.

We also continue our analysis of the Critical Risk project and evaluation of how this can be further refined to ensure the essential risks and controls are updated, managed and reviewed regularly.

We are ensuring the HSW team are a visible HSW presence with all departments across the district regularly, and generating interactive feedback, guidance and support. We also see our visibility as creating accountability and responsibility both vertically and horizontally across all the council areas. The HSW team are using its new rebranding and 1/4ly newsletter to cement this engagement across all council business units.

Walkaround worksite visits:

The Health, Safety & Wellbeing Leadership worksite visits programme is providing positive results, with both leaders and workers ensuring a greater understanding of how work is done, not imagined. Another schedule of visits to be completed by 30 June has been distributed.

Critical Risk Management Programme:

The Critical Risk Programme is steadily progressing, with the last three teams to be created focusing on submitting their Bowties and Management Standards for ELT endorsement. The other teams are now focused on reviewing and confirming risk controls/mitigations and having these endorsed by their sponsors. Refresher training workshops for the Psychosocial and Lone Worker Teams are scheduled for early May, while each team will now be required to submit a short monthly report on their progress.

Moving forward, teams will be required to submit a quarterly report specifically on their ongoing critical control reviews.

Sick leave, annual leave, staff turn-over, along with high workloads, have proved challenging, but teams remain fully engaged producing good work. An example of this is the Working in and Around Water team have now had 53% of their controls reviewed and verified.

GIS Location of Interest Layer

This system has been tested and is ready to be launched once the Legal & Risk Team have cleared questions regarding privacy and sharing of information. When this is done, endorsement will be sought from ELT to launch to staff.

3. H&S MANAGEMENT SYSTEM:

Key Incidents:

Critical Risk – Aggression or Violent Behaviour

There have been increasing reports of aggression and/or inappropriate behaviour to our staff and to those using our facilities. This has resulted in the development of a public code of conduct to be displayed at all facilities, a procedural document for staff dealing with the inappropriate behaviour and will be rolling these out once there is ELT approval.

4. WELLBEING

Employee Assistance Programme:

Digital are in the final stages of setting up Telus Health in our systems and we anticipate rolling out the new service by the end of April. Telus provide an employee assistance programme alongside a supportive wellbeing platform. Our contract remains with our current provider until the October, ensuring we have a decent transition period that provides continual support throughout the changeover.

GoodYarn Programme:

Our 5 trained facilitators have been initiated into the GoodYarn programme and will be attending their final tutorial session in the next couple of weeks. Facilitators will be well prepared and fully resourced to deliver workshops that increase people's ability to recognise signs of stress and mental health problems, be able to talk confidently with someone they are concerned about and to help guide that person towards appropriate support.

Caring Customer Interactions (CCI):

We are currently working with Infrastructure and Property on the content they require to support their teams through challenging interactions. We expect to be providing more bespoke workshops across the business as we navigate these challenging times.

Due to the current climate, we have also flagged our external messaging campaign with MarComs as a matter of urgency. This will involve developing some promotions around customer expectations with our goal being to keep our people safe, and our customers happy.

Flu Vaccinations:

These will be available at on-site clinics during May or with vouchers that can be redeemed at Life or Unichem Pharmacies.

Talk it Out:

Talk it Out is our peer support programme that is complimentary to EAP services. Recognising the need to provide wraparound care for our people at this time we will be promoting this service across the business. There will be a drop-in session on 1 May at HQ followed by visits to our facilities. These sessions provide an opportunity to meet our fully trained facilitators and learn more about the service they provide. We hope to also gain some expressions of interest from anyone who is keen to volunteer as additional facilitators.

Appendices:

- Appendix A: GoodYarn Workplace Flyer
- Appendix B: Telus Health Flyer



John Knight
**HEAD OF HEALTH SAFETY
AND WELLBEING**



Wayne Stack
HEALTH AND SAFETY LEAD



Tracy Copping
WELLBEING LEAD

ENDORSED FOR AGENDA



Steve Gibling
Executive Director People Culture and Capability

HEALTH, SAFETY AND WELLBEING DASHBOARD

To: Audit and Risk Committee

From: Head of Health, Safety and Wellbeing

24 April for Meeting 6 May 2025

Figures for March 2025

selwyn.govt.nz



The Things you need to know



- Charter and strategy framework for HSW function being developed
- Gap analysis review with L & OD team for compliance training alignment for roles
- New Branding for HSW function from Marcomms and 1/4ly newsletter for publishing
- AGM for HSR's with guest speaker Lance Burdett May 13th
- Public Code of Conduct development for interactions with our frontline teams
- Safety Leadership walkarounds and actions developing good feedback and insights
- Critical Risk committee focus for guidance and support

Health and Safety Team Priorities: Progress update



Critical Risks Highlight

Driving
Psychological Safety & Health
Aggression or Violence toward Staff
Lone, Remote & Isolated Work
Working in and Around Water ✓
Construction/Contractor Sites

HSW Team Reset and Report Recommendation Progress

Reassessment of SDC's HS&W team structure within the organisation, from the HSE Global Function Report, and following those recommendations.

Engagement

Ensuring the wider SDC team have the support and education to be confident in their safety at work, both physically and psychologically

H&S Champions

Supporting a team of Champs that are connected and engaged in the health and safety of their peers and the workplace as a whole.

- Splitting Bowtie into two – into Controlled, and Uncontrolled aquatic environments.
- Soon to have 13 of 41 controls turned green
- Formal reporting procedures begin May
- Illness & leave impacting work progress, but still aiming for all controls verified by end 08/25

- Working with Michelle Gillman to assist Psychosocial Risk Critical Risk team to divide work into ISO aligned areas
- HSW Team developing Strategy and Charter framework
- Working with L&OD team on clarifying Compass roles for compliance training.
- Wellbeing workstream now divided into Health Protection, Promotion and Wellbeing.

- New team branding coming, featuring a lotus flower with three petals, each representing one part of health, safety and wellbeing
- Reinstatement of internal newsletter for outward HSW messaging
- Ongoing visits to all areas by HSW team
- H&S and Wellbeing Portals – continually updated

- AGM being held May 13 – full day of professional development and guest speaker, Lance Burdett on managing challenging people and situations, on crisis intervention and on reducing personal stress.
- SDC have 29 current Champs, or Reps, from all areas of the business. There are still spaces for more.
- ACLL and V&E Champs have recent change to ways of meeting, within their large and physically spread teams, as well as at the main HSC meetings, increases engagement & profile.

BAU

- On track
- Progress limited/some risks
- Progress at serious risk
- Project not yet started (as per agreed timeline)

Wellbeing Lead Priorities: Progress update



Wellbeing Review

Evaluation of the programmes and initiatives we provide across the business to ensure we are supporting our team members holistic wellbeing

- ☒ Framework in place
- ☒ RFI's being sought
- ☒ Consultation on approved initiatives
- ☐ Internal comms

DEI&B Restart

Working with Organisation Effectiveness Lead to ensure we have a strategic DEI&B programme in place at SDC that builds a culture of inclusion

- ☐ Recruit professional provider to raise organisational awareness
- ☐ Deliver org. wide training
- ☐ Development strategy/plan
- ☐ Consult and communicate intentions

Caring Customer Interactions

How we take care of our people and our customers at SDC

- ☒ Research what is frustrating our people and our community
- ☒ Resources available to help protect our team members
- ☒ Appropriate training provided for our specific requirements
- ☐ External campaign how we work together

Mental Health Awareness Training

Equip our people with the skills to be able to recognise signs of stress and mental illness and to be able to respond in a way that is supportive and protects themselves and their colleagues

- ☒ Explore and review suitable learning opportunities
- ☐ Provide training for our team members
- ☐ Continual review of current training
- ☒ Continual review employee needs

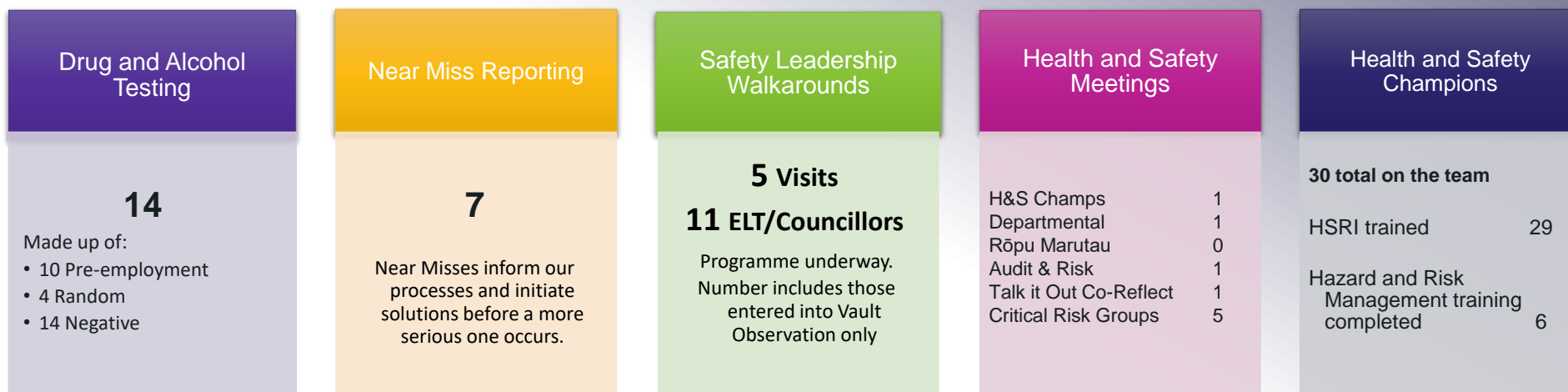
BAU

- ☒ On track
- ☐ Progress limited/some risks
- ☐ Progress at serious risk
- ☐ Project not yet started (as per agreed timeline)

HS&W – Lead Indicators – March 2025



Lead Indicators are proactive and preventive measures that identify the work being done within the organisation to mitigate risks before they become an issue or cause harm to our worker or our customers.



What H&S, and W related training occurred across council over the reporting period?

Situational Safety and De-escalation training was held at LEC in March, including the introduction of new 2-hour refresher courses. A number of people have undertaken First Aid training, and two new H&S Champions completed the Health and Safety Initial training.

What H S & W training feedback or needs were identified in this reporting period?

Training for HQ Fire wardens is to be scheduled in April with the Chief Fire Officer, Cameron Warr. This is to ensure everyone knows their role in an emergency. First Aiders lists are being updated currently and training is ongoing.

HS&W – Lead Indicators Critical Risks Status



Active Construction, Contractor & Maintenance sites	Engagement of Group	Meetings held regularly, including last month	Bowtie and Management Standard in Progress and at expected level	90 Day Plan and Reporting in place	Number of controls identified 32	Number of controls assured 0	Overall Progress In Progress
Aggression or Violence toward staff	Engagement of Group <i>Assistance being arranged</i>	Meetings held regularly, including last month	Bowtie and Management Standard in Progress and at expected level	90 Day Plan and Reporting in place	Number of controls identified 39	Number of controls assured 0	Overall Progress In Progress
Driving	Engagement of Group	Meetings held regularly, including last month	Bowtie and Management Standard in Progress <i>Ratified</i>	90 Day Plan and Reporting <i>In Planning</i> <i>Vehicle Policy Ratified</i>	Number of controls identified 34	Number of controls assured 0	Overall Progress In Progress
Lone, Remote or Isolated Working	Engagement of Group	Meetings held regularly, including last month – to check	Bowtie and Management Standard in Progress and at expected level	90 Day Plan and Reporting in place	Number of controls identified 42	Number of controls assured 0	Overall Progress In Progress
Psychological Health & Mental Wellbeing	Engagement of Group	Meetings held regularly, including last month	Bowtie and Management Standard in Progress <i>Ratified</i>	90 Day Plan and <i>Reporting</i> in place	Number of controls identified 52	Number of controls assured 9	Overall Progress ON TRACK
Working in and Around Water	Engagement of Group	Meetings held regularly, including last month	Bowtie and Management Standard in Progress <i>Ratified</i>	90 Day Plan and Reporting in place	Number of controls identified 41	Number of controls assured 2 (11 awaiting approval)	Overall Progress ON TRACK

Key



On Track



Controls



In Progress



Behind Schedule

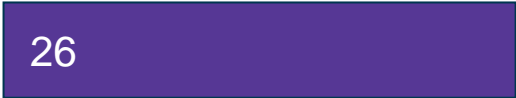
HS&W – Vault Insights Overview – March 2025



Total Event Count



Events Underway



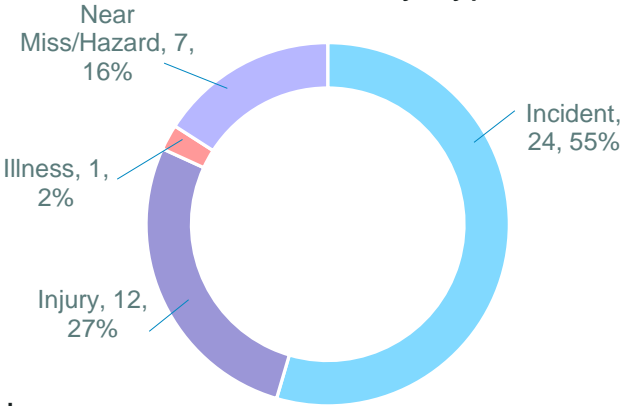
Events Completed



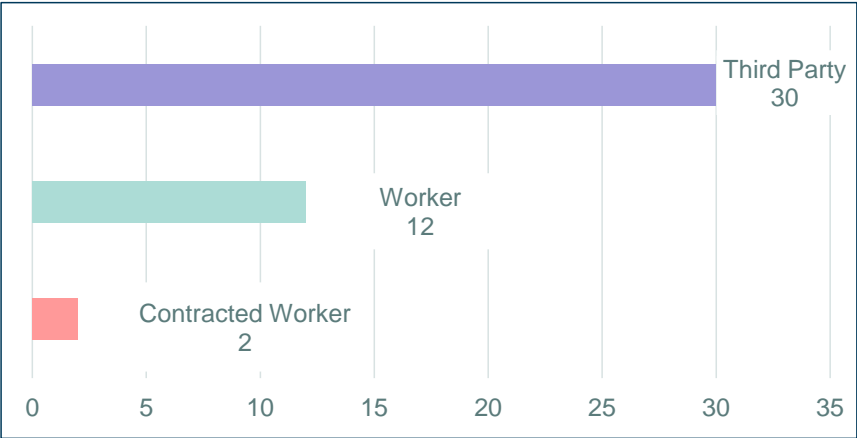
Events Not Started



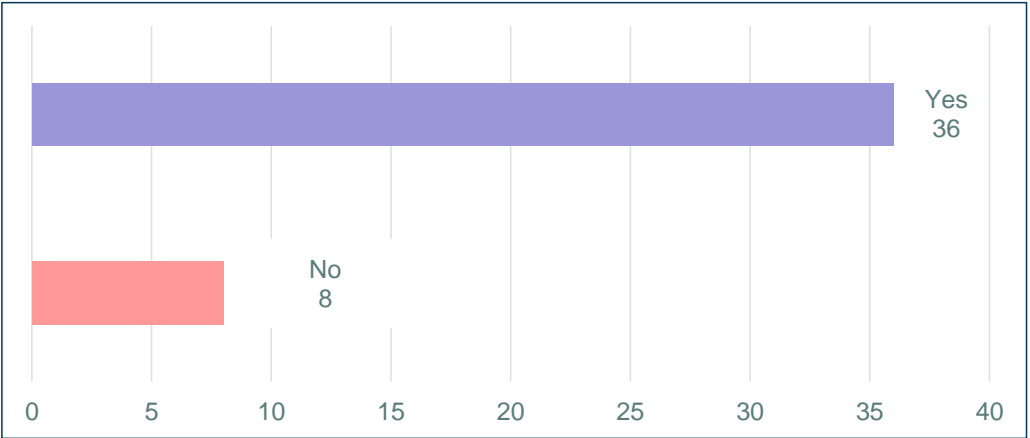
Events by Type



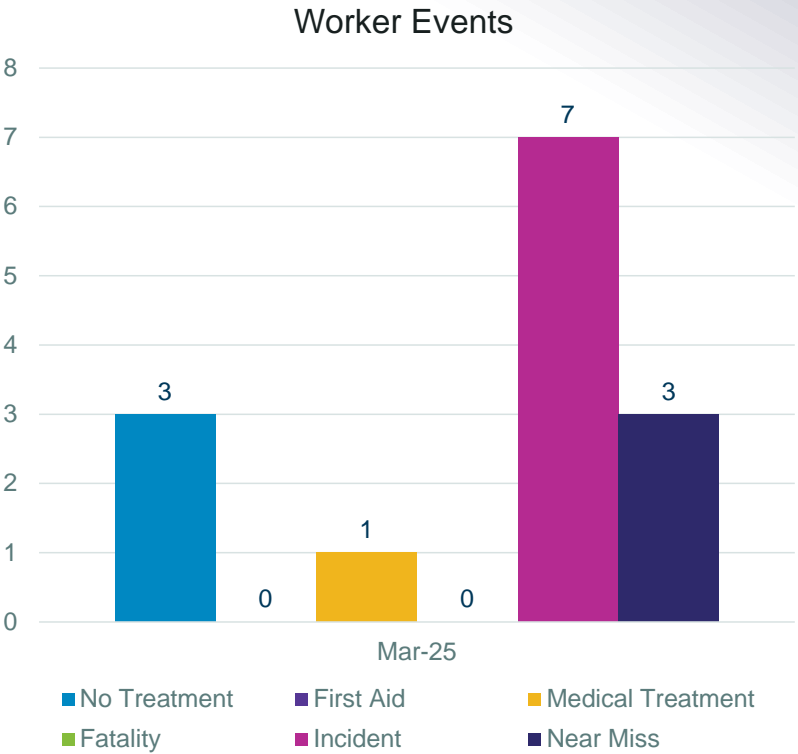
Events by Person Type



Investigations Required



HS&W – Worker Statistics – March 2025



	No Treatment	First Aid	Med/Hosp	Near Miss	Incident
Executive					
Digital					
Finance					
S&E					
D&G					2
I&P				1	3
CSF	2		1	2	2
PCC	1				

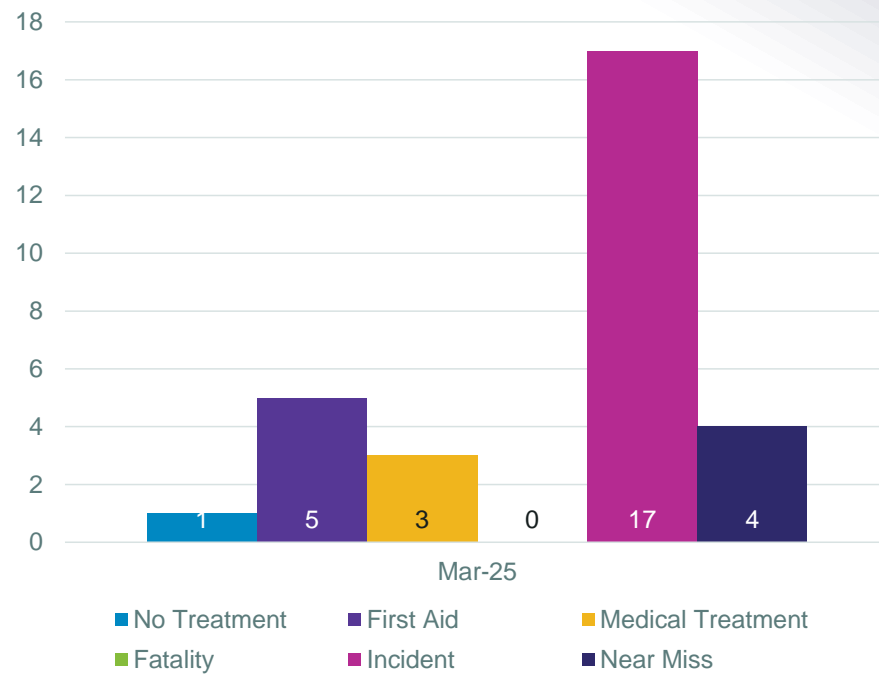
Total of 14 Worker (including 2 contracted workers) events recorded in Vault in this one month period.

HS&W – Members of Public Event Statistics



March 2025

Member of Public Events



	No Treatment	First Aid	Med/Hosp	Near Miss	Incident
ACLL		2		2	4
HQ				1	4
Aquatics		3			5
SSC			2	1	2
Venues	1		1		1
Kōawa					

Total of 85 Member of Public events recorded in Vault in this five month period.

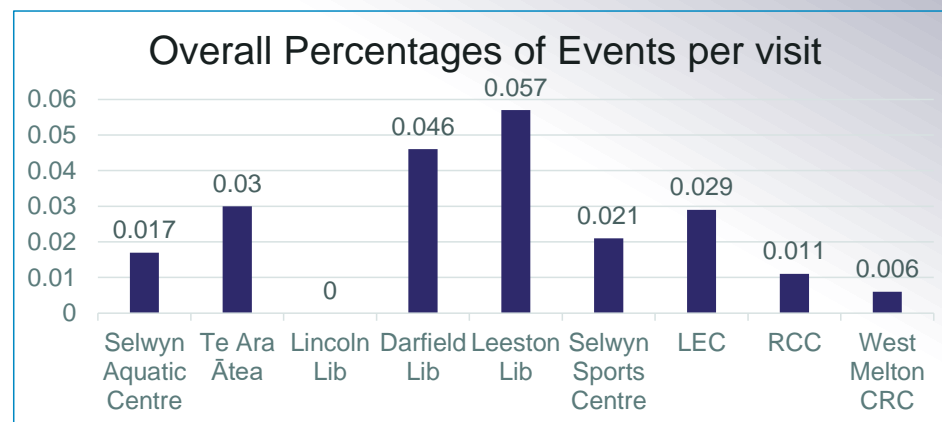
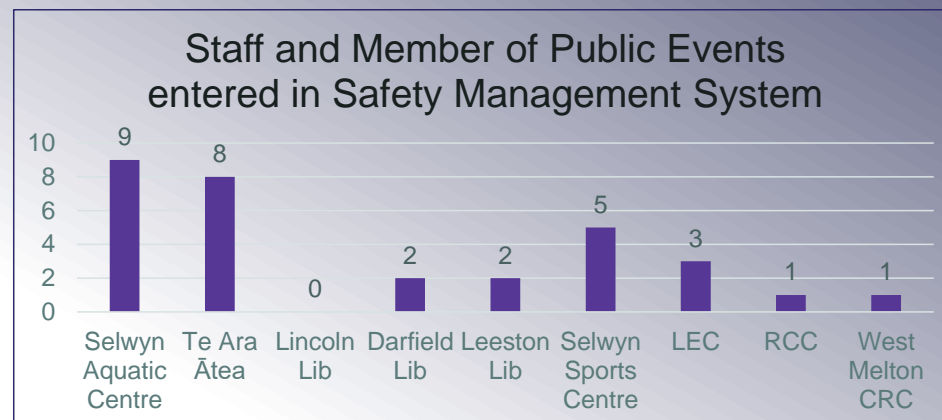
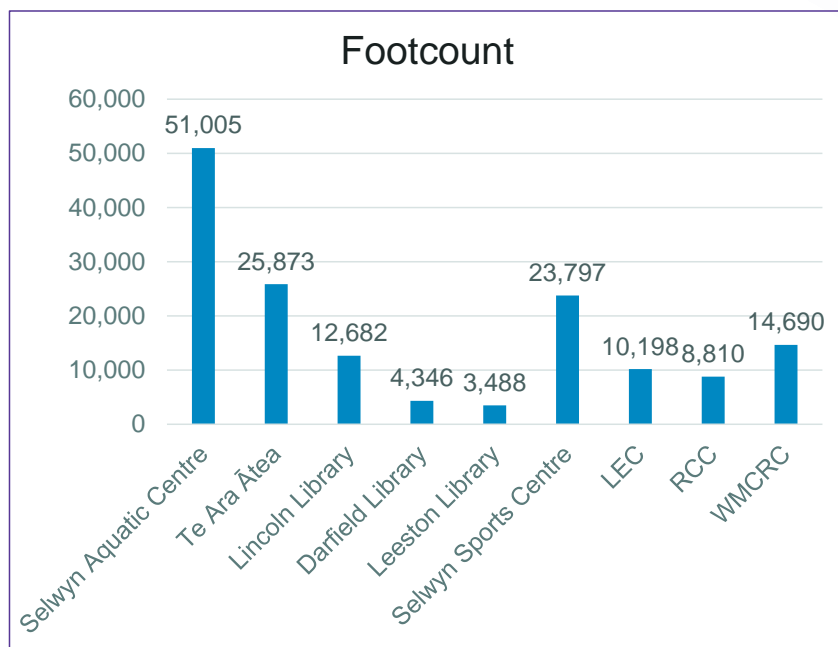
HS&W – All Event Statistics CSF Team



These figures include both worker and member of public events for the staffed facilities under the Community Services and Facilities group.

Footcount and event statistics comparison.

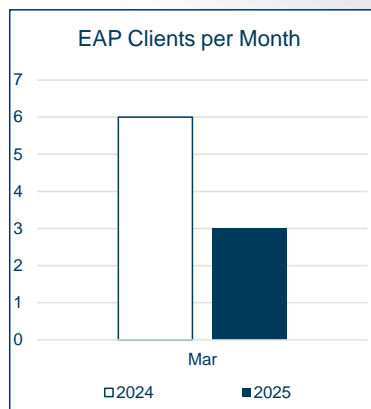
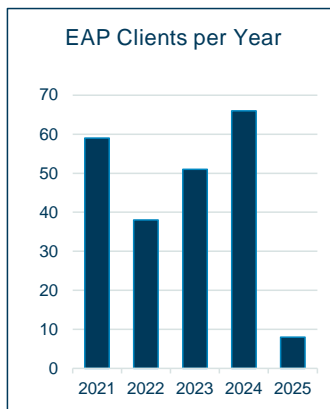
March 2025 time period



Wellbeing – March 2025



EAP Statistics



EAP Report on Impact Levels

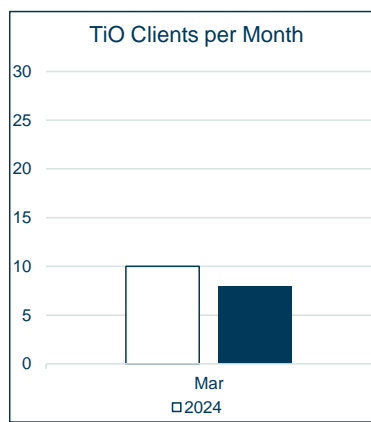
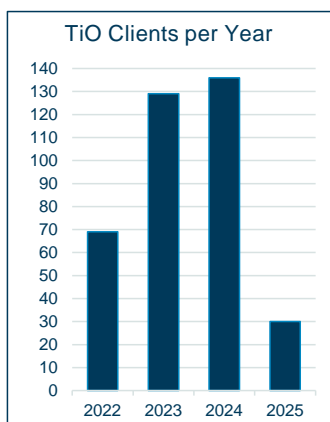
- Level 1 work unaffected needs practical assistance only – 1 client
- Level 2 work performance and work relationships not yet affected but may be if issues are not dealt with – 1 client
- Level 3 work performance is lowered and/or relationships with colleagues could be affected – 1 client
- Level 4 functioning less than their normal or required levels –
- Level 5 unable to function at work in the short term –

Private Counsellors

11 clients

Topics not recorded due to confidentiality

Talk it Out Statistics



EAP and TiO Topics of Concern

Work Issues – alleged bullying/harassment, **conditions**, customer interaction, **manager relationship**, performance, stress, support – lack of.

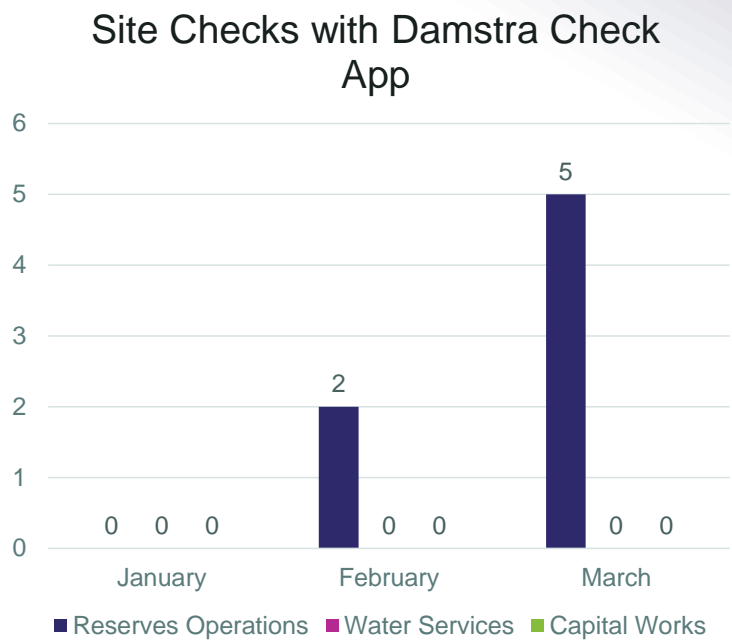
Personal Issues – **anxiety/stress**, budgeting/debt, health/medical, **relationships**.

Looking after ourselves and others

Wellbeing leave 65 hours

Volunteer leave 11.5 hours

Contractor Statistics – March 2025



Site Wise Contractor Statistics March 2025

Selected Contractors	50
Average Score	94%
Unassessed Contractors	0
Assessment out of date	1
Expired Contractors	0
Insurance documents expired	7

GoodYarn

GETTING PEOPLE TALKING
ABOUT MENTAL HEALTH
"ORANGA KÖRERO"



What is GoodYarn?

GoodYarn is a three-hour, peer-led, mental health literacy workshop.

The workshop aims to:

- Increase awareness of the signs and symptoms of mental health problems.
- Build confidence to have conversations about mental health.
- Improve knowledge of services and resources that can help.

How successful is it?



16786

participants



909

facilitators



1,577

workshops



86

workplaces



99%

aware of signs and
symptoms



99%

confident having
conversations about
mental health



98%

know how and where
to get help



96%

of people would
recommend the
workshop

The first step in addressing mental health in the workplace is being able to talk about it.



"Most practical workshop I've been part of, with tangible steps offered."



What GoodYarn can do



Create a foundation for addressing your workplace mental health risks



Reduce harm



Move the whole workforce toward better mental health

Your part to play



Take an active interest



Provide resources by allocating FTE



Create the mandate by asking for reports and feedback

Initial steps



Choose your facilitators



Train facilitators (\$1150 two-day training)



Get a license (\$25 per head)



Create a rollout and monitoring plan



"I believe GoodYarn should be in all workers' toolkits no matter what industry."



goodyarn.org



0800 66 77 33



info@goodyarn.org

Welcome to your EAP

Feel supported and connected with a confidential Employee Assistance Program (EAP) and innovative wellbeing resource. Life can be complicated. Get help with all of life's questions, issues and concerns with TELUS Health. Any time, 24/7, 365 days a year. We offer support for mental, financial, physical and emotional wellbeing. Whether you have questions about handling stress at work and home, parenting and child care, managing money, or health issues, you can turn to TELUS Health for a confidential service that you can trust.



Life

- Retirement
- Midlife
- Student life
- Legal
- Relationships
- Disabilities
- Crisis
- Personal issues



Family

- Parenting
- Couples
- Separation/divorce
- Older relatives
- Adoption
- Death/loss
- Child care
- Education



Health

- Mental health
- Addictions
- Fitness
- Managing stress
- Nutrition
- Sleep
- Smoking cessation
- Alternative health



Work

- Time management
- Career development
- Work relationships
- Work stress
- Managing people
- Shift work
- Coping with change
- Communication



Money

- Saving
- Budgeting
- Managing debt
- Home buying
- Renting
- Estate planning
- Bankruptcy



REPORT

TO: Audit and Risk Sub-Committee

FOR: Audit and Risk Sub-Committee Meeting 6 May 2025

FROM: Head of Financial Control – Niel Koch

DATE: 28 April 2025

SUBJECT: **AUDIT NEW ZEALAND AUDIT PLAN FOR YEAR ENDING 30 JUNE 2025**

RECOMMENDATION

“That the Audit and Risk Sub-Committee receives for information the Audit New Zealand (Audit NZ) Audit Plan for Year Ending 30 June 2025.”

1. PURPOSE

The purpose of this report is for Audit NZ to present the Audit and Risk Sub-Committee with the Audit Plan for the year ending 30 June 2025.

2. SIGNIFICANCE ASSESSMENT/COMPLIANCE STATEMENT

The decisions and matters of this report are assessed as of low significance, in accordance with the Council's Significant and Engagement Policy.

Report of:



Niel Koch
HEAD OF FINANCIAL CONTROL

Audit plan

Selwyn District Council

For the year ending 30 June 2025

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Executive Summary

I am pleased to present our audit plan for the audit of Selwyn District Council (the Council) and group for the year ending 30 June 2025. Our role as your auditor is to give an independent opinion on the financial statements and performance information. Our work improves the performance of, and the public’s trust in, the public sector. We also recommend improvements to the internal controls relevant to the audit.

The contents of this plan should provide a good basis for discussion when we meet with you. We will be happy to elaborate further on the matters raised. If there are additional matters that you think we should include, or any matters requiring clarification, please discuss these with me.

Nāku noa, nā

Dereck Ollsson
Appointed Auditor
DRAFT – 14 April 2025

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Focus areas: risks and issues



Based on the planning work and discussions that we have completed to date, we set out in the table below the main risks and issues relevant to the audit. These will be the main focus areas during the audit.

Many of these risks and issues are relevant to the audit because they affect our ability to form an opinion on your financial statements and statement of service performance. As part of the wider public sector audit, we are also required to be alert to issues of effectiveness and efficiency, waste and a lack of probity or financial prudence.

Additional risks may also emerge during the audit. These risks will be factored into our audit response and our reporting to you.

Risk/issue	Our audit response
<p>Valuation of infrastructure assets</p> <p>The Council revalues its infrastructure assets whenever there is expected to be a material movement in the fair value of those assets. We understand that the Council intends to revalue its roading assets as of 30 June 2025.</p> <p>The reasonableness of the valuation depends on the valuation method applied, the completeness and accuracy of the source data, and the appropriateness of key assumptions. Some valuations are inherently complex and involve the use of numerous data sources and key assumptions that can have significant impacts on valuations and the future depreciation expense.</p> <p>The Council will need to collate information about the underlying assumptions and data to support the valuations. One of the key assumptions in a depreciated replacement cost valuation is the unit rate adopted for significant components. When developing the unit rates, the Council should have a documented methodology and database of cost information to support the unit rate applied in the valuation.</p>	<p>We will:</p> <ul style="list-style-type: none"> review the valuation report to assess the objectivity and competence of the valuer and whether the requirements of accounting standard PBE IPSAS 17, <i>Property, Plant and Equipment</i>, have been met; assess relevant quality controls that support the integrity of the underlying data and assumptions schedules used in the valuation; obtain an understanding of and test the underlying source data used in the valuation; review the methodology used to develop unit rates and test those rates back to the Council's analysis of recent contract costs; engage with the valuers as part of assessing the reasonableness of the assumptions used as well as the reasons for movements in key asset components;



Risk/issue	Our audit response
<p>The Council should ensure the scope of the valuation work is sufficient and the reasons for the movement in the valuation are documented and justified.</p> <p>As a minimum, the reasons for the movement should identify and explain movements at an asset component level since the last valuation due to changes in source data (for example, lengths and volumes), unit rates and any other significant adjustments.</p> <p>Valuations prepared by a firm external to the Council should be subject to quality reviews by the valuation firm and suitably experienced members of the Council's management team.</p>	<ul style="list-style-type: none"> • review the accounting entries and the fixed asset register to ensure the values are correctly updated; and • review the appropriateness of the disclosure, including any narrative.
Fair value assessment of infrastructure assets (non-revaluation year)	
<p>For those assets that the Council does not plan to revalue, the Council needs to perform a fair value movement assessment (assessment) to determine whether there could be a material difference between the fair value and the carrying value.</p> <p>An assessment should:</p> <ul style="list-style-type: none"> • factor in local cost information; • utilise relevant and reliable price movement indicators; and • involve consultation with valuers, where necessary. 	<p>We will review the reasonableness of the Council's assessment including the appropriateness of the assumptions used in the assessment.</p>
<p>If the fair value movement of the assets, individually or in combination with other asset classes, is likely to be material, the Council will need to complete a full revaluation. If specified criteria are met, the Council may be able to undertake an index-based revaluation.</p>	



Risk/issue	Our audit response
Fair value of investment property	
<p>The Council has elected to apply the fair value model to its investment property and is required to revalue its investment property annually in accordance with accounting standard PBE IPSAS 16, <i>Investment Property</i>. This standard requires the fair value of investment properties to reflect the fair value of the properties based on the market conditions as at the reporting date.</p> <p>Determination of the fair value requires key judgements and assumptions to be made by the Council's valuer.</p>	<p>We will:</p> <ul style="list-style-type: none"> • review the valuation report and hold discussions with management and their valuer to confirm our understanding of the approach taken to estimate fair value, key judgements made, assumptions applied, and source data used; • assess the valuer's expertise and their objectivity; • evaluate whether an acceptable approach has been taken to estimate fair value, and assess this (and the related disclosures in the financial statements) for compliance with the requirements of accounting standards; • review the source data for errors and omissions, and assess the reasonableness of key judgements made and assumptions applied; and • test calculations, determine if the revaluation has been correctly accounted for, assess the overall valuation movement and obtain explanations for any significant or unusual changes in value.



Risk/issue	Our audit response
Accounting for impairment, capitalisation of costs and recognition of completed assets	
<p>Impairment</p> <p>Assets are required to be assessed for indicators of impairment at each reporting date. In addition, work in progress (WIP) values on projects that span an extended period of time should be assessed regularly for impairment over the period of the project.</p> <p>Capitalisation of costs</p> <p>The Council should ensure appropriate policies and processes are in place to identify and capitalise costs that are capital in nature. This includes both direct and indirect capital costs.</p> <p>Completed projects</p> <p>The Council also needs to ensure that, as phases of a project are completed, and assets become operational, capitalisation of the WIP balance is performed in a timely manner. This will ensure that depreciation on these assets starts when the asset is complete and ready for use.</p> <p>The Council had a significant WIP balance at 30 June 2024 with a risk that some projects within the balance may have been abandoned and should be written off. The Council should analyse the aging of WIP balances by year and consider whether any old balances should be written off or impaired.</p>	<p>We will:</p> <ul style="list-style-type: none"> • assess the processes used by management to assess for impairment, including all significant WIP balances and review the analysis of WIP aging; • update our understanding of the Council policy and processes to identify and capitalise both direct and indirect capital costs; and • review management's processes to ensure that the capitalisation of WIP costs is performed in a timely manner.



Risk/issue	Our audit response
Vested assets	
<p>The Council has significant vested assets which present a higher level of risk of material misstatement of the financial statements for reasons discussed below.</p> <p>Once a development, or a stage of a development is finalised, the vested asset data is input into the various sub-systems, AMS (for utilities assets) and RAMM (for roading assets).</p> <p>From this, a report is generated at year-end, and the valuation is completed on a component basis for each class of vested asset.</p> <p>However, in the previous year we noted instances where the vested assets were recorded in the Council's financial management information system, but AMS was yet to be updated (as there could be few months lag for this information to be collected, verified and entered into AMS). We did not identify any controls that the Council has implemented to assess the impact of this issue on completeness of vested asset valuation data.</p> <p>The Council also continues to use set rates based on land size for reserve land and one flat rate to value land under roads to value such land vested to it.</p> <p>We had recommended that the Council improve its procedures to identify vested assets and record the vested asset information in a timely manner.</p> <p>Until the deficient procedures for vested assets are addressed, there is a risk that the valuation data is not complete and the related revenue is not recorded in the correct financial year.</p>	<p>We will reconfirm our understanding of the vested assets systems. This will include review of the progress made on the implementation of the recommendations we have made.</p> <p>We will also perform the following:</p> <ul style="list-style-type: none"> • review the section 224 certificates issued during and after year end to identify any vested assets that had not been recorded; • review any significant developments that were progressed during the year; • ensure as-build plans are not accepted until all vested asset lengths are clearly included in the final plans; and • ensure no additional vested assets identified that should have been recorded in the current year.



Risk/issue	Our audit response
Share investments carried at fair value	
<p>The Council has share investments carried at fair value. The most recent comprehensive reviews of the fair value of the Council's share investments in Orion New Zealand Limited and CORDE Limited were at 30 June 2024.</p> <p>Transwaste Canterbury Limited, in which the Council has a 3% holding, was last revalued at 30 June 2006, with a subsequent review at 30 June 2011.</p> <p>The Council will need to formally assess whether the carrying values of the investments, as at 30 June 2025, are materially different from their fair values. The Council may require input from qualified independent valuers in completing this assessment.</p> <p>If valuations are required, we expect the Council to obtain independent valuations from qualified independent valuers because share valuations are a complex exercise subject to high estimation uncertainties.</p>	<p>We will review the Council's assessment as to whether there is any material difference between the fair value and carrying amount of its share investments carried at fair value.</p> <p>Where independent valuations are performed, it is normal practice for us to review the reports and discuss the valuation basis and key assumptions applied in determining the fair value of the share investments with the valuers. We will also obtain an independent confirmation from the valuers about their expertise and experience in performing share valuations.</p>
Mixed group financial statements	
<p>The Council has investments in a subsidiary and associate entities. Each year the Council presents the audited financial results and financial position of the consolidated group.</p> <p>One subsidiary within the group, CORDE Limited, is designated as a for-profit entity. However, the group is designated as a public benefit entity .</p> <p>Accordingly, there are differences in the financial reporting standards within the group.</p> <p>PBE IPSAS 35: <i>Consolidated Financial Statements</i>, applied by the Council, requires the parent entity to prepare group financial statements using uniform accounting policies for like transactions and other events in similar circumstances.</p>	<p>We will:</p> <ul style="list-style-type: none"> review the consolidation workings to gain assurance that it is prepared in accordance with PBE IPSAS 35, including specifically, that there is elimination of material inter-entity transactions; check that the group financial statements have been prepared using uniform accounting policies in accordance with PBE IPSAS 35, or that appropriate adjustments have been made for material differences in accounting policies (most notably between the group and CORDE Limited); and



Risk/issue	Our audit response
<p>Differences in accounting standards between for-profit and public benefit entities may also require consideration and lead to additional consolidation adjustments.</p> <p>Management should discuss and agree these “mixed group” reporting issues with CORDE Limited.</p>	<ul style="list-style-type: none"> where adjustments have been made or not made for any differences in accounting policies, we will consider the impact these may have on our audit opinion, on the basis of materiality.
Local Water Done Well – New Water Service Entity	
<p>On 2 April 2025, the Council voted in favour of creating a new council-controlled organisation (CCO) for the district’s drinking water and wastewater services, while stormwater services will remain within the Council.</p> <p>The new entity is expected to be established on 1 July 2025, with a transition period aiming for completion by December 2025.</p> <p>The Council has engaged legal experts to address the legal aspects of setting up the new CCO, including the constitution and the service agreement between the Council and the new CCO, and so on.</p> <p>In addition to the legal aspects, the impact on the financial statements will be significant for 2024/25 and 2025/26, given that a material portion of property, plant, and equipment (PPE) will be transferred to the new CCO, which would also be a new component of the Council’s group financial statements.</p> <p>We encourage the Council to keep us updated on the status of the establishment of the new CCO. Additionally, we recommend that the Council obtain independent accounting advice on the implications of the new CCO in terms of accounting treatment and disclosure for both current and future financial statements.</p>	<p>We will:</p> <ul style="list-style-type: none"> review the legal establishment document of the new CCO, along with the Council’s Water Service Delivery Plan; review the service agreement between the new CCO and the Council; review the accounting advice obtained by the Council; and review accounting treatment and disclosure made in the financial statement, and consider implication on the audit opinion.



Risk/issue	Our audit response
The risk of management override of internal controls	
<p>There is an inherent risk in every organisation of fraud resulting from management override of internal controls. Management are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Auditing standards require us to treat this as a risk on every audit.</p>	<p>Our audit response to this risk includes:</p> <ul style="list-style-type: none"> • testing the appropriateness of selected journal entries; • reviewing accounting estimates for indications of bias; and • evaluating any unusual or one-off transactions, including those with related parties.



Other areas of interest across the local government sector

There are a number of sector wide issues significant to most local authorities. These include areas of interest that are not necessarily significant to the Council but are areas we monitor, as part of our responsibility to consider the broader risks affecting local authorities. We have reviewed the specific areas of interest for the 2024/25 year and have not identified any areas of focus over and above those already covered in this plan. Should any additional areas be identified during the year we will notify the Council separately. Wider public sector areas of interest are set out on page 21.

Amendments to PBE IPSAS 1 regarding the disclosure of audit fees

The amendments to PBE IPSAS 1 have expanded, and clarified the disclosure expectations for audit fees. These changes are applicable to reporting periods beginning on or after 1 January 2024, which means they will apply to the 2025 annual report.

The enhanced disclosure requirements introduce a requirement to disclose the fees incurred for services received from audit or review firms using specific categories. Under each category of other non-audit or review services, entities reporting under Tier 1 are required to provide a description of each type of service received and the corresponding fees incurred for the reporting period.

The amendments also clarify that for the purpose of these disclosures, the fees for services received from the audit or review firm are based on the amount of fees expensed during the reporting period. This includes any disbursements incurred in connection with the services.

Mutual Liability Riskpool Scheme

Although Riskpool is in wind down, member councils have an ongoing obligation to contribute to it should a call be made in respect of any historical claims (to the extent those claims are not covered by reinsurance), and to fund the ongoing operation of the scheme.

In August 2023, Riskpool indicated that member councils might have to provide further contributions to cover identified shortfalls whereby claims exceed reinsurance recoveries. This led to relevant councils recognising a provision or including disclosure of the situation and what it meant in their 2022/23 financial statements.

In November 2023, Riskpool made a call on member councils to fund quantified shortfalls. The amount to be funded by member councils was \$12.9 million. Riskpool reserves the right to make further calls for additional funding if needed. As of September 2024, we are not aware of any further calls being made.

The Council will need to consider its disclosures in this regard and should specifically consider whether further information is available to allow the Council to reliably measure a provision for unpaid calls.



Dealing with the “Local Water Done Well” water reforms in the 2025 annual report

Local Water Done Well is being implemented in stages:

- Stage 1 – repealing the affordable water reforms (completed in February 2024).
- Stage 2 – passing the Local Government (Water Services Preliminary Arrangements) Act 2024 (completed in September 2024).
- Stage 3 – introducing the Local Government Water Services Bill, which will establish the enduring settings for the new water services system (expected to be passed by mid-2025).

Depending on the status of the water reforms and the Council’s response to those, we recommend the Council provide a high-level summary of the reforms at the time of reporting. This should include that the Council must prepare, consult on aspects of, and adopt a water services delivery plan. Where the Council’s intentions are well developed and formalised via council resolution, the Council may wish to describe the anticipated or proposed model or arrangement for delivering water services, and planned timing of implementation.

We will communicate any changes in expectations to you when we have a better understanding of water service delivery plans and their possible effects on the audited information contained in the annual report.

Benchmark reporting

As part of the local government reform programme, the Department of Internal Affairs (DIA) is set to benchmark council performance.

The DIA will publish a yearly report on key financial and delivery outcomes, of which the first report is to be released mid-2025. The report is expected to include several council performance metrics, including rates, council debt, capital expenditure, balanced budget, and road condition. Legislation is expected to be amended to allow future benchmarking reports to include comparison of contractors and consultant expenditure, alongside other metrics.

We wish to signal to the Council that where information used in the DIA’s benchmarking process is drawn from the annual report, this may create additional areas of focus for both the Council and the audit team during the audit process. Should any additional areas be identified, we will notify the Council separately.



Fraud risk

Misstatements in the financial statements and service performance information arise from either fraud or error. The distinguishing factor between fraud and error is whether the underlying action is intentional or unintentional. Our consideration of fraud risk covers both misstatements resulting from fraudulent reporting and misstatements resulting from misappropriation of assets.

Your responsibility

The primary responsibility for the prevention and detection of fraud and error rests with the governing body, with assistance from management. In this regard, we will discuss the following questions with you:

- How does the governing body see its role in relation to fraud? How do you monitor management's exercise of its responsibilities?
- Has a robust fraud risk assessment been completed? If so, is the governing body satisfied that it had appropriate input into this process?
- How does management provide assurance that appropriate internal controls to address fraud risks are in place and operating?
- What protocols/procedures have been established between the governing body and management to keep you informed of instances of fraud, either actual, suspected, or alleged?
- Are you aware of any actual, suspected, or alleged fraud? If so, have the results of management's investigation been reported to the governing body? Has appropriate action been taken on any lessons learned?

Our responsibility

Our responsibility is to obtain reasonable, but not absolute, assurance that the financial statements and performance information are free from material misstatement, including any resulting from fraud. Our approach to obtaining this assurance is to:

- identify fraud risk factors and evaluate areas of potential risk of material misstatement;
- evaluate the effectiveness of internal controls in mitigating the risks;
- perform audit testing to address the risks identified; and
- remain alert for indications of potential fraud in evaluating audit evidence.

The Auditor-General has published useful information on fraud that can be found at oag.parliament.nz/reports/fraud-reports.



Legislative compliance

As part of the Auditor-General's mandate, we consider compliance with laws and regulations that directly affect your financial statements. Our audit does not cover all of your requirements to comply with laws and regulations.

Mandatory disclosures

The annual report must contain the disclosures required under certain legislation, including:

- the Local Government Act;
- the Local Government (Financial Reporting and Prudence) Regulations 2014; and
- the Non-Financial Performance Measures Rules 2024.

The Council should continue to review the legislative disclosure requirements and check that these are accurate and complete.

Integrity self-assessment survey

In December 2024, the Office of the Auditor-General (OAG) published the second edition of the integrity framework for the public sector, followed in January 2025 by a guide on monitoring integrity in public organisations. The OAG's 2024-25 Annual Plan highlighted as a priority supporting strong organisational integrity practices. Aligned with that priority, Audit New Zealand is conducting an integrity self-assessment survey (the survey) as part of the 2024-25 annual audits across 51 local authorities and 22 central government organisations.

The survey aims to understand how these organisations establish a culture of integrity and raise awareness about its importance. The Council is one of the organisations being surveyed.

The survey results will be shared with the entity and will serve as a baseline for possible future audit work. A summary report will also be compiled from the findings across all surveyed organisations. This will be shared with the Council.



Materiality

In performing our audit, we apply materiality. Materiality refers to information that if omitted, misstated, or obscured could reasonably be expected to:

- influence readers' overall understanding of the financial statements and service performance information; and
- influence readers in making decisions about the stewardship and allocation of resources, or assessing your performance.

This definition of materiality is broader than the one used in the private sector.

It is a matter of judgement whether information is material. We consider the nature (qualitative) and amount (quantitative) of each item judged in the surrounding circumstances and its impact. Qualitative considerations are of equal significance as quantitative considerations. Qualitative considerations are of primary importance in the context of disclosures for transparency and accountability reasons, and in evaluating any non-compliance with laws and regulations.

The governing body and management need to make their own assessment of materiality from a preparer's perspective. Management and the governing body should not rely on our materiality assessment as a basis for owning and making judgements about the integrity of the financial statements and service performance information.

Financial statements materiality

For planning purposes, we have set **overall materiality** for the financial statements at \$230,100,000 based on last year's property, plant and equipment (PPE). We have set the **group's overall materiality** for the financial statements at \$232,480,000 based on last year's total PPE.

This is subject to change once the actual results for the current year are available. For this audit we are only applying this overall materiality to the fair value of PPE.

For this audit we have set a lower, **specific materiality** of \$5,300,000 for all items not related to the fair value of PPE. A lower specific materiality is also determined separately for some items due to their sensitive nature. For example, a lower specific materiality is determined and applied for related party and key management personnel disclosures. For the group, we have set a lower, **specific materiality** of \$6,300,000 for all items not related to the fair value of property, plant and equipment.

Group:	
Overall materiality	\$232,480,000
Specific materiality	\$6,300,000
Clearly trivial threshold	\$315,000
Council:	
Overall materiality	\$230,100,000
Specific materiality	\$5,300,000
Clearly trivial threshold	\$265,000



We design our audit procedures to detect misstatements at a lower level than overall materiality. This takes account of the risk of cumulative misstatements and provides a safety net against the risk of undetected misstatements.

We will report all uncorrected misstatements to the governing body other than those that are **clearly trivial**. We consider misstatements of less than \$265,000 to be clearly trivial unless there are relevant qualitative considerations. We will ask for each of these misstatements to be corrected. Where management does not wish to correct a misstatement we will seek written representations from the governing body on the reasons why the corrections will not be made.

Overall financial statement materiality does not apply to any matters of effectiveness and efficiency, waste, or a lack of probity or financial prudence.

Misstatements

Misstatements are differences in, or omissions of, amounts and disclosures that may affect a reader's overall understanding of your financial statements and service performance information. The effects of any detected and uncorrected misstatements, individually and in aggregate, are assessed against materiality and qualitative considerations.

Audit of service performance information

Our audit work will be undertaken under Auditing Standard 1 (Revised), *The Audit of Service Performance Information* (issued by the External Reporting Board July 2023).

This standard is closely related to the accounting standard for service performance reporting (PBE FRS 48). The new Standard is broadly similar to the existing Standard on auditing service performance information but may result in a few changes in our audit work, including our approach to determining which performance measures are material, or how we link the work we do on some performance measures to the work we do in related financial statement areas.

Of particular note are specific requirements relating to the measurement bases or evaluation methods used to measure or evaluate performance measures and/or descriptions. Auditors are required to assess if these are appropriate and meaningful, if they are available to intended users, and whether the service performance information is prepared, in all material respects, in accordance with these. In respect of availability to intended users, we will be looking for adequate disclosure in the annual report on the basis of measurement/evaluation methods for performance measures and/or descriptions, where this is not self-evident.



Materiality for service performance information

At an overall level, we assess whether the service performance information is suitable, given your purpose and the nature of your activities, and whether the reporting allows for an informed assessment of the Council's performance. In doing this we consider whether the information is relevant, complete, reliable, neutral, and understandable.

We set materiality for service performance information at an individual measure level based on what we expect would influence readers' overall understanding, decision making, or assessment of the Council's performance. Because of the variety of measurement bases applied, we normally express this materiality as a percentage of the reported result.

We have identified the following measures as material and assessed materiality for planning purposes. We will reassess this during the audit.

Material measure	Materiality
Roading and Footpaths <ul style="list-style-type: none"> The percentage of the sealed local road network is resurfaced. The percentage of customer service requests relating to roads and footpaths to which the territorial authority responds within the time frame specified in the long-term plan. 	8% of the result. 8% of the result.
Water Supply <ul style="list-style-type: none"> Safety of Drinking water: The extent to which the drinking water supplies comply with the bacteria and protozoa treatment requirements of DWQAR, measured on a daily basis. Customer satisfaction: The total number of complaints received about drinking water clarity, continuity of supply, odour, taste, pressure flow and response to the issues, expressed per 1000 rated properties. 	Quantitative materiality is not applicable. The reported result is to be consistent with supporting qualitative information. 8% of the result for the customer satisfaction measure.



Material measure	Materiality
Wastewater <ul style="list-style-type: none"> The number of dry weather sewerage overflows from the wastewater services expressed per 1000 rate properties. Compliance with resource consents for discharge from the wastewater system measured by the number of: <ul style="list-style-type: none"> a) abatement notices; b) infringement notices; c) enforcement orders; and d) convictions, received from Environment Canterbury. 	<p>8% of the result.</p> <p>Quantitative materiality is not applicable. The reported result is to be consistent with supporting qualitative information.</p>
Stormwater <ul style="list-style-type: none"> Compliance with resource consents for discharge from the stormwater system measured by the number of: <ul style="list-style-type: none"> a) abatement notices; b) infringement notices; c) enforcement orders; and d) convictions, received from Environment Canterbury. 	<p>Quantitative materiality is not applicable, the reported result is to be consistent with supporting qualitative information.</p>
Building and Resource Consents <ul style="list-style-type: none"> Proportion of building consents issued within statutory timeframes. Proportion of non-notified resource consents issued within statutory requirements. 	<p>8% of the result.</p> <p>8% of the result.</p>



Group audit

The group is comprised of the Council and the following entities:

- CORDE Limited;
- Selwyn District Charitable Trust; and
- the Council's associate, Central Plains Water Trust, which is equity accounted as the Council has 50% control in this trust.

Our audit report covers the group as a whole. We developed our audit approach for the group to obtain sufficient information to give an opinion on the group financial statements and performance information. We have assessed the risks of material misstatement and have identified our approach for each component.

We will report any significant internal control deficiencies to Council and management of the group.

This will include any deficiencies identified by the group engagement team or brought to our attention by a component auditor. We will communicate deficiencies related to:

- group-wide internal controls; or
- internal controls at each component.

We will also communicate any fraud identified by the group engagement team or brought to our attention by a component auditor.

We expect the Council to have issued clear group instructions to CORDE and obtain all necessary information to perform an appropriate consolidation at 30 June 2025. This will include all information relating to inter-company transactions, gross profit eliminations and alignment between accounting policies.

Component	Our audit approach
CORDE Limited	<p>The component auditor is Dereck Ollsson of Audit New Zealand. The audit work on this component will be a full financial statement and service performance report audit.</p> <p>CORDE applied the leases accounting standard in preparation of its 30 June 2020 financial statements and applied the revenue and financial instruments accounting standards in the preparation of its 2019 financial statements. The application of these standards is still relevant for the 2025 financial year.</p>

This table shows the work we have planned for each component. In addition to this, we will perform analytical procedures for other components.

New group audit standard

ISA (NZ) 600 (Revised): *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*, is effective for the audit of your group financial statements for the first time this year.

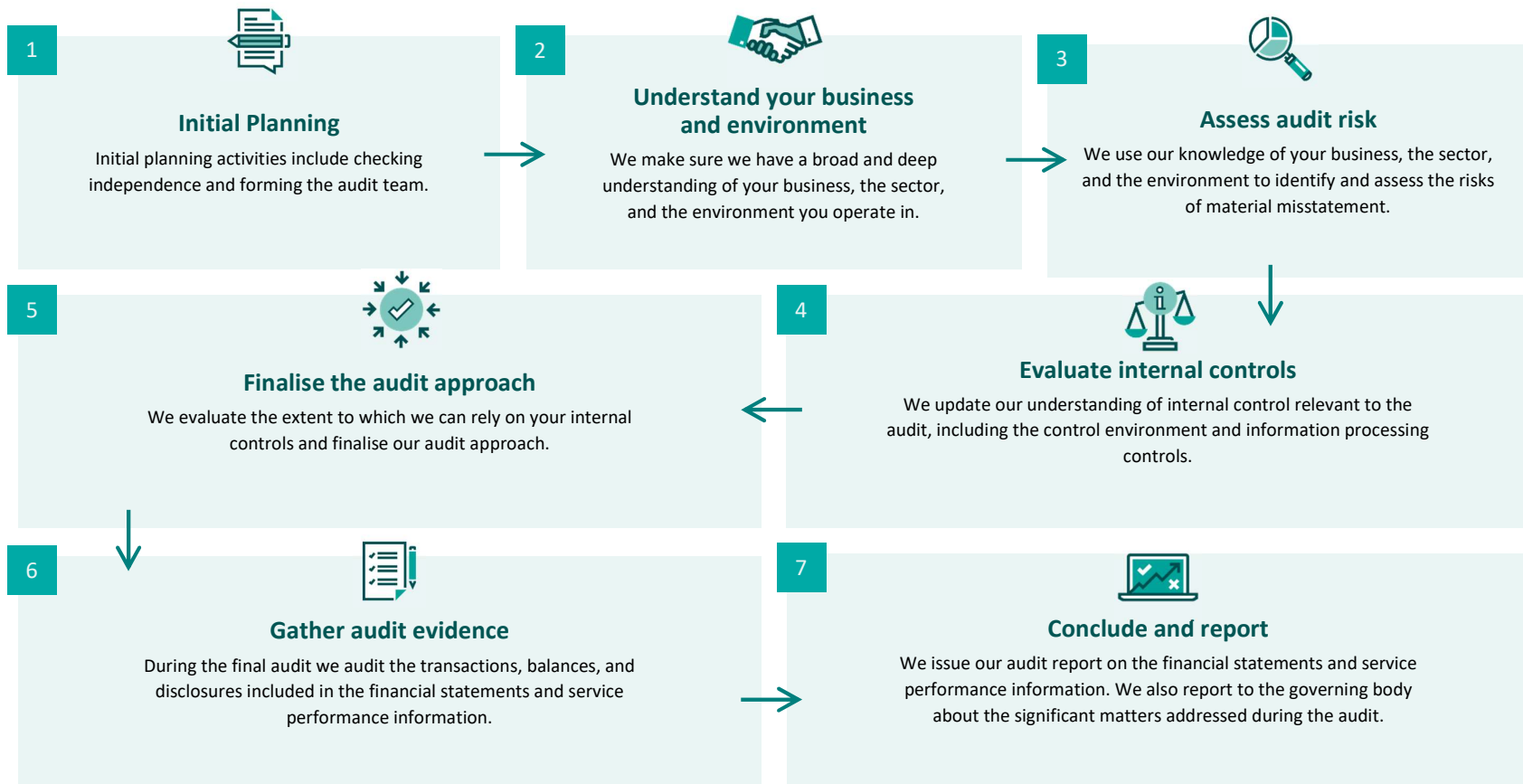
This standard has more focus on group auditors identifying and assessing the risks of material misstatement in the group financial statements. Because the emphasis is on considering risks of material misstatement, the previous concept of a “significant component” has been removed.

Additionally, the requirements for robust communication between the group auditor and component auditors have been strengthened. There are also enhanced documentation and professional scepticism requirements.

The requirements in the revised standard will result in more work for the group audit team, particularly as a result of the enhanced responsibilities for direction, supervision, and review of the work of component auditors. The time required to complete the group audit will increase. Some of this additional time will occur mainly in the first year of implementation, and some will be required on an ongoing basis. We will discuss the implications of this with you separately.



Our audit process



Enhancing year-end processes

The year-end financial statement close process and the preparation of the annual report requires a large number of resources to be committed to complete it effectively. We want the audit process to run smoothly, and we will work with management to achieve this through bringing forward the timing of audit procedures.

Bringing forward audit procedures

Substantive audit procedures are traditionally performed after the yearend. Where possible, we will aim to bring audit procedures earlier in the year. This will be focused on year-to-date transactions for capex additions and operating expenditure. Completion of these tests earlier in the year should allow for more timely identification and resolution of errors.

We will work with management to facilitate getting the information required at the right time. We will communicate with management if information is not available as agreed, including any impact on the year-end audit.

Professional judgement and professional scepticism

Many of the issues that arise in an audit, particularly those involving valuations or assumptions about the future, involve estimates. Estimates are inevitably based on imperfect knowledge or dependent on future events. Many financial statement items involve subjective decisions or a degree of uncertainty. There is an inherent level of uncertainty which cannot be eliminated.

The term “opinion” reflects the fact that professional judgement is involved. Our audit report is not a guarantee but rather reflects our professional judgement based on work performed in accordance with established standards.

Auditing standards require us to maintain professional scepticism throughout the audit. Professional scepticism is an attitude that includes a questioning mind and a critical assessment of audit evidence. Professional scepticism is fundamentally a mind-set resulting in a questioning approach when considering information and in forming conclusions.

Exercising professional scepticism means that we will not accept everything you tell us at face value. We will ask you and management to provide evidence to support what you tell us. We will also challenge your judgements and assumptions and weigh them against alternative possibilities.

Wider public sector considerations

A public sector audit also examines whether:

- the Council carries out its activities effectively and efficiently;
- waste is occurring or likely to occur as a result of any act or failure to act by the Council;
- there is any sign or appearance of a lack of probity as a result of any act or omission by the Council or by one or more of its members, office holders, or employees; and
- there is any sign or appearance of a lack of financial prudence as a result of any act or omission by the Council or by one or more of its members, office holders, or employees.



Reporting protocols and expectations



Communication with management and the Council

We will meet with management and the Council throughout the audit. We will maintain ongoing, proactive discussion of issues as and when they arise to ensure there are “no surprises”.

Reports to the governing body

We will provide a draft of all reports to management (and the Council) for discussion/clearance purposes. In the interests of timely reporting, we ask management to provide their comments on the draft within 10 working days. Once management comments are received the report will be finalised and provided to the governing body.

At the end of the audit, we will report to the Council our views on:

- the level of prudence in key judgements made by management in preparing the financial statements; and
- the quality and timeliness of information provided for audit by management.

¹ During the 2023/24 audit, the initial draft of the annual report provided was incomplete with several internal inconsistencies. Our review identified inconsistencies between the financial statements and note disclosures, along with incorrectly carried forward prior year comparatives following trial balance remapping. These quality issues triggered substantial additional work by both parties, resulting in timeline delays and increased audit costs. We had

Expectations

For the audit process to go smoothly for both you and us, there are expectations that each of us need to meet. Our respective responsibilities are set out in our audit engagement letter.

We expect that:

- you will provide us with access to all relevant records and provide information in a timely manner;
- staff will provide an appropriate level of assistance;
- the draft financial statements, including all relevant disclosures, will be available in accordance with the agreed timetable;
- management will make available a detailed workpaper file supporting the information in the financial statements; and
- the annual report, financial statements and service performance information will be subjected to appropriate levels of quality review before being provided to us.¹

To help you prepare for the audit, we will liaise with management and provide them with a detailed list of the information we will need for the audit.

recommended in the report to the Council for the 2023/24 audit to implement appropriate quality review procedures for financial reporting information prior to providing for audit purpose.



Health and safety



The Auditor-General and Audit New Zealand take seriously their responsibility to provide a safe working environment for audit staff.

Under the Health and Safety at Work Act 2015, we need to make arrangements with management to keep our audit staff safe while they are working at your premises.

We expect you to provide a work environment for our audit staff that minimises or, where possible, eliminates risks to their health and safety. This includes providing adequate lighting and ventilation, suitable desks and chairs, and safety equipment where required.

We also expect management to provide them with all information or training necessary to protect them from any risks they may be exposed to at your premises. This includes advising them of emergency evacuation procedures and how to report any health and safety issues.



Audit logistics and next steps



Our team

Our engagement team is selected to ensure that we have the right subject matter expertise and sector knowledge. Each member of the audit team has received tailored training to develop their expertise.

Our senior audit team members are:

Dereck Ollsson	Appointed Auditor
Po Hsu	Audit Manager

Timetable

Our proposed timetable is:

Interim audit begins	16 June 2025
Draft financial statements and service performance information available for audit (including notes to the financial statements and narratives in the service performance information) with actual year-end figures and valuation incorporated	15 September 2025 ²
Final audit begins	22 September 2025
Final financial statements available, incorporating all agreed amendments	13 October 2025

² For an efficient audit process, the format and layout of financial statements and service performance information must be finalised by this date to allow final audit to commence as scheduled.

Annual report available, including any Mayor and Chief Executive's overview reports	17 October 2025
Audit opinion issued ³	31 October 2025
Draft report to the Council on the audit issued	31 October 2025

AuditDashboard

We will again use AuditDashboard for transferring files as part of the audit.

Working remotely

During the previous audit, we able to perform some of our audit work remotely. Based on our experience we found that the Council has good systems and processes in place to facilitate any future off-site work by us.

We recognise different organisations are positioned differently to enable off-site audit work. We will be discussing and agreeing off-site working expectations in conjunction with our information requests with you. This will include our continued use of AuditDashboard to manage our information request.

³ Based on the timing mentioned above, we would only issue audit opinion provided we receive all the necessary information as per the agreed schedule and no major unexpected issues arise.



PO Box 2
Christchurch 8140

www.auditnz.parliament.nz



REPORT

TO: Audit and Risk Sub-Committee
FOR: Audit and Risk Sub-Committee Meeting 6 May 2025
FROM: Head of Financial Control – Niel Koch
DATE: 28 April 2025
SUBJECT: **QUARTERLY TREASURY REPORT FOR THE QUARTER ENDED 31 MARCH 2025**

RECOMMENDATION

“That the Audit and Risk Sub-Committee receives for information the Selwyn District Council Quarterly Treasury Report for the quarter ended March 2025.”

1. PURPOSE

The purpose of this report is to provide the Audit and Risk Sub-Committee with an overview of the Council's treasury activity, position, and compliance with the Treasury Policy. The report for the quarter ended 31 March 2025 is appended to this cover report.

2. SIGNIFICANCE ASSESSMENT/COMPLIANCE STATEMENT

The decisions and matters of this report are assessed as of low significance, in accordance with the Council's Significant and Engagement Policy.

Report of:



Niel Koch
HEAD OF FINANCIAL CONTROL



Treasury Report

For the period ended 31 March 2025

www.selwyn.govt.nz



SUMMARY

**Debt Position:**

- **Q3 2025** total borrowing is **\$240m**. This represents an increase of \$55m since the year-end position of \$185m.
- **\$10m** Westpac working capital/on-call facility remains undrawn.

Interest Rate Management:

- In **Q3 2025**, no new swaps new interest swaps were taken out.
- The interest rate risk is in compliance with Council's Treasury Risk Management Policy.

Cash (On-call and On-term):

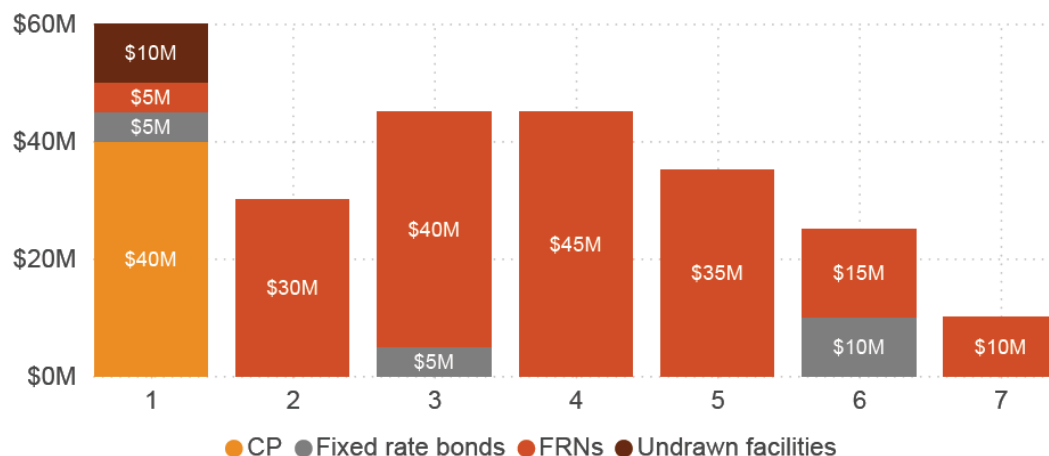
- **Q3 2025** on-call cash and cash equivalents were **\$32m**.
- There were no current term deposits.

Other Matters:

- No new matters

DEBT POSITION VS POLICY

Funding and liquidity risk timeline

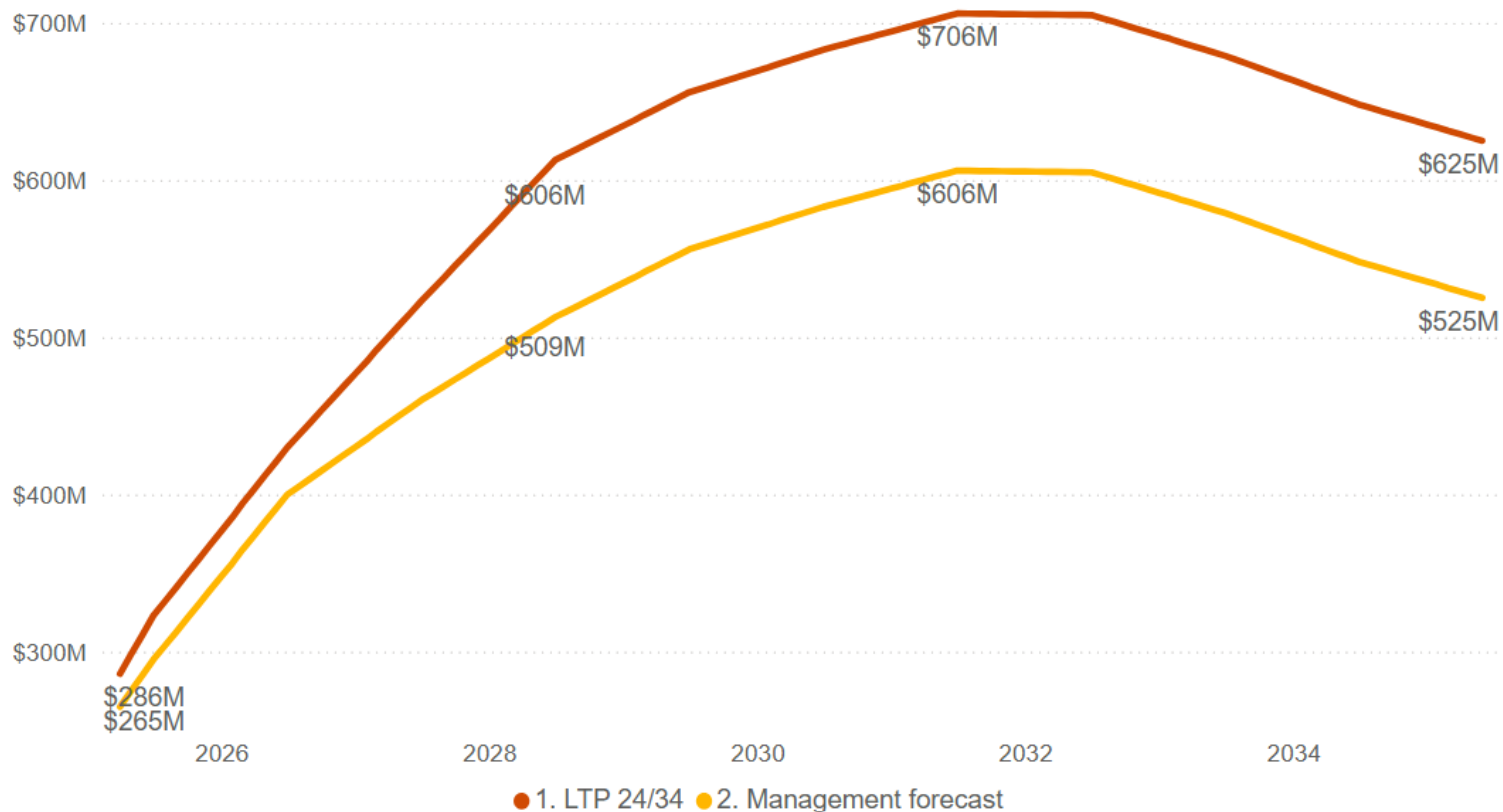


Funding summary

Bucket (years)	Maturing in period (\$)	Policy	Actual
0 - 3	\$135,000,000	10% - 60%	54%
3 - 7	\$115,000,000	25% - 85%	46%
7 - 12	\$0	0% - 60%	0%
Total	\$250,000,000		100%

- The above graph represents the visual split of the composition of borrowings as at 31 March 2025.
- The **liquidity ratio** measures the ability to use current assets to extinguish current liabilities. The liquidity ratio per the Treasury and Risk Management Policy is set at no less than **110%**.
- As at 31 March 2025, estimated **liquidity ratio** is **118%** which means we are compliant with the policy and LGFA Financial Covenants.
- The maturity profile of the debt is compliant with the Treasury and Risk Management Policy:
 - Actuals: 54% of debt is 0-3 years and 46% is 3-7 years in duration
 - Policy: 15 – 60% is 0-3 years, 25 – 85% is 4-7 years, 0 – 60% is 7 years+

DEBT POSITION VS LTP 24/34

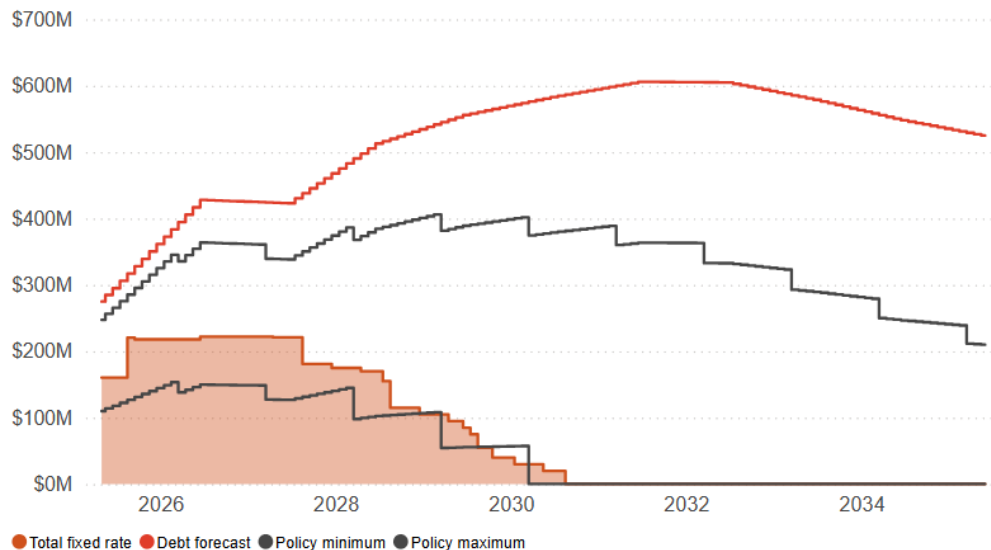


- The above graph represents debt forecast scenarios: actual (yellow line) vs LTP 24/34 (orange line).
- Per LTP 24/34, the projected total borrowings are **\$286m** as at 31 March 2025.
- Actual total borrowings are **\$240m**, tracking **\$46m** favourably to the LTP 24/34 forecast. This is due to a delay in commencement of capital projects that the borrowing is designed for.

INTEREST RATE RISK MANAGEMENT

Q3 2025	Key Metrics
\$155.5M	Total fixed rate instruments
65.0%	% of total exposure fixed/hedged
3.48 years	Average duration of fixed debt
4.68%	Pre-hedging cost of debt
3.05%	Post-hedging cost of debt

Interest rate risk timeline



- **65%** of Council's debt is **fixed**. This minimises interest rate exposure.
- Interest rate swaps are used to fix a portion of the LGFA floating borrowing to effectively manage the interest rate pricing risk and ensure compliance with the Council's Treasury Risk Management Policy.
- Council is proactive at exploring and implementing strategies for hedging interest rate pricing risk, in consultation with PwC.
- As seen in the graph (area highlighted in orange), Council's total hedged interest rate fits well within the maximum and minimum levels prescribed by the Treasury Risk Management Policy. The red line represents the forecasted levels of debt.
- The average post-hedging cost of debt is maintained at a rate under **5%**.
- As at 31 March 2025, Council received **3.8%** (OCR + 0.05%) interest on daily cash balances, with an ave. weighted fixed rate of 3.05% on borrowings.

CASH INVESTMENTS



Q3 2025	Key Metrics
\$0	Cash on-term deposit
\$32.4M	Cash on-call
\$5.9M	LGFA borrower notes
N/A	Average Interest on term-deposits
4.1%	Weighted average interest on LGFA Borrower Notes

- The Council's cash investments consist of cash on-call held with New Zealand banks, as well as LGFA borrower notes.
- As at 31 March 2025, the combined balance on Westpac on-call accounts was **\$32.4m**.
- As at 31 March 2025, there were no on-term deposits.

OTHER MATTERS



Payback ratio

SDC's internal Treasury Policy requires a Payback ratio of <9 years.

The Payback ratio is calculated as follow: net borrowings/operating balance.

For the year ended 30 June 2024, based on the draft annual report, the payback ratio was 14 years and therefor in breach of the Treasury Policy.

Mitigating factors:

- The payback ratio does not form part of the LGFA covenant compliance process.
- Is estimated to decrease below 9 years in the 2027/28 financial year per the LTP.

REPORT

TO: Audit and Risk Sub Committee

FOR: Audit and Risk Subcommittee – 6 May 2025

FROM: Julie Hands, Head of Legal and Risk
Sonja Healy, Risk Manager

DATE: 28 April 2025

SUBJECT: INTERNAL AUDIT UPDATE

RECOMMENDATION

That the Audit and Risk Subcommittee:

- a) *Receive the “Internal Audit Update” report*
- b) *Receive for information the “Sensitive Expenditure Internal Audit” report.’*

1. PURPOSE

The purpose of this report is to provide the Audit and Risk Committee with an update on the Internal Audit Programme, including the outputs from Deloitte’s work on the Internal Audit of Sensitive Expenditure.

The Deloitte report is appended to this report and includes details of the management response, actions and timelines.

2. SIGNIFICANCE ASSESSMENT / COMPLIANCE STATEMENT

The decisions and matters of this report are assessed as of low significance, in accordance with the Council’s Significance and Engagement Policy.

3. HISTORY / BACKGROUND

Internal audit is an independent, objective assurance and consulting activity that evaluates an organisation’s internal controls, corporate governance, and accounting processes. Internal Audit is essential to governance and fosters trust, transparency and accountability. Having an Internal Audit programme in place contributes to success, positive change and innovation by delivering assurance, insight and advice. It is a foundation of good business practice and is instrumental in assisting the organisation achieve the targets, goals and community outcomes as set out in the 2024-34 Long-term Plan.

The Council has established an Internal Audit programme of work and requested proposals from the internal auditing community to provide a coordinated and multi-year Internal Audit Service. As a result of the procurement process, Deloitte was appointed

as the Internal Audit provider for the Council. Their work programme commenced in July 2024.

The Internal Audit Programme is in alignment with the Council's strategic goal to 'prepare key accountability documents in accordance with good practice that allow for easy input from ratepayers and meet statutory requirements'. The Programme will also ensure that the Annual Report, Annual Plan and Long-Term Plan meet good practice standards.

4. DISCUSSION

Internal Audit Programme Update

The Internal Audit Programme was set at the start of the Financial Year. We are actively responding to the evolving needs of the Council and the current capacity within certain teams to deliver relevant internal audit reviews.

Review	Status	Comments
Revenue and Financing Policy	Completed	Reported March 2025
Sensitive Expenditure	Completed	Report May 2025
Procurement	Delayed	Privacy Control review to be undertaken in place of the Procurement review
Counter Fraud and Corruption Initiatives	Scoping	To be reported August 2025

We will work in partnership with Deloitte to review the Internal Audit Programme for the next Financial Year and bring this to the Audit and Risk Committee in August 2025 for approval. The intention would be to commencing the approved internal audits immediately after the Committee meeting.

Sensitive Expenditure Internal Audit Report

The Sensitive Expenditure Internal Audit is a critical component of our internal audit programme. Sensitive Expenditure refers to spending that could be perceived as providing private benefits to elected members, staff members, their families, or friends. This type of expenditure poses significant risks to the Council's reputation and integrity.

Deloitte has completed their review of Sensitive Expenditure, and their report provides detailed insights into the importance of managing sensitive expenditure from both a risk and control perspective.

See Appendix A for the Sensitive Expenditure Internal Audit Report prepared by Deloitte.

Open recommendation from Internal Audit reviews

Review Title	High Findings	Medium Findings	Low Findings
Revenue and Financing Policy	2	6	5
Sensitive Expenditure (new)	0	6	2

The Risk Manager is liaising with action owners to track progress against each action and determine if the actions taken address the findings and recommendations provided by our Internal Audit provider.

5. VIEWS OF THOSE AFFECTED / CONSULTATION

(a) Views of those affected and Consultation

There are no significant implications for the wider community in the contents of this report which require consideration of affected persons.

(b) Māori and Treaty implications

There are no implications or impact related to Iwi / Māori with this report.

(c) Climate Change considerations

The decisions and matters of this report are assessed to have low climate change implications.

6. FUNDING IMPLICATIONS

There are no budget considerations associated with the recommendations of this report. The appointment of Deloitte was factored into the 2024-2034 Long-term Plan and is within budget.



Sonja Healy
RISK MANAGER



Julie Hands
HEAD OF LEGAL AND RISK

Endorsed For Agenda



Steve Gibling
EXECUTIVE DIRECTOR – PEOPLE, CAPABILITY & CULTURE



Selwyn District Council
Sensitive Expenditure Review
23 April 2025

Contents

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1. Executive Summary

1.1 Background and Introduction

Selwyn District Council's ('SDC' or 'Council') Internal Audit Programme for the three-year period to 2027 was approved and endorsed at the May 2024 Audit and Risk Committee ('ARC') meeting. Review of sensitive expenditure controls was identified as a key engagement for year one of the programme. As a publicly funded entity, it is important that SDC ensures there are appropriate controls and policies in place with respect to sensitive expenditure and that these are not circumvented by employees.

OAG defines sensitive expenditure as '*any spending by an organisation that could be seen to be giving private benefit to staff additional to the business benefit to the organisation*'. During times of economic hardship, there is heightened scrutiny around sensitive expenditure decisions given public resources are limited. In addition, the perception of such spending can be seen as inappropriate or wasteful, potentially eroding trust, integrity and confidence in government and public institutions. Instances of this have been highlighted in recent press coverage, including expenditure on coffee machines by Tauranga City Council¹.

This report captures the results of the fieldwork completed throughout February – April 2025, in accordance with the Terms of Reference signed 13 February 2025.

1.2 Conclusion Summary

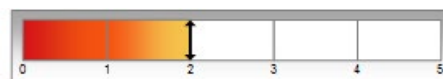
The objective of this review was to assess the adequacy of, and the extent to which there is adherence to SDC's sensitive expenditure policies and processes.

We acknowledge that management is already undertaking proactive efforts aimed on improving the existing processes (which includes a review of SDC's policy framework and guidelines on coding sensitive expenditure). By building on initiatives already in progress, SDC can effectively address the report findings and strengthen its approach to managing sensitive expenditure.

It is also encouraging to note that no 'Very High' or 'High' rated findings were identified during the course of our work.

Notwithstanding the above comments, our overall conclusion based on the fieldwork performed is that the control environment was assessed as **informal/inadequate** (please see **Appendix A** for definitions). This means that the control environment exists but is informal or has important gaps and certain elements are below good practice or do not compare favourably to other models.

Informal/Inadequate Controls

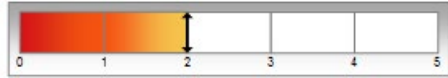
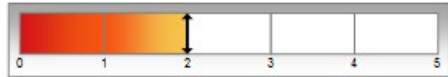


Our consideration of the findings set out in Section 3 of this report contributes to our overall assessment of the control objectives we were asked to review.

The below table outlines the individual ratings for each control objective.

Control Objective	
Adequate policies and procedures exist with respect to sensitive expenditure, which are communicated and reviewed accordingly.	<p>Informal / Inadequate Controls</p>

¹ <https://www.stuff.co.nz/nz-news/360634308/council-spending-128m-year-salaries-plus-staff-perks>

Council's policies and procedures on sensitive expenditure are being complied with.	Informal / Inadequate Controls 
Adequate controls are in place for sensitive expenditure: Individual items of sensitive expenditure are appropriate and have been appropriately authorised; and Adequate supporting documentation is retained to support sensitive expenditure.	Informal / Inadequate Controls 

**Based on the Control Effectiveness Rating Scale as per 'Appendix A - Control Effectiveness Rating Scale'.*

1.3 Summary of Detailed Findings and Recommendations

A summary of our findings in respect of all elements of our scope of work is set out below:

Findings and Risk Rating	Very High	High	Moderate	Low	Process Improvement
Number of Findings	-	-	6	2	1

**The Risk Rating Scale is outlined in Appendix B.*

Six **Moderate** rated findings were noted:

- Finding 3.1 **outlines inconsistencies in the way in which sensitive expenditure is accounted for**. The issues highlighted mean it is difficult to identify a complete population of sensitive expenditure transactions. This results in a lack of transparency, an inability to effectively monitor expenditure and an increased risk of transactions being deliberately miscoded to avoid potential scrutiny.
- Findings 3.2, 3.3 and 3.6 outline areas where **SDC's current processes and policies are not fully compliant with the Office of the Auditor General's sensitive expenditure guidance** for public organisations. These specifically relate to gaps within existing policies, a lack of training around sensitive expenditure and a lack of monitoring/reporting controls.
- Findings 3.4 and 3.5 present the **results of our testing where non-compliance with policies and/or best practice have been identified**. They relate to the process for elected members' expense claims as well as pre-approval requirements for sensitive expenditure.

Two **Low** rated findings and one Process Improvement were also noted.

The detailed findings, risks and recommendations are set out in Section 3 of this report.

1.4 Use of Report

We have prepared this report solely for the use of SDC. The report contains constructive suggestions to improve some practices, which we identified in the course of our review procedures. These audit procedures are designed to identify control weaknesses but cannot be relied upon to identify all weaknesses. We would be pleased to discuss any items mentioned in this report and to review the corrective action implemented by management.

Our assessments are based on observations from our review and collaboration of information and evidence received in the time allocated. Assessments made by our team are matched against our expectations and best practice guidelines.

This includes comparison with other similar processes we have assessed. This report offers recommendations for improvements and has taken into account the views of management, with whom these matters have been discussed.

We accept or assume no duty, responsibility or liability to any party, other than SDC, in connection with the report or this engagement, including without limitation, liability for negligence in relation to the opinions expressed or implied in this report. Whilst we acknowledge and consent to you providing a copy of our report to Audit New Zealand as the agent of the Office of the Auditor General as external auditor, we do not accept any duty of care nor liability towards them.

1.5 Acknowledgement

We take this opportunity to thank all the members of SDC's team who have provided assistance during this review.

1.6 Overall Management Comment

Management acknowledges the findings regarding the current level of controls over sensitive expenditure and is committed to addressing these issues. In response to these findings the Management Team will develop a plan to address the recommendations including the development of comprehensive policies and procedures, enhanced compliance checks, and introduce additional control measures.

Authorisation protocols will be revised, and the financial delegations will be confirmed for alignment with these findings, and strict documentation requirements will be enforced to ensure all sensitive expenditures are appropriately authorised and supported. Regular training and monitoring will be conducted to maintain adherence to these improved controls.

We would like to thank our staff and the Deloitte internal audit team for their valuable input, diligent work and insights.

2. Approach and Work Performed

2.1 Scope

The scope of this review covered a 12-month period and focused on the sensitive expenditure of SDC staff from 1 July 2023 to 30 June 2024. This consisted of various components of SDC's sensitive expenditure framework including credit cards, travel and accommodation, meals and alcohol, entertainment and hospitality, employee recognition, loyalty and reward schemes, sponsorships, donations and gifts.

The scope of this review included:

- Policies and procedures that exist with respect to sensitive expenditure including delegations, travel, credit cards, koha, hospitality and entertainment, and gifting;
- The frequency with which review and communication of these policies and procedures occurs;
- The extent to which these policies and procedures are complied with;
- Controls in place for sensitive expenditure;
- Appropriateness of individual items of sensitive expenditure and their authorisers; and
- Supporting documentation retained to support sensitive expenditure incurred.

2.2 Out of Scope

The following areas were outside the scope of this engagement:

- Providing assurance opinion or conclusion on the accuracy and integrity of all sensitive expenditure incurred;
- Assessing of delegations' framework and implementation;
- Assessing access rights in the system;
- Reviewing of payment / accounts payable controls; and
- Providing an opinion or assurance over compliance.

2.3 Approach

Our review was performed by completing the following:

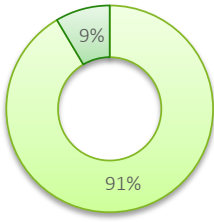
- Gained a high-level understanding of the sensitive expenditure context, function/operating model, key processes, and previous/current issues including those reported by external audit and other assessments.
- Requested and obtained sensitive expenditure information from SDC and identified population of applicable transactions for the period 1 July 2023 to 30 June 2024, to support understanding of spend, risk analysis and our selection of sample testing below.
- Reviewed the current sensitive expenditure framework and associated policies and guidance.
- Interviewed management/staff to gain an understanding of the current end to end initiation, approval through to monitoring of sensitive expenditure².
- Sample tested 52 transactions based on Deloitte sampling methodology over the in-scope period to assess the extent to which they comply with the framework and applicable policies³.
- Followed up sample findings with relevant staff where there was incomplete information or control gaps identified.
- Assessed the design of the framework and process controls against the sensitive expenditure guidelines from the OAG.
- Completed and distributed a draft and final report with findings discussed with the Sponsors of this review.

² Refer to 'Appendix C – Work performed' for a list of documentation reviewed and interviews held

³ Refer to 'Appendix D – Sample' for a list of selected transactions

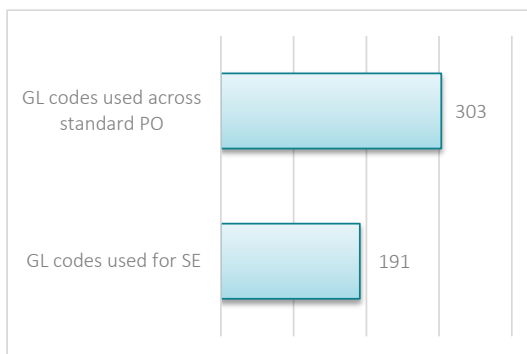
3. Detailed Findings

3.1 Inconsistent use of general ledger accounts for sensitive expenditure

Risk Rating	Moderate						
Ease of Fix	Medium						
Observations	<p>There is no designated list of general ledger account codes ('GL codes') specified for sensitive expenditure. Whilst a number of GL codes are commonly used for certain types of expenses (such as gifts or flowers), this is not limited to a predefined list. As a result, different types of sensitive expenditure items are posted across a wide variety of GL codes, often inconsistently.</p> <p>In addition to this, management has acknowledged that the MagiQ accounting system lacks specific fields or flags to clearly mark sensitive expenditure transactions. These two issues make it very difficult to identify a full population of sensitive expenditure transactions.</p> <p>We conducted an analysis of the GL codes listing and purchase order records ('PO records') for the period from 1 July 2023 to 30 June 2024. We determined a list of keywords usually associated with sensitive expenditure⁴, which enabled us to identify the purchase orders and general ledger accounts likely containing expenses that could be defined as sensitive. The results of this analysis show that 9% of total purchase orders (1,772 out of 19,003) in the period are possibly sensitive in nature and 191 different GL codes were used. Those are represented in the graphs below.</p> <p><i>Figure 1. Number of POs that might be associated with sensitive expenditure compared to total number of POs in the period.</i></p>  <table border="1"> <caption>Data for Figure 1: Number of POs that might be associated with sensitive expenditure compared to total number of POs in the period.</caption> <thead> <tr> <th>PO Type</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Standard PO</td> <td>91%</td> </tr> <tr> <td>PO containing SE</td> <td>9%</td> </tr> </tbody> </table>	PO Type	Percentage	Standard PO	91%	PO containing SE	9%
PO Type	Percentage						
Standard PO	91%						
PO containing SE	9%						

⁴ Keywords included: gift, donation, accommodation, travel, conference, entertainment, hospitality, flight, airfare, hotel, travel allowance, meal, refreshment, benefit, catering, drink, voucher, reward, award, flowers, koha, sponsorship, credit card, staff welfare, Grant Miller, Mayor, Sam Broughton, Shane Epiha, Nicole Reid, Sophie McInnes, Debra Hasson, Malcolm Lyall, Bob Mugford, Elizabeth Mundt, Lydia Gliddon, Dean, Phil Dean, Tim Harris, Sharon Mason, Tim Mason, Robert Love, Kelvin Mason, McInnes, Hasson, Harris, Love, Mason, Broughton, Gliddon, Mugford, Reid, Miller. This list is not intended to be an exhaustive list of words associated with sensitive expenditure.

Figure 2. Quantity of general ledger accounts used to account for each type of PO in the period.



As an example, when filtering transactions using the keyword 'conference', we observed that these were coded under 43 GL accounts, including some not designated for sensitive expenditure (e.g., General Expenses).

As set out in Finding 3.3, the OAG has clear expectations in respect of monitoring and reporting of sensitive expenditure. The issues identified mean that it is extremely difficult for SDC to fulfil these expectations, particularly with respect to the ability to provide a complete and accurate list of all sensitive expenditure transactions.

Risks	<p>There is a risk of inaccurate financial reporting and reduced transparency due to the inconsistent coding of sensitive expenditure across GL codes.</p> <p>Without a standardised approach or system functionality to identify sensitive transactions, there is an increased risk of misclassification, which may impact budget monitoring and compliance with policies related to sensitive expenditure. In addition, there is an opportunity for expenditure to be deliberately misclassified and thus being concealed from any scrutiny.</p>
Recommendations	<ul style="list-style-type: none"> Investigate the ability to implement a consistent coding framework/guidance in the MagiQ accounting system with clearly defined GL codes used for classifying different types of sensitive expenditure. Training on compliance with the policy and the procedures involved in the reporting and managing of sensitive expenditure – refer to finding 3.6 for this recommendation.
Management Response	<p>All sensitive expenditure should be coded to the 100750201. Management will investigate the process to ensure staff are aware and using this code and roll out appropriate documentation and education / training.</p>
Action Owner	Head of Financial Operations
Due Date	31 December 2025

3.2 Gaps identified in policies related to sensitive expenditure

Risk Rating	Moderate
Ease of Fix	Simple
Observations	<p>We have reviewed SDC's Sensitive Expenditure Policy as well as other relevant policies (as listed in Appendix D) against the Office of the Auditor General's sensitive expenditure guidance for public organisations⁵ ('OAG guidance').</p> <p>We identified two elements where SDC's policies directly conflict with the OAG guidance:</p> <ul style="list-style-type: none"> • Alcohol⁶ <p>SDC's Sensitive Expenditure Policy provides that <i>"one alcoholic... beverage may be claimed with an evening meal while travelling on official Council business"</i>.</p> <p>This conflicts with OAG guidance which sets out that the <i>"expectation is that public sector organisations should not allow for reimbursement of alcohol purchases through travel or accommodation expenses"</i> and that <i>"...alcohol consumption is seen as a personal choice that public servants should pay for themselves"</i>.</p> <p>Our sample testing identified two expense claims (from a sample size of 12) where alcohol related expenditure has been reimbursed. Please see finding 3.4 for details.</p> <ul style="list-style-type: none"> • Travel <p>SDC's Travel Policy sets out that <i>"Self-approval of travel is not permitted, and approval for travel must be granted by an Approving Manager before booked. An exception to this is travel undertaken by the Mayor, the Chief Executive Officer, and members of the EMT⁷ (unless a member of the EMT is undertaking international travel)"</i>.</p> <p>This conflicts with both SDC's Sensitive Expenditure Policy and the OAG guidance – where the approval of person senior to the one who benefits from the expense is required for any type of sensitive expenditure.</p> <p>Our sample testing did not identify any instances where this has occurred.</p> <p>The following gaps were identified when comparing relevant SDC policies with the OAG Guidance:</p> <ul style="list-style-type: none"> • Credit cards⁸ <ul style="list-style-type: none"> ○ Who is eligible for a credit card; ○ Persons responsible for issuing credit cards; ○ Process for cancelling/destroying credit cards; ○ Established credit card limits;

⁵ OAG's 'Control sensitive expenditure: Guide for public organisations' found at <https://oag.parliament.nz/2020/sensitive-expenditure/docs/sensitive-expenditure.pdf>

⁶ Refer to page 19 of OAG guidance.

⁷ Executive Management Team

⁸ Refer to page 16 of OAG guidance.

	<ul style="list-style-type: none"> ○ Clear statement that personal expenditure is prohibited; ○ Requirement for receipt/evidence for credit card purchases; ○ Review process for credit card transactions; ○ Cash advances are not allowed unless in emergency or for official purposes; and ○ Guidance around internet purchases. <ul style="list-style-type: none"> • Gifting⁹ <ul style="list-style-type: none"> ○ Guidance on giving gifts (including what is considered appropriate occasion, nature and value). <ul style="list-style-type: none"> • Travel¹⁰ <ul style="list-style-type: none"> ○ Policy for accommodation koha when staying with family and friends during travel (and any remuneration available). ○ Clear statement that business class is the exception, not the norm. ○ Process establishing that Airpoints are to be used where possible and emphasis that these are the property of SDC. ○ Guidance on tipping (and how this would not be expected within New Zealand). <ul style="list-style-type: none"> • Loyalty reward schemes¹¹ <ul style="list-style-type: none"> ○ SDC's Sensitive Expenditure Policy includes specific reference to the Council's "Loyalty Reward Scheme Benefits Policy ", which we were informed does not exist. As per the OAG guidance, we would expect the Sensitive Expenditure Policy to clarify that any loyalty rewards are taken for the benefit of SDC.
Risks	<p>There is a risk that SDC staff do not follow good practice in relation to sensitive expenditure related activities due to a lack of appropriate guidance. This could lead to improper spending practices resulting in financial loss, misuse of public funds, non-compliance with regulatory standards and ultimately damage to SDC's reputation and credibility.</p>
Recommendations	<ul style="list-style-type: none"> • SDC should benchmark its Sensitive Expenditure Policy and procedures against the OAG guidance. This review and refresh should include specific consideration to the policy areas highlighted in our observations above. • Engage with different departments to help identify any emerging areas that may require to be reflected in the policies. • Communicate any policy updates to staff to ensure they are familiar with any changes and the expected processes.
Management Response	<p>Management will develop an action plan to review the Sensitive Expenditure Policy and related policies. This plan will be shared with ELT and the Audit & Risk Subcommittee for the August 2025 meeting.</p>

⁹ Refer to page 29 of OAG guidance.

¹⁰ Refer to page 18 of OAG guidance.

¹¹ Refer to pages 19 and 25 of OAG guidance.

Selwyn District Council | Sensitive Expenditure Review

Action Owner	Head of Financial Control
Due Date	30 June 2026

3.3 Inadequate monitoring and reporting of sensitive expenditure

Risk Rating	Moderate
Ease of Fix	Simple
Observations	<p>The OAG guidance states that “...expenditure is to be subject to controls for monitoring and reporting”.</p> <p>The Sensitive Expenditure Policy (last approved 22 March 2021) sets out that staff and elected members’ expense claims are to be reported to the Executive Leadership Team and the Audit & Risk Sub-Committee on a quarterly basis. The policy also requires that these reports specify the following categories of sensitive expenditure:</p> <ul style="list-style-type: none"> • Entertainment and hospitality costs; • Travel and accommodation cost; • Relocation and recruitment costs; • Consultant and legal fees; and • Professional development expenditure. <p>We understand that no such reporting has been performed.</p> <p>We have not identified any other effective controls for the monitoring and review of sensitive expenditure that would be considered sufficient to monitor compliance across sensitive expenditure.</p>
Risks	<p>There is a risk that due to insufficient oversight and monitoring over sensitive expenditure, inappropriate or excessive spending may not be identified or challenged in a timely manner. This can result in non-compliance with internal policies, reduced transparency, and reputational risk to SDC.</p>
Recommendations	<ul style="list-style-type: none"> • Finalise and implement the process for quarterly reporting of sensitive expenditure to the Executive Leadership Team and the Audit & Risk Sub-Committee, as required by the Sensitive Expenditure Policy. • Include the review of the reporting (as noted above) as a standing agenda item for ARC. • Assign clear responsibility for preparing, reviewing, and escalating the quarterly report. • Training on compliance with the policy and the procedures involved in reporting and managing sensitive expenditure – refer to finding 3.6 for this recommendation. • Consider the options for monitoring that could be conducted in an efficient and effective manner.
Management Response	<p>Management is currently reviewing the codes used for sensitive expenditure items, and once confirmed what should be included or not, BI reporting will be developed for the use by ELT (and appropriate others) to monitor.</p>
Action Owner	Head of Financial Operations
Due Date	31 December 2025

3.4 Expense claim process for elected members' expenditure

Risk Rating	Moderate
Ease of Fix	Simple
Observations	<p>We obtained 12 expense claims submitted by elected members in the period July 2023-June 2024 (this was the population provided to us by SDC). We have not been able to verify what percentage of the total number of claims submitted during that period this represents, as no such reporting exists. Our testing identified the following areas of non-compliance:</p> <ul style="list-style-type: none"> Incorrect approval authority: <p>Expense claim submitted January 2024 – PO200382, related to lunch for the Mayor and Japanese visitors. This claim was approved by the Mayor.</p> <p>This is not in line with SDC policies for two reasons:</p> <ul style="list-style-type: none"> All councillor expenses should be approved by the Chief Executive (as per the Elected Member Expense Claim Process); and In line with the Sensitive Expenditure Policy: <i>[...approval is given by a person who is senior to the person who will benefit (or might be perceived to benefit) from the sensitive expenditure]</i>. In this case the Mayor approved the expenditure, and he received the benefit. As the expenditure was for the Mayor, it should be approved under the double approval requirement applicable for Mayoral expense claims (ARC Chair and second ELT member). Lack of supporting documentation <p>Two claims reviewed did not include a sufficient level of detail to determine the relevant business purpose or how the expense is compliant with policies, being (August 2023 – PO 194401 and September 2023 – PO197041), related to childcare expenses. We note under Remuneration Authority guidelines¹², such expenses are allowable, however, there are defined criteria that must be met. The supporting documentation for the claims did not include sufficient detail to validate the criteria have been met.</p> Alcohol expenditure reimbursements <p>Two claims (submitted July 2023-PO194047 and November 2023-PO198504) relating to the purchase of alcoholic beverages were approved and reimbursed. We understand SDC Policy allows for one alcoholic beverage when travelling. However, the above claims were for more than one beverage, and the supporting documentation did not provide sufficient evidence to conclude whether or not this expenditure complied with SDC policy.</p> Lack of GL code information on the expense claim form <p>In line with Elected Member Expense Claims Process, GL codes are to be added on the expense claim form. We noted in 7 out of 12 claims tested, these were not provided by elected members.</p>

¹² [Childcare allowance | Remuneration Authority](#)

	<ul style="list-style-type: none"> • Provision of Mayoral vehicle not documented <p>In line with Remuneration Authority guidelines,¹³ when the provision of a vehicle for a Mayor is approved, this must be included in the council's policies. We have reviewed the Allowances for Local Government members document published by SDC (and other policies as listed in Appendix D) and could not identify that this process was documented. We do note that the remuneration of Mayor's salary disclosed in the <i>Candidate Handbook – information for the 2022 Elections</i>, does include this information.</p>
Risks	<p>There is a risk of insufficient oversight and monitoring over sensitive expenditure, as well as the risk of improper spending practices occurring. This can result in non-compliance with internal policies and government standards, reduced transparency, and reputational risk to SDC.</p>
Recommendations	<ul style="list-style-type: none"> • Establish a clear, detailed policy framework that defines the process and approval protocols for elected members' expenses – the specific approval lines and process instructions could be incorporated into the Sensitive Expenditure Policy to ensure the same general principles applicable to sensitive expenditure apply to the claims and expenses of elected members. • Ensure elected members are informed of policy requirements in relation to supporting documentation that has to be included with the claims. Introduce a follow-up process should the claim not meet the pre-defined criteria. • Training on compliance with the policy and the procedures involved in reporting and managing sensitive expenditure – refer to finding 3.6 for this recommendation.
Management Response	<p>As per the agreed action for Finding 3.2, these recommendations will be incorporated into the review of the Sensitive Expenditure Policy.</p>
Action Owner	<p>Head of Financial Control</p>
Due Date	<p>30 June 2026</p>

¹³ [Council-provided vehicles | Remuneration Authority](#)

3.5 Incorrect approval of sensitive expenditure

Risk Rating		Moderate																																													
Ease of Fix		Simple																																													
Observations	<p>We identified 8 instances (out of 40 transactions tested), which did not comply with the approval requirements set out in the Sensitive Expenditure Policy: [... Approval is given before the expenditure is incurred, unless it is for small amounts (for example, taxi fares) and specifically allowed in the Council’s policies...]. Those included:</p> <table><tr><th>PO</th><th>Nature</th><th>Expense date</th><th>Approval date</th><th>Amount (\$)</th></tr><tr><td>204432</td><td>training</td><td>15/5/2024</td><td>16/5/2024</td><td>176.00</td></tr><tr><td>199585</td><td>training</td><td>29/11/2023</td><td>14/12/2023</td><td>512.50</td></tr><tr><td>206647</td><td>refreshments</td><td>10/6/2024</td><td>12/7/2024</td><td>1,784.85</td></tr><tr><td>201444</td><td>events</td><td>9/2/2024</td><td>20/2/2024</td><td>620.00</td></tr><tr><td>193640</td><td>conference</td><td>13/7/2023</td><td>17/7/2023</td><td>482.61</td></tr><tr><td>195107</td><td>Gift/flowers</td><td>16/8/2023</td><td>22/8/2023</td><td>244.17</td></tr><tr><td>201533</td><td>refreshments</td><td>21/2/2024</td><td>22/2/2024</td><td>2,734.73</td></tr><tr><td>201073</td><td>catering</td><td>01/2024</td><td>2/8/2024</td><td>291.90</td></tr></table>		PO	Nature	Expense date	Approval date	Amount (\$)	204432	training	15/5/2024	16/5/2024	176.00	199585	training	29/11/2023	14/12/2023	512.50	206647	refreshments	10/6/2024	12/7/2024	1,784.85	201444	events	9/2/2024	20/2/2024	620.00	193640	conference	13/7/2023	17/7/2023	482.61	195107	Gift/flowers	16/8/2023	22/8/2023	244.17	201533	refreshments	21/2/2024	22/2/2024	2,734.73	201073	catering	01/2024	2/8/2024	291.90
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201073	catering	01/2024	2/8/2024	291.90																																											
Risks	<p>There is a risk of financial mismanagement as retrospective approvals might lead to lenient spending controls and potential misuse of funds. There is also a heightened risk of non-compliance with established policies. This practice can undermine accountability, making it difficult to trace decision-making or hold individuals responsible for unauthorised spending.</p>																																														
Recommendations	<ul style="list-style-type: none">Introduce a step in the process, where the initiator of the PO verifies the timing of pre-approval against the timing of expenditure, before processing the PO.Attach in the system the supporting documentation, including pre-approval evidence, for each PO raised to ensure traceability and transparency.Training on compliance with the policy and the procedures involved in reporting and managing sensitive expenditure – refer to finding 3.6 for this recommendation.																																														

Management Response	POs for sensitive expenditure items such as prezzy cards raised by the Internal Administrator, are currently being reviewed by the Head of Financial Operations before cost incurred. The sensitive expenditure code is being utilised, and approval is made as long as there is supporting evidence from the requestor, and it complies with the current policy. Education and Training will be created for delivery in the new Financial Year.
Action Owner	Head of Financial Operations
Due Date	30 June 2026

3.6 Sensitive expenditure training

Risk Rating		Moderate
Ease of Fix		Simple
Observations	<p>SDC's Sensitive Expenditure Policy does not include reference to staff awareness training, nor is this conducted on a regular basis beyond staff induction.</p> <p>The OAG guidance recommends organisations should have appropriate policies in place to guide decision making, including ongoing training to build awareness and develop good judgement.</p> <p>Staff in decision making roles should be trained to understand the OAG's principles that underpin appropriate sensitive expenditure, those being:</p> <ul style="list-style-type: none"> • Justifiable business purpose; • Impartiality; • Integrity; • Moderate and conservative; and • Transparency. 	
Risks	<p>There is a risk that staff in decision making positions are not aware of the proper guidelines when it comes to the approval of sensitive expenditure. As a result, employees may inadvertently breach policies due to a lack of understanding, leading to regulatory non-compliance. Without proper training, employees might misuse funds, either through ignorance or intentional misconduct. Perceived or actual misuse of funds can lead to a loss of trust among stakeholders, including ratepayers.</p>	
Recommendations	<ul style="list-style-type: none"> • Conduct mandatory training sessions for staff on the importance of compliance with sensitive expenditure policies. This will reinforce the correct procedures and ethical considerations, build awareness, foster good judgement and uphold the OAG's principles of sensitive expenditure. • Ensure these sessions are held regularly, particularly when policies are updated. • Consider an annual attestation for staff to confirm that they understand and have abided by sensitive expenditure policies and procedures. • Establish a designated point of contact where employees can seek clarification and guidance regarding sensitive expenditure policies. 	
Management Response	<p>Management will develop mandatory training with support from the L&D team. This will utilise the current system Compass, to offer online sessions to staff at any time.</p>	
Action Owner	Head of Financial Operations	
Due Date	30 June 2026	

3.7 Manual selection of approver for purchase order authorisation

Risk Rating		Low
Ease of Fix		Medium
Observations	<p>Each time a PO is raised, the initiator has to manually select an approver from the list available in the system. There is a DFA (Delegated Financial Authority) document in place, which specifies the approval chain and limits, based on the type of sensitive expenditure.</p> <p>Manual selection requires the PO initiator to correctly understand the nature of the expenditure to be able to select the correct approver. This may be complex when the PO covers two different expenditure types - for example travel and conference, as those expenses have two different DFA lines. There is no clear guidance as to which DFA line takes precedence in such circumstances.</p>	
Risks	<p>There is a risk of human error that can lead to inappropriate authorisations taking place. This could result in non-compliance with internal policies, delays in the approval process and a lack of consistency across SDC in relation to expenditure approval process. The fact that approvers can be manually selected increases the risk of collusion, resulting in inappropriate expenditure being incurred and therefore approved.</p>	
Recommendations	<ul style="list-style-type: none"> • Ensure the DFA is regularly reviewed for changes and updates required. • When a PO is covering two separate types of expenditure, split the expense into two separate POs to enable appropriate line of approval or implement clear guidance as to which DFA line takes precedence in such circumstances. • Implement an automated approval workflow system with the incorporated DFA, in order to reduce manual processing. 	
Management Response	<p>Management will work with our current provider, MagiQ, to consider how to address the required improvements for the DFA. We will report to ARC in August 2025 on the expected deliverables to reduce manual processing.</p>	
Action Owner	Head of Financial Operations	
Due Date	31 August 2025	

3.8 Use of open purchase orders

Risk Rating	Low
Ease of Fix	Simple
Observations	<p>Open purchase orders ('PO') exist for certain transactions. We have been provided by SDC a list of open POs along with the amount billed against them that were used in the period 1 July 2023-30 June 2024:</p> <ul style="list-style-type: none"> • Milk deliveries - Milkman Craig Frampton: \$12,969.51 (PO193414); • Transportation and Logistic (ECan Bus Cards, NZ Post, Prezzy cards): \$6,478.38 (PO197334 and 193761); and • Office and Stationery supplies (Office Max and Warehouse Stationery, Warehouse General Goods, Warehouse Uniforms): \$14,056.88 (PO193429 and PO194175). <p>Open POs are approved at their creation date for a specified type of expense and up to a specified amount. Subsequently, a request form is submitted each time an expense under this open PO is to be made – with no separate approval provided. There is no system functionality that prevents additional invoices/receipts from being added to the open PO once the approved amount has been reached. This means for example that even if a PO is approved for \$300, subsequent receipts can be linked to the same PO (with no approval), which exceed that amount.</p> <p>We understand that there is no follow-up process in place to verify and track the amount spent on these open POs.</p> <p>SDC has informed us that there is only a limited number of such POs currently in place with steps taken to move away from this approach.</p>
Risks	<p>There is a risk of sensitive expenditure being incurred without appropriate authorisation. This may result in non-compliance with internal policies and sensitive expenditure guidelines.</p>
Recommendations	<ul style="list-style-type: none"> • Ensure individual POs are raised for all request forms to document pre-approval of the expenditure accordingly. • Should the open PO continue to be used – ensure the specific process of review and tracking is implemented for any expenses incurred. • Incorporate the guidelines related to use of open PO into SDC's policies, specifying the process applicable, approval needed and defining the specific types of expenses allowed under this approach (considering the risks and volume of such transactions).
Management Response	<p>The Hygiene Project underway includes a review of all open PO lines, identifying which aged POs can be closed and which are still required. There will be an ongoing review to ensure that any PO that is no longer required will be closed out in a timely manner. A dashboard to show open POs to make management and visibility easier, is yet to be developed. Regular review of POs will help approvers understand commitments and if they are within or over their allocated budgets.</p>

Action Owner	Head of Financial Operations
Due Date	31 December 2025

3.9 Policy Review Process

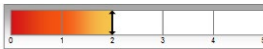
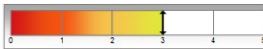
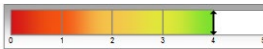
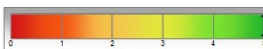
Risk Rating	Process improvement
Ease of Fix	Simple
Observations	<p>Review of the sensitive expenditure policies (as listed in Appendix D) revealed that the “next review date” indicated in each policy, has not always been followed.</p> <p>We understand that SDC is currently going through a project to uplift its policy review framework to address the above issue. An updated review schedule was provided in the agenda for the 5 November 2024 ARC meeting, which sets the new “next review” dates for identified policies. We noted that the following policies were not included in the November 2024 ARC review schedule:</p> <ul style="list-style-type: none"> • Computer and Mobile Use Safety Policy (due to review March 2026) • Drug and Alcohol Policy (due to review August 2025) • Travel Policy (last issued March 2017) <p>We understand that this framework is still in development, however, we emphasise the need for consistency between the respective policy information and the review schedules.</p> <p>We were also unable to identify reference to the frequency of review period determined for each policy.</p> <p>As per the Office of the Auditor General’s sensitive expenditure guidance for public organisations¹⁴ (‘OAG guidance’), public sector organisations are expected to “<i>carry out regular reviews, monitor compliance, consider high-risk areas, and make changes to policies and procedures as necessary</i>”.</p>
Risks	<p>There is a risk that SDC policies contain outdated or irrelevant guidance that when followed by staff may result in SDC operating inefficiently and not in line with good practice/current requirements for the public sector.</p> <p>The absence of timely policy refresh may also result in regulatory changes being overlooked, therefore increasing the risk of SDC being non-compliant with government legislation.</p> <p>Inconsistency between policy documents and centralised review schedules may lead to confusion as to the accuracy of information presented and impact transparency.</p>
Recommendations	<ul style="list-style-type: none"> • Continue to develop and implement the recently revised policy review framework. • Make sure that all SDC policies are covered within this framework (including the policies identified above). • Ensure that each policy, on the next review date, is updated accordingly to outline the correct last review date, next review date as well as document the review period applicable to each policy.

¹⁴ OAG’s ‘Control sensitive expenditure: Guide for public organisations’ found at <https://oag.parliament.nz/2020/sensitive-expenditure/docs/sensitive-expenditure.pdf>

	<p>Verify that information against the centralised schedule to ensure the consistency of information between the documents.</p> <ul style="list-style-type: none"> • Ensure that any amendments are communicated clearly to all staff.
Management Response	<p>A meta-policy framework with roles and responsibilities has been developed, including a new automated system to manage, review and development of policy. All policies are now included in the schedule.</p> <p>A briefing is going to the Council in May and system will be implemented across Q1 and Q2 of FY 25/26.</p>
Action Owner	Head of Legal and Risk
Due Date	31 December 2025

Appendix A – Control Effectiveness Rating Scale

The assessment of the entire control environment is based on our assessment of the processes as presented and the results of judgemental sample testing. The consolidated results of testing together with the appropriateness of control responses to risk form this assessment.

Description	Rating Scale Indicator
<p>1 <u>Significant Weakness</u></p> <p>The control environment either does not exist or is inadequate to manage risk related to process under review and is significantly below good practice and does not compare favourably to other models. The business is exposed to control failure and potential financial, operational, and strategic impacts.</p>	
<p>2 <u>Informal / Inadequate Controls</u></p> <p>The control environment exists but is informal or has important gaps and certain elements are below good practice or do not compare favourably to other models. The business is exposed to control failure and potential financial, operational, and strategic impacts.</p>	
<p>3 <u>Adequate Controls</u></p> <p>The control environment exists, and we have detected some gaps and/or areas for improvement. The environment compares favourably to other models with room for improvement. The business could be exposed to control failure and potential financial and operational impacts.</p>	
<p>4 <u>Well Controlled</u></p> <p>The control environment exists, and we have detected minimal gaps and/or areas for improvement. The environment compares favourably to other models. The business may be exposed to control failure and potential financial and operational impacts.</p>	
<p>5 <u>Leading Practice Controls</u></p> <p>The control environment exists, and we have not detected gaps. Control applications and processes in existence exceeded better practice and are better than other models. The business is unlikely to be exposed to control failure and potential financial and operational impacts.</p>	

Appendix B – Risk and Ease of Fix Rating Scale

Risk Rating Scale

Each finding included in the report has been ranked on the basis of the risk we perceive the organisation to be exposed to.

Rating	Description
Very High	Issue represents a severe control weakness. This could cause or is causing severe disruption to process/service, or severe adverse effect on the ability to achieve objectives.
High	Issue represents a significant control weakness. This could cause or is causing significant disruption to process/service, or significant adverse effect on the ability to achieve objectives.
Moderate	Issue represents a moderate control weakness. This could cause or is causing some disruption to process/service. There may be a level of short-term tolerance due to compensating controls or remedial plans underway.
Low	Issue represents a minor control weakness. This could cause or is causing inefficiencies in process or is a lack of formality in documentation or process.
Process Improvement	Observation represents an identified opportunity to improve process/service efficiency.

Ease of Fix Rating Scale

Deloitte's estimation of the effort required to fix the finding raised is based on our previous experiences with resolving similar findings at similar organisations. This is intended as a guide only. You should undertake your own assessment to determine the actual level of effort required.

Rating	Description
Simple	There is a simple fix for this finding, which may involve minor system changes that require limited effort to implement or test, minor costs to resolve, or minor changes to system design or business processes. Estimated timeframe for fix to be implemented is within one to three months.
Medium	There is a moderately complex fix for this finding, which may involve some time to develop, implement and test, some cost to resolve, or some changes to system design or business processes. Estimated timeframe for fix to be implemented is within three to 12 months.
Complex	The solution is complex and may involve substantial time to develop, implement and test, substantial monetary cost to resolve, or substantial changes to system design or business processes. Estimated timeframe for fix to be implemented is more than 12 months.

Appendix C – Sample

The following purchase orders and expense claims were sampled:

No.	Reference	Number	Description
1	PO	206787	Orbit World Travel Christchurch, Travel and Accommodation June 2024
2	PO	193598	Craig Moody, Development Contributions Working Group
3	PO	194739	Eagle Technology Group Ltd, NZ ESRI User Conference 2023
4	PO	205479	Orbit World Travel Christchurch, Sharland Samantha Mrs to AKL Hotel
5	PO	199585	Simpson Grierson, Compliance Training x 2 staff
6	PO	197103	Robert Fugah, Creative Communities Funding-Sept 23
7	PO	206647	Steele's Hanmer Food Market, Grocery Purchases June 2024
8	PO	204432	Site Safe New Zealand, Site safe renewal
9	PO	193414	C & D Frampton (2019) Limited, Milk deliveries to our varies sites from July
10	PO	197475	Muddy Gumboot Events Limited, 6 Hour Blast Bike Ride
11	PO	202996	Orbit World Travel Christchurch, Ford Gareth Mr Fee 18/03/2024
12	PO	201073	Country Feasts, Catering from Jan 2024 until the end of June 2024
13	PO	201444	Yard Starter Rustic Furniture Hire Limited, Civic reception bar and leaner hire
14	PO	195935	Love Robert, Reward & Recognition for Policy Team for progressing the PDP to decisions
15	PO	199831	Weedons Cricket Club, NZ Rural Travel Fund-Summer 23
16	PO	193414	C & D Frampton (2019) Limited, Milk deliveries to our varies sites from July
17	PO	205424	New Zealand Organisation for Quality, Internal auditor training - 2-3 July 2024
18	PO	202006	Orbit World Travel Christchurch, England Murray Mr to NPE Ticket CHC NPE 26/03/2024
19	PO	195107	Rolleston Florist, Di Prendergast Flowers, and Candle for Bereavement
20	PO	193640	LGNZ Conference, LGNZ Conference Dinner registration for Runanga
21	PO	202996	Orbit World Travel Christchurch, Posada Higuera Ingrid Catherine Ms to WLG Fee 21/05/2024
22	PO	200110	Orbit World Travel Christchurch, Travel & Accommodation charges Dec 2023
23	PO	193414	C & D Frampton (2019) Limited, Milk Deliveries July 2023
24	PO	206920	Andrew Mazey, Parking for Council Business/Meeting
25	PO	201533	OfficeMax, Refreshments for the café
26	PO	194779	Catering order for Gardens Working Group August 17th, 2023
27	PO	198302	Reimbursement refreshments for Kirwee CRT team
28	PO	202525	Castle Hill Community Hall Extension Project Awarded
29	PO	200615	Minor Grant Application signed by Cr Gliddon: Advert for Malvern Fire Brigade Can Drive
30	PO	202525	Castle Hill Community Hall Extension Project Awarded

31	PO	198717	Funds for Christmas event
32	PO	204770	2nd instalment: MEETINGS 2024attending MEETINGS + travel expenses
33	PO	203603	ED Strategy - Hosted Breakfast and Lunch Catering
34	PO	194764	Flowers for the Selwyn Award
35	PO	197013	Selwyn Times Ad - SWELL Sponsorship
36	PO	198757	Ice blocks for pool parties 18 - 19th Nov
37	PO	194675	Catering for manager's tour Lunch at Darfield Bakery
38	PO	194213	Cost of travel- collections management Aug 2023
39	PO	194639	Selwyn Awards Ticket Refund to match subsidy
40	PO	201073	Catering from Jan 2024 until the end of June 2024
41	Claim	n/a	Bob Mugford: January 2024
42	Claim	n/a	Lydia Gliddon: August 2023
43	Claim	n/a	Lydia Gliddon: September 2023
44	Claim	n/a	Malcolm Lyall: June 2024
45	Claim	n/a	Nicole Reid: July 2023
46	Claim	n/a	Sam Broughton: April 2024
47	Claim	n/a	Sam Broughton: February 2024
48	Claim	n/a	Sam Broughton: January 2024
49	Claim	n/a	Sam Broughton: July 2023
50	Claim	n/a	Sam Broughton: May 2024
51	Claim	n/a	Sam Broughton: November 2023
52	Claim	n/a	Sophie McInnes: September 2023

Appendix D – Work Performed

We have reviewed and assessed the following key documentation relating to the respective scope items:

Table 1 - Key Documents reviewed.

Document	Description
Office of the Auditor General's sensitive expenditure guidance for public organisations	Control sensitive expenditure: Guide for public organisations' found at https://oag.parliament.nz/2020/sensitive-expenditure/docs/sensitive-expenditure.pdf .
Sensitive Expenditure Policy	Version last approved: 22 March 2021. Provided by Sonja Healy on 17/12/2024.
Code of Conduct	Version provided by Sonja Healy on 15/01/2025.
Drug and Alcohol Policy	Version last approved: August 2023. Provided by Sonja Healy on 15/01/2025.
Internal Gift Policy	Version last approved: 7 December 2016. Provided by Sonja Healy on 15/01/2025.
Travel Policy	Version last approved: March 2017. Provided by Sonja Healy on 14/02/2025.
Vehicle Policy	Version last approved: February 2025. Provided by Sonja Healy on 14/03/2025.
Computer Usage Policy	Version last approved: 13 November 2017. Provided by Sonja Healy on 20/03/2025.
Delegated Authorities – Sensitive Expenditure categories	Version provided by Sonja Healy on 20/02/2025.
Elected Member Expense Claims Process	Process instructions for the reimbursement expense claims submitted by Councillors & Community Board Members.
Allowances for local government members	Guidance issued by Remuneration Authority.
Allowances for local government members	Document published on SDC website.
Candidate Handbook – information for the 2022 Elections	2022 Local Government Elections as published on SDC website.

We also conducted interviews with relevant SDC personnel in relation to respective scope items:

Table 2 - Key Personnel Interviewed

Name	Role
Sonja Healy	Risk Manager
Niel Koch	Head of Financial Control
Sarah O'Connor	Senior Finance Business Partner
Shontelle Whakatihi	Head of Customer Service Centre
Joshua Graves	Assistant Accountant
Julie Bland	Internal Administrator
Michelle Mordaunt	Executive Assistant

Statement of Responsibility

The procedures that we performed did not constitute an assurance engagement in accordance with New Zealand Standards for Assurance engagements, nor did it represent any form of audit under New Zealand Standards on Auditing, and consequently, no assurance conclusion or audit opinion is provided. The work was performed subject to the following limitations:

- Our assessments are based on observations from our review and sample testing undertaken in the time allocated. Assessments made by our team are matched against our expectations and best practice guidelines. This includes comparison with other similar processes we have assessed. This report offers recommendations for improvements and has taken into account the views of management, with whom these matters have been discussed.
- Because of the inherent limitations of any internal control structure, it is possible that errors or irregularities may occur and not be detected. The procedures were not designed to detect all weaknesses in control procedures as they were not performed continuously throughout the period and the tests performed are on a sample basis.
- Any projection of the evaluation of the control procedures to future periods is subject to the risk that the systems may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.
- The matters raised in the deliverable are only those which came to our attention during the course of performing our procedures and are not necessarily a comprehensive statement of all the weaknesses that exist or improvements that might be made. We cannot, in practice, examine every activity and procedure, nor can we be a substitute for management's responsibility to maintain adequate controls over all levels of operations and their responsibility to prevent and detect irregularities, including fraud. Accordingly, management should not rely on our deliverable to identify all weaknesses that may exist in the systems and procedures under examination, or potential instances of non-compliance that may exist.

We have prepared this report solely for the use of the Council. The report contains constructive suggestions to improve some practices which we identified in the course of our review procedures. These procedures are designed to identify control weaknesses but cannot be relied upon to identify all weaknesses. We would be pleased to discuss any items mentioned in this report and to review the corrective action implemented by management.



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REPORT

TO: Audit and Risk Sub Committee

FOR: Audit and Risk Sub-Committee meeting, 6 May 2025

FROM: Julie Hands, Head of Legal and Risk
Sonja Healy, Risk Manager

DATE: 28 April 2025

SUBJECT: **RISK MANAGEMENT UPDATE**

RECOMMENDATION

'That the Audit and Risk Sub Committee:

- a) Receive the "Risk Management Update" report.*
- b) Endorse the SDC Risk Team Strategy and Roadmap.'*

1. PURPOSE

The purpose of this report is to provide the Audit and Risk Committee with an update in relation to progress against the Risk Management Workplan and gain endorsement on the future direction of the programme.

2. SIGNIFICANCE ASSESSMENT / COMPLIANCE STATEMENT

The decisions and matters of this report are assessed as of low significance, in accordance with the Council's Significance and Engagement Policy.

3. HISTORY / BACKGROUND

The Risk Management function is new to Council with the first role employed in June 2024, being the Risk Manager. Later in the same year, strategic leadership of the function was added, with the employment of the Head of Legal and Risk.

The establishment of the function is aligned with Council's strategic goal stated in the recently adopted Long-term Plan to 'prepare key accountability documents in accordance with good practice that allow for easy input from ratepayers and meet statutory requirements' and to ensure that the Annual Report, Annual Plan and Long-Term Plan meet good practice standards.

In November 2024, the Audit and Risk Committee approved a new Risk Management Policy and Risk Management Framework for the Council. A workplan to enable the implementation the framework and policy was also presented at the November 2024 meeting.

Following the execution of the initial stages of the workplan, it became apparent the programme needed revisiting to enable a strategic roadmap to be put in place. The strategic roadmap to enable a lift to the risk management culture and build from the current capacity and capability.

4. DISCUSSION

SDC Risk Team Strategy and Roadmap

The Risk team, together with the assistance of an independent consultant (Grant Galloway), have developed the SDC Risk Team Strategy and Roadmap, see Appendix A.

The Risk Strategy sets out the teams' Purpose, Vision, Strategic Outcomes and Strategic Priorities.

The roadmap outlines when the team will deliver on the priorities to achieve the expected outcomes of the Risk Policy and Framework. A tactical plan will be developed to enable the achievement of the roadmap.

Progress against the Roadmap milestones will be reported on quarterly to the Audit and Risk Committee.

Progress update on the delivery of Stage 1 of the roadmap:

1. *Embed Risk Framework*

- *Policy and Framework:* Minor changes have been made to the Risk Policy and Risk Management Framework following feedback from our independent Risk Consultant. These changes do not change the material effect of the Policy or Framework but allow for better understanding.
- *Communications Plan:* A communication plan has been developed to regularly connect with the business on risk management guidance and processes. This will be rolled out over the next Quarter.
- *Risk Appetite:* Workshops have been scheduled with the ELT (4 June 2025) and Elected Members (25 June 2025). Further details on the agenda for each workshop will be communicated with attendees in May 2025.

2. *People Awareness and Capability*

- A Council Training Assessment and Plan is being developed to determine the needs of the organisation prior to embarking on delivering training to staff. An update will be provided at the August 2025 Audit and Risk Committee meeting.

3. *Foundational Risk-related Processes & Tools*

- We are currently populating our Operational and Strategic Risk Registers in collaboration with various business units. We are prioritising departments and teams that have the resources and bandwidth to actively engage in this process. We are currently working with the Digital, Building and Finance teams. We are centrally compiling any functional risk registers held separately by the independent groups within the Council.

Strategic Risks

Controls are continuing to be mapped against strategic risks and risks are being reviewed for completeness. A full risk register will be reported to August Audit and Risk Committee meeting.

A Risk owner will continue to attend quarterly meetings to discuss the key strategic risk they are responsible for. Matt McGrath, Chief Digital Officer will verbally brief the Audit and Risk Committee this month.

5. NEXT STEPS

Subject to the endorsement by the Audit and Risk Committee, the Risk team will complete the following actions and report back at August 2025 Audit and Risk Committee meeting:

- 1) Reset the Risk workplan based on the delivery of the Risk roadmap and deliver the activity on the roadmap scheduled for the next quarter.
- 2) Continue the development of the Strategic Risk Register, completing control mapping and residual risk ratings.
- 3) Develop a draft Council wide Risk Register based on the centralisation of existing operational risk registers across the Council.
- 4) Review Risk tools available and establish an action plan for development tools required.
- 5) Set SDC's Risk appetite (to be facilitated by an independent advisor).

6. VIEWS OF THOSE AFFECTED / CONSULTATION

(a) Views of those affected and Consultation

There are no significant implications for the wider community in the contents of this report which require consideration of affected persons.

(b) Māori and Treaty implications

There are no implications or impact related to Iwi / Māori with this report.

(c) Climate Change considerations

The decisions and matters of this report are assessed to have low climate change implications.

7. FUNDING IMPLICATIONS

There are no budget considerations associated with the recommendations of this report.



Sonja Healy
RISK MANAGER



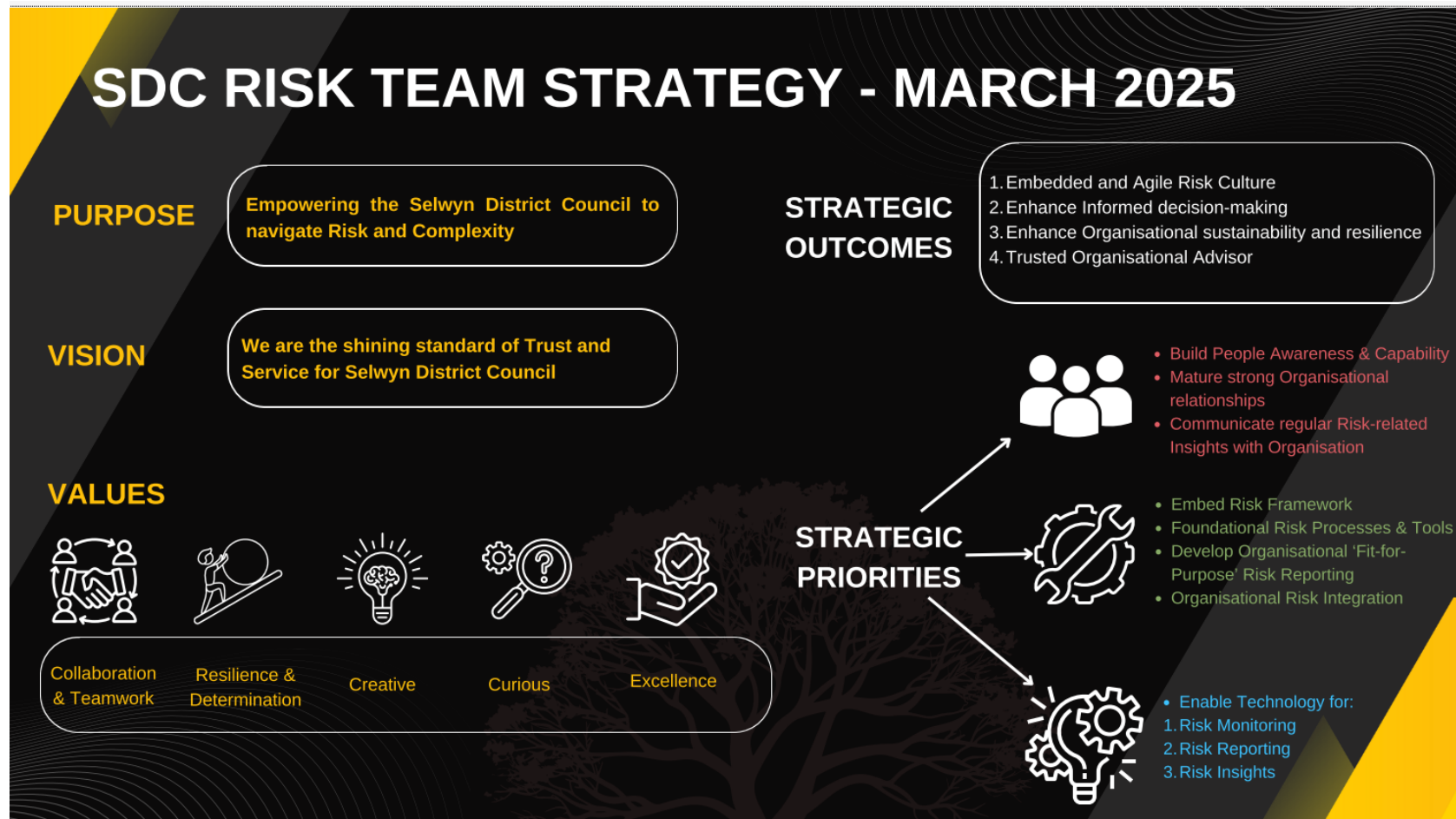
Julie Hands
HEAD OF LEGAL AND RISK

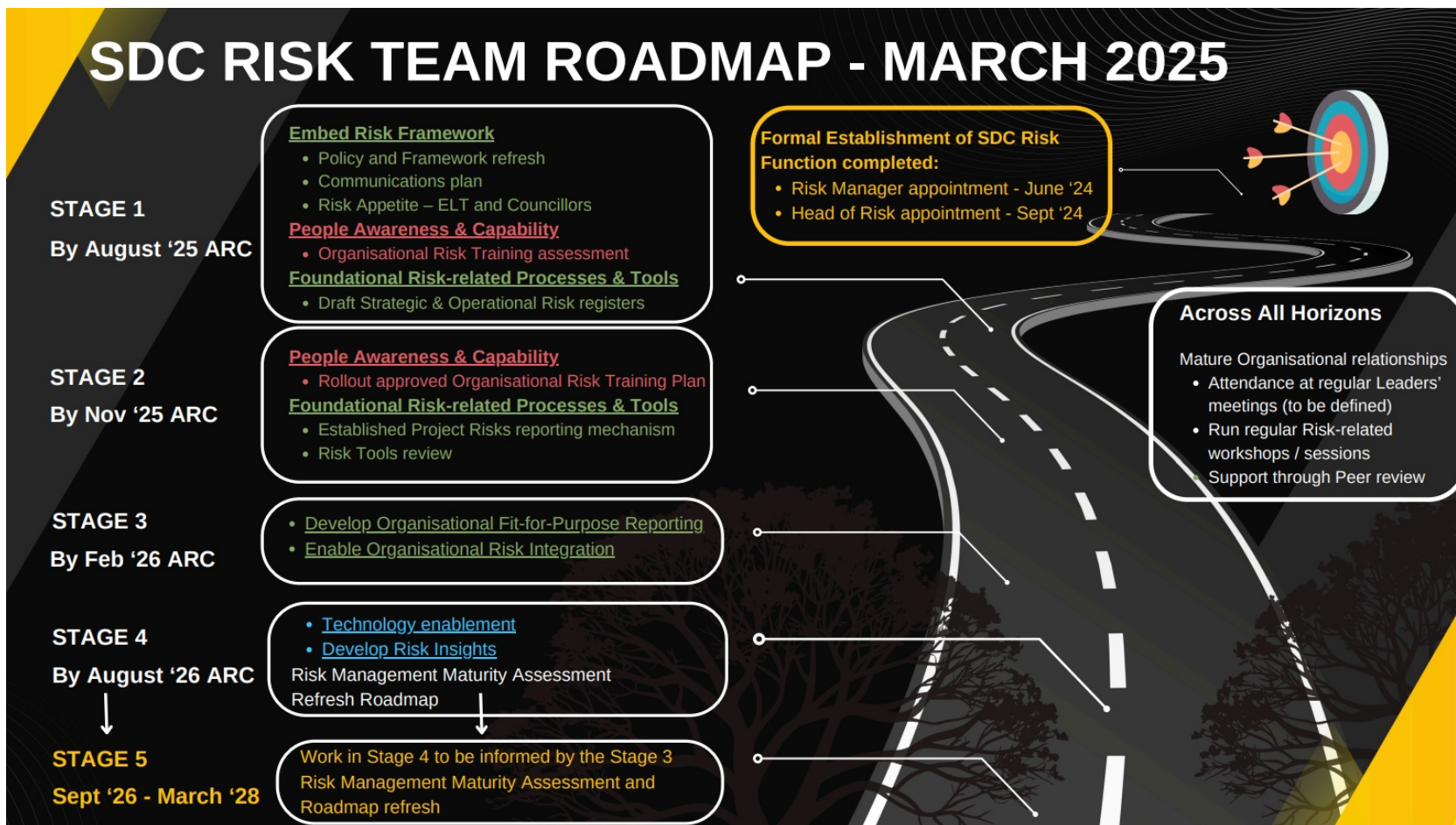
Endorsed For Agenda



Steve Gibling
EXECUTIVE DIRECTOR – PEOPLE, CAPABILITY & CULTURE

APPENDIX A – SDC RISK TEAM STRATEGY AND ROADMAP





COUNCIL PUBLIC REPORT

TO: Audit & Risk Committee

FOR: Audit and Risk Committee Meeting – 6 May 2025

FROM: Julie Hands, Head of Legal and Risk

DATE: 28 April 2025

SUBJECT: LEGAL AND POLICY REPORT

RECOMMENDATION

'That Audit and Risk Committee receive the Legal and Policy Report'

1. PURPOSE

To provide a quarterly update to Audit and Risk Committee on:

- Establishment of legal function;
- Legal Compliance Training;
- Legal Claim;
- Upcoming legislative change;
- LGOIMA compliance;
- Policy programme; and
- Non-financial delegations review.

2. HISTORY/BACKGROUND

Following the first presentation of the Legal and Policy Update at the Audit and Risk Committee meeting in late March, it was determined this would be a regular quarterly report provided to the Audit and Risk Committee.

This report provides an update on the matter reported to that meeting, however changes are minimal from information provided in March given the truncated reporting cycle between meetings this quarter.

A separate report on statutory compliance is provided in PX, on the basis that on-going matters are subject to legal privilege.

3. DISCUSSION

Since October 2024 the team has received instructions on 273 independent matters. This is an increase of 77 matters since the last report opened, and 74 closed. A monthly breakdown is shown below.

New jobs by month	Matters opened	Matters closed
Pre-August 2024	5	0
August 2024	3	0
September 2024	3	0
October 2024	36	5
November 2024	26	17
December 2024	21	10
January 2025	30	10
February 2025	52	49
March 2025	74	57
April 2025	23	27
	273	175

External advisors have been engaged on 31 of these matters.

The team are triaging work based on a prioritisation matrix based on importance looking at risk and strategic importance to the organisation. The team are working to align their approach using a similar methodology to the risk framework.

Priority	Criteria – Indicative only
Purple / Critical <i>Legal intervention needed to mitigate imminent & serious risk</i>	Imminent financial loss/impact \$1M+ Enforcement Action underway Probable reputational risk Actual H&S issue impacting multiple staff Contract value \$5M+ CEO or Council request Regulator involvement
Red / High <i>Significant risk that needs careful management</i> <i>High strategic value</i>	Contract value \$2M+ Possible Financial Loss/Impact \$500k+ Breach of legal requirement with likely enforcement action Possible reputational risk H&S issue impacting multiple staff ELT request
Orange / Medium <i>Legal input desirable to mitigate potential risks</i>	Possible Financial Loss/Impact \$200k+ Possible regulatory breach Possible local/regional reputational risk Contract value \$200K+
Green / Low <i>'Safe to wait'</i>	Possible financial Loss/Impact <\$200k Contract value <\$200K

The breakdown of matters dealt with is as follows:

Critical	4.0%
High	12.9%
Medium	41.7%
Low	41.4%
Grand Total	100%

The legal team will continue to monitor the profile of the nature of the work, to ensure the most critical work is being prioritised and risks mitigated.

Legal Training and Processes

While the broader training plan is still in development, the following trainings have been delivered since the previous ARC:

- Privacy (People Team)
- Local Government Consultation Principles (Communication Team)

A schedule for Privacy training has been developed and scheduled.

A training schedule will be reported to August Audit and Risk Committee.

Legal Claims

The legal team is aware of one new claim received since the March update (quantum circa \$160,000 incl GST which is above our insurance cap). We are also aware of two new potential claims in respect of our regulatory activity. No formal claims have been received to date in respect of these potential claims. The potential claims are being quantified, though financial compensation of these claims are expected to be under \$100,000 (below our insurance cap).

Significant Legislative Changes

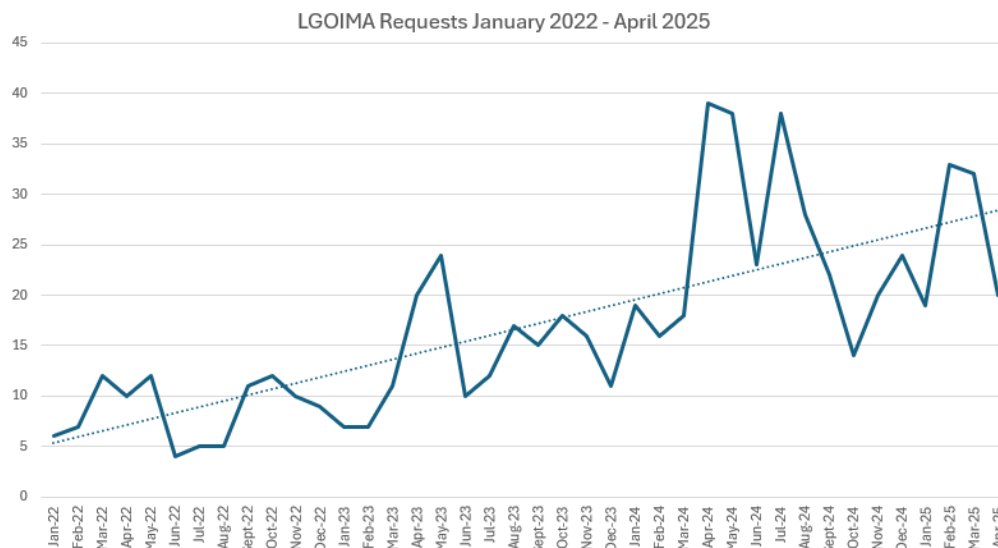
There have been no new significant legislative changes since the last Audit and Risk Committee meeting.

LGOMIA Update

Since reporting in March, we have received another 44 LGOIMA requests (as at 14 April 2025). This brings the YTD total to 250 for FY 24/25. This compares to a YTD total of 181 for the same period FY23/24.

Since November 2024 we have continued to complete all LGOIMA requests within the required statutory timeframes. There has been a marked improvement in the completion timeframes and this trend continues to improve with the average completion time for this calendar YTD being 15 working days (**WD**) (12 WD when isolated to the last three

months). This is an improvement against an average of 23 WD for the 2024 calendar year (which was three days over the statutory timeframe of 20 WD).



The only trend identified from new requests this month is that there has been an increased number of requests from individuals who are considering running for Council elections and primarily asking for information about Local Water Done Well. However, the number of requests from this group is not significant when taking into consideration the total number of requests this month.

The staff member working primarily on LGOIMA requests has finished working for SDC this month. We are taking the opportunity to rescope this role and consider the resource best needed to ensure timely compliance.

A new public site for SDC LGOIMA requests is being developed by our digital team. Once this is in place, the resourcing will be ready to reimplement proactive publishing of LGOIMA requests. This will help us to manage volume and therefore compliance and transparency of requests. We hope to be able to implement this by the August Audit and Risk Committee, subject to ongoing digital resource being available.

Ombudsman Complaints

SDC has not been notified of any Ombudsman Complaints relating to LGOIMA issues since the last report to the Audit and Risk Committee.

Update to Policy Review Programme

Since the last report to the Audit and Risk Committee in March 2025, there has been an increase in the number of overdue policies, specifically:

- There are 48 'current' policies in place, compared to 49 in March 2025;
- There are 108 overdue policies compared to 97 in March 2025.

The increase in the number of overdue policies is due to a number of policies falling due for review in March 2025 (without review occurring) and the discovery of a number of policies not originally captured in the first stock take. Policy Owners have been contacted to understand their intentions in relation to the policy. We will continue to follow these up to ensure policies are updated in a timely manner.

There are a number of policies scheduled to be presented to ELT for approval which will reduce the number of overdue policies.

The new policy management tool and library indicated to ARC in August 2024, has been developed and is currently being tested with staff. This tool will improve management and oversight of the policy review process. We will provide an update on implementation of the tool and library at the August 2025 Audit and Risk Committee meeting.

Non-financial Delegations review update

Review of initial feedback from teams on their non-financial delegations has now been reviewed and suggested changes to non-financial delegations made in response. This will be approved by ELT in the coming month.

Council will be briefed either in May or June on the outcome of the review and what decisions Council can expect to make on delegated authority.

4. ALIGNMENT WITH COUNCIL PLANS, STRATEGY, POLICY AND REGULATORY/COMPLIANCE OBLIGATIONS

Waikirikiri Ki Tua/Future Selwyn

This report is generally in alignment with Waikirikiri Kia Tua / Future Selwyn as the functions underpin effective delivery of the functions and risk management.

5. SIGNIFICANCE ASSESSMENT/COMPLIANCE STATEMENT

"The matters of this report are assessed as being of Low significance, in accordance with the Council's Significance and Engagement Policy."

6. VIEWS OF THOSE AFFECTED / CONSULTATION

In making a decision, Council needs to know enough about, and give adequate consideration to, the views and preferences of affected and interested parties. The degree to which Council seeks views of affected and interested parties will be proportionate to the significance of the decision or issue being considered.

(a) Views of those affected and Consultation

Not applicable to this report

(b) Māori and Treaty implications

Not applicable to this report

(c) Resiliency and Sustainability considerations

Not applicable to this report

7. FUNDING IMPLICATIONS

There are no funding implications associated with this report.



Julie Hands
HEAD OF LEGAL AND RISK

Endorsed For Agenda



Steve Gibling
EXECUTIVE DIRECTOR OF PEOPLE, CULTURE AND CAPABILITY

RESOLUTION TO EXCLUDE THE PUBLIC**Recommended:**

'1. That the public be excluded from the following proceedings of this meeting.

The general subject matter to be considered while the public is excluded, the reason of passing this resolution in relation to the matter, and the specific grounds under Section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

<i>General subject of each matter to be considered</i>		<i>Reasons for passing this resolution in relation to each matter</i>	<i>Ground(s) under section 48(1) for the passing of this resolution</i>	<i>Date information to be released</i>
1.	Public Excluded Minutes	<i>Good reason to withhold information exists under Section 7</i>	Section 48(1)(a)	
2.	Compliance Report			

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

1	enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities; or enable any local authority holding the information to carry on without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)	Section 7(2)(h) & (i)
2.	The withholding of the information is necessary to maintain legal professional privilege	Section 7(2)(g)

2. *that appropriate officers remain to provide advice to the Committee.*

Unuhia, unuhia
Te pou, te pou
Kia wātea, kia
wātea
Āe, kua wātea

Remove, uplift
The posts
In order to be
free
Yes, it has been
cleared