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Independent Member:

P Bennett

Audit NZ

Naude Kotze
Leon Pieterse

Staff:

L D Cavers
D Peddie
K Conomos
Council Secretary

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AUDIT & RISK COMMITTEE

A G E N D A

DATE: Tuesday, 21 June 2016

TIME: 9.00am

VENUE: Hauraki Room
William Street
PAEROA

MEMBERS: P Bennett (Chairperson/Independent Member)
J P Tregidga
Cr B A Gordon
Cr D A Adams
Cr G R Leonard
Cr A A Tubman

L D Cavers
Chief Executive

HAURAKI DISTRICT COUNCIL

AUDIT & RISK COMMITTEE

NOTICE IS HEREBY GIVEN THAT A MEETING OF THE AUDIT & RISK COMMITTEE WILL BE HELD IN THE HAURAKI ROOM, PAEROA OFFICE, WILLIAM STREET, PAEROA ON TUESDAY 21 JUNE 2016 COMMENCING AT 9.00AM

ORDER OF BUSINESS

- | | <u>Pages</u> |
|--|--------------|
| 1. <u>APOLOGIES</u> | |
| 2. <u>DECLARATION OF LATE ITEMS</u> | |
| <p>Pursuant to Section 46A(5) of the Local Government Official Information and Meetings Act 1987, the Chairman is to call for late items to be accepted. In the event of a late item, an explanation must be given as to why the item was not on the agenda and why discussion cannot be delayed for a subsequent meeting.</p> | |
| 3. <u>DECLARATIONS OF INTEREST</u> | |
| <p><i>(Members are reminded of their obligation to declare any conflicts of interest they might have in respect of the items on this agenda).</i></p> | |
| 4. <u>CONFIRMATION OF MINUTES</u> | |
| 4.1 <u>AUDIT & RISK COMMITTEE MEETING HELD ON FRIDAY 29 APRIL 2016 (1521528)</u> | 6 |
| <p>RECOMMENDATION</p> <p>THAT the minutes of the meeting held on Friday 29 April 2016 be taken as read and confirmed.</p> | |
| 5. <u>BUSINESS</u> | |
| 5.1 <u>TREASURY REPORT AS AT 21 MAY 2016 (1549006)</u> | 16 |
| <p>The Group Manager - Corporate presents an update on the current position of the loan/debt status, against the parameters outlined in the Council's Financial Strategy and Liability Management Policy.</p> | |
| <p>RECOMMENDATION</p> <p>THAT the report be received.</p> | |
| 5.2 <u>KPMG INTERNAL AUDIT REVIEWS – PROGRESS REPORT (1542201) 1541045)</u> | 22 |
| <p>The Group Manager – Corporate Services presents a progress report against the matters raised by the KPMG internal Audit reviews.</p> | |
| <p>RECOMMENDATION</p> <p>THAT the report be received.</p> | |

- 5.3 AUDIT NZ MANAGEMENT REPORT FOR YEAR ENDED 30 JUNE 2015 (1541006, 1541013) **37**
- The Group Manager – Corporate Services presents a progress report to the Audit Management Report regarding items raised by Audit New Zealand in their Audit report, year ended 30 June 2015.
- RECOMMENDATION**
- THAT the report be received.
- 5.4 HEALTH & SAFETY (1548811) **51**
- The Health & Safety Advisor and Human Resources Advisor have reported on the implementation of the requirements of the Health and Safety at Work Act 2015.
- RECOMMENDATION**
- THAT the report be received.
- 5.5 OVERHEADS ACTIVITY REPORT (1549251) **65**
- The Group Manager - Corporate Services presents an update on expenditure in the Overheads Activity
- RECOMMENDATION**
- THAT the report be received.
- 5.6 AUDIT AND RISK COMMITTEE SELF ASSESSMENT (1542138, 1388506) **68**
- The Strategic Planner confirms arrangements for undertaking an assessment of the effectiveness of the Committee.
- RECOMMENDATION**
- THAT the report be received, and
- THAT the Committee members individually undertake a self-assessment survey by 29 July 2016, and
- THAT staff compile the results and present these to the Committee at its meeting of 23 August 2016.
- 5.7 AUDIT AND RISK COMMITTEE – 2016 WORK PROGRAMME (1540966, 1252510) **79**
- The Strategic Planner presents the Terms of Reference and 2016 Work Programme for consideration.
- RECOMMENDATION**
- THAT the report be received, and
- THAT the Committee amend/make comment to the work programme as it deems necessary.

6. **MATTERS TO BE TAKEN WITH THE PUBLIC EXCLUDED**

RECOMMENDATION

THAT the public be excluded from the following parts of the proceedings of this meeting.

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

Item No.	General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) Under Section 48(1) for the Passing of this Resolution
1	Rates in Arrears	Section 7(2)(a) – Protect the privacy of natural persons, including that of deceased natural persons.	Section 48(1)(a) That the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist.

HAURAKI DISTRICT COUNCIL

AUDIT & RISK COMMITTEE

MINUTES OF MEETING OF THE AUDIT & RISK COMMITTEE HELD IN THE HAURAKI ROOM, PAEROA OFFICE, WILLIAM STREET, PAEROA ON FRIDAY 29 APRIL 2016 COMMENCING AT 9.00AM

PRESENT

Mr P Bennett (In the Chair), His Worship the Mayor Mr J P Tregidga, Crs B A Gordon, G R Leonard, D A Adams (from 9:30am to 1.16pm) and A A Tubman

IN ATTENDANCE

Cr P A Milner (9.00am-11.54am), Messrs L Pieterse (Audit NZ), L D Cavers (Chief Executive), D Peddie (Finance Manager), Ms Katina Conomos, Mrs H Byrne (Accounting Team Leader), M Buttimore (Strategic Planning Projects Manager) and Ms C Black (Council Secretary)

APOLOGIES

RESOLVED

THAT the apology of for lateness of Cr D A Adams be received and sustained.

ARC16/13

Tubman/Leonard

CARRIED

LATE ITEMS

There were no late items.

DECLARATIONS OF INTEREST

There were no declarations.

CONFIRMATION OF MINUTES

AUDIT & RISK COMMITTEE MEETING HELD ON TUESDAY 16 FEBRUARY 2016 (1495695))

RESOLVED

THAT the minutes of the meeting held on Tuesday 16 February 2016 be taken as read and confirmed.

ARC16/14

Bennett/Leonard

CARRIED

BUSINESS

TREASURY REPORT AS AT 31 MARCH 2016 (1519357)

The Corporate Services Manager provided an update on the current position of the loan/debt status, against the parameters outlined in the Council's Financial Strategy and Liability Management Policy.

RESOLVED

THAT the report be received.

ARC16/15

Gordon/Leonard

CARRIED

The Corporate Services Manager explained that Council is currently breaching the recommended maturity ratio limits of its swaps, by 1%, but that this matter will correct itself on 15 June when one of the “5 year plus” swaps shifts into the “3-5 year” swap band. The Corporate Services Manager advised that it was possible to correct this breach now, but it would cost approximately \$1,500 to do so and as such, his recommendation is that no action be taken.

Mr Bennett agreed that it would be appropriate that no action be taken regarding the 1% breach as it is relatively minor and will be fixed in a short time period.

RESOLVED

THAT no action be taken regarding the 1% breach of the 60% recommended cap on swaps with a life greater than five years.

ARC16/16

Bennett/Tregidga

CARRIED

INTERNAL DEBT/TREASURY (1519771)

The Corporate Services Manager reported on Council's internal debt position.

RESOLVED

THAT the report be received.

ARC16/17

Bennett/Gordon

CARRIED

HEALTH AND SAFETY REPORM (1517575)

The Chief Executive presented the quarterly report from the Health & Safety Advisor and Human Resources Advisor which briefed the Committee on key matters to ensure the Hauraki District Council continues to meet its health and safety responsibilities under the Act.

It was noted that Council staff are working closely with Work Safe NZ as regards to Health and Safety implementation.

RESOLVED

THAT the report be received.

ARC16/18

Bennett/Tregidga

CARRIED

MATTERS TO BE TAKEN WITH THE PUBLIC EXCLUDED

RESOLVED

THAT the public be excluded from the following parts of the proceedings of this meeting.

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

Item No.	General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) Under Section 48(1) for the Passing of this Resolution
1	KPMG Internal Audit Report – Cash Handling, Invoicing and Credit Notes	Section 7(2)(f)(i) – Maintain the effective conduct of public affairs through: (i) free and frank expression of opinions by or between or to members or officers or employees of any local authority, or any persons to whom section 2(5) of this Act applies, in the course of their duty.	Section 48(1)(a) That the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist.

ARC16/19

Leonard/Bennett

CARRIED

RESOLVED

THAT the public be readmitted to the meeting and that the business in committee discussed be confirmed.

ARC16/21

Tregidga/Tubman

CARRIED

AUDIT NZ MANAGEMENT REPORT FOR YEAR ENDED 30 JUNE 2015 (1519375, 1519374)

The Strategic Planner presented a progress report to the Audit Management Report regarding items raised by Audit New Zealand in their Audit report, year ended 30 June 2015.

RESOLVED

THAT the report be received.

ARC16/22

Tregidga/Adams

CARRIED

Leon Pieterse

Mr Pieterse spoke to the report and outlined the audit process to the Committee. Mr Pieterse explained that at the interim audit stage the auditors examine the control environment and determine the reliability of the controls. If the auditors deem that they cannot rely on controls than there is more substantive audit work required. This is also likely to mean that these control areas will be identified as areas for improvement.

Paul Bennett asked if there are likely to be any staffing issues which could hold up clearing up issues listed needing resolution. The members were advised that a new management accountant is starting next week so there would be more staff available to address issues requiring resolution, and that short-term assistance will likely be sought to aid the completion of the annual report.

The Committee discussed the Audit NZ priority rating in the report and requested that a management ranking be included in the table to show the priority rating from the management perspective. Mr Pieterse also acknowledged that ideally there be reasonable consensus over the rankings and content of the report and the audit team will endeavour to work with HDC staff more closely during the preparation of the next report.

AUDIT NEW ZEALAND – AUDIT ARRANGEMENTS LETTER FOR 2015/16 AUDIT (1520086, 1520461, 1520463, 1520466)

Mr Pieterse presented the Audit New Zealand Audit Arrangements Letter for the 2015/16 audit to the Committee for approval.

RESOLVED

THAT the report be received.

ARC16/23

Adams/Bennett

CARRIED

Councillor Adams queried why the actual audit costs for 2014 were substantially higher than the other years. Staff and Audit NZ will investigate this matter further as an answer was not available at the meeting.

Mr Pieterse queried the level of expose and risk that the Council has in light of the north wall slip at the mine. The Chief Executive outlined the risks and bond securities to the Committee, advising that the risk is believed to be di minimus at this stage.

The Chief Executive and Strategic Planning Projects Manager also advised that the bonds are due to be renegotiated with the mine company in August 2016 and that preparation for this negotiation is substantial to ensure that the council has sufficient evidence to inform the amount of bond(s) required.

The Audit Arrangements Letter also invited the Committee to advise Audit New Zealand of any additional matters or significant business risks which are not set out in the letter, but that should be covered by the audit. After consideration, it was agreed that there were no additional matters or significant business risks that the Committee wished to advise Audit New Zealand of.

Mr Pieterse also asked the Committee whether they were aware of any actual or substantive fraud, to which the Committee advised they were not aware of any.

RESOLVED

THAT the Committee approves that the Mayor sign the Audit Arrangements Letter.

ARC16/24

Leonard/Gordon

CARRIED

RISK MANAGEMENT REPORT (1520164, 1510259)

The Strategic Planner presented an update and PowerPoint regarding the Risk Management project and in particular the distinction between the roles of elected members and staff with respect to risk management.

The corporate risks, with controls, were presented to the Committee for discussion. It was advised that the Executive Leadership Team had reviewed the Corporate Risks register on Tuesday 26 April. A copy of this document was pre-circulated and tabled.

The Committee suggested that a workshop be held specifically on risk management, and the corporate risks with the entire council to discuss in more detail.

RESOLVED

THAT the report be received,

THAT the corporate risks be considered at a workshop of full Council.

ARC16/25

Adams/Tubman

CARRIED

Cr Milner left the meeting at 11.54am.

CROWN REVIEW OF 60/40 COST SHARING ARRANGEMENT (1520189)

The Chief Executive and Corporate Services Manager advised the Committee of potential changes to Council's disaster recovery arrangements.

RESOLVED

THAT the report be received.

ARC16/26

Leonard/Bennett

CARRIED

RATES BILLING WORKING PARTY – MATTERS ARISING (1516171, 1497167, 1494718)

The Corporate Services Manager presented a report which was circulated prior to the meeting on matters arising as a result of discussions had by the rates billing working party.

The Committee discussed ideas for increasing awareness of the rates rebate scheme. The Mayor suggested that having staff attend local marae and assist rates rebate applicants may be beneficial. The Committee also discussed the value of public meetings in the town halls as a way of getting information out on rate billing/paying options, as well as existing community meetings, and having information in the council libraries.

The Corporate Services Manager advised that progress has been made with respect to the application of water penalties and he expects this to be operational by May/June 2016. The Committee were supportive of water penalties being applied at the first opportunity.

RESOLVED

THAT the report be received, and

THAT staff explore opportunities with the local marae and the public libraries as a way of informing the public of the rates rebate and rates payment options, and

THAT, in accordance with Council's Revenue and Financing Policy and Funding Impacts Statements, water penalties be applied as the mechanism is available to do so.

ARC16/27

Leonard/Tregidga

CARRIED

With regards to changes to frequency of rates and water rates instalments it was discussed that due to the policy parameters the council has to work in, the earliest that any changes could take effect would be 1st July 2017. An assessment will need to be made regarding the level of community engagement that is required surrounding this proposal.

The Corporate Services Manager advised that only approximately 1% of ratepayers are receiving their rates instalments electronically, but that there has been no campaign or effort specifically designed to increase this update. The Committee discussed its preference to move more ratepayers to electronic billing as this is the norm for most other utilities.

RESOLVED

THAT a proposal for payment of rates on a two monthly instalment schedule be developed, to be enacted from 1st July 2017, and

THAT a proposal for water rates be changed to two monthly readings for properties with consumption over 10,000kl be developed, to be enacted from 1st July 2017, and

THAT the promotion of emailing rates notices be further investigated and undertaken, and

THAT a trial direct debit campaign drive be further developed and undertaken as possible.

ARC16/28

Adams/Bennett

CARRIED

AUDIT AND RISK COMMITTEE WORK PROGRAMME REPORT (1519376, 1252510)

The Strategic Planner presented the forward work programme for the Audit & Risk Committee and the Terms of Reference.

RESOLVED

THAT the report be received, and

THAT work programme is approved with an amendment to the 21 June agenda, removing the review of risks item because of the intention to hold a workshop with the full council on this topic.

ARC16/29

Bennett/Adams

CARRIED

MATTERS TO BE TAKEN WITH THE PUBLIC EXCLUDED

RESOLVED

THAT the public be excluded from the following parts of the proceedings of this meeting.

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

Item No.	General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) Under Section 48(1) for the Passing of this Resolution
2	Rates in Arrears	Section 7(2)(a) – Protect the privacy of natural persons, including that of deceased natural persons.	Section 48(1)(a) That the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist.

ARC16/30

Leonard/Adams

CARRIED

RESOLVED

THAT the public be readmitted to the meeting and that the business in committee discussed be confirmed.

ARC16/32

Tubman/Gordon

CARRIED

The meeting closed at 1.16pm.

P Bennett
Chairperson

15 June 2016



Information Report

To: Audit and Risk Committee
From: Group Manager - Corporate Services
Date: Wednesday, 15 June 2016
File reference: Document: 1549006
Meeting date: 21/06/2016
Subject: Treasury report as at 31 May 2016

Recommendation:

THAT the report be received

Purpose

This report is an update on the current position of the loan/debt status, against the parameters outlined in the Council's Financial Strategy and Liability Management Policy.

The matter or suggested decision does not involve a new activity, service, programme, project, expenditure or other deliverable.

Background

The Audit and Risk Committee is delegated to monitor Council's treasury activities to ensure that it remains within policy limits, and make recommendations to Council to exceed policy where there are good reasons to do so.

This report presents an update on the current loan/debt status as at 31 May 2016.

Debt Management

With respect to debt management, the Council has a range of policy which outlines the parameters within which debt must be managed.

Financial Strategy

The overall forecast quantum of net external debt per annum is outlined in the Council's Financial Strategy, and updated annually through the Council's Annual Planning process.

External debt is defined as the debt that the Council owes to its external lenders, such as banks. Net external debt is external debt less Councils cash and other similar liquid assets.

One of the three directions outlined in the Council's Financial Strategy relates to debt and states that the Council's intention is "to prudently reduce debt levels."

For 2015/16 the Council's net external debt was forecast at a maximum of \$45m.

The Long Term Plan, Annual Plan and Annual Report do not report on internal debt specifically as this is not a requirement of any financial reporting standards.

The Council's Financial Strategy outlines four debt caps. The table below outlines the Council's performance against the target caps as at 30 June 2015.

Financial Strategy debt caps	Performance against debt caps as at 30 June 2015	Compliance with debt caps
Total net external debt will not exceed 175% of total revenue in any year.	111%	YES
Net interest expense is ≤ 15% of rates revenue in any year.	7%	YES
Net interest expense is ≤ 10% of total revenue in any year.	6%	YES
Net external debt per rating unit is ≤ \$5,000 in any year.	\$2,872	YES

Liability Management Policy

The Council stipulates a range of policies within its Liability Management Policy relating to the prudent management of debt. For the purposes of this report, these policies are each addressed separately, as relevant.

Interest Rates

The Liability Management Policy stipulates **parameters for the fixed/floating interest rates** meaning that the Council's debt/borrowings should be within the following limits.

As at 31 May the actual results were as follows:

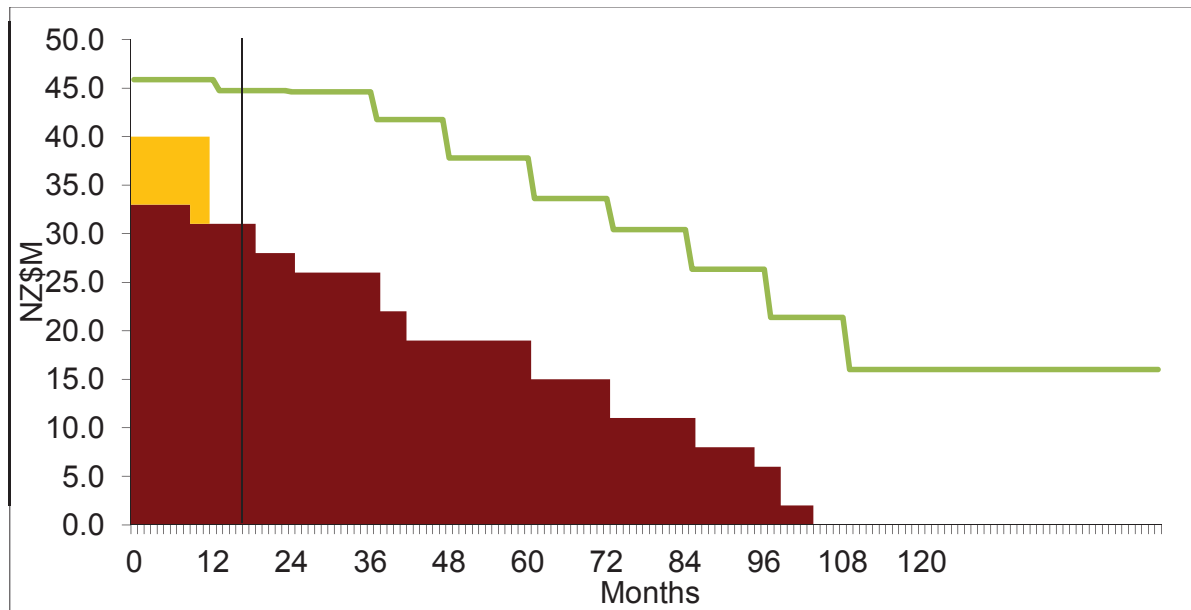
Minimum fixed rate	Maximum fixed rate	Current fixed rate proportion	Compliance with policy
55%	90%	83%	YES

The **fixed rate amount** at any point in time should be within the following maturity bands:

Fixed Rate Maturity Profile Limit			Fixed Rate Maturities	Compliance with policy
Period	Minimum %	Maximum %		
1 to 3 years	15%	60%	16%	YES
3 to 5 years	15%	60%	23%	YES
5 years plus	15%	60%	61%	NO

Council's liability management policy states the "the fixed rate amount **should** be within the following bands', i.e. 15% to 60%. Council is currently breaching the recommended maturity ratio limits of its swaps. As at 31 March there is slightly too much swap value with a maturity greater than five years. The 1% excess over the 60% recommended cap, represents \$330,000 of debt interest rate cover. This will correct itself on 15 June when a \$4m swap maturing on 15/6/21 will drop into the 3 to 5 year bracket. The cost of making this change would be approximately \$1,500. Council agreed at their April meeting that no swap modification be undertaken.

The following chart shows the dollar amount of debt that is fixed and how this changes as time progresses. The chart takes a snapshot as at 31 May 2016.



The red part of the graph shows the amount of debt which is fixed (this includes fixed rate bonds together with payer swaps) meaning debt which gets repriced in one year or later. The top of the yellow area represents the forecast debt in a year's time. The yellow area therefore illustrates the amount of debt deemed floating and includes any forecast debt that has not been pre-hedged. Any existing loans or financial instruments which will be repriced within the next 12 months are included in the yellow area.

A green line has been added to show Forecast Debt as per the LTP.

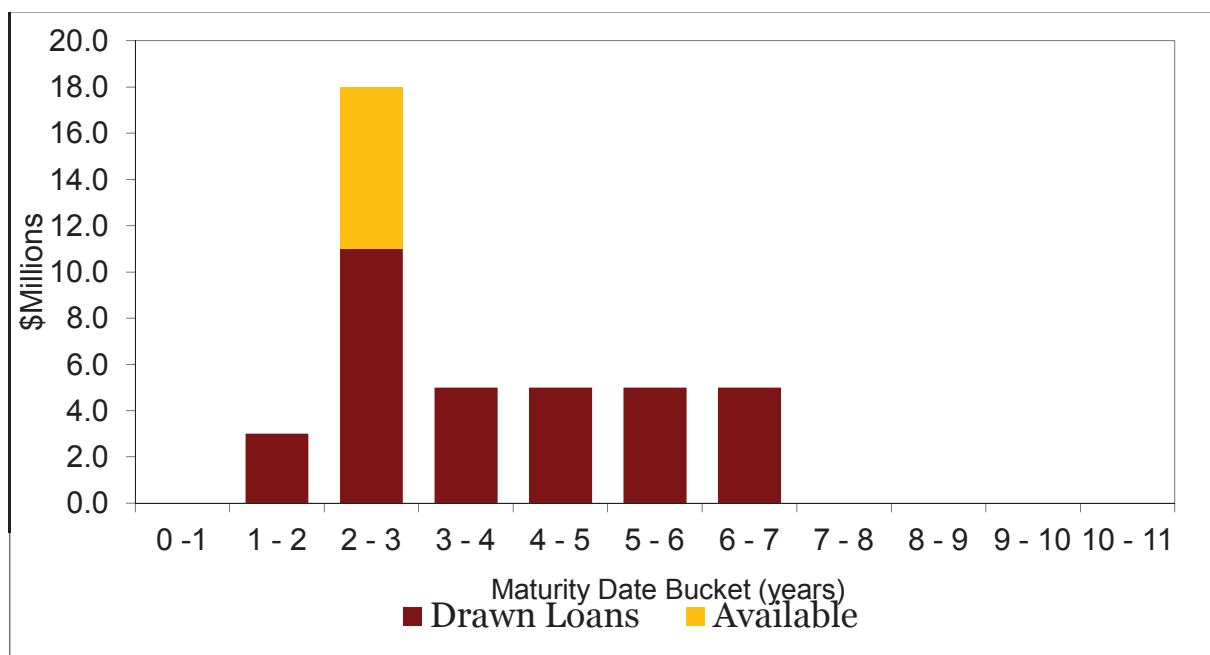
Loan maturities

The Liability Management Policy stipulates **parameters for the maturity profile of Council's loans**. The loan maturities at any point in time should be within the following bands:

As at 31 May the actual results were as follows:

Loan Maturity Profile Limit			Proportion of maturities	Compliance with policy
Period	Minimum %	Maximum %		
0 to 3 years	15%	60%	51%.	YES
3 to 5 years	15%	60%	25%.	YES
5 years plus	10%	40%	24%.	YES

This following chart shows the amount of debt by maturity date and demonstrates that Council is spreading its loan maturities.



The amount showing as available on the chart is the amount of Council’s BNZ flexible borrowing facility that is undrawn at 31 May. All of the \$7.0m facility for BNZ is undrawn.

The Liability Management Policy requires that the **Council will ensure that it has, at all times, sufficient funds available to meet its obligations as they fall due.**

Credit-worthiness

To give the Council reasonable certainty that obligations will be honoured, the Council’s Policy requires that in all its borrowing and interest rate management transactions its counterparties have **a long-term Standard & Poor’s (or equivalent Fitch or Moody’s rating) Credit rating of at least A+ or above and a short term rating of A-1 or above**, as well as stipulates maximum borrowing amounts per counterparty.

The table below sets out the Policy requirements and Council’s current position.

Counterparty	Minimum S&P long term/short-term credit rating	S&P rating as at 30 November 2015	Maximum borrowing per counterparty	Current amount borrowed	Compliance with policy
ANZ	A+ / A-1	AA-	\$10m	\$0.0m	YES
BNZ	A+ / A-1	AA-	\$10m	\$0.0m	YES
LGFA	AA- / A-1	AA+	Unlimited	\$34.0m	YES

Giving of loan guarantees

The Liability Management Policy provides for Council to act as a guarantor to bank loans for incorporated organisations which will provide, improve or develop amenities for recreation, amusement or the instruction of the public.

The Guarantee for the Paeroa Centennial Park Board has been discussed by their Board. We have received a copy of a letter from their lawyer to Westpac requesting the mortgage and the guarantee be discharged immediately.

The total combined amount the Council may guarantee at any one time shall not exceed 10% of the general rates levied in any year. The maximum amount the Council may guarantee to any one qualifying organisation shall be 5% of total rates levied, except that in special circumstances the limit of 5% may be exceeded upon Council resolution.

Organisation	Guarantee
Paeroa Centennial Park Board	\$30,000
Waihi Netball Association	\$50,000
Total guarantees	\$80,000
As a percentage of general rates levied for 2015/16 (NB: ≤10%)	0.9%
Compliance with policy	YES

The Policy requires that for each organisation that the Council has provided a loan guarantee the Council shall be provided with:

- A six-monthly unaudited financial report within three months of the first six months of the financial year.
- An annual audited financial report within four months of the balance date.
- A statement from the bank lending the money to the qualifying organisation each year that shows the principal outstanding at the end of that period and payment made during the year.

Council's Investment Management Policy refers to investments in organisations to meet Council's social or other priorities. Council has loaned money to two community organisations for this purpose, as follows:

Organisation	Overview of arrangement
Goldfields Railway	5 years from 23/10/14 for \$30,000, unsecured and no interest. The balance as at 31 May is \$20,500.
Paeroa Promotions Trust	Loan of \$40,000 which was repayable 31/3/16, unsecured and no interest. This was repaid on 1 April.

Summary of April YTD Overheads

The key variances to Budget that have resulted in a 1% or \$88,000 adverse variance YTD are:

Favourable:

- 1)Underspend due to the long term absence of the Community Services Manager \$78,000
- 2)New photocopying "lease " agreement delivering savings of \$46,000 YTD
- 3)Salary savings related to the Policy analyst position \$39,000

Less Adverse:

- 1)Additional costs in Rates Dept due to a)increased activity on property rates b)revaluation costs and c)underbudgeting of RML commission costs \$63,000
- 2)Use of an external contractor to cover vacant Database administrator position \$77,000
- 3)Much higher level of activity resulting in Planning consent officer costs \$53,000
- 4)Additional staffing in HR and Quality Depts plus Team building event \$66,000

**OVERHEAD DEPARTMENTS SUMMARY POSITION AS AT 30
APRIL 2016**

	Note	YEAR TO DATE				Annual Budget
		Actual	Budget	Variance	% Budget	
Expenditure						
Management		1,733	1,701	(32)	-2%	2,068
Asset Managers		1,248	1,242	(6)	0%	1,479
Community Services		1,359	1,429	70	5%	1,706
Corporate Services		3,845	3,767	(78)	-2%	4,594
Planning & Environmental		2,606	2,622	17	1%	3,118
Other		514	454	(60)	-13%	639
Total Cost of Service		11,305	11,215	(90)	-1%	13,604
Less Revenue						
Corporate Services		(3)	0	3	n/a	0
Management Planning & Environmental		(1)	0	1	n/a	0
		(5)	(7)	(2)	33%	(8)
Total Revenue		(8)	(7)	1	(0)	(8)
NET COST OF SERVICE		11,296	11,208	(88)	-1%	13,596

Conclusion

It is recommended that the report be received and, if the Committee feels anything warrants it, that the report be submitted to Council for its consideration.

Duncan Peddie
Corporate Services Manager



Information Report

To: Audit and Risk Committee
From: Group Manager - Corporate Services
Date: Monday, 23 May 2016
File reference: Document: 1542201
Appendix A: 1541045
Meeting date: Tuesday, 21 June 2016
Subject: **KPMG Internal Audit Reviews – Progress report**

Recommendation:

THAT the report be received.

Purpose

The purpose of this report is to present a progress report against the matters raised by the KPMG internal Audit reviews.

From here forward, this will be a standing item on the Committee's agenda.

Background

As the Committee is aware, in late 2015 KPMG were appointed as internal auditors and in October 2015 the Committee approved the Internal Audit work programme.

The work programme agreed with KPMG is for five reviews to be conducted (likely) over a two year period.

The five review areas were agreed as follows:

1. Procurement <ul style="list-style-type: none">• Community Services• Construction and Maintenance• Engineering
2. Cash handling, credit notes and invoicing
3. Accounts payable
4. Payroll
5. Asset management <ul style="list-style-type: none">• Issued to staff• Assets register• Acquisition and disposal

As at June 2016, KPMG have completed the first two reviews and the results of these internal audits have been presented to the Committee.

KPMG have also completed most of the work towards the internal audit of Payroll.

This report provides a progress update against the matters raised by KPMG from the Procurement and Cash Handling audits, and the management actions that have been agreed in response to the KPMG findings.

This report presents a summary assessment in the body of the report, and then as Appendix A, a more detailed progress report.

Content

There are 15 matters arising from the two audits completed to date. A number of these matters are made up of a number of components. Of these 15, as at June 2016:

- Three matters have been cleared
- Eight matters have been partially resolved
- Four matters have not been started.

PROCUREMENT REVIEW	Status
1. Develop a procurement strategy and assign ownership of the function to plan and guide HDC's procurement	Not started
2. Review purchases done outside of the preferred supplier list for cost saving opportunities.	Not started
3. Enhance the use of Authority System to improve process and cost efficiencies.	Not complete
4. Strengthen controls over maintenance and review of supplier bank account changes.	Cleared
5. Strengthen supplier vetting process.	Not started
6. Update policies and procedures to ensure good control and consistency of procurement and contract across the Council.	Not complete
7. Review and cleanse the current supplier master file.	Not completed
8. Implement periodic supplier spend management analysis to identify opportunities	Not started
9. Formally review and approve changes to DFA and access levels.	Not complete

CASH HANDLING, CREDIT NOTES AND INVOICING REVIEW	Status
1. Strengthen controls relating to swimming pool transactions	Not complete
2. Review and monitor void transactions and credit notes	Not complete
3. Tighten security over cash stored in the safe	Not complete
4. Review the decentralised invoicing model for better efficiencies and accuracy	Not complete
5. Perform an independent review of the library cash takings reconciliation.	Cleared
6. Maintain evidence of review of cheques receipted into Authority.	Cleared

Budget Implications

At this stage, most of the proposed responses outlined to the Audit New Zealand Management Report will be undertaken by existing personnel within existing budget. The appointment of a procurement manager will be necessary to implement some of the proposals. Further investigation is required to determine what duration this appointment would need to be.

Conclusion

The report presents to the Audit and Risk Committee staff progress against items raised by KPMG in the two reviews undertaken so far: procurement, and cashing handling, credit notes and invoicing

Duncan Peddie
GM Corporate Services

Attachment A

[FRED n1541045 v1 Attachment A - KPMG Internal Audit Reviews - progress update.docx](#)

Attachment A – KPMG Internal Audit Reviews – progress against actions – as at June 2016

PROCUREMENT REVIEW		
KPMG Recommendation	HDC Agreed Management Action (Response to KPMG report)	Progress update as at June 2016
Item 1. Develop a procurement strategy and assign ownership of the function to plan and guide HDC's procurement	<p>HDC acknowledges the findings and recommendations and will develop a Council Procurement Strategy as a priority. This will be undertaken in a manner that considers the existing Rooding Procurement Strategy. (Procurement Strategy development by August 2016)</p> <p>The Management Team have subsequently agreed at their meeting on 22 December 2015 that the Corporate Services Manager will own the procurement function.</p> <p>The Corporate Services Manager and Finance Manager will develop a programme of oversight monitoring and reporting of the procurement function. (May 2016)</p> <p>The Corporate Services Manager and Finance Manager will prepare a business case to assess the value of a centralised procurement resource (even short term) to assist with the greater coordination of the organisation's procurement and some of the findings of the KPMG review. (Business case development throughout March and recruitment undertaken by April 2016)</p>	Not started
Item 2. Review purchases done outside of the preferred supplier list for cost saving opportunities.	<p>HDC acknowledges the findings and recommendations.</p> <p>In order to address these recommendations, additional resource will be required, as this cannot be absorbed within existing Finance Team roles at this time.</p> <p>Refer note above regarding Corporate Services Manager and Finance Manager will prepare a business case to assess the value of a centralised procurement resource. (Business case development and recruitment undertaken by March 2016)</p>	Not Started
Item 3. Enhance the use of	HDC acknowledges the findings and recommendations.	Not Complete

Attachment A – KPMG Internal Audit Reviews – progress against actions – as at June 2016

PROCUREMENT REVIEW		
KPMG Recommendation	HDC Agreed Management Action (Response to KPMG report)	Progress update as at June 2016
Authority System to improve process and cost efficiencies.	<p>The Corporate Services Manager and Finance Manager will review the current practice notes and training material regarding procurement (early in 2016) and provide additional staff training in 2016 to reinforce procurement process expectations.</p> <p>A particular focus of the practice notes and training will be the purchase order process, including implementing purchase order processes as standard for all contractual commitments, and thresholds and practices for self-approval. (February – March 2016). This work will be undertaken by the Finance Manager and Accounting Team Leader.</p> <p>Other tactics for communication to staff will be explored, including website, staff blogs and advocacy from the Management Team. (Undertaken monthly)</p> <p>Increased monitoring of missing purchase order workflows and self-approved purchase orders will be implemented. The Finance Manager will run a report weekly for the Corporate Services Manager, and monthly reports will be prepared for the Management Team. (From March 2016 onwards)</p> <p>With respect to tolerance levels, the Corporate Services Manager and Finance Manager will firstly investigate opportunities within Authority for creating tolerance levels, and then propose processes and controls to the Management Team and Council for agreement. (March 2016)</p>	<p>A decision making matrix for the purchasing process has been prepared. Further work is on hold due to probable process changes if Purchase Cards are implemented.</p> <p>The missing Purchase Order reports have not been prepared.</p>
4. Strengthen controls over maintenance and review of supplier bank account changes.	<p>HDC acknowledges the findings and recommendations.</p> <p>The Council's new supplier process is clear, but the Finance</p>	<p>Cleared</p> <p>A new supplier process has been</p>

Attachment A – KPMG Internal Audit Reviews – progress against actions – as at June 2016

PROCUREMENT REVIEW		
KPMG Recommendation	HDC Agreed Management Action (Response to KPMG report)	Progress update as at June 2016
	<p>Manager, with the AP/AR Officer will review current practices in light of the KPMG findings to identify necessary improvements. (March – May 2016)</p> <p>There is currently a weekly review of masterfile changes, however, evidence of the review will now be recorded in the Council's document management system by the Finance Manager. (January 2016 onwards)</p>	<p>implemented. Further improvements may still be possible and this is under review.</p> <p>The weekly report is reviewed by the Accounting Team Leader and this is now documented.</p>
5. Strengthen supplier vetting process.	<p>HDC acknowledges the findings and recommendations, and concurs that there is currently no supplier vetting in place.</p> <p>The Corporate Services Manager and Finance Manager will develop internal rules (thresholds and circumstances) for when verification is required, and the level of verification required. (March – June 2016)</p> <p>The Corporate Services Manager and Finance Manager will develop a process for deactivation and reactivation of suppliers, as well as processes for changes to supplier details. (March – June 2016)</p> <p>Staff training will then be provided.</p>	<p>The Accounting Team Leader reviews any new supplier with the requester.</p> <p>Not started</p>
6. Update policies and procedures to ensure good control and consistency of procurement and contract across the Council.	<p>HDC acknowledges the findings and recommendations and will update the procurement policy. (June 2016)</p> <p>The contracts procedures manual will also be reviewed and updated. (September 2016). This work will be lead by the Engineering Services Manager and Technical Services Manager.</p> <p>Following these reviews, staff training will be provided as</p>	<p>Not complete</p> <p>Work has commenced on this review.</p>

Attachment A – KPMG Internal Audit Reviews – progress against actions – as at June 2016

PROCUREMENT REVIEW		
KPMG Recommendation	HDC Agreed Management Action (Response to KPMG report)	Progress update as at June 2016
	appropriate.	
7. Review and cleanse the current supplier master file.	The Accounting Team Leader will review the supplier master file with a view to remove/tidy duplicate suppliers. Suppliers that have not been used within the previous 18 months will be made dormant in the master file system and a process for reactivation will be developed. (March 2016)	Not completed A review of dormant suppliers was carried out in late 2015.
8. Implement periodic supplier spend management analysis to identify opportunities	HDC acknowledges the findings and recommendations. The Corporate Services Manager and Finance Manager will prepare a six monthly spend analysis report for the Management Team. January-June report (prepared in August), and July-December report (prepared in February). Additional resource will be required to investigate and negotiate the consolidation of invoices (Refer note above regarding Corporate Services Manager and Finance Manager preparing a business case to assess the value of a centralised procurement resource). The Finance Manager and Accounting Team Leader will investigate opportunities for process efficiencies for one-time suppliers, in particular the process around rates refunds. (December 2016)	Not started
9. Formally review and approve changes to DFA and access levels.	HDC acknowledges the findings and recommendation. The Corporate Services Manager and Information Services Manager will develop practice notes (rules) around system user access changes. (May 2016) The Corporate Services Manager and Finance Manager will undertake a weekly review of changes to system user access	Not complete Changes require Group Manager approval.

Attachment A – KPMG Internal Audit Reviews – progress against actions – as at June 2016

PROCUREMENT REVIEW		
KPMG Recommendation	HDC Agreed Management Action (Response to KPMG report)	Progress update as at June 2016
	and DFA within Authority. (from June 2016)	

Attachment A – KPMG Internal Audit Reviews – progress against actions – as at June 2016

CASH HANDLING / INVOICING REVIEW		
KPMG Recommendation(s)	HDC Agreed Management Action (Response to KPMG report)	Progress update as at June 2016
1. Strengthen controls relating to swimming pool transactions		
Controls over cash takings <ul style="list-style-type: none"> The swimming pool supervisor should review the reconciliation performed by the attendants of the days' takings <u>or</u> The front desk staff receipting the days takings into Authority should reconcile to the z report. 	Staff agree with the findings. Process for daily reconciliation to be agreed between the Accounting Team Leader, Group Manager Corporate Services the Pool Supervisor. Preliminary discussions have already occurred	Not complete
<ul style="list-style-type: none"> Consider a cash hand-over register to be maintained to evidence cash collected by the front desk from all locations. The register should detail the following: <ul style="list-style-type: none"> Name and signature of staff handing over the cash. Shift and location of the cash being handed over. 	Staff agree with the findings. Since receipt of the KPMG report, a cash hand over register and procedure has been set up for delivery and receipt of cash at the front desks of all Council offices.	Cleared
Concession and season passes <ul style="list-style-type: none"> Concession card and season pass should be sequentially numbered and adequately designed to prevent unauthorised duplication. This could be achieved by using a third party provider to produce and issue tickets/pass books. The ticket/pass books should be securely maintained and independently reconciled on a period basis (eg. Monthly) to ensure passes issued reconcile to revenue. Training and awareness of processes should be provided to staff at the time of joining and assigning of responsibilities. 	Staff agree with the findings. Preliminary discussions have already occurred regarding the actions proposed. Actions will be considered in more detail by the Group Manager Community Services and Accounting Team Leader and Group Manager Corporate Services prior to the next pool season (October 2016).	Not complete
Inventory <ul style="list-style-type: none"> Inventory of stock items should be maintained at all swimming pools to monitor issuance, consumption and actual stock on hand. This can be performance on a 	Staff agree with findings. Preliminary investigations have commenced regarding inventory alternatives, such as vending machines. Actions will be considered in more detail by the Group	Not started

Attachment A – KPMG Internal Audit Reviews – progress against actions – as at June 2016

CASH HANDLING / INVOICING REVIEW		
KPMG Recommendation(s)	HDC Agreed Management Action (Response to KPMG report)	Progress update as at June 2016
regular basis by the swimming pool attendants and reviewed by the Supervisor.	Manager Community Services, Accounting Team Leader, Group Manager Corporate Services prior to the next pool season (October 2016).	
2. Review and monitor void transactions and credit notes		
<ul style="list-style-type: none"> Staff requesting for credit notes should provide adequate rationale to support the credit. 	Staff note and agree with the findings. Arising from the KPMG review staff have implemented a process for issuing and approval of credit notes which records and requires approval for supporting documentation/evidence. This process has communicated to affected staff and has now been implemented.	Cleared
<ul style="list-style-type: none"> All credit notes should be independently approved before processing is completed by Finance. Evidence of the approval should be maintained. 	As above. Process has been implemented to record independent approval and documentation filed in Finance Document System.	Cleared
<ul style="list-style-type: none"> The independent review of the daily takings reconciliation (noted above) should include void transactions. 	Staff note and agree with the findings. Preliminary discussions have occurred regarding process and report solutions to address this. The solution will involve Customer Services, IT and Finance (by 1 July 2016) (Assigned to the Group Manager Corporate Services and Group Manager Planning & Environmental Services).	Not complete
<ul style="list-style-type: none"> Independently generate and review the log of void and credit transactions on a periodic basis (Eg. Weekly). Any patterns and root causes for the voids/credits should be identified and rectified. 	As above. Staff note and agree with the findings. Preliminary discussions have occurred regarding process and report solutions to address this. The solution will involve Customers Services, IT and Finance (by 1 July 2016). (Assigned to the Group Manager Corporate Services and Group Manager Planning & Environmental Services).	Not complete
3. Tighten security over cash stored in the safe		
<ul style="list-style-type: none"> Develop organisational wide policies and procedures 	Staff note and agree with the findings.	Not started

Attachment A – KPMG Internal Audit Reviews – progress against actions – as at June 2016

CASH HANDLING / INVOICING REVIEW		
KPMG Recommendation(s)	HDC Agreed Management Action (Response to KPMG report)	Progress update as at June 2016
<ul style="list-style-type: none"> stipulating the safeguards for cash handling and management of the safes on Council premises. • Back up keys to all safes and drawers where cash is stores should be maintained centrally in a secure location. • Access to safe/drawer keys to be restricted to authorised personal. 	<p>Staff have requested further guidance from KPMG regarding good practice. A reasonably common approach will be developed. Once the new process is developed, regular, unannounced audits from the Accounting Team Leader will occur. Solution to be agreed and implemented by 1 July 2016. (Assigned to the Group Manager Corporate Services and Group Manager Planning & Environmental Services).</p>	
<ul style="list-style-type: none"> • All cash deposited into the safes should be documented in a register which should capture the following: <ul style="list-style-type: none"> ○ Name and signature of staff depositing and withdrawing (for banking) the money from the safe. ○ Time, date and amount of deposit/withdrawal. 	<p>Staff note and agree with the findings. A standard operating procedure and register will be developed by 1 July 2016. (Assigned to the Group Manager Corporate Services and Group Manager Planning & Environmental Services).</p>	Not started
<ul style="list-style-type: none"> • Consider creating a drop-in slot for staff from the library and swimming pools to deposit cash takings with supporting documentation (z-report and cash up reconciliation). The may be particular useful during busy times when the CSA staff are not able to count and receipt the cash takings in a timely manner. 	<p>Staff have considered this suggestion however, are not supportive of creating a drop-in slot. Instead, staff have and are reviewing the timing of daily cash drops.</p>	Cleared
4. Review the decentralised invoicing model for better efficiencies and accuracy		
<ul style="list-style-type: none"> • Management should consider standardising and centralising the current invoicing processes as much as possible. 	<p>Staff note the findings and will give due consideration to this suggestion, by 1 July 2016. (Assigned to the Group Manager Corporate Services).</p>	Not started
<ul style="list-style-type: none"> • The use of pro-forma invoices and letters as a means of billing customers should be reviewed and phased out to ensure all charges are captured and monitored through the Accounts Receivable function. 	<p>Staff note and agree with the findings. The elimination of pro-formas has already commenced. Finance Team and IT are currently testing an automated process for invoicing (for Health, Consents, Liquor Licensing etc).</p>	Not complete Health is done. Liquor is still to be done.

Attachment A – KPMG Internal Audit Reviews – progress against actions – as at June 2016

CASH HANDLING / INVOICING REVIEW		
KPMG Recommendation(s)	HDC Agreed Management Action (Response to KPMG report)	Progress update as at June 2016
	(Assigned to the Group Manager Corporate Services and Group Manager Planning & Environmental Services).	
<ul style="list-style-type: none"> Consider charging C&M customers a deposit and/or partial payment based on approved quotations, particularly for large jobs (e.g. above \$5k) 	<p>Staff note and agree with the findings. Standard operating procedure to be developed between C&M and Finance Team, by 1 July 2016. (Assigned to the Group Manager Corporate Services and C&M Manager).</p>	Not started
<ul style="list-style-type: none"> Establish delegation of authority for the generation of invoices. Invoices above the staffs delegation should be approved by an authorised staff with the appropriate delegation to ensure accuracy of charges. 	<p>Staff note the findings, and will consider this as part of the standardisation and centralising the current invoicing processes, by 1 July 2016.</p>	Not started
<ul style="list-style-type: none"> Implement requirements for considering changes to C&M costing on an annual basis. C&M should identify triggers (e.g. economic conditions) that may indicate the need for a review of the costing to ensure jobs are priced appropriately. 	<p>Staff note the findings. Finance Team will keep a watching brief on price change triggers and discuss where necessary with C&M. (Assigned to the Group Manager Corporate Services and C&M Manager).</p>	Cleared
<ul style="list-style-type: none"> All quotations should be signed by third parties prior to commencing any work. 	<p>Staff note and agree with the findings. Standard operating procedure to be developed between C&M and Finance Team, by 1 July 2016. (Assigned to the Group Manager Corporate Services and C&M Manager).</p>	Not started
<ul style="list-style-type: none"> Consider implementing 'work order' for Resource Consents jobs to allow accurate capturing of costs. 	<p>Staff note the findings. Preliminary discussions have occurred and staff don't believe the costs associated with generating a work order for each resource consent are pragmatic or cost effective.</p>	Cleared
<ul style="list-style-type: none"> Review the appropriateness of charges for crockery and kitchen hire. Ensure the website reflects the correct rates. 	<p>Staff note the findings and will ensure that the website reflects the correct rates. (Assigned to the Group Manager Community Services).</p>	Cleared

Attachment A – KPMG Internal Audit Reviews – progress against actions – as at June 2016

CASH HANDLING / INVOICING REVIEW		
KPMG Recommendation(s)	HDC Agreed Management Action (Response to KPMG report)	Progress update as at June 2016
<ul style="list-style-type: none"> Consider uploading into Authority the approved rates/charges for hall hire and cemetery services. This will ensure staff can select the rates/charges directly from the system when invoicing, reducing the likelihood of errors. 	<p>Staff note and agree with the findings. IT and Community Services Team are working on setting up a price list that can be used for itemised invoicing by 1 July 2016. (Assigned to the Group Manager Corporate Services).</p>	Not started
<ul style="list-style-type: none"> Breakdown of all the charges should be recorded on the invoices to assist in the review of invoices and also to make the charges more transparent. 	As above. Itemised invoices will assist this.	Not started
<ul style="list-style-type: none"> Review instances where customer has been overcharged and provide relevant credit to the customers. 	Staff note the findings and have conducted an investigation to identify instances where overcharging has occurred. As at the time of writing, no instances of overcharging have been identified.	Cleared
5. Perform an independent review of the library cash takings reconciliation.		
<ul style="list-style-type: none"> Implement an independent review of the reconciliation of the library POS machine to the daily z-report performed by the library staff. 	Staff note and agree with the findings. Z reports will be reconciled to the new Kotui library software, which is currently being implemented. The process for delivery of cash to CSAs has been reviewed and supported by the new cash hand over register.	Cleared
<ul style="list-style-type: none"> The z report should be attached to the banking records and submitted to the front office. 	As above.	Cleared
6. Maintain evidence of review of cheques receipted into Authority.		
<ul style="list-style-type: none"> Evidence of the review performed by the Supervisor should be maintained to ensure the control is operating effectively. 	Staff note the review findings but will not be taking any further action. The current process for receipting of cheques is adequate and there are no further controls that can be put in place that would provide any additional control. Cheques are stamped and receipted (straight into	Cleared

Attachment A – KPMG Internal Audit Reviews – progress against actions – as at June 2016

CASH HANDLING / INVOICING REVIEW		
KPMG Recommendation(s)	HDC Agreed Management Action (Response to KPMG report)	Progress update as at June 2016
	<p>Authority) as soon as they come in. It is rare for the Council to receive any cash cheques. The cheques are receipted by mail room staff, and this process is undertaken in the mail room, where there are generally three people present. The receipting is undertaken by the same staff who open the mail.</p>	



Information Report

To: Audit and Risk Committee
From: Corporate Services Manager
Date: Monday, 23 May 2016
File reference: Document: 1541006
Appendix A: 1541013
Meeting date: Tuesday, 21 June 2016
Subject: **Audit NZ Management Report for year ended 30 June 2015**

Recommendation:

THAT the report be received.

Purpose

To present a progress report to the Audit Management Report regarding items raised by Audit New Zealand in their Audit report, year ended 30 June 2015.

This is a standing item on the Committee's agenda.

Background

Following the completion of the 2014/15 Annual Report audit, Audit New Zealand provided their report for the year ended 30 June 2015. This was presented to the Committee at the Audit and Risk Committee meeting on 16 February 2016.

This report presents a summary assessment in the body of the report, and then as Appendix A, a more detailed progress report regarding action against the items raised by Audit New Zealand. Changes to the appendix since the last report are highlighted in blue.

Content

Audit New Zealand use the following language in their Audit report

- Cleared – matters that have been resolved
- Partially resolved – progress is being made, but not yet fully resolved
- Open – no progress made at the time of the final audit.

To align to the Audit NZ language, staff have included a 'forecast' assessment regarding the anticipated status of the finding as at year ended **30 June 2016**.

In the dashboard/summary report, staff have also included a current status being one of the following:

- Complete/Ongoing – meaning that the matter has been resolved, or in the instance of a recurring activity, has been implemented and is ongoing.
- Commenced – meaning that work toward resolution of the matter is underway.
- No action – meaning that no action has yet been undertaken to resolve the matter.

As requested at the Audit and Risk Committee meeting on 29 April 2016, staff have now included a staff priority rating against the Audit NZ action points.

There are 19 matters arising from the 2014/15 Audit Management Report. Of these 19, in June 2016, staff anticipate that:

- Seven matters will be cleared
- Five matters will be partially resolved
- Seven matters will be open, either because they are unable to be actioned prior to June 2016 or there is no intention to action prior to June 2016.

Audit NZ Management Point	Audit NZ priority rating	Staff priority rating	Status	Forecast assessment as at 30 June 2016
1. Creditor's masterfile changes report	Not rated	High	Commenced/Ongoing	Cleared
2. Expenditure controls	Urgent	Low	No action	Open
3. Expenditure controls	Urgent	Medium	Commenced	Partially resolved
4. Suspense accounts	Necessary	Medium	Commenced/Ongoing	Cleared
5. Project management	Necessary	High	No action	Open
6. Sensitive expenditure testing	Necessary	High	Commenced	Cleared
7. Revenue controls	Necessary	Medium	No action	Partially resolved
8. General Ledger reconciliations	Necessary	Low	Commenced	Partially resolved
9. HDC preparation for the Annual Report audit.	Necessary	High	Commenced	Partially resolved
10. Rates	Necessary	Medium	Commenced	Cleared
11. Contract Management	Necessary	Low	No action.	Open
12. Contract Management	Necessary	Medium	No action	Open
13. Asset Management.	Necessary	Medium	Commenced	Open
14. Earthquake prone buildings	Necessary	Medium	Commenced	Open
15. Contractor Retentions	Necessary	Medium	Commenced	Cleared
16. Fraud policy and assessment of areas susceptible to fraud	Necessary	Medium	Commenced	Open
17. Compliance with significant legislation	Necessary	Low	Commenced	Partially resolved
18. Risk management	Necessary	Medium/High	Commenced	Cleared
19. Audit of service performance information.	Necessary	Medium	Commenced	Cleared

Budget Implications

At this stage, the proposed responses outlined to the Audit New Zealand Management Report will be undertaken by existing personnel within existing budget.

Conclusion

The report presents to the Audit and Risk Committee staff progress against items raised by Audit New Zealand in their Audit report, year ended 30 June 2015.

Duncan Peddie
Corporate Services Manager

Actions arising - Audit NZ Management Letter for year ended 30 June 2015

No.	Audit NZ Management Point	HDC Response and Action to be taken	Responsible	By when	Progress (as at 20 April 2016)	Forecast assessment as at 30 June 2016	Audit NZ reference
1.	Audit NZ recommends that HDC consider implementing a system generated creditor's masterfile changes report to ensure that all changes to the master file are identified and independently reviewed.	There is currently a weekly review of masterfile changes, however, evidence of the review will now be recorded in the Council's document management system by the Finance Manager. (January 2016 onwards).	Finance Manager	Ongoing (weekly)	Commenced. Evidence of the review is now being recorded in the Council's document management system by the Finance Manager. (January 2016 onwards).	Cleared	Page 8, item 3.4.2
2.	<p>Expenditure controls Audit NZ recommends that HDC consider the necessity of \$100 financial delegation for all staff members.</p> <p>Audit NZ recommends that formal guidelines for the use of the \$100 delegation be developed and training provided to staff.</p>	<p>HDC staff are of the view that the delegation is low risk and better enables some staff to undertake their work.</p> <p>At this time, communication to all staff regarding this delegation has not occurred (therefore the item is considered low risk).</p> <p>Guidelines will be developed and training provided to all staff so it is clear what</p>	Finance Manager, Accounting Team Leader	By December 2016	Not yet started.	No Action Partially completed	Page 12, Appendix 1

Actions arising - Audit NZ Management Letter for year ended 30 June 2015

No.	Audit NZ Management Point	HDC Response and Action to be taken	Responsible	By when	Progress (as at 20 April 2016)	Forecast assessment as at 30 June 2016	Audit NZ reference
		expenditure is appropriate to be approved under this delegation.					
3.	Expenditure controls Audit NZ acknowledge that management are continuing their efforts to improve processes within the Authority system and hope to see an increase in the use of electronic purchase orders and appropriate segregation of duties being implemented.	Monthly reviews be carried out to ensure that no personal expenditure is authorised without appropriate segregation of duties.	Finance Manager, Accounting Team Leader	April 2016	New functionality for one-up approval processes has become available within Authority however this needs to be tested and evaluated before implementation. In February 2016 staff reported that the upgrade was scheduled for March 2016. This upgrade occurred in May. The new one-up approval functionality still needs testing. In the meantime a systems report is being generated showing any purchases that have been approved by a single staff member.	Partially resolved	Page 12, Appendix 1
4.	Suspense accounts Audit NZ recommends that transactions posted to suspense accounts should be reconciled and cleared promptly. This is	Due to staff changes and current staffing levels the frequency of the reconciliation has not been undertaken as regularly as planned.	Finance Manager	Ongoing	Commenced. Evidence of the review is now being recorded in the Council's document management system by the Finance Manager.	Cleared	Page 13, Appendix 1

Actions arising - Audit NZ Management Letter for year ended 30 June 2015

No.	Audit NZ Management Point	HDC Response and Action to be taken	Responsible	By when	Progress (as at 20 April 2016)	Forecast assessment as at 30 June 2016	Audit NZ reference
	important as suspense accounts can be used as a tool to perpetrate fraud if not regularly monitored, reconciled and cleared. Also, there may be items in suspense accounts that should be included in the financial statements. If not cleared regularly, this could impact on the integrity of the Council's monthly financial.	A programme for regular reconciliations has been agreed with the Finance Team and will be implemented from January 2016 onwards.			(January 2016 onwards).		
5.	Project management Audit NZ recommend that specific policies or guidance material be developed so that a consistent approach is applied for managing projects across the District.	The merits of a formal policy and guidance material for project management will be considered by the Chief Executive and Executive Leadership Team.	Chief Executive	June 2016	To be considered.	Open	Page 13, Appendix 1
6.	Sensitive expenditure testing Audit NZ recommend that all credit card expenditure is approved	A programme for regular reconciliations has been agreed with the Finance Team and includes a monthly check of all	Finance Manager, Accounting Team Leader	Monthly ongoing.	Commenced. Evidence of the regular review is now being recorded in the Council's document	Cleared	Page 14, Appendix 1

Actions arising - Audit NZ Management Letter for year ended 30 June 2015

No.	Audit NZ Management Point	HDC Response and Action to be taken	Responsible	By when	Progress (as at 20 April 2016)	Forecast assessment as at 30 June 2016	Audit NZ reference
	on a one up basis and is correctly coded.	credit card expenditure.			management system by the Finance Manager. (February 2016 onwards). A backdate review has also been initiated for July 2015 onward- December 2015s.		
7.	Revenue controls Audit NZ recommend that a masterfile change report showing all changes made to the rating system should be printed and independently reviewed (and evidenced as such). This will help to provide assurance that the changes made to the rating system are correct and bona fide.	Investigate options for generation of a report to address this matter.	Finance Manager, Revenue Manager	May 2016	Not yet started.	Partially resolved	Page 14, Appendix 1
8.	General Ledger reconciliations Audit NZ recommend that the Council continue to work towards ensuring monthly reconciliations between the FAR and the	Due to staff changes and current staffing levels the frequency of the reconciliation has not been undertaken as regularly as planned.	Finance Manager	Ongoing	Commenced. Evidence of the review is now being recorded in the Council's document management system by the Accounting Team Leader (February 2016 onwards).	Partially resolved	Page 15, Appendix 1

Actions arising - Audit NZ Management Letter for year ended 30 June 2015

No.	Audit NZ Management Point	HDC Response and Action to be taken	Responsible	By when	Progress (as at 20 April 2016)	Forecast assessment as at 30 June 2016	Audit NZ reference
	GL are performed. This will help to provide assurance that the asset values in the financial statements accurately reflect the District Council's assets.	A programme for regular reconciliations has been agreed with the Finance Team and will be implemented from January 2016 onwards.					
9.	HDC preparation for the Annual Report audit Audit NZ recommend that the annual report process is planned and scheduled on a project basis and closely monitored to ensure milestones are met. The process should include copies of relevant documents and work papers to support information in the annual report that need to be audited. It is important the draft accounts are available at time when the audit team arrive on site. This will also ensure an efficient audit	An annual accounts timetable will be signed off by the Corporate Services Manager by March 2016. Ongoing monitoring regarding project progress will be undertaken thereafter. Staff have set a target to have the annual report completed for review by 31 August 2016.	Corporate Services Manager	Ongoing	The Corporate Services Manager, Finance Manager and Management Accountant conducted a debrief meeting in November 2015 for the 2014/15 project. Project meetings for the 2015/16 project have commenced and a timetable has been prepared and signed off by the Corporate Services Manager.	Partially resolved	Page 5 and Page 15, Appendix 1

Actions arising - Audit NZ Management Letter for year ended 30 June 2015

No.	Audit NZ Management Point	HDC Response and Action to be taken	Responsible	By when	Progress (as at 20 April 2016)	Forecast assessment as at 30 June 2016	Audit NZ reference
	process.						
10.	<p>Rates Audit NZ noted that there had been no change to the FIS descriptions in the 2015-25 LTP or the rates resolutions meaning that the discrepancies between the two are still present. Audit NZ recommend that the Council ensure the wording is kept consistent to avoid any ambiguity.</p>	HDC staff to liaise with Audit NZ regarding the nature of mentioned discrepancies.	Finance Manager	March 2016	<p>Finance Manager has made initial inquiry with Audit NZ for further information. HDC staff are awaiting Audit NZ response on this matter.</p> <p>The Annual Plan was adopted by the Council on 30 March. The rates resolution for 2016/17 is yet to be adopted, but will be done by June 2016. Staff have conducted a comparison of the wording in the two documents to ensure consistency.</p>	Cleared	Page 15, Appendix 1
11.	<p>Contract Management Audit NZ recommend that a fully functional contract management system be implemented that should:</p> <ul style="list-style-type: none"> • Capture all contracts • Have the functionality to link directly to the Finance System so that payments 	This matter will be considered in the Council's forward work programme but presently is not a current priority	Corporate Services Manager, Executive Leadership Team	To be determined.	No action at this point.	Open	Page 16, Appendix 1

Actions arising - Audit NZ Management Letter for year ended 30 June 2015

No.	Audit NZ Management Point	HDC Response and Action to be taken	Responsible	By when	Progress (as at 20 April 2016)	Forecast assessment as at 30 June 2016	Audit NZ reference
	<p>throughout the contract can be readily monitored.</p> <ul style="list-style-type: none"> • Provide sufficient information on performance throughout the contract that can be used to assist in contract renewal decisions. 						
12.	<p>Contract Management Audit NZ recommend that the Contracts Procedure Manual should be reviewed and updated to ensure it is in line with best practice and reflects the current processes and delegations of the Council.</p>	<p>The contracts procedures manual will be reviewed and updated. (September 2016). This work will be led by the Engineering Services Manager and Technical Services Manager.</p>	<p>Engineering Services Group Manager</p>	<p>September 2016</p>	<p>Not yet commenced.</p>	<p>Open</p>	<p>Page 16, Appendix 1</p>
13.	<p>Asset Management Audit NZ recommend that details be included in the improvement plans, around having specific timeframes for</p>	<p>This will be considered in the upcoming review of the Asset Management Plans (in preparation for the 2018 Long Term Plan).</p>	<p>Engineering Services Group Manager</p>	<p>Late 2016 onwards.</p>	<p>Work on the Asset Management Plans has now commenced.</p>	<p>Open</p>	<p>Page 17, Appendix 1</p>

Actions arising - Audit NZ Management Letter for year ended 30 June 2015

No.	Audit NZ Management Point	HDC Response and Action to be taken	Responsible	By when	Progress (as at 20 April 2016)	Forecast assessment as at 30 June 2016	Audit NZ reference
	each improvement action, and the staff member responsible for achieving each improvement action.						
14.	<p>Earthquake prone buildings Audit NZ recommend that the Council should consider having its other (infrastructural) buildings assessed to determine whether they meet the required percentage of code and the impact on the levels of service, if any.</p>	<p>The Council has resolved to place the legislatively required five year review of its Dangerous, Earthquake-Prone and Insanitary Buildings Policy 2010 on hold until the earthquake Prone Buildings Amendment Bill is enacted.</p> <p>Three of the four water treatment plant buildings have had seismic reviews and meet the required percentage of the Building Code. For other assets, HDC will look at these within the next four years in accordance with the legislative requirements.</p>	Chief Executive and Executive Leadership Team	By 2019 and/or as legislatively required.	Staff continue to monitor progress of the Amendment Bill.	Open	Page 18, Appendix 1

Actions arising - Audit NZ Management Letter for year ended 30 June 2015

No.	Audit NZ Management Point	HDC Response and Action to be taken	Responsible	By when	Progress (as at 20 April 2016)	Forecast assessment as at 30 June 2016	Audit NZ reference
15.	<p>Tender deposits Audit NZ recommend that the balances should be reviewed and written-back as required.</p> <p>Audit NZ also recommend that the Council review all contractor retention balances to ensure that the Council's records accurately reflect retention liabilities at balance date.</p>	<p>Contractor retention balances form part of regular reconciliation reviews conducted by the finance team.</p> <p>Staff will investigate the balances and clear those no longer recoverable or payable by March 2016.</p>	Finance Manager	March 2016	<p>Investigation has commenced.</p> <p>The Corporate Services Manager is yet to check and sign off that this work has been completed.</p>	Cleared	Page 18, Appendix 1
16.	<p>Fraud policy and assessment of areas susceptible to fraud Audit NZ recommend the Council update its fraud policy to include a requirement to implement a system for undertaking regular reviews of transactions, activities or locations that may be susceptible to fraud.</p>	<p>Staff will update the Fraud Policy to reflect this recommendation.</p> <p>Staff will investigate a programme of regular reviews for this purpose incorporating feedback from the KPMG Internal Audit reviews.</p>	<p>Corporate Services Manager</p> <p>Corporate Services Manager</p>	<p>December 2016</p> <p>Ongoing. Transactional reviews of different areas will be implemented over two</p>	<p>Three separate internal audit reviews have now been conducted. KPMG are due to report back in the third review (on payroll) to the August meeting.</p> <p>The Fraud Policy is yet to be updated.</p>	Open	Page 19, Appendix 1

Actions arising - Audit NZ Management Letter for year ended 30 June 2015

No.	Audit NZ Management Point	HDC Response and Action to be taken	Responsible	By when	Progress (as at 20 April 2016)	Forecast assessment as at 30 June 2016	Audit NZ reference
				years.			
17.	Compliance with significant legislation Audit NZ recommend that the Council implement a system that ensures they are provided with assurance that all applicable legislation has been identified and is being complied with.	HDC staff to liaise with Audit NZ regarding their expectations in further detail and seek good practice examples before determining course of action.	Strategic Planning Projects Manager	March 2016	The Strategic Planner made an initial inquiry with Audit NZ for further information. No further action has yet been taken.	Partially resolved	Page 19, Appendix 1
18.	Risk management Audit NZ recommend that a formal risk register be implemented, detailing the risks affecting the District Council and mitigating activities undertaken to reduce the risk. Audit NZ would expect the risk register to be reviewed at least annually (to provide assurance that all relevant risks have been identified and addressed by the	The Council adopted a Risk Management Policy in December 2015. Risk registers, risk thinking and risk reporting throughout the organisation will continue to be a focus of improvement throughout 2016.	Chief Executive	Ongoing	The Council adopted a Risk Management Policy in December 2015 and an initial risk register has been presented to the Audit and Risk Committee (for the top 10 Corporate Risks). Staff are continuing to work on embedding risk registers, risk thinking and risk reporting throughout the organisation.	Cleared	Page 20, Appendix 1

Actions arising - Audit NZ Management Letter for year ended 30 June 2015

No.	Audit NZ Management Point	HDC Response and Action to be taken	Responsible	By when	Progress (as at 20 April 2016)	Forecast assessment as at 30 June 2016	Audit NZ reference
	<p>Council). Audit NZ also recommend that a risk management policy be adopted and expect the policy to detail the criteria for identifying, categorising and evaluating the significance of each risk. The policy should also provide a clear statement of the risk tolerance level of the Council and defined levels of accountability for risks across the organisation.</p>						
19.	<p>Audit of service performance information Audit NZ recommend that the Council add additional fields in the customer service request system so that the data required for the [utilities] performance measures can be adequately</p>	<p>This action requires an adjustment to other Council's request for service system. HDC staff are following this matter up for action.</p>	<p>Drainage Manager</p>	<p>End of June 2016</p>	<p>Internal staff discussions have taken place and the following actions agreed to resolve this matter:</p> <ol style="list-style-type: none"> 1. Move the land drainage and stormwater customer request system to the CRM module of Authority 2. Asset Management 	<p>Cleared</p>	<p>Page 21, Appendix 1</p>

Actions arising - Audit NZ Management Letter for year ended 30 June 2015

No.	Audit NZ Management Point	HDC Response and Action to be taken	Responsible	By when	Progress (as at 20 April 2016)	Forecast assessment as at 30 June 2016	Audit NZ reference
	<p>captured for reporting purposes. Policies or guidance should also be implemented to ensure staff are aware of how each service request should be classified in the customer service request system and what constitutes a response.</p>				<p>Plans to be updated to include guidance on classifications in the customer request system (urgent, priority, routine etc), and what constitutes a response.</p>		



Report

To: Audit and Risk Committee
From: Health & Safety Advisor
HR Advisor
Date: Monday, 13 June 2016
File reference: Document: 1548811
Meeting date: 21/06/2016
Subject: Health & Safety

Recommendation:

THAT the report be received.

Purpose

One of the responsibilities of the Audit and Risk Committee on behalf of the Council is to monitor the implementation of the requirements of the Health and Safety at Work Act 2015.

This regular report is intended to brief the Committee on key matters to ensure Hauraki District Council continues to meet its health and safety responsibilities under the Act.

This report focuses on –

1. Updating the Committee on the implementation of the 'HDC Health & Safety at Work Action Plan' developed by the HDC health and safety team.
2. Reporting against the HDC Health, Safety & Wellbeing Charter goals, accountabilities & reporting framework.



Our Vision: Everyone Safe and Well at the End of the Day

1. Implementation of the HDC Health & Safety at Work Action Plan

The current focus for the Health and Safety team is around:

- Rolling out the roles and responsibilities to all staff through the launch of the goals, accountabilities & reporting framework
- Contractor management, with particular emphasis right now on the pre-qualification of contractors
- Entrenching the new system for the reporting and investigation of incidents and accidents

- Developing and implementing a revised worker engagement, participation and representation process

The following is an updated extract from the Action Plan showing progress on the current focus areas. This shows the Committee some of the key actions identified and provides an update on actions that have been undertaken to date (see overleaf).



Implementation Health & Safety At Work - ACTION PLAN

Vision: Everyone Safe & Well At The End of The Day

Milestones	Actions	Comment
Strengthen Health & Safety Culture within HDC	5 th Value-type approach for H&S	<ul style="list-style-type: none"> Mugs with logo on one side & vision on other side have arrived and will be distributed to staff during a launch at the next 3rd tier managers meeting (July).
	Create a H&S Charter	<ul style="list-style-type: none"> The H&S intranet page is under development and looking good. This will also be launched to supervisors at the 3rd tier managers meeting in July, and then rolled out to all staff with short induction-type sessions during the next month.
	Health & Safety Reporting : <ul style="list-style-type: none"> develop a 'no-blame' culture; use 'Vault' H&S management system as key tool in capturing and managing H&S. 	<ul style="list-style-type: none"> The key targets and outcomes that were identified as part of a 'Goals, Accountabilities & Reporting' framework have been approved by the Executive Leadership Team (ELT). This document will also be rolled out to supervisors during the July 3rd tier managers meeting. This document will be the key to explaining roles, responsibilities and accountabilities for all staff (see attached Appendix A). The 'Incident and Accident' module is working well, with many staff now logging incidents and accidents through this system. The formalization of the investigation and close-out processes is still a work in progress – the H&S team are assisting supervisors as they learn this part of the process within the Vault system. The 'Plant and Equipment' modules of Vault have been rolled out in their basic form, and now data cleansing is being conducted to ensure all lists are up-to-date and accurate so that they can become the principal source of information.
H&S Structure	Resourcing - Consider resourcing requirements going forward to enable a proactive approach in building a strengthened culture of H&S.	<ul style="list-style-type: none"> The new Health & Safety Officer Karen Muir has slotted in nicely to the H&S team, adding considerable value under the leadership of Health & Safety Advisor Judy Nicholls.
	Health & Safety Reps - Develop terms of reference, identify work groups,	<ul style="list-style-type: none"> The HDC 'Worker Engagement, Participation and Representation Terms of Reference' have been finalized following consultation with staff and the unions.

	hold nominations, train reps.	<ul style="list-style-type: none"> Nominations have been called for health and safety reps in the 4 work groups of Council – parks & reserves, utilities, engineering / technical services / workshop, and the offices, libraries & pools. All 8 nominees were appointed without election. Training of the reps will be organized within the next month. Judy Nicholls is on a Local Authority Shared Service (LASS) working group looking into terms of reference for H&S committees. This is something that will be considered for HDC, but the initial priority is to focus on the H&S reps to ensure they operate successfully within their work groups.
Roles & Responsibilities	Review KPIs in position descriptions and align with new legislation.	<ul style="list-style-type: none"> All position descriptions now have revised health & safety KPIs which were in place in time for the current performance appraisal round.
	Shared organizational accountability to be led by CE & Executive Leadership Team	<ul style="list-style-type: none"> Targets have been set as part of the 'Goals, Accountabilities & Reporting' document that has now been approved by the ELT.
	Elected Members – H&S overview training	<ul style="list-style-type: none"> This report is designed to keep elected members informed on an ongoing basis in the future.
	Audit & Risk Committee – governance overview	<ul style="list-style-type: none"> Reporting to each meeting. Staff are due to receive training in the new reporting modules uploaded for 'Vault' so that reports can be easily generated.
	Chief Executive – Develop Due Diligence guidelines and actions	<ul style="list-style-type: none"> Targets set in the 'Goals, Accountabilities & Reporting' document have now been confirmed by the ELT – these are aligned to the HDC Charter, and cross-referenced to due diligence criteria as outlined in the Act.
	Staff – educate on specific responsibilities	<ul style="list-style-type: none"> The launch of the 'Goals, Accountabilities & Reporting' document at the 3rd tier managers meeting in July will give clear guidelines on responsibilities for all staff.
High Risk Areas	<p>Identify high risk areas then</p> <ul style="list-style-type: none"> Develop Emergency Response Plans Schedule drills and audits Complete Job Safety Analysis for all tasks and processes related to high risk areas Identify risks / hazards 	<ul style="list-style-type: none"> In progress.

<p>Contractor Management</p>	<p>Review current practice for contractor management. Pre-Qualification of Contractors used by HDC.</p>	<ul style="list-style-type: none"> • The pre-qualification of contractors used by HDC has been a specific focus during the past 2 months, with 1st July set as the deadline for contractors to be pre-qualified. Following this date, only pre-qualified contractors will be used by HDC. Not only will this ensure the Council uses contractors that have robust health and safety processes to safeguard itself, but it will also help to encourage good health and safety practices in our wider community of contractors and sub-contractors. Points to note with the pre-qualification of contractor project are: <ul style="list-style-type: none"> ○ Contractors have until 1st July to register with HDC using the existing system. ○ HDC staff are assisting contractors in understanding the requirements. ○ A number of seminars have been organized jointly by HDC along with neighbours MPDC, TCD, Waipa, Waikato Regional Council and Hamilton City Council. These seminars have included guest speakers from Worksafe and ACC, and many Hauraki contractors have taken the opportunity to attend. ○ HDC H&S Advisor Judy Nicholls and HR Advisor Julie Sweeney are on the Waikato LASS joint working party comprising H&S representatives from the Hauraki DC, Hamilton City, Waipa DC, Tauranga City, Waikato Regional Council, and Matamata-Piako DC to implement a shared service of contractor pre-qualification. ○ This working party has developed the application form being used by all these councils, and is involved with the design of an online application system which will be available for contractors to use later this year. ○ Once the online system is up and running (estimated timeline is September/October), then the pre-qualification of contractors will be carried out by one service provider. ○ Contractors will pay a small fee to become pre-qualified using the new system, but once they are pre-qualified, they can contract to any of the councils involved in the project. ○ Contractors signing up with the HDC now will be transferred to the online system once it is operational. ○ Pre-qualification is valid for 2 years, with renewal required every 2 years following. • Around 230 contractors have been sent the application form. • To date 79 contractors have applied for pre-qualification with HDC, with 5 more expected by the time of the meeting.
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2. Reporting against the HDC Health, Safety & Wellbeing Charter goals, accountabilities & reporting framework

The Health, Safety & Wellbeing Charter has been supplemented with a ‘Goals, Accountabilities & Reporting’ framework that has been approved by the ELT (see Appendix A). As part of this, the Audit and Risk Committee can expect reporting on the following targets:

Target	Target Date	Accountability
Visible Leadership Chief Executive and Group Manager carry out on-site visits to a range of high risk facilities within their specific areas of business on a 6-monthly basis to view worker / contractor practice, processes and equipment in action, with a H&S focus.	Biannually by 30 June & 20 Dec Confirming visits have occurred and outlining good performance and areas for improvement and how this has been passed on to staff.	Chief Executive Group Managers
Commitment at All Levels HDC Employee Survey indicates current work practices provide for a safe and healthy environment.	Biennially following survey every 2 years (next survey 2017)	Human Resources
Opportunities to Improve Identified... Near misses are reported and corrective actions taken within 15 working days.	Quarterly reporting	Health & Safety Team
...And Resolved All staff have access to report incidents, accidents, risks and observations, and all reports are investigated by the applicable team leader and actions noted within 15 working days.	Quarterly reporting	Health & Safety Team

The tables below are provided in accordance with the commitments identified above.

**Table 1: HDC Reported Events by Department (including Near Misses):
1 Jan – 31 May 2016**

Department	Event Type		
	Injury	Incident	Near Miss
Community Services	2	1	0
Construction & Maintenance	3	4	0
Planning & Environmental	1	0	0
Technical Services	0	1	0
Visitor to Facilities	2	0	0

**Table 2: HDC Reported Events by Person Type (including Near Misses):
1 Jan – 31 May 2016**

Type of Event	Involved Person Type		
	Contractor	Employee	Visitor to Facilities
Incident	0	3	6
Injury	0	1	2
Near Miss	1	0	1

Table 3: HDC Reported Events by Event Subject: 1 Jan – 31 May 2016

Event Subject	
Abuse	1
Equipment	2
Other	7
Plant	1
Swimming Pool	3

Table 4: HDC Reported Events by Type of Treatment: 1 Jan – 31 May 2016

Event Severity	# of Events
Level 1 - No Treatment	14

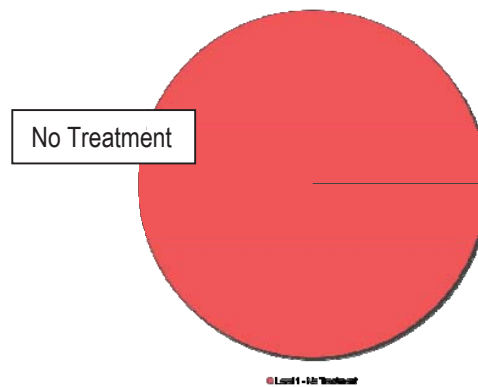


Table 5: HDC Reported Events by Injury: 1 Jan – 31 May 2016

Injury Name	
Bruising	2

Table 6: HDC Reported Events by Body Location: 1 Jan – 31 May 2016

Injury Body Location	
Head	1
Wrist/Hand	1

Table 7: Event Investigation Status: As at 14 June 2016

Event Investigation Status		
Type of Event	Completed	Underway
Incident	8	1
Injury	3	0
Near Miss	2	0

Judy Nicholls
Health & Safety Advisor

Julie Sweeney
Human Resources Advisor

APPENDIX A



Health, Safety & Wellbeing Charter Goals, Accountabilities & Reporting



Everyone Safe & Well At The End of The Day

OBJECTIVE	COMMENTARY / OVERVIEW	OUTCOME	TARGET	REPORTING	TARGET DATE	ACCOUNT ABILITY	DUE DILIGENCE ATTRIBUTES
<p>There is a visible leadership & commitment at all levels of HDC.</p>	<p>The Health & Safety at Work Act 2015 aligns to the principle that workers and other persons should be given the highest level of protection against harm to their health, safety and wellbeing from hazards and risks arising from work.</p> <p>Hauraki District Council's (HDC's) approach is to strengthen the health, safety and wellbeing culture organisation-wide.</p> <p>The aim is for great health and safety practices to be evident in what we do and how we do it 'in the field' rather than having to 'read what we do' in a manual.</p> <p>This supports the objective 'That there is a visible leadership & commitment at all levels of HDC'.</p> <p>At this point, targets set under this objective are predominantly focussed at the Executive Leadership Team level, with the emphasis on increasing management visibility in the field, and providing a high-level understanding of practice, processes and equipment as demonstrated by workers and contractors in their day-to-day jobs.</p> <p>This is to ensure that understanding between workers and the highest level of management is consistent. It also allows an additional check that there is no disconnect between what is happening in action and what is believed to be happening as prescribed in the procedures.</p>	<p>1. Employees report high satisfaction with Council's commitment to health, safety and wellbeing.</p>	<p>1.1. Chief Executive and Group Manager Engineering Services undertake on-site visits to a range of high risk facilities within the Engineering and Construction & Maintenance areas of the business on a 6-monthly basis. Visits are predominantly to view worker / contractor practice, processes and equipment in action, with an H&S focus.</p>	<ul style="list-style-type: none"> <input checked="" type="checkbox"/> Audit & Risk Committee (written included in quarterly H&S Report) <input checked="" type="checkbox"/> Supervisors & Staff (verbal) <p>(confirming visits have occurred & outlining good performance & areas for improvement & how this has been passed on to staff)</p>	<p>Biannually by:</p> <p>30 June</p> <p>&</p> <p>20 Dec</p>	<p>Group Manager Engineering Services on behalf of the</p> <p>Chief Executive</p>	<ul style="list-style-type: none"> <input checked="" type="checkbox"/> Understand operations & associated risks / hazards <input checked="" type="checkbox"/> Ensure resources & processes are available and used <input checked="" type="checkbox"/> Verification of above
			<p>1.2. Chief Executive and Group Manager Community Services undertake on-site visits to a range of high risk facilities within the Community Services areas of business on a 6-monthly basis. Visits are predominantly to view worker / contractor practice, processes and equipment in action, with an H&S focus.</p>	<ul style="list-style-type: none"> <input checked="" type="checkbox"/> Audit & Risk Committee (written included in quarterly H&S Report) <input checked="" type="checkbox"/> Supervisors & Staff (verbal) <p>(confirming visits have occurred & outlining good performance & areas for improvement & how this has been passed on to staff)</p>	<p>Biannually by:</p> <p>30 June</p> <p>&</p> <p>20 Dec</p>	<p>Group Manager Community Services on behalf of the</p> <p>Chief Executive</p>	<ul style="list-style-type: none"> <input checked="" type="checkbox"/> Understand operations & associated risks / hazards <input checked="" type="checkbox"/> Ensure resources & processes are available and used <input checked="" type="checkbox"/> Verification of above
			<p>1.3. Group Manager Planning & Environmental Services (and where required the Chief Executive) undertakes on-site visits to a range of facilities within the Planning & Environmental areas of business on a 6-monthly basis. Visits are predominantly to</p>	<ul style="list-style-type: none"> <input checked="" type="checkbox"/> Audit & Risk Committee (written included in quarterly H&S Report) <input checked="" type="checkbox"/> Supervisors & Staff (verbal) <p>(confirming visits</p>	<p>Biannually by:</p> <p>30 June</p> <p>&</p> <p>20 Dec</p>	<p>Group Manager P&E on behalf of the</p> <p>Chief Executive</p>	<ul style="list-style-type: none"> <input checked="" type="checkbox"/> Understand operations & associated risks / hazards <input checked="" type="checkbox"/> Ensure resources & processes are available and used <input checked="" type="checkbox"/> Verification of above

OBJECTIVE	COMMENTARY / OVERVIEW	OUTCOME	TARGET	REPORTING	TARGET DATE	ACCOUNT ABILITY	DUE DILIGENCE ATTRIBUTES
	<p>Reporting is fed through to the Council's Audit and Risk Committee so elected members gain a greater understanding of what is happening in the action also.</p> <p>Feedback from the Executive Leadership Team is vital to demonstrate this commitment and provide an avenue for further dialogue following site visits.</p> <p>Other objectives and targets in the H&S Charter document will help to entrench a culture where 'We're stepping it up together'</p>		<p>view worker / contractor practice, processes and equipment in action, with an H&S focus.</p>	<p>have occurred & outlining good performance & areas for improvement & how this has been passed on to staff)</p>			
			<p>1.4. Group Manager Corporate Services and where required the Chief Executive) undertakes on-site visits to a range of facilities within the Corporate Services areas of business on a 6-monthly basis. Visits are predominantly to view worker / contractor practice, processes and equipment in action, with an H&S focus.</p>	<p><input checked="" type="checkbox"/> Audit & Risk Committee (written included in quarterly H&S Report) <input checked="" type="checkbox"/> Supervisors & Staff (verbal)</p> <p>(confirming visits have occurred & outlining good performance & areas for improvement & how this has been passed on to staff)</p>	<p>Biannually by: 30 June & 20 Dec</p>	<p>Group Manager Corporate Services on behalf of the Chief Executive</p>	<p><input checked="" type="checkbox"/> Understand operations & associated risks / hazards <input checked="" type="checkbox"/> Ensure resources & processes are available and used <input checked="" type="checkbox"/> Verification of above</p>
			<p>1.5. HDC Employee Survey shows agreement to the statement: 'Current work practises in my team provide for a safe and healthy environment'. <ul style="list-style-type: none"> No 'Strongly Disagree or Disagree' responses 80% + 'Agree' and 'Strongly Agree' responses </p>	<p><input checked="" type="checkbox"/> Audit & Risk Committee (written included in quarterly H&S Report) <input checked="" type="checkbox"/> Executive Leadership Team (written)</p>	<p>Biennially following survey every 2 years</p>	<p>Human Resources</p>	<p><input checked="" type="checkbox"/> Acquire & keep up to date on knowledge of work H&S matters</p>
<p>All employees throughout HDC exhibit a working knowledge of health, safety and wellbeing.</p>	<p>A working knowledge of health, safety and wellbeing is acquired in a number of different ways, and will be different for each employee depending on their area of work.</p> <p>The Council undertakes a wide variety of tasks – some more high risk than others. This component ensures that all staff are provided with the knowledge they require to safely do their jobs.</p> <p>Induction will be the starting point with the inclusion of Health and Safety at Work Act 2015 and Regulations.</p> <p>Certifications and licences for the safe operation of machinery is high priority</p>	<p>2. Training is provided on a regular basis including health & safety, inductions and skill based.</p>	<p>2.1. All staff are inducted on appointment, and again every 3 years, on health and safety matters as specified within the H&S Induction Process. Or when significant change has been made in regards to H&S.</p>	<p><input checked="" type="checkbox"/> Executive Leadership Team (Vault training report)</p>	<p>Ongoing Report quarterly</p>	<p>Health & Safety Team</p>	<p><input checked="" type="checkbox"/> Has, and implements, processes for compliance with Act.</p>
			<p>2.2. All staff are certified / licensed as required for the safe operation of equipment, plant and machinery.</p>	<p><input checked="" type="checkbox"/> Executive Leadership Team (Vault training report)</p>	<p>Ongoing Report quarterly</p>	<p>Health & Safety Team</p>	<p><input checked="" type="checkbox"/> Has, and implements, processes for compliance with Act.</p>
			<p>2.3. Supervisors, asset managers, activity managers and project managers undertake on-site visits to a range of facilities within their respective areas of</p>	<p><input checked="" type="checkbox"/> Managers & Staff (written using form templates) <input checked="" type="checkbox"/> H&S Advisor (written using</p>	<p>Biannually by: 31 May</p>	<p>All Supervisors, Asset Managers, Activity</p>	<p><input checked="" type="checkbox"/> Has, and implements, processes for compliance with Act.</p>

OBJECTIVE	COMMENTARY / OVERVIEW	OUTCOME	TARGET	REPORTING	TARGET DATE	ACCOUNT ABILITY	DUE DILIGENCE ATTRIBUTES
	<p>and monitor the expiry of these as applicable.</p> <p>Much of the working knowledge is gained from doing the job – Standard Operating Procedures (SOPs) or Job Safety Analysis (JSA) as they are known at HDC have been written for high risk operations and supervisors have an obligation to do regular checks that their staff are operating in accordance with the safe procedures set out. Regular reviews will need to be done as circumstances change – equipment, personnel, location etc.</p> <p>The Council also undertakes to provide educational seminars and presentations on a range of topics as part of its Corporate Training Plan. Such topics may include stress identification, nutrition, ergonomics, risk assessment etc.</p> <p>In addition to all of these, there is a general expectation that supervisors and employees jointly identify and provide for specific training on an as-required basis so individual staff are enabled to safely and knowledgeably undertake their roles.</p>		<p>practice, processes and equipment in action, with a H&S focus.</p> <p>2.3.1. Practice is audited against Job Safety Analysis (JSA) at least annually and recommendations for change to either the practice or the process are made</p> <p>2.3.2. H&S team is advised following audit. H&S team updates JSAs in Vault, making changes as required, and noting review date.</p> <p>2.3.3. HDC uses contractors that are approved under the current 'Pre-Qual' requirements and listed on the Preferred Contractors module in Vault.</p> <p>2.3.4. Contractor practice is audited against site specific safety plans.</p>	<p>have occurred & outlining good performance & areas for improvement & how this has been passed on to staff and contractors)</p> <p>(ensuring JSA review is noted in Vault as record of ongoing cycle of review)</p> <p><input checked="" type="checkbox"/> Executive Leadership Team (Vault – SOP reviews undertaken)</p>		<p>All Supervisors, Asset Managers, Activity Managers & Project Managers</p> <p>Health & Safety Team</p> <p>All Supervisors, Asset Managers, Activity Managers & Project Managers</p> <p>As Above</p>	
			<p>2.4. The culture of health, safety and wellbeing at HDC is reinforced with topical organisation-wide seminars and programmes, and provision is made for this in the annual corporate training plan.</p>	<p><input checked="" type="checkbox"/> Executive Leadership Team (Corporate Training Plan)</p>	<p>Annually by 20 Dec</p>	<p>Human Resources in conjunction with Health & Safety Team</p>	<p><input checked="" type="checkbox"/> Acquire & keep up to date on knowledge of work H&S matters</p>
<p>Opportunities for improvement are identified & resolved before a problem occurs.</p>	<p>HDC's vision is for 'Everyone Safe and Well at the End of the Day'.</p> <p>As part of this, all members of the HDC team have the opportunity and responsibility to bring health, safety and wellbeing into the everyday culture of our organisation.</p> <p>Under the Health & Safety at Work Act 2015 workers have a duty to 'take reasonable care for their own health and safety' and also to 'take reasonable care that their act or omissions do not</p>	<p>3. Near misses are reported and corrective actions taken (Vault data KPIs).</p>	<p>3.1. All staff have access to report near misses via the Vault system or a paper form that is entered into Vault.</p> <p>3.2. All reports are investigated and corrective actions noted in Vault within 15 working days (note some may take longer to resolve, in which case an 'under investigation' status is to be selected within the timeframe and update information posted throughout the process).</p>	<p><input checked="" type="checkbox"/> Audit & Risk Committee (written)</p> <p><input checked="" type="checkbox"/> Executive Leadership Team (written)</p> <p><input checked="" type="checkbox"/> Group Managers (via dashboard)</p> <p><input checked="" type="checkbox"/> Team Leaders (via dashboard)</p>	<p>Report quarterly</p> <p>Ongoing</p>	<p>Health & Safety Team</p> <p>Group Managers Team Leaders</p>	<p><input checked="" type="checkbox"/> Acquire & keep up to date on knowledge of work H&S matters</p> <p><input checked="" type="checkbox"/> Understand operations & associated risks / hazards</p> <p><input checked="" type="checkbox"/> Ensure resources & processes are available and used</p> <p><input checked="" type="checkbox"/> Appropriate processes for considering</p>

OBJECTIVE	COMMENTARY / OVERVIEW	OUTCOME	TARGET	REPORTING	TARGET DATE	ACCOUNT ABILITY	DUE DILIGENCE ATTRIBUTES
	Identifying and resolving problems by openly and regularly discussing and reporting on health, safety and wellbeing issues before they can occur helps to meet this duty of care. Staff meetings - whether they be Executive Leadership, general staff, Group meetings, Team meetings or Toolbox meetings - are a great place to have regular conversations about health, safety and wellbeing. Asking for any observations and jointly discussing corrective actions for process, equipment, practice etc. will help to build our culture and reinforce 'Safe and Well at the End of the Day'.						& risks <input checked="" type="checkbox"/> Verification of above
		4. Audits of Council's health and safety system by external auditors are welcome.	4.1. Internal audits are carried out on high risk sites and for high risk processes annually by the Health & Safety team using applicable audit tools. 4.2. Staff welcome, and assist with any external audits or visits from Worksafe and report to the Health & Safety team on any feedback or outcome. 4.3. Any Improvement Notices from the regulator (Worksafe) are actioned in liaison with the Health & Safety team	<input checked="" type="checkbox"/> Exception reporting to Group Managers and / or Asset Managers <input checked="" type="checkbox"/> Report to Chief Executive (through weekly meetings) <input checked="" type="checkbox"/> Report to Chief Executive (immediately)	Annually by 31 st August or As Required Weekly as required Immediately as required	Health & Safety Team All Staff Group Managers in liaison with H&S Team	<input checked="" type="checkbox"/> Acquire & keep up to date on knowledge of work H&S matters <input checked="" type="checkbox"/> Ensure resources & processes are available and used
		5. Health, safety and wellbeing is on the agenda of every team meeting.	5.1. Health, safety and wellbeing is on the agenda at all Executive Leadership Team meetings . 5.2. Health, safety and wellbeing is on the agenda at all Third Tier Manager meetings . 5.3. Health, safety and wellbeing is on the agenda at all General Staff meetings . 5.4. Health, safety and wellbeing is on the agenda at all Group meetings . 5.5. Health, safety and wellbeing is on the agenda at all Team meetings . 5.6. Health, safety and wellbeing is on the agenda at all Toolbox meetings .	<input checked="" type="checkbox"/> Evident in notes of meetings & recollections of conversations <input checked="" type="checkbox"/> All health and safety issues / actions to be reported to Health & Safety team	Ongoing	Chief Executive Group Managers Team Leaders Overseers	<input checked="" type="checkbox"/> Acquire & keep up to date on knowledge of work H&S matters <input checked="" type="checkbox"/> Understand operations & associated risks / hazards <input checked="" type="checkbox"/> Ensure resources & processes are available and used <input checked="" type="checkbox"/> Appropriate processes for considering information on incidents, hazards & risks <input checked="" type="checkbox"/> Verification of above
		6. Safety issues are followed through – nothing is pushed under the rug.	6.1. All staff have access to report incidents, accidents, risks and observations via the Vault system or a paper form that is entered into Vault. 6.2. All reports are investigated by the applicable team leader with advisory support from the Health & Safety team, and actions noted in Vault within 15 working days (note some may take longer to resolve in which	<input checked="" type="checkbox"/> Audit & Risk Committee (written) <input checked="" type="checkbox"/> Executive Leadership Team (written) <input checked="" type="checkbox"/> Group Managers (via dashboard) <input checked="" type="checkbox"/> Team Leaders (via dashboard)	Report quarterly Ongoing	Health & Safety Team Group Managers Team Leaders	<input checked="" type="checkbox"/> Acquire & keep up to date on knowledge of work H&S matters <input checked="" type="checkbox"/> Understand operations & associated risks / hazards <input checked="" type="checkbox"/> Ensure resources & processes are available and used <input checked="" type="checkbox"/> Appropriate

OBJECTIVE	COMMENTARY / OVERVIEW	OUTCOME	TARGET	REPORTING	TARGET DATE	ACCOUNT ABILITY	DUE DILIGENCE ATTRIBUTES
			<p>the timeframe and update information posted throughout the process). Team Leaders are to acknowledge all incidents and advise Employees of outcomes.</p> <p>6.3. The Council has an operative Health and Safety representative group that operates in accordance with the HDC Health & Safety Worker Engagement, Participation and Representation Terms of Reference.</p>	<ul style="list-style-type: none"> <input checked="" type="checkbox"/> Team Leaders (via phone or email to Employee) <input checked="" type="checkbox"/> Executive Leadership Team (written) 	<p>As Required</p> <p>Quarterly</p>	<p>Team Leaders</p> <p>Health & Safety Team</p>	<p>information on incidents, hazards & risks</p> <ul style="list-style-type: none"> <input checked="" type="checkbox"/> Verification of above
<p>Employees feel comfortable reporting health, safety & wellbeing issues to their supervisors.</p>	<p>In the past there has been some reluctance for employees to talk about health, safety and wellbeing issues for fear of showing weakness or 'dobbing in' a workmate.</p> <p>The HDC culture will reinforce our motto of 'stepping it up together'.</p> <p>Openness and honesty is required from all members of the organisation so that issues can be addressed and a cycle of continuous improvement can be adopted.</p> <p>The emphasis will be on working together to create a safer environment. Disciplinary action will only be taken as a last resort, such as where an employee hinders HDC's efforts by failing to report accidents or injuries, or is intentional in refusing to follow policies and procedures such as Standard Operating Procedures (SOP's) or the alcohol and substance abuse policy.</p>	<p>7. There is a no blame culture.</p>	<p>7.1. Team Leaders actively support and show commitment to workplace health, safety and wellbeing so that 'Everyone is Safe and Well at the End of the Day'.</p> <p>7.2. All issues raised will be given due respect and consideration as 'no issue is a dumb issue' - emphasis is on prevention and being proactive to minimise any risk to yourself or your workmate.</p>	<ul style="list-style-type: none"> <input checked="" type="checkbox"/> Exception Reporting to Chief Executive by Health & Safety Adviser (monitored through staff feedback) 	<p>As Required</p>	<p>Chief Executive</p> <p>Health & Safety Team</p>	<ul style="list-style-type: none"> <input checked="" type="checkbox"/> Appropriate processes for considering information on incidents, hazards & risks
<p>Health, safety & wellbeing is an investment in our people.</p>	<p>People are the Council's greatest asset. A focus on health, safety and wellbeing puts PEOPLE FIRST and sets our culture. HDC takes a holistic view to the health, safety and wellbeing of each individual.</p> <p>This objective is about ensuring that time and resources are used proactively and effectively because peoples' health, safety and wellbeing is a top priority.</p>	<p>8. Identify and prepare for risks that have the potential to harm.</p>	<p>8.1. Sick leave is monitored and reported on, and corrective measures taken where issues are identified (e.g. sick leave over 5 days/annum, Friday / Monday / long weekend trends)</p> <p>8.2. Statistics for 'Discomfort, Pain & Injury' are analysed and corrective measures taken</p>	<ul style="list-style-type: none"> <input checked="" type="checkbox"/> Executive Leadership Team (early email notification of sick leave trends) <input checked="" type="checkbox"/> Executive Leadership Team (written) 	<p>Annually by 31st March (& immediately when trends are identified)</p> <p>Immediately when trends are identified</p>	<p>Health & Safety Team</p> <p>Health & Safety Team</p>	<ul style="list-style-type: none"> <input checked="" type="checkbox"/> Acquire & keep up to date on knowledge of work H&S matters <input checked="" type="checkbox"/> Understand operations & associated risks / hazards <input checked="" type="checkbox"/> Appropriate processes for

OBJECTIVE	COMMENTARY / OVERVIEW	OUTCOME	TARGET	REPORTING	TARGET DATE	ACCOUNT ABILITY	DUE DILIGENCE ATTRIBUTES
	by people being healthy, safe and well.		trends) 8.3. Annual health monitoring is compulsory for employees in identified job roles, and offered to all. 8.4. Resources are provided for proactive wellness initiatives. 8.5. (Refer 6.1 which covers identification and reporting of risks and observations)	<input checked="" type="checkbox"/> Executive Leadership Team (written) <input checked="" type="checkbox"/> Chief Executive (weekly meeting)	Annually by 31 st March Weekly	Health & Safety Team Health & Safety Team	incidents, hazards & risks



Information Report

To: Audit and Risk Committee
From: GM Corporate Services
Date: Monday, 23 May 2016
File reference: Document: 1549251
Meeting date: Tuesday, 21 June 2016
Subject: **Overheads Activity Report**

Recommendation:

THAT the report be received.

Purpose

The purpose of this report is to present an update on expenditure in the Overheads Activity

Background

Most Council staff are not employed directly in Council's groups of activities. Instead there costs are captured in the overheads activity and are allocated from there to the various groups of activities.

Content

Summary of April YTD Overheads

OVERHEAD DEPARTMENTS SUMMARY POSITION AS AT 30 APRIL 2016						
	Note	YEAR TO DATE				Annual Budget
		Actual	Budget	Varian ce	% Budget	
Expenditure						
Management		1,733	1,701	(32)	-2%	2,068
Asset Managers		1,248	1,242	(6)	0%	1,479
Community Services		1,359	1,429	70	5%	1,706
Corporate Services		3,845	3,767	(78)	-2%	4,594
Planning & Environmental		2,606	2,622	17	1%	3,118
Other		514	454	(60)	-13%	639
Total Cost of Service		11,305	11,215	(90)	-1%	13,604
Less Revenue						
Corporate Services		(3)	0	3	n/a	0
Management		(1)	0	1	n/a	0
Planning & Environmental		(5)	(7)	(2)	33%	(8)
Total Revenue		(8)	(7)	1	(0)	(8)
NET COST OF SERVICE		11,296	11,208	(88)	-1%	13,596

The above report shows an overview of overhead costs and miscellaneous revenue broken down into departments.

Management includes the Chief Executive and the four Group Managers.

Other includes HR, Health & Safety, Quality Assurance, Telemetry, and Radio Telephones.

The key variances to Budget that make up the 1%, or \$88,000, adverse variance are:

- Management is overspent due to unbudgeted costs for consultant support.
- Community Services is underspent due to the gap in employment of the Community Services Manager (this position was previously known as the Community Services Operations Manager).
- Corporate Services is overspent by \$78,000 due to increased rating valuation maintenance charges because of increased property activity, increased water meter reading costs, and use of an external contractor to cover the Database Administrator position.
- Other is overspent due to the additional staff member in Health & Safety and increased hours being worked by the HR team.

Conclusion

The report presents to the Audit and Risk Committee an update on expenditure in the overheads activity.

Duncan Peddie
GM Corporate Services



Decision Report

To: Audit and Risk Committee
From: Strategic Planner
Date: Thursday, 26 May 2016
File reference: Document: 1542138
Appendix A: 1388506
Meeting date: Tuesday, 21 June 2016
Subject: **Audit and Risk Committee Self Assessment**

Recommendation:

THAT the report be received, and

THAT the Committee members individually undertake a self-assessment survey by 29 July 2016, and

THAT staff compile the results and present these to the Committee at its meeting of 23 August 2016.

Purpose

The purpose of this report is to confirm arrangements for undertaking an assessment of the effectiveness of the Committee.

The matter or suggested decision does not involve a new activity, service, programme, project, expenditure or other deliverable.

Background

In July 2015 the Audit and Risk Committee undertook a self-assessment survey as a means of measuring the effectiveness of the Committee.

The survey was designed to take into account guidance from the Office of the Auditor General who advocates¹ that there are four main principles that support the effective operation of an audit committee, as follows:

- Independence
- Competence
- Clarity of purpose
- Open and effective relationships

¹ OAG, Audit committees in the public sector, p.13

The OAG further describes these principles as follows:

Independence – most of the members of an audit committee need to be independent of the management team to provide objective and impartial advice. This is important because independence increases objectivity, promotes free and frank debate and unencumbered discussion.

Competence – audit committee members need to have relevant experience and expertise to bring valuable insights and perspectives to the areas of audit committee interest.

Clarity of purpose – an audit committee needs to be clear about its mandate, purpose, and role in the organisation and within the governance structure as a whole.

Open and effective relationships – the audit committee needs to encourage open and transparent communications and effective ways of working with stakeholders.

These principles were used as the main areas for the self assessment survey with the addition of questions relating to meeting organisation and training needs.

The survey contained 42 questions and members were asked to provide an answer on a five-point scale from strongly disagree to strongly agree.

The collective results were then presented to the Committee at its meeting on 18 August 2015 where it was agreed that the self assessment survey be undertaken every 12 months and be added to the forward work programme.

At the time, based on the results of the survey, the Committee agreed to include standing questions at the start of its meeting agendas regarding Committee only time, and Committee only time with Audit NZ being required.

Issues and options

Option One: Self Assessment Survey

Staff's recommendation is that the Audit and Risk Committee utilise the same self-assessment survey for 2016, which will enable comparison between the two sets of results. The survey is included as Attachment A.

As per last year, each member can complete the survey in their own time and staff will analyse and present the results back to the Committee at its meeting in August. The Committee can then discuss the collective results.

This approach provides a reasonable means of identifying areas for further improvement and development. This option requires minimal resource allocation and is a cost-effective option.

Option Two: 360 degree assessment

In addition to the Self Assessment, the Audit and Risk Committee could consider a 360 degree review being undertaken with senior council staff and Councillors seeking views on the Committee's performance based on the OAG indicators. This would provide the Committee with information about how its effectiveness is perceived by others. There would be a small resource requirement to compile the results. The Committee did not favour this option last year.

Option Three: External review

If the Committee wanted an impartial review rather than a self-assessment, or in addition to the self-assessment, there are organisations which conduct review of Boards.

The New Zealand Institute of Directors (NZID) have a “Better Boards” evaluation service. The service is described on their website² as a simple and easy to use online questionnaire. An independent report is then generated based on the responses received. The NZID website notes that evaluations start at \$3250 plus GST (with fees being dependent on the questionnaires selected).

Companies such as KMPG offer a tailored survey/interview style review, through to much more comprehensive evaluations. Anecdotally, staff are aware that indicative costs for these services could range from \$8,000 through to \$50,000.

If the Committee were interested to explore an impartial review further staff would formally engage with organisations to discuss scope and cost.

Significance and Engagement Assessment

This decision is not considered significant because it does not trigger the Significance and Engagement thresholds and the decision relates to the Committees’ assessment of its own performance.

It would appropriate to inform the Council and senior staff members of the method by which the Audit and Risk Committee will measure its performance and the results of the assessment when known.

Budget Implications

The budget implications are outlined above in the “Issues and Options” section of the report. If the Committee is satisfied with a self assessment approach there is a small resource implication which would be absorbed in the Strategic Planner and Corporate Service Manager’s work programme.

Recommendation

The Committee needs to be satisfied that the evaluation process will provide useful information that will add value to the Committee and ultimately assist the Committee in improving its effectiveness.

Staff’s recommendation is that conducting the self-assessment survey again as planned will achieve this, and it continues to be a cost-effective option.

If agreed, the Committee members are requested to completed the self-assessment survey and return the survey forms to Katina Conomos, no later than Friday 29 July to enable the assessment to be presented at the August meeting.

Katina Conomos
Strategic Planner

² <https://www.iod.org.nz/Services-for-boards/BetterBoards>

Appendix A

[FRED n1388506 v2 Audit and Risk Committee - Self assessment tool - July 2015.docx](#)

HAURAKI DISTRICT COUNCIL - AUDIT AND RISK COMMITTEE SELF ASSESSMENT TOOL

Name of Committee member: _____

Date of assessment: _____

This assessment is intended to be completed each year and will be used as a measure of effectiveness of the Committee, as well as to determine areas for improvement. In future, the results from this survey will be compared to the previous surveys to determine progress as a Committee.

The survey covers six subject areas: independence; competence, clarity of purpose; open and effective relationships; meeting organisation and training.

Question	Level of compliance					Comments (if applicable)
	SD	D	N	A	SA	
Independence						
1. The Audit and Risk Committee has an independent chairperson.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
2. The Audit and Risk Committee has Committee-only time without staff members.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
3. The Audit and Risk Committee has Committee-only time with the Council's appointed external auditors (Audit NZ).	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
4. The Audit and Risk Committee has Committee-only time with the Council's appointed independent internal auditors.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

The compliance assessment scale is **SD**. Strongly disagree, **D**. Disagree, **N**. Neutral, **A**. Agree, **SA**. Strongly Agree.

**HAURAKI DISTRICT COUNCIL - AUDIT AND RISK COMMITTEE
SELF ASSESSMENT TOOL**

Question	Level of compliance					Comments (if applicable)
	SD	D	N	A	SA	
Competence						
5. Collectively, the Audit and Risk Committee has <ul style="list-style-type: none"> • Financial expertise • Knowledge of governance, assurance and risk management best practice, and • A good knowledge of the local government sector. 	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
6. The Committee is consistent in its decision making.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
7. The Committee uses evidence to make decisions.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
8. Robust risk management processes exist, with risks identified and proactively treated/managed.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
9. The Committee acknowledges and learns from its mistakes.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
10. When appropriate the Committee seeks advice from internal and external sources.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

The compliance assessment scale is **SD**. Strongly disagree, **D**. Disagree, **N**. Neutral, **A**. Agree, **SA**. Strongly Agree.

HAURAKI DISTRICT COUNCIL - AUDIT AND RISK COMMITTEE

SELF ASSESSMENT TOOL

Question	Level of compliance					Comments (if applicable)
	SD	D	N	A	SA	
Clarity of purpose						
11. The Audit and Risk Committee has Terms of Reference in place and refers to them as appropriate	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
12. The time spent at meetings is purposeful.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
13. The Committee carries out its functions satisfactorily.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
14. Members devote sufficient time and thought to longer term issues.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
15. The Committee is kept well-informed and regularly updated on the organisation's current and prospective audit and risk issues.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
16. The Committee is satisfied that audit and risk systems have integrity and are accurate.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
17. The work programme of the Audit and Risk Committee is linked to risk management disciplines.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
18. The Committee considers that the organisation has an appropriate system to identify, measure and effectively manage risks.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

**HAURAKI DISTRICT COUNCIL - AUDIT AND RISK COMMITTEE
SELF ASSESSMENT TOOL**

Question	Level of compliance					Comments (if applicable)
	SD	D	N	A	SA	
19. The Committee receives the right information to enable it to monitor the organisation's management of risk.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
20. The Committee's work programme and meeting plan for each year covers all of its major responsibilities appropriately.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

Question	Level of compliance					Comments (if applicable)
	SD	D	N	A	SA	
Open and effective relationships						
21. There is an open and effective relationship between the Chairperson and Chief Executive.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
22. The Chief Executive is supported by the Committee.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
23. The Committee encourages the Chief Executive and other key management to be candid and constructive in raising issues with the Committee.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
24. The Committee has the right level of exposure to key management at Committee meetings.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

The compliance assessment scale is **SD**. Strongly disagree, **D**. Disagree, **N**. Neutral, **A**. Agree, **SA**. Strongly Agree.

HAURAKI DISTRICT COUNCIL - AUDIT AND RISK COMMITTEE SELF ASSESSMENT TOOL

Question	Level of compliance					Comments (if applicable)
	SD	D	N	A	SA	
25. There is an open and effective relationship between the Chairperson and the Council's appointed external auditors (Audit NZ).	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
26. There is an open and effective relationship between the Chairperson and the Council's appointed independent internal auditors.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	This question is not applicable as there is currently no internal audit function, but is included for completeness.
27. There is regular, formal feedback to the full Council regarding the work programme of the Audit and Risk Committee.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
28. The Chairperson takes responsibility for setting and approving the agenda, with senior staff.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
29. The Chief Executive and Chairperson meet outside the Audit and Risk Committee meetings.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
30. The Chairperson and head of the internal audit programme have regular scheduled meetings, outside of the Audit and Risk Committee meetings.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	This question is not applicable as there is currently no internal audit function, but is included for completeness.
31. Meetings are conducted in such a way as to encourage open communication and quality consensus decision making.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

**HAURAKI DISTRICT COUNCIL - AUDIT AND RISK COMMITTEE
SELF ASSESSMENT TOOL**

Question	Level of compliance					Comments (if applicable)
	SD	D	N	A	SA	
32. Each member makes a valued contribution at meetings, and when required outside of meetings.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
33. The Committee stands behind its decisions, and values the contributions of all members.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
34. Adverse news and warning signs are communicated by management in time to avoid crises and surprises.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

Question	Level of compliance					Comments (if applicable)
	SD	D	N	A	SA	
Meeting organisation						
35. Members receive timely and accurate minutes, advanced written notice of agenda items, and clear/concise background material.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
36. Conflicts of interest are declared and managed.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
37. Requested information is received in a timely fashion.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
38. Absenteeism from meetings is the exception rather than	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

The compliance assessment scale is **SD**. Strongly disagree, **D**. Disagree, **N**. Neutral, **A**. Agree, **SA**. Strongly Agree.

**HAURAKI DISTRICT COUNCIL - AUDIT AND RISK COMMITTEE
SELF ASSESSMENT TOOL**

Question	Level of compliance					Comments (if applicable)
	SD	D	N	A	SA	
the rule.						
39. The Committee receives sufficient reports and general information in an appropriate form from management.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

Question	Needs		Good			Additional training requirements
	More		Knowledge			
Training needs						
40. Obligations and duties are clearly understood.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
41. Financial literacy is at the required level.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
42. Risk management literacy s at the required level.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

Any Other Additional Comments:

The compliance assessment scale is **SD**. Strongly disagree, **D**. Disagree, **N**. Neutral, **A**. Agree, **SA**. Strongly Agree.



Decision Report

To: Audit and Risk Committee
From: Strategic Planner
Date: Monday, 23 May 2016
File reference: Document: 1540966
Appendix B: 1252510
Meeting date: Tuesday, 21 June 2016
Subject: **Audit and Risk Committee – 2016 Work Programme**

Recommendation:

THAT the report be received, and

THAT the Committee amend/make comment to the work programme as it deems necessary.

Purpose

The purpose of this report is to present the forward work programme for the Audit and Risk Committee.

This is a standing item on the Committee's agenda and the Committee is welcome to make comment to the programme as required.

Draft Work Programme & Terms of Reference

The draft work programme is included as **Appendix A**.

As per discussions at the Committee's meeting on 29 April 2016, a Council Workshop is being planned for 6 July 2016 to discuss the corporate risks (and associated controls) in more detail.

The Audit and Risk Committee Terms of Reference is attached as **Appendix B**.

Katina Conomos
Strategic Planner

Appendix A – Audit and Risk Committee – Proposed work programme 2016

NB: the Committee is delegated to hear and decide upon appeals made on matters relating to Council’s Rates Remission Policies. These would be brought forward to the Committee as required.

Meeting date	Agenda items	Standing agenda items for every meeting
21 June 2016	<ul style="list-style-type: none"> • Preparation report for Annual Audit and Risk Committee self-assessment. 	<ul style="list-style-type: none"> • Treasury report. • Health and Safety report. • Progress report regarding previous Audit Management Report findings. • Progress report regarding previous Internal Audit findings (Reporting to commence from June 2016 onwards). • Risk register. • Progress report regarding rating sales. • Work programme report.
23 August 2016	<ul style="list-style-type: none"> • Report regarding Annual Audit and Risk Committee self-assessment findings. • Internal audit report – Payroll (assumes June/July delivery). • Annual review of Council’s insurance policies. 	
20 December 2016	<ul style="list-style-type: none"> • Review Terms of Reference. • Audit NZ director to attend the meeting for meet and greet with new Committee, and to verbally update the committee regarding the Annual Report findings. • Treasury Advisor to attend the meeting to meet the Committee. • 2 x yearly report on internal debt (as per Annual Report figures). • Quick facts report update (i.e. key Council stats and financial facts). • Internal audit report – payroll (assumes September delivery). 	

Appendix B – Audit and Risk Committee – Terms of Reference

[FRED n1252510 v1 Audit and Risk Committee Terms of Reference - Approved.docx](#)

Audit and Risk Committee – Terms of Reference
Adopted – 26 November 2014

Membership:	Mayor, Deputy Mayor (Deputy Chairperson), three Councillors and an Independent Member (Chairperson), to be appointed by the Council
Meeting Frequency:	Every 2 months and as required
Quorum:	As set by Standing Orders
Purpose:	<p>The purpose of the Audit and Risk Committee is to:</p> <ul style="list-style-type: none"> • Monitor the Council’s external and independent internal audit processes. • Recommend to Council an appropriate risk management system and monitor the effectiveness of that strategy. • Ensure the independence and effectiveness of Council’s internal audit processes. • Monitor existing corporate policies and recommend new corporate policies to prohibit unethical, questionable or illegal activities. • Provide a communication link between management, internal auditors/external auditors and Council. • Support measures to improve internal controls.
Responsibilities:	<p>The Council delegates to the Audit and Risk Committee the following responsibilities:</p> <ul style="list-style-type: none"> • To engage with Council’s external auditors regarding the external audit work programme and agree the terms and arrangements of the external audit. • To recommend to Council the terms and arrangements for the external audit programme. • To review the effectiveness of the annual audit and 10 year plan audit. • To monitor the management teams response to audit reports and the extent to which external audit recommendations concerning internal accounting controls and other matters are implemented. • Internal control. • To monitor existing corporate policies and recommend new corporate policies to prohibit unethical, questionable or illegal activities. This includes a reviewing/monitoring role of the documentation of all policies and procedures. • To review Council’s insurance policies on an annual basis. • To monitor the implementation of the requirements of the Health and Safety Reform Bill. • To monitor the Council’s major risks (via a risk register) on no less than a bi-annual basis. • To work in conjunction with the CE in order to be satisfied with the existence and quality of cost-effective internal control and risk management systems, the proper application of processes, and agree the scope of the annual independent internal audit work programme. • To monitor the delivery of the independent internal audit work programme. • To review the annual independent internal audit plans and assess

Audit and Risk Committee – Terms of Reference
Adopted – 26 November 2014

	<p>whether resources available to the internal audit are adequate to implement the plans.</p> <ul style="list-style-type: none"> • To assess whether all significant recommendations of the independent internal audit have been properly implemented by management. Any reservations the independent internal auditor may have about control risk, accounting and disclosure practices should be discussed by the committee. • To review the effectiveness of the risk management policies and processes. • To review the effectiveness of the control environment established by management including computerised information systems controls and security, including reviewing/monitoring the documentation of all policies and procedures. • To review the process of the development of the financial strategy and related financial policies as required by the long-term plan. • To monitor Council’s treasury activities to ensure that it remains within policy limits. Where there are good reasons to exceed policy, that this be recommended to Council. • To engage with independent internal auditor and external auditor on any specific one-off audit assignments.
<p>Delegations:</p>	<p>The Council delegates to the Audit and Risk Committee the following powers and duties:</p> <ul style="list-style-type: none"> • The Audit Committee shall have delegated authority to approve the appointment of the independent internal auditor risk management and internal audit programmes audit engagement letters and letters of undertaking for audit functions additional services provided by the external auditor. • The Audit Committee can conduct and monitor special investigations in accordance with Council policy, including engaging expert assistance, legal advisors or external auditors, and, where appropriate, recommend action(s) to Council. • The Audit Committee can recommend to Council: <ul style="list-style-type: none"> ○ Adoption or non-adoption of completed financial and non-financial performance statements. ○ Governance policies associated with Council’s financial, accounting, risk management, compliance and ethics programmes, and internal control functions. ○ Accounting treatments, changes in generally accepted accounting practice. ○ New accounting and reporting requirements. • The Audit Committee may not delegate any of its responsibilities, duties or powers.