



Notice is given of an Audit and Risk Committee Meeting to be held on:

Date: Tuesday, 22 November 2016
Time: Following the Strategy Committee
Location: Council Chambers
Fairlie

AGENDA

Audit and Risk Committee Meeting

22 November 2016

Wayne Barnett
Chief Executive Officer

Audit and Risk Committee Membership:

The purpose of local government:

(1) The purpose of local government is—

- (a) to enable democratic local decision-making and action by, and on behalf of, communities; and
- (b) to meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses.

(2) In this Act, good-quality, in relation to local infrastructure, local public services, and performance of regulatory functions, means infrastructure, services, and performance that are—

- (a) efficient; and
- (b) effective; and
- (c) appropriate to present and anticipated future circumstances.

(Local Government Act 2002)

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- 1 OPENING**
- 2 APOLOGIES**
- 3 DECLARATIONS OF INTEREST**
- 4 CONFIRM MINUTES**
- 5 VISITORS**

6 REPORTS**6.1 AUDIT AND RISK COMMITTEE MEETING MINUTES 2 AUGUST 2016****File Reference:** N/A**Authoriser:** Wayne Barnett, Chief Executive Officer**Attachments:** 1. Audit and Risk Committee Minutes 2 August 2016**PURPOSE OF REPORT**

That the minutes of the meeting of the Audit and Risk Committee held on 2 August 2016 be confirmed as a true and accurate record of the meeting.

STAFF RECOMMENDATIONS

1. That the report be received.
2. That the minutes of the meeting of the Audit and Risk Committee held on 2 August 2016 be confirmed as a true and accurate record of the meeting.

WAYNE BARNETT

CHIEF EXECUTIVE OFFICER

MACKENZIE DISTRICT COUNCIL**MINUTES OF A MEETING OF THE AUDIT AND RISK COMMITTEE
HELD IN THE COUNCIL CHAMBERS, FAIRLIE, ON TUESDAY, 2
AUGUST 2016 AT 9.02AM****PRESENT:**

Cr Graham Smith (Deputy Chair) from 9:27am
Mayor Claire Barlow (Chair)
Cr Murray Cox
Cr Russell Armstrong

IN ATTENDANCE:

Wayne Barnett (Chief Executive Officer)
Paul Morris (Finance and Administration Manager)
Toni Morrison (Projects and Administration Manager)
Keri-Ann Little (Committee Clerk)
Cr James Leslie (observing)
Cr Noel Jackson (observing)

APOLOGIES:

An apology was received from Cr Smith for lateness.

Chair/ Cr Jackson

DECLARATIONS OF INTEREST:

There were no declarations of interest.

MINUTES:

Resolved that the minutes of the meeting of the Audit and Risk Subcommittee meeting held on September 1, 2015 be confirmed and adopted as the correct record of the meeting.

Murray Cox/ Chair

REPORTS:**AUDIT NEW ZEALAND INTERIM AUDIT REPORT 30 JUNE 2016:**

The purpose of this report was to brief the Committee on the ongoing process of the 30 June 2016 financial year and Audit New Zealand findings to date.

Mr Morris spoke to the report.

Resolved that the report be received.

Murray Cox/ Chair

Cr Cox suggested the Audit and Risk Committee meet before the audit process is undertaken to highlight what had been achieved regarding recommendations from the previous audit.

Resolved: That the Audit and Risk Committee meet before the audit process is undertaken to discuss recommendations achieved.

Cr Cox/ Mayor

Resolved: That the Audit and Risk Committee meet in December 2016 to allow for Council Staff to update Council on completed recommendations and outstanding recommendations.

Mayor/ Cr Armstrong

THE CHAIRMAN DECLARED THE MEETING CLOSED AT 9:29AM

CHAIRMAN: _____

DATE: _____

Unconfirmed

6.2 AUDIT NEW ZEALAND FINDINGS ON 2016 ANNUAL REPORT

File Reference: FIN 2/2016

Authoriser: Paul Morris, Chief Financial Officer

Attachments: 1. Report to the Council on the audit of Mackenzie District Council for the year ended 30 June 2016

STAFF RECOMMENDATIONS

That the information be received and the information noted.

PURPOSE OF REPORT

To report to the Committee Audit New Zealand findings in relation to the 2016 Annual Report.

BACKGROUND

As part of the Annual Report audit process, Audit New Zealand present a report on the audit of Council.

CONCLUSION

Not applicable.

WAYNE BARNETT

CHIEF EXECUTIVE OFFICER

Report to the Council on the audit of
Mackenzie District Council
for the year ended 30 June 2016

Key messages

1. We have completed the audit for the year ended 30 June 2016. We issued an unqualified audit report on 31 October 2016. This report sets out our findings from the audit and draws attention to areas where we have made recommendations for improvement.

2. System to record actual performance against measures

3. In our interim report to the Council, we highlighted that the Council did not have processes or systems in place to accurately measure the actual performance for the full year. During the final audit we found that the Council was able to report against the majority of the mandatory measures. However there were instances where the necessary data was missing. It is important for the Council to be able to report to the public against all the mandatory measures, so we have recommended additional improvements. We have included more information in section 2.1.

Other issues identified during the audit

The following table summarises other our recommendations and their priorities:

Recommendation	Urgent	Necessary	Beneficial
GST Schedules for Property Sales not Completed Correctly The GST information schedule be completed to ensure that the GST treatment can be correctly accounted for.	✓		
Investment in China Construction Bank Council assess whether the return on this Investment is justified by the higher risk.		✓	

There is an explanation of the priority rating system in Appendix 1.

4. Thank you

5. We would like to thank the Council and management for the assistance they provided to us during the audit.

6.

7.

8.

9. John Mackey

10. Audit Director

11. 10 November 2016

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1 Our audit opinion

1.1 We issued an unmodified audit opinion

We issued an unmodified audit opinion on 31 October 2016. This means that we were satisfied that the financial statements and statement of service performance, fairly reflected Mackenzie District Council's (the Council's) activity for the year and its financial position at the end of the year.

1.2 Uncorrected misstatements

The financial statements are free from material misstatements, including omissions. During the audit, we have discussed with management the misstatements that we found, other than those which were clearly trivial. There were no significant misstatements, identified during the audit, that have not been corrected.

2 Matters arising from the audit

2.1 Service performance reporting

Recommendation

Council ensure that appropriate systems are in place to capture data necessary to accurately report against all performance measures in the annual report.

Findings

This was the first year that the Council reported against new mandatory measures set up in 2015-25 LTP. We reported in our interim report to the Council that it needed to establish appropriate systems to accurately capture the data needed to report actual performance for these measures. During our final audit we found that the Council did not establish robust policies, processes and systems for some of the measures throughout the whole year. As a result, some data was incomplete and the total results could not be practically confirmed as being accurate. In these instances, the Council reported the target as "not achieved" together with an explanation of the incomplete information. However, Council also reported supplementary information to enable the reader to assess whether it was meeting key levels of service with the reliability of its infrastructure services.

Management have made further improvements to the systems, including providing detailed instructions to the contractors on the records that they need to keep.

Due to the fact that the mandatory measures are an important area of the annual report, we will again review the processes and systems to capture and report this information in our future audits. We will report to the Council our observations on any further improvements it can make.

Management Comment – *Management accepts the gaps in collecting the necessary information. Council has made further changes in managing the information collection and reporting. An administration officer has been tasked with this role and part of the process will be to test the collection of the information during the year.*

2.2 Fair value assessment of property, plant and equipment

The Council performs revaluations of property, plant and equipment every three years. This year was a non-valuation year. Management prepared an assessment as to whether there was any significant difference between the carrying amount and fair value of these assets at 30 June 2016.

Management's assessment only included consideration of changes in the value of assets due to inflation factors. Management concluded that there were no other events that would impact on the value of assets. No indicators of impairment were identified by management.

We reviewed the assessment and were satisfied with the management's conclusion that there were no indicators that the carrying value of the assets would be significantly different as at 30 June 2016.

2.3 Sale of real estate properties

During the current year, the Council sold properties in the Lake Tekapo Development and at Twizel. Some of these properties were previously revalued as part of Council's regular revaluations of its land and buildings. Council did not initially recognise the revalued component, of the properties, in the cost of properties sold. Instead, the revaluation component was recognised directly in the equity. As a result net surplus from the operations was overstated by \$1.6 million.

We discussed the issue with the management. We were satisfied that the adjustments, to the financial statements, have been made, resulting in total costs of properties sold of \$1.9 million. The adjustment did not change the net equity balance.

Management Comment –*The accounting treatment initially proposed was in accordance with direction from the previous Audit Director and his Audit Manager for a 2014 real estate sale from inventory.*

It is unfortunate that the alteration in treatment was signalled late in the audit process and that the draft financial statements had needed to be released because of the election process.

The change in the financial report is essentially a technical matter but the impact on our community's perception of our processes and their confidence in our organisation is a real impact. We will work proactively with your staff to try to avoid this type of communication issue in the future.

2.4 GST schedules for property sales not completed correctly

Recommendation

The GST information schedule, in the sale and purchase agreements for property, be completed to ensure that the GST treatment can be correctly accounted for.

Findings

We reviewed a sample of the sale and purchase agreements for land sales. The GST information schedule had not been correctly completed for sales of sections 2, 3 and 4 on Glen Lyon Road.

Therefore, we were unable to determine what the correct GST treatment should be.

Management comment

Our understanding of the GST legislation is that if the GST information schedule is not completed then GST must be returned on the transaction.

This is entirely appropriate for these transactions as they are being purchased for residential purposes. Therefore Council will be required to return GST. Council does check non-residential purchases to ensure GST is zero rated.

2.5 Management override

Management override is a potential audit risk because in any organisation, management is in a unique position to perpetrate fraud because of management's ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

To address this risk, during the audit we:

- tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements;
- reviewed the accounting estimates for biases and evaluated if there was any risk of material misstatement due to fraud from bias; and
- evaluated the business rationale of any significant transactions that were outside the normal course of business, or that otherwise appeared to be unusual given our understanding of the Council.

We found no indications of management override that would result in a material misstatement in the financial statements due to fraud.

2.6 Investment in China Construction Bank

Recommendation

Council review its investment portfolio to determine whether higher returns on some investments are justified compared to the higher risk.

Findings

Council has an investment in China Construction Bank for \$500,000. Although the investment was made within the guidelines in its Investment Policy, we assessed that this investment has a greater risk as the bank is a wholly owned subsidiary of a Chinese bank and the Chinese financial markets are not as transparent as in New Zealand.

Management comment

The external credit rating of the investment complies with our investment policy. This was not discussed with management at any time during the Audit.

3 Other matters and areas of interests

In addition to the issues described above we considered other matters identified in the audit arrangement letter. Below, we present our findings on the matters that have not been commented on in other parts of this report nor in the interim report.

3.1 Roothing maintenance contract

The Council signed two roading contracts together with its neighbouring councils:

- the road maintenance contract with Whitestone Contracting Limited, where the participating councils are Waimate DC, Timaru DC and Ashburton DC; and
- the road resurfacing contract with Downer New Zealand and participating councils Waimate DC and Timaru DC.

We are satisfied that commitments resulting from these contracts were correctly disclosed in the financial statements. Based on our audit work on service performance information, and our standard review of contract and project management activities, we have not identified any issues that need to be reported to you.

3.2 Areas of interests common to Local Government sector.

Our findings on areas of interests common to Local Government sector are included in Appendix 4.

4 Status of previous recommendations

The status of each matter that was outstanding in last year's report to management is summarised in Appendix 2.

Summary of action taken against previous years' recommendations:

Number of recommendations from previous years' audits	Current status
2	Matters that have been resolved
1	Matters that have been closed, management accepts the risk
5	Progress is being made, but not yet fully resolved
8	No progress has been made

This summary needs to be read in conjunction with the status of recommendations raised in previous years' management reports as detailed at Appendix 2.

12. Appendix 1: Explanation of priority rating system

Our recommendations for improvement and their priority are based on our assessment as to how far Mackenzie District Council is from a standard that is appropriate for the size, nature, and complexity of its business.

We have developed the following priority ratings for our recommended improvements:

<p>Urgent Major improvements required</p>	<p>Needs to be addressed <i>urgently</i> These recommendations relate to a significant deficiency that exposes the Council to significant risk. Risks could include a material error in the financial statements and the non-financial information; a breach of significant legislation; or the risk of reputational harm.</p>
<p>Necessary Improvements are necessary</p>	<p>Address at the earliest reasonable opportunity, <i>generally within 6 months</i> These recommendations relate to deficiencies that need to be addressed to meet expected standards of good practice. These include any control weakness that could undermine the system of internal control or create operational inefficiency.</p>
<p>Beneficial Some improvement required</p>	<p>Address, <i>generally within 6 to 12 months</i> These recommendations relate to deficiencies that result in the Council falling short of best practice. These include weaknesses that do not result in internal controls being undermined or create a risk to operational effectiveness. However, in our view it is beneficial for management to address these.</p>

Appendix 2: Status of previous recommendations

Outstanding matters

Recommendation	Current status	Priority	Management's proposed action
No fixed asset policy			
Council develop a fixed asset policy that sets out formal processes for asset additions and disposals.	A fixed asset policy has not been prepared yet. Management's response to interim report: <i>"This has been tasked to the Management Accountant. Expect completion by December 2016."</i>	Necessary	Still ongoing.
Service performance reporting			
Management complete six-monthly reporting of service performance information to the Council in accordance with its service performance reporting commitment outlined in its LTP.	Not yet implemented. Management noted that some measures can only be reported annually but that other measures could be reported more regularly. Management's response in our interim report was: <i>"First report will be for end of the financial year. Will report for December 2016 period in new year."</i>	Necessary	Still ongoing.
Policy development			
Create a policy schedule to identify all policies, the dates they were approved and the dates they are due for review.	No change Management's response to our interim report was: <i>"This will be implemented over the next six months"</i>	Necessary	This is being implemented. Please check at next audit visit.
Stocktake of property, plant and equipment			
Conduct a stocktake of property, plant and equipment, and reconcile this to the fixed asset register on a periodic basis.	This is still outstanding due to resourcing issues. IT equipment and other desirable items are considered the priority. The Community Facilities and IT managers have reviewed the listing of assets and identified assets which are either no longer	Necessary	No change.

Recommendation	Current status	Priority	Management's proposed action
	used or have been disposed of. Management's response to our interim report was: <i>"There is still a resourcing issue and it will be approached as time allows"</i>		
Disposal forms for property, plant and equipment			
Use appropriately approved disposal forms to authorise the disposals in the asset register.	Management's response to our interim report was: <i>This has been designed and we will commence its use in the new financial year.</i> We will verify if this has been implemented during next year's audit.	Necessary	In use now.
Fixed assets journals are not reviewed			
Journals are independently reviewed to identify and correct errors that may occur, on a timely basis.	No change	Necessary	Any journals over \$5,000 will be reviewed independently and signed off.
Risk management arrangements (including policies and procedures)			
Council perform a structured overview of risks, and develop a framework to monitor the management of key risks.	In progress. Management is aware of, and discusses the key risks facing the Council at an operational level. When required, these risks and mitigating actions are communicated to the Council. However there is still no structured overview of risks, and a framework to monitor the management of key risks. Management's response to our interim report was: <i>"This has commenced. New Project Manager has responsibility for this. Framework has been introduced."</i>	Necessary	

Recommendation	Current status	Priority	Management's proposed action
Role of the audit and risk committee			
The Audit and Risk Committee meet on a more regular basis.	Meetings were held on 1 September 2015 and 2 August 2016. We will continue to monitor the effectiveness of the committee going forward.	Necessary	Audit and Risk committee now is a committee of the whole Council and is scheduled to meet 6 weekly.
Interests register			
All interests in other entities are recorded in the Council's interests register.	No change. There is a register available but the Council has decided to make its use voluntary and it has not been utilised. This policy will be reviewed with the new Council.	Necessary	No change.
Updating of fraud policy			
The Fraud policy be reviewed and updated, if required.	In progress. Management's response to our interim report was: <i>"Being reviewed by Deloitte. Will act on the recommendations"</i>	Necessary	Amendments to the Fraud.
Lack of backup for creditors and payroll			
Identify and train staff to provide back up to process Creditors and Payroll payments when the Creditors Clerk is absent.	In progress. Management's response to our interim report was: <i>"This has been identified and works commenced"</i>	Necessary	This is underway and is an on-going process.
Review of masterfile change report			
The independent reviewer have their masterfile access removed to ensure the reviewer maintains independence and reduces the self-review risk. Reviewer needs to verify the masterfile change report date range covers the entire period being checked.	The Management Accountant started on 14 March 2015 and now reviews masterfile changes and has full access. As such, the potential threat of self-review remains. The Financial Accountant still has full access to payroll. Management's response to our interim report was: <i>"This has been corrected and access removed."</i> We will verify this during	Necessary	Noted.

Recommendation	Current status	Priority	Management's proposed action
	next year's audit.		
Revenue			
Develop and distribute, to relevant staff members, a formal debt recovery policy.	This has been started but has run into a complication with debts collected on Environment Canterbury's behalf. The Council has consulted with its lawyers on the issues. The Revenue Officer is currently working on this. No change since prior year.	Beneficial	No change.

13.

Matters that have been resolved

Recommendation	Outcome
Property, plant and equipment note does not match the general ledger reconciliations	
Reconcile the fixed asset register to the general ledger and determine why the opening balances, and accumulated depreciation, do not match the property, plant and equipment note in the financial statements.	The property, plant and equipment note matches the general ledger reconciliations.
Fair value assessment of property, plant and equipment	
The fair value assessment should include an inflation factor relating to the year of the valuation report. This applies where the valuation is conducted as at 1 July and takes account of any inflationary movements to 30 June.	Management performed the fair value assessment of PPE as at 30 June 2016. No adjustment was required to the carrying value.

Matters that have been closed, management accepts the risk

Recommendation	Outcome
Update the fixed asset register	
Update the fixed asset register for assets that have been replaced during renewal work.	Management's response to our interim report was: <i>We use the revaluation process to pick these changes up. We do not consider it to be material.</i>

Appendix 3: Mandatory disclosures

Area	Key messages
Our responsibilities in conducting the audit	<p>We carried out this audit on behalf of the Controller and Auditor-General. We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001.</p> <p>The audit of the financial statements does not relieve management or the Council of their responsibilities.</p> <p>Our audit engagement letter contains a detailed explanation of the respective responsibilities of the auditor and the Council.</p>
Auditing standards	<p>We carry out our audit in accordance with generally accepted audit standards. The audit cannot and should not be relied upon to detect every instance of misstatement, fraud, irregularity or inefficiency that are immaterial to your financial statements. The Council and management are responsible for implementing and maintaining your systems of controls for detecting these matters.</p>
Auditor independence	<p>We confirm that, for the audit of the Mackenzie District Council's financial statements for the year ended 30 June 2016, we have maintained our independence in accordance with the requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.</p> <p>Other than the audit, we have not provided any engagements for the Mackenzie District Council during the year ended 30 June 2016. In addition, we have no relationships with, or interests in, the Mackenzie District Council.</p>
Other relationships	<p>We are not aware of any situations where a spouse or close relative of a staff member involved in the audit occupies a position with the Mackenzie District Council that is significant to the audit.</p> <p>We are not aware of any situations where a staff member of Audit New Zealand has accepted a position of employment with the Mackenzie District Council during or since the end of the financial year.</p>
Unresolved disagreements	<p>We have no unresolved disagreements with management about matters that individually or in aggregate could be significant to the financial statements. Management has not sought to influence our views on matters relevant to our audit opinion.</p>

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Appendix 4: Other areas of interest for all local authorities

Areas of interest	Our audit response
Information	
<p>The Auditor-General 2016/17 work programme theme is <i>Information</i>. There is an expectation that public entities need to make good use of information to provide better public services. The Auditor-General is interested in understanding the extent, opportunities and risks arising from investment to improve the information and technology systems supporting the collection, maintenance, and analysis of business critical information enabling public entities to transform their service delivery.</p>	<p>During our interim audit we sought examples of the good or poor use, analysis and/or management of information. We have not identified any particular examples to be shared with OAG.</p>
Audit Committees	
<p>An effective Audit Committee can have a positive impact on the identification and management of risk, and provide valuable support to an entity and the governing body</p>	<p>In 2013, the Council established an Audit and Risk Committee. However, meetings are not held on a regular basis. We continue to recommend more regular meetings in Appendix 2.</p>
Conflicts of interest	
<p>Conflicts of interest are an area of concern from two perspectives; probity and the potential for a conflict of interest, which is not well managed, to create significant legal and reputation risks. During 2007 the Office of the Auditor-General (OAG) published two sets of guidance for entities in this area.</p> <p>The Local Authorities (Members' Interests) Act 1968 controls the making of contracts between councillors and the Council, and prevents councillors from participating in Council matters in which they have a pecuniary interest.</p>	<p>We have reviewed the Council's management of conflicts of interest and continue to recommend improvements with the operations of interest registers. The recommendation is included in Appendix 2.</p>
Elected members – remuneration and allowance	
<p>The Local Government Act gives the Remuneration Authority responsibility to set the remuneration of local government elected members. The Authority also has the role to approve a local authority's policy on allowances and expenses.</p> <p>Council's annual report must disclose the total remuneration received by or payable to each member of the local authority in the reporting period.¹ A local authority must disclose remuneration paid or payable to each member</p>	<p>We confirmed the Council had complied with the necessary requirements of the Local Government Act for the remuneration of each member of the local authority.</p>

¹ Schedule 10, clause 18, Local Government Act 2002.

Areas of interest	Our audit response
from both the local authority and any council organisation of the local authority.	
Possible LTP amendments	
<p>Every proposed amendment must be audited. An amendment arises where Council proposes:</p> <ul style="list-style-type: none"> • a significant change to services levels [section 97 (1)(a)]; or • to transfer ownership of a strategic asset [section 97(1)(b)]; or • a significant change to the revenue and financing policy [section 103(4)]. 	We have confirmed there have been no LTP amendments required during the current financial year.
Project management	
Taking a project-managed approach is an important part of effectively controlling capital works, changes to key IT systems and the process of change more generally – whether that is change to service delivery, or change to the way the entity works.	We are satisfied that the project management arrangements in place are appropriate for the Council's situation.
Funding arrangements and procurement	
<p>The Auditor-General continues to have an interest in the appropriate management of funding arrangements and procurement throughout the public sector.</p> <p>The OAG has published two reports which are available on the OAG website:</p> <ul style="list-style-type: none"> • Public sector purchases, grants, and gifts: Managing funding arrangements with external parties. • Procurement guidance for public entities. <p>More recently the Ministry of Business, Innovation and Employment issued the Government Rules of Sourcing including principles of government procurement, which came into force in October 2013. Agencies in the Public Sector are encouraged to apply the Rules as good practice. The OAG recommends that Council's policies and procedures for funding arrangements and procurement be compared to the guidance provided in these reports.</p>	<p>We concluded that, given the small number of contracts each year, the manual recording of tenders and contracts awarded is deemed sufficient.</p> <p>The Council would benefit from an updated formal policy for procurement, especially for management of conflicts of interest, gifts, hospitality, and handling of sensitive information. We raised a recommendation in prior years. It is included in Attachment 2.</p>
Contract management	
Contract management is an important component of procurement. Contract management includes the effective management and monitoring of the delivery of goods or services to the agreed levels. It is essential to ensuring that the Council obtains value for money from the contracts its procurement	We reviewed Council's contract management and continue to recommend the development of contract management policies and procedures. The recommendation is included in Attachment 2.

Areas of interest	Our audit response
<p>processes have put in place.</p> <p>Contract renewals provide opportunities for the Council to refresh contract expectations and deliverables to align to its LTP. This can also provide opportunities for efficiencies or other savings.</p>	
Rates	
<p>Rates are Council's primary funding source. Compliance with the Local Government (Rating) Act 2002 (LGRA) in rates setting and collection is critical to ensure that rates are validly set and not at risk of challenge. The Council should ensure they have appropriate processes in place, including seeking legal advice where appropriate, to ensure compliance of their rates and rating processes with legislation.</p>	<p>We are satisfied with the rates setting process and its compliance with the LGRA.</p> <p>We stress that we have performed the rates review for the purpose of expressing our audit opinion. It has not been a comprehensive legal review.</p>
Financial reporting disclosures	
<p>Schedule 10 of the Local Government Act and the Local Government (Financial Reporting and Prudence) Regulations 2014 detail disclosures to be included in the Annual Report.</p>	<p>We were satisfied that all the required disclosures were included in the annual report.</p>

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6.3 HEALTH AND SAFETY REPORT

File Reference: STA 1/2

Authoriser: Wayne Barnett, Chief Executive Officer

Attachments: Nil

STAFF RECOMMENDATIONS

That the information be noted.

BACKGROUND

All workplaces including the Council are required to comply with the Health and Safety at Work Act 2015. The Act sets out key duties for Council and those in positions of leadership.

A duty imposed on a person, e.g. a PCBU (person conducting a business or undertaking, i.e. the Council) requires the person—

- (a) to eliminate risks to health and safety, so far as is reasonably practicable; and
- (b) if it is not reasonably practicable to eliminate risks to health and safety, to minimise those risks so far as is reasonably practicable.

A duty holder's obligations to manage risk are limited to doing what is in their ability to control and manage, along with what is reasonably practicable for them to do to manage the risk.

An officer of a PCBU must exercise *due diligence* to ensure that the PCBU complies with its duties.

Officer duties apply to those in senior governance roles and those with the ability to exercise significant influence over the management of the business or undertaking, for example a Chief Executive Officer. This includes elected members and the CEO, and may include senior members of the management team.

Due diligence includes taking reasonable steps to—

- (a) keep up to date with work health and safety matters
- (b) understand the nature of the business and its hazards and risks
- (c) ensure that the PCBU has available appropriate resources and processes to eliminate or minimise risks to health and safety
- (d) ensure that there are appropriate reporting and investigation processes in place
- (e) put in place monitoring regimes to ensure that the above matters are effective
- (f) verify the provision and use of the resources and processes referred to in paragraphs (c) to (e).

Councillors are exempted from liability for failure to comply with these duties, but the CEO and other officers are not.

Current Council Systems and Processes

The Council has the following systems and procedures in place:

- Health and Safety Policy Statement
- Health and Safety Manual

- Policy and agreement for engaging contractors
- Hazard Identification register
- Health and safety induction for new staff

The policy and manual are due for review. A review of our health and safety procedures for all contractors should also be undertaken. A new safety management software package called 'Safehold' is being considered, which will assist the Council in identifying and managing hazard risk. It will provide a single comprehensive system for managing the Council's compliance, including workplace reporting, risk management, contractor management and training requirements.

The Council also has a voluntary Health and Safety Committee, currently made up of four staff and the Projects and Administration Manager. This acts as a point of contact for staff, is able to provide feedback to management on any issues, and carries out some monitoring and audit duties in relation to the Council office buildings. This Committee has met three times since June 2016.

Staff Incident Reporting

There were four work-related incidents reported by staff in the period from January 2016 to November 2016. Of these, one was a strain injury relating to heavy lifting from a pre-existing condition, two were discomfort/occupational overuse reports, and one was a work-related stress report.

Investigation of the strain injury incident has been completed and recommendations implemented. The remaining three are still being investigated by relevant managers. Two of these have had interim recommendations implemented to address immediate needs.

There were no serious harm incidents in the period.

In October 2016 there was an incident of a non-specific threat to the Council in Fairlie where notification was received from the police about a member of the public. Managers responded by notifying staff and managing public access to the building until further information was received regarding resolution of the situation by the authorities. Council managers are now reviewing the current systems to enable better control of public access to the building in the event that this is necessary. The need for appropriate controls is also being factored in to the redesign of the Fairlie office building.

Staff Training

Health and safety induction was carried out for four new staff and two temporary agency staff in the period from January 2016.

Staff training on effective communication and dealing with members of the public safely, including difficult or potentially aggressive situations, is arranged for the 24th and 25th of November. This is a one-day course and will involve most Council staff who deal with members of the public in their day to day jobs. We have provided this over two days so that staff cover is maintained in key areas, allowing most staff to attend.

Contractor Reporting

Council's contractors in the roading and 3 waters areas and in Community Services report monthly to Council managers on health and safety matters, including reporting of incidents. Council contractors for regulatory areas (health and Food Act functions, dog control, consultants doing field work) report on an as-needs basis.

Management will undertake to provide regular reports to the Audit and Risk Committee on contractor health and safety matters.

CONCLUSION

The Council has a number of systems and procedures in place addressing health and safety requirements. The challenge is now to have verifiable systems and practices in place, in order to demonstrate compliance. Additional resourcing will be sought in this area to provide for regular reviews, reporting, and monitoring, and to ensure the 'safehold' software system is implemented and fully utilised to support Council's health and safety obligations.

WAYNE BARNETT

CHIEF EXECUTIVE OFFICER

6.4 UPDATE ON RISK MANAGEMENT FRAMEWORK

File Reference: PAD

Authoriser: Toni Morrison, Projects & Administration Manager

Attachments: Nil

STAFF RECOMMENDATIONS

That the information be noted.

BACKGROUND

The Audit and Risk Committee is tasked with oversight of the Council's systems, processes and practices for risk management, including whether management has in place a current and comprehensive risk management framework and associated procedures for effective identification and management of Council's significant risks. This report provides the Committee with an outline of the development of a risk management framework. Further updates and more detailed workshops will be undertaken with the Committee and Council during the process.

Risk Management

The achievement of Council's strategies and objectives can be impeded by risks and uncertainty that arise from its operating environment. Effective management of risks can provide for the improvement of community outcomes, and help the Council to make better decisions about direction, resources and performance of its services and systems.

The Council does not currently have a formal risk management process or structure in place. Staff are presently developing a risk management framework for the Council, which will have the following components:

- Risk management policy statement
- Risk Appetite Statement
- Roles and responsibilities
- Procedure for assessing risks
- Corporate Risk Register
- Risk Reporting to Council/ Audit & Risk committee

Role of the Audit and Risk Committee

At this stage the proposal is for the Audit and Risk Committee to have the following responsibilities:

- Ensure the Council has appropriate risk management and internal controls systems in place.
- Approve and review the risk management framework annually.
- Review the corporate risk register.
- Review risk treatment plans and options for high and medium risks.

- Set the overall risk appetite, including approving and reviewing the Risk Appetite Statement annually.

Work to date

As noted above, staff have developed an initial draft framework but this requires further work.

The next step is for it to be finalised and undergo a technical review. It would then be workshopped with managers and brought to the Committee. Staff will also develop a draft corporate risk register, and work with the Committee on a Risk Appetite Statement.

Developing and implementing a risk management framework, and embedding it across all areas of Council activity, is an important programme of work. Current workloads generated by development and activity in the District are putting pressure on staff and management, and to accommodate additional tasks is challenging. This will be managed by a mix of regular monitoring of progress, and engaging additional resource to ensure development, implementation, review and reporting are all able to be undertaken appropriately.

CONCLUSION

The purpose of this report is to provide an update to the Committee on the development of a risk management framework for the Council.

WAYNE BARNETT

CHIEF EXECUTIVE OFFICER

7 ADJOURNMENTS