



**The Meeting of the
Audit and Risk Committee will be
held on Tuesday 6 April 2021
in the Council Chamber
commencing at 1.00pm**

AGENDA

AUDIT AND RISK COMMITTEE

His Worship the Mayor - Malcolm Campbell

Councillor C J Ion

Councillor A Rangihika

Councillor F K N Tunui

Councillor D Sparks

Philip Jones – Consultant - P J Associates (Chair)

Meeting: Audit and Risk Committee

Meeting Date: 06 April 2021

Subject: Occupational Health and Safety Management System Status

File No: 509500

1 Executive Summary

The data captured is for the period 1 January 2021 to 28 February 2021.

Kawerau District Council's Top 5 Hazards identified by workers					
Hazard	Raw Risk Score	Residual Risk Score	Status	Comment	
Public/People/Customers	15 High	10 Moderate	Underway	Target is: 20 Control Measures Completed	
				Control Measures	
				Completed	19
				Underway	1
Stress	15 High	10 Moderate	Completed	Target is: 25 Control Measures Completed	
				Control Measures	
				Completed	25
				Underway	0
Slips, Trips and Falls	15 High	10 Moderate	Completed	Target is: 24 Control Measures Completed	
				Control Measures	
				Completed	24
				Underway	0
Lone Working	15 High	10 Moderate	Underway	Target is: 22 Control Measures Completed	
				Control Measures	
				Completed	21
				Underway	1
Manual Handling	15 High	12 Moderate	Completed	Target is: 27 Control Measures Completed	
				Control Measures	
				Completed	27
				Underway	0
				Not Started	0

Above is the top five hazards table based on the results of the staff survey in October 2020.

New Zealand (except Auckland) moved from COVID - 19 alert Level 1 to alert Level 2 at midnight 14 February returning back to alert Level 1 at midnight 17 February.

Alert Level 2 protocols were put back in place by staff for this period of time.

The COVID – 19 pandemic response is currently at Alert Level 1.

Contact tracing Quick Reader (QR) codes are displayed at all Council sites.

Hazard management and reviews are ongoing.

The Retirement Policy is with the Leadership team for review.

Contractor audits were undertaken at Water Services worksites in January and February with no serious issues identified.

Training relevant to the organisation's needs continues.

A health and safety training video resource accessible to staff has been included as part of ongoing learning and refreshing skills.

The organisation continues to work to the Drug and Alcohol policy.

Staff Health Monitoring and Wellness checks are complete for 2020 with planning for 2021 due to commence.

A notifiable event was reported to WorkSafe New Zealand in January for an unplanned release of gas during emergency waterline repairs at Bell Street.

WorkSafe New Zealand stated they would not be pursuing further enquiries.

Workstation Assessments and Ergonomics training is ongoing.

Health and Safety Inductions – re-inductions and site-specific safety inductions continue as required.

The Building Control Officer (BCO) and Health and Safety Officer (HSO) have started the annual asbestos survey of Council sites.

An additional mental health counselling service for staff is currently under consideration to run alongside the existing provider.

The Economic and Community Development Manager (ECDM) is acting chairperson for the HSC in the absence of the Manager Planning, Compliance and Capability (MPCC).

Slip, Trip, fall, and Manual Handling Hazards are being reviewed by the HSC.

The Health and Safety Committee (HSC) have reviewed the Health and Safety Policy, which is now with the leadership team to review.

2 Background

This report provides a general overview of the current status of the Occupational Health & Safety Management System (OHSMS).

Source data is identified and accessed from VAULT.

3 Lead and Lag Indicators

Lead Indicators identify activities aimed at preventing accidents and maintaining health and safety like induction, training, hazard management, monitoring and prompt event investigation.

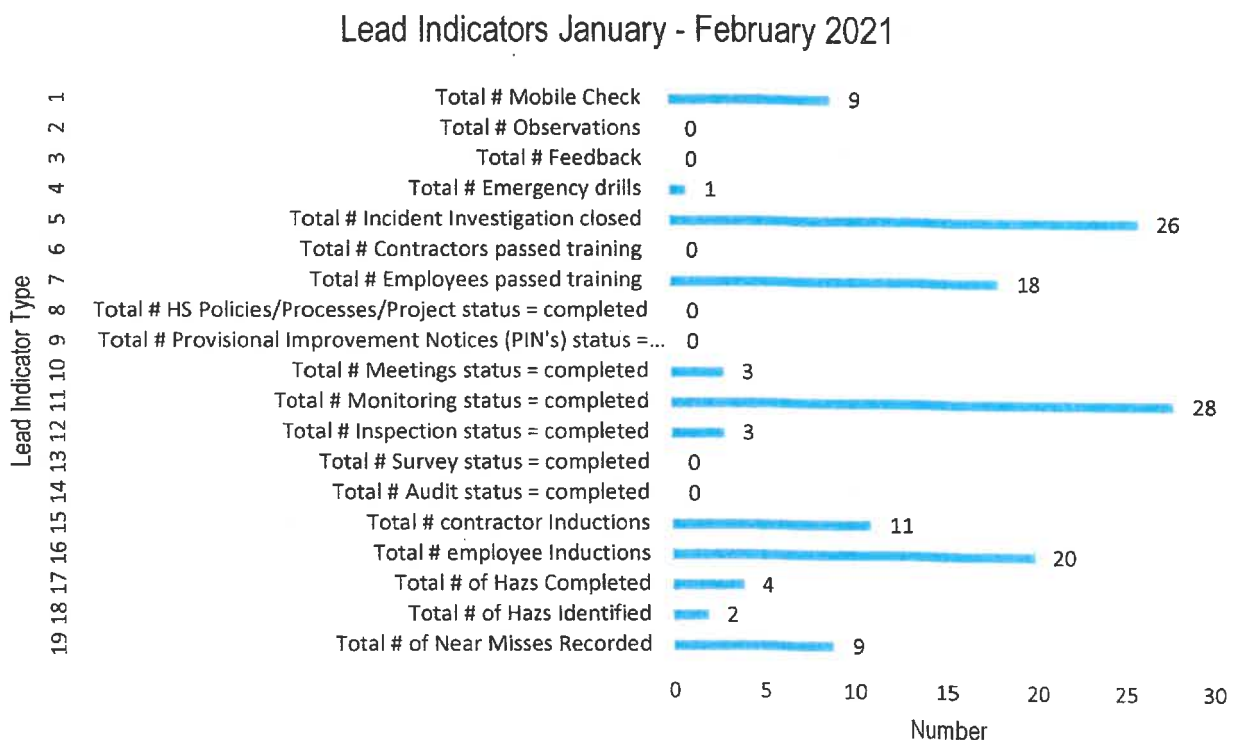
Near Miss events are considered as leading indicators because workers demonstrate awareness and understanding that a near miss represents the potential for harm, loss or damage should there be a repetition of the same or similar event.

Near Miss events when reviewed will identify learning and continuous improvement opportunities potentially adding to the preventative approach in Health and Safety management.

Lag Indicators identify data that has resulted from a work related injury or illness.

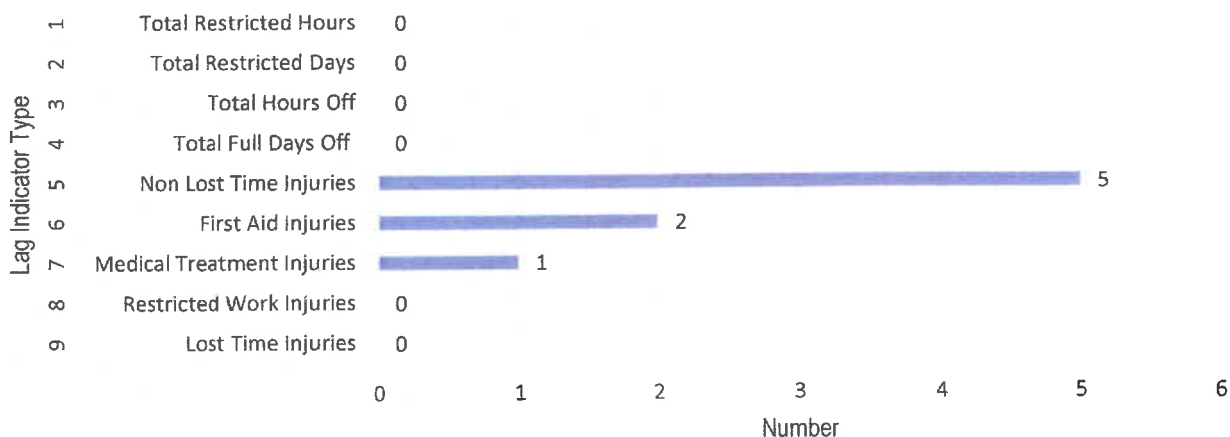
Areas measured are first aid events, medical events and lost working time.

The bar graphs below identify lead and lag indicators for January 2021 to February 2021.



Key for Lead Indicators	
1	Audit/Check Template Mobile Application e.g. Tablet Device used for – Contractor Audit, Site Audits or Workstation Assessment
2	Positive Observation Records e.g. Comments by staff - <i>Workers observed wearing appropriate PPE or Traffic Management site well managed...</i>
3	Positive comments to H & S team e.g. New mower much quieter than older model or new agrichemical much safer to use than the previous one...
4	Number of Emergency Drills – includes false alarms and evacuations.
5	Event Investigations – Designated Investigators have completed and closed the investigation into an event e.g. accident, near miss, incident, illness and pain or discomfort etc.
6	Contractors that have undergone training arranged by KDC.
7	Number of workers completing Health and Safety Related Training
8	Polices, Processes newly implemented or that have been reviewed
9	A record of PIN's (Provisional Improvement Notices) – where a specific health and safety improvement is legally required within a reasonable timeframe.
10	Health and Safety Meetings e.g. Committee meetings, toolbox, hazard reviews
11	Monitoring e.g. Panic Duress alarm test, Smartrak testing, Individuals or teams monitoring an issue – also records of Officer Due Diligence duties
12	Site Inspections – formal or informal e.g. Management by Walking About
13	Staff Health and Safety Surveys e.g. Safe Plus+ or Ask your Team
14	Audit e.g. Audit by internal or external auditors
15	Contractors inducted e.g. General and/or Site Specific Safety Inductions
16	Workers inducted e.g. General - and Site Specific Safety Inductions
17	Total number of Hazards/Risks completed all types e.g. site, task, plant, biological, environmental, psycho - social, ergonomic, substance, asbestos and physical
18	Total number of new Hazards/Risks identified all types (not previously listed)
19	Near Misses Recorded - To Identify potential weaknesses in the safety management system enabling learning opportunities to implement improvements to eliminate or further minimise harm, damage or loss in the future regarding the same or similar events.

Lag Indicators January - February 2021



Key for Lag Indicators	
1	Restricted hours worked as part of a return to work rehabilitation plan
2	Restricted days worked as part of a return to work rehabilitation plan
3	Number of hours lost resulting from a workplace injury event
4	Number of full days lost resulting from a workplace injury event
5	Injury events resulting in no work time lost
6	Injury events resulting in a First Aid Response
7	Injury events resulting in medical treatment e.g. doctor or practice nurse
8	Injury events resulting in a worker doing restricted or alternative work (Rehabilitation)
9	Number of days lost resulting from a workplace injury event

4 Employer Commitment to Safety Management Practices

Commitment to health and safety management in the workplace is recorded in VAULT.

Policies are written and reviewed by the Health and Safety Committee (HSC), Health and Safety Representatives (HSR's) and their workgroups.

The leadership team complete a final review and approval.

Policies are reviewed at least triennially, unless an opportunity for improvement is identified earlier.

Organisational Policies/Documents

The table below identifies status of Policy/Document reviews.

Organisational Policy/Document	Status
Health and Safety Policy	Review 12/12/2020 HSC Annual. Approved by HSC now with Leadership Team for review.
Rehabilitation Policy	Review 01/03/2022 HSC
Drug and Alcohol Policy	Review 01/08/2022 HSC
Cash Handling Policy	Review MFCS and Accountant (Underway)
CCTV Policy	Review MFCS (Underway)
Worker Engagement, Participation and Representation Agreement	Review 30/11/2022 HSC
Safe Driving Policy	Review 29/10/2021 HSC
Staff Induction Safety Policies and Manual	Review 09/09/2022 HSC
Trespass Policy & Processes	Review 29/10/2022 HSC
Visitor Management Policy	Review 01/02/2022 HSC
Working Alone Policy	Review 05/06/2022 HSC
Bomb threat, Lock down & Suspicious mail policy	Review 18/06/2021 HSC
VDU Management Policy	Review 03/09/2021 HSC
HSR Position Description	Review 01/04/2022 HSC
Workplace Stress & Fatigue Policy	Review 30/08/2022 HSC
Retirement Planning Policy	Review - Leadership Team completed HRA to review 2021

5 Planning, Review and Evaluation

VAULT provides source data for review and evaluation of the Occupational Health and Safety Management System (OHSMS).

VAULT Health and Safety Management reports are scheduled electronically to managers.

Contractor Monitoring Key Performance Indicator (KPI)

The table below identifies the status of contractor audits.

Key Performance Indicator (KPI) Contractor Health and Safety Monthly Monitoring				
Month	Monthly Site Inspections Required	Monthly Site Inspections Completed	Monthly KPI Achieved	Comment
January	0	1	Exceeded	<i>Contractor activity low over Christmas period BUT Riser Main Replacement project underway providing an Audit opportunity.</i>
February	1	1	Yes	<i>Water Line Replacement project.</i>
March	1	-	-	-
April	1	-	-	-
May	1	-	-	-
June	1	-	-	-
July	1	-	-	-
August	1	-	-	-
September	1	-	-	-
October	1	-	-	-
November	1	-	-	-
December	0	-	-	<i>Contractor activity low over Christmas period</i>
Totals	10	2	Yes	-
KPI: 1 Monthly Site Inspection			Assigned to: HSO	
Review: as a minimum - Annually Next Review Date 31/07/21			Review team: Chief Executive Officer (CEO), Manager Planning, Compliance & Capability (MPCC) & HSO.	
Review Objectives: Identify opportunities for improvement ensuring KPI remains Specific, Measurable, Achievable, Realistic and Time bound.			Method of Review: Team Meeting to review objectives identify and implement opportunities for improvement.	

6 Hazard Identification, Assessment and Management

Some of the work associated with managing the top 5 hazards is identified below:

1. Public/People
2. Stress
3. Slips, Trips and Falls
4. Lone Working
5. Manual Handling

1 Public/People

Closed Circuit Television (CCTV) cameras are in operation at the organisation's customer facing areas and in other areas to maintain surveillance as part of staff health and safety control measures and for monitoring of Council assets.

The Information Technology Manager (ITM) is responsible for maintaining the system's operation by way of a daily system check and a preventative maintenance programme.

The cameras are inspected and cleaned quarterly by contractors.

Staff core training and support is ongoing.

A review of the Staff Cash handling policy is underway by the Accountant and Manager, Finance and Corporate Services (MFCS).

The organisation is working to COVID – 19 alert level 1 Government guidelines.

Customer facing staff at service counters have retained their Perspex screens (a COVID – 19 safety control) to maintain hygiene for customers and staff.

Ministry of Health Contact Tracing App codes are displayed at all Council owned sites and facilities.

2 Stress

KDC maintains a policy for the management of Workplace Stress and Fatigue.

Core training and refresher training for staff about Bullying and Harassment is ongoing.

Core training for Mental Health Awareness is ongoing.

The Employee Assistance Programme (EAP) provided by EAP Services remains as a confidential and readily available 24/7 resource to staff.

KDC is reviewing the opportunity to engage an alternative counselling service provider to run alongside the existing provider to expand support options to staff.

3 Slips, Trips and Falls

The risk of death, harm from slipping tripping or falling is recorded on the hazard register.

Some general examples of how the organisation mitigates this risk are:

- Information, awareness, training and supervision
- Site safety rules and good housekeeping
- Physical measures e.g. highlighting changes in level or surface texture
- Monitoring and maintenance of floors and floor coverings
- Monitoring natural hazards e.g. ice, moss and algae
- Appropriate lighting
- All Slip/Trip accidents are reported as soon as possible
- A Slip or trip that has not resulted in harm, loss or damage is reported as soon as possible as a Near Miss
- A "see it – sort it" approach to spills or tripping hazards – staff are encouraged to take ownership of the situation – make it safe in the short term then report to their supervisor
- Appropriate Personal Protective Equipment (PPE) provided e.g. appropriate footwear.

This risk assessment is currently with the HSC for review.

4 Lone Working

KDC maintains a policy and process for Lone Working Management.

Where practicable – managers aim to eliminate lone working by staff not working alone, especially in remote or isolated areas.

Managers and workgroups continually review situations where Lone Working may be needed and plan their work according to KDC Policy.

The policy includes a template for a supervisor to document and agree a work plan with the worker that minimises risks where lone working cannot be avoided.

Mower operators working alone have hearing protection fitted with Bluetooth technology so communications are effectively maintained via their cell phones.

Additional resources on top of provision of communication include an electronic tracking and duress system.

5 Manual Handling

This is defined as any activity requiring a person to interact with their environment and use any part of their muscles or skeletal system to:

Lift, lower, push, pull, carry, throw, move, restrain or hold any animate, or inanimate, object.

Acute or chronic injuries can result from poor manual handling techniques - including mental health effects – especially in long-term injury or rehabilitation situations.

The organisation manages this hazard by raising awareness of the hazard by providing information, instruction, training, safe work practices, PPE and supervision.

In house training refers to LITE principles – Load, Individual, Task and Environment.

Early pain, discomfort and injury reporting is required.

The risk assessment for manual handling is under review with the HSC.

Top 5 Hazards as per risk assessment and staff perception

The staff evaluation method is based on personal perception, knowledge and experience, which is valued by the organisation.

The organisation engages with the workforce to understand their perceptions of danger.

Learning from this has resulted in commitment to invest in resources like site improvements, technology, equipment, training, policies and processes.

Learning and opportunities to improve are ongoing.

Health Monitoring

The table below identifies health assessments, monitoring and vaccinations for workers.

Monitoring/Vaccination	Status
Audiometry (Hearing monitoring)	Completed 2020
Immunisations/vaccinations (Tetanus, Hep A, B & Diphtheria)	Ongoing/Underway
Work station assessments	Ongoing/Underway
Spirometry (Lung Function Monitoring)	Completed 2020
Full Asbestos Medical (Workers doing Asbestos Related/Removal Work)	Completed 2020
Pre-Employment-Medicals (PEM's)	Ongoing/Underway

Monitoring/Vaccination	Status
Face Fit Assessment & Monitoring (RPE)	Ongoing/Underway
Drug & Alcohol Pre-Employment, Random, Reasonable Cause and Post Event testing	Ongoing/Underway
Eye Health and Vision Check	Ongoing/Underway for staff spending over 50% of their working day on a Visual Display Unit (VDU)

Health & Wellbeing

The table below identifies opportunities for workers to find support and consider offers that could help maintain - or improve their health and wellbeing – including mental wellbeing.

Opportunity on Offer to Workers	Status
Employee Assistance Programme (EAP Services)	Available 24/7
Employee Counselling Provider (VITAE)	Reviewing the additional provider
COVID – 19 Immunisation	Awaiting Information.
Annual Flu vaccine	Completed for 2020
Health Assessment (Heart, BP, Cholesterol, Glucose, BMI & Waist Circumference etc.)	Completed November 2020
Skin Checks (Melanoma/Skin Cancer)	Completed. Next Due August 2021
Yoga Class	Available weekly
Zumba Dance Class	Available weekly
Domestic Violence Victims Protection Standard Operating Procedure	Available on the KDC Intranet

Drug & Alcohol Policy

The Health and Safety at Work Act 2015 interprets the word hazard.

Includes a person's behaviour where that behaviour has the potential to cause death, injury or illness to a person (whether or not that behaviour results from physical or mental fatigue, drugs, alcohol, traumatic shock or another temporary condition that affects a persons behaviour)

Drugs tested for - include any listed in the Misuse of Drugs Act 1975 and AS/NZS 4308:2008

Council's alcohol tolerance limit is zero.

Tests identified in the policy are:

- Pre-Employment
- Random (5% of staff per month)
- Reasonable Grounds
- Post Incident testing

Random testing continues on a monthly basis.

Workplace Monitoring

Methane and Hydrogen Sulphide gas levels are continually monitored at designated premises.

Information, Training and Supervision

Investment in Health and Safety training remains relevant to the organisation's needs.

The organisation has subscribed to a Safety Training Video provider.

Access is via KDC's Microsoft SharePoint collaboration platform.

Videos can be viewed on a personal computer and devices that have the SharePoint App.

They are regularly updated and cover many aspects of health and safety.

The videos last from a few minutes to around 15 minutes.

Staff have access to 120 videos.

Team facilitators ensure one video is watched then discussed at Business Improvement meetings.

7 Incident and Injury Reporting, Recording and Investigation

Events recorded include Accidents, Incidents, Near Misses and Illness.

- 2018 averaged 15 events per month
- 2019 averaged 18 events per month
- 2020 averaged 16 events per month
- 2021 averaging 17 events per month

Notifiable Events to WorkSafe NZ

(The death of a person, a notifiable injury, illness - or a notifiable incident that must be reported to WorkSafe NZ).

In compliance with s.56, Duty to notify notifiable event, Health and Safety at Work Act 2015 the HSO contacted WorkSafe New Zealand informing them of gas escape as a result of staff contacting a gas main during emergency repairs to a KDC water line.

VAULT ID: 2229 Standard Investigation.

- Category: Excavations
- Subject: Contact with Underground Services
- Date: 28 01 21
- Time: 19.11 hours
- Event Status: Underway
- Notifiable

Below is a summary of the event.

A Sub-Contractors thrusting machine hit a KDC 50mm water line 28/01/21 at 36 Bell St

It required emergency repairs by KDC 3 Waters staff.

The KDC Duty Supervisor attended site at approximately 16:45hrs followed by a KDC 3-Waters team member at 17:10 hrs.

They completed the Job Safety Analysis (JSA) form – which included identifying the risk of contacting a gas line after consulting the gas line map.

The damaged water line was located by digging with hand tools, repairs made and pressure tested approximately 17:30 hrs.

The subsequent pressure test identified a second leak further along the pipe with thick tree roots and soil blocking access.

When staff cut through tree roots a hidden gas line was damaged causing a release of gas approximately 19:00 hrs.

The team evacuated the excavation, alerted others, secured the site and called the Fire Brigade who arrived soon after and took control of the scene.

A Gas utility technician arrived at approximately 20:15hrs completing repairs at 22:45 hrs.

Water and gas services resumed and the area made safe.

The HSO contacted WorkSafe New Zealand as required by the legislation.

They acknowledged notification.

The HSO and the Engineering Manager (EM) completed an event investigation identifying causes and opportunities for improvement.

The risk assessment for the activity – Excavations was reviewed by the 3 Waters team.

A WorkSafe Inspector contacted the HSO and stated that they would not be pursuing an investigation at this time.

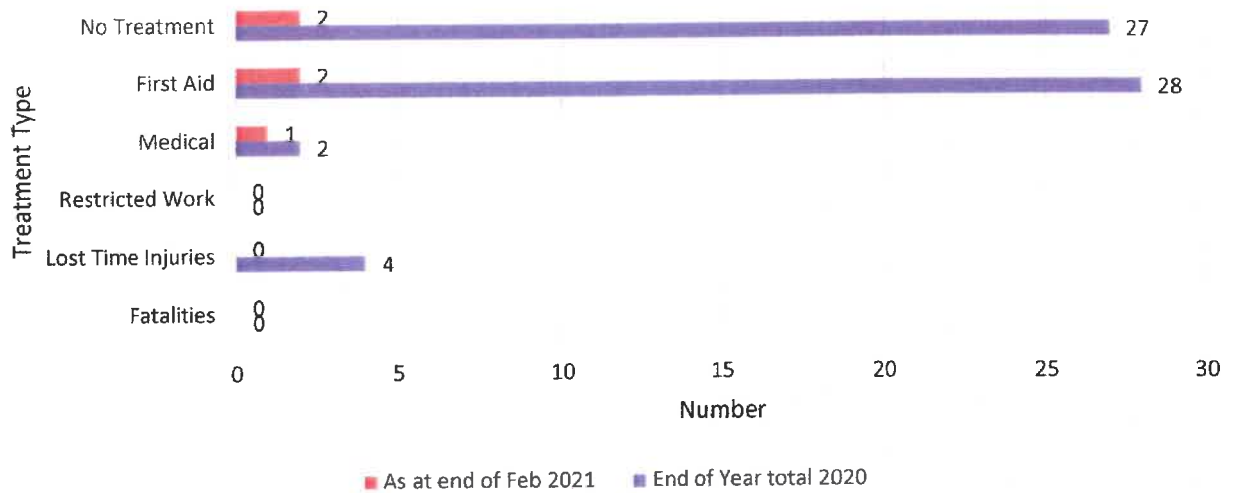
There was damage to the utilities and temporary interruption of services.

There was no other loss, damage or harm resulting from this event.

Event Statistics

- Near miss events contributed to 23% of total events for 2019
- Near miss events contributed to 30% of total events for 2020
- Near miss events contributed to 26% of total events for 2021

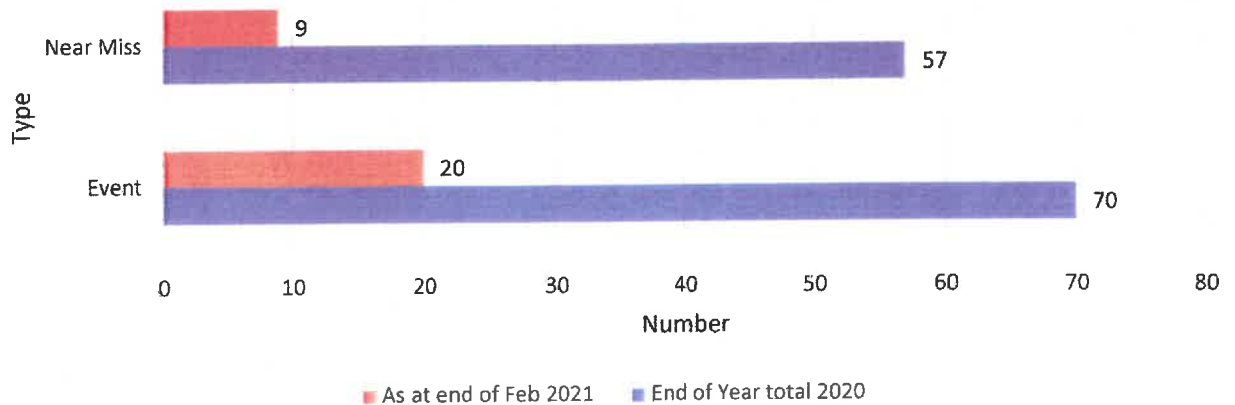
Injury/Illness Treatment Outcome



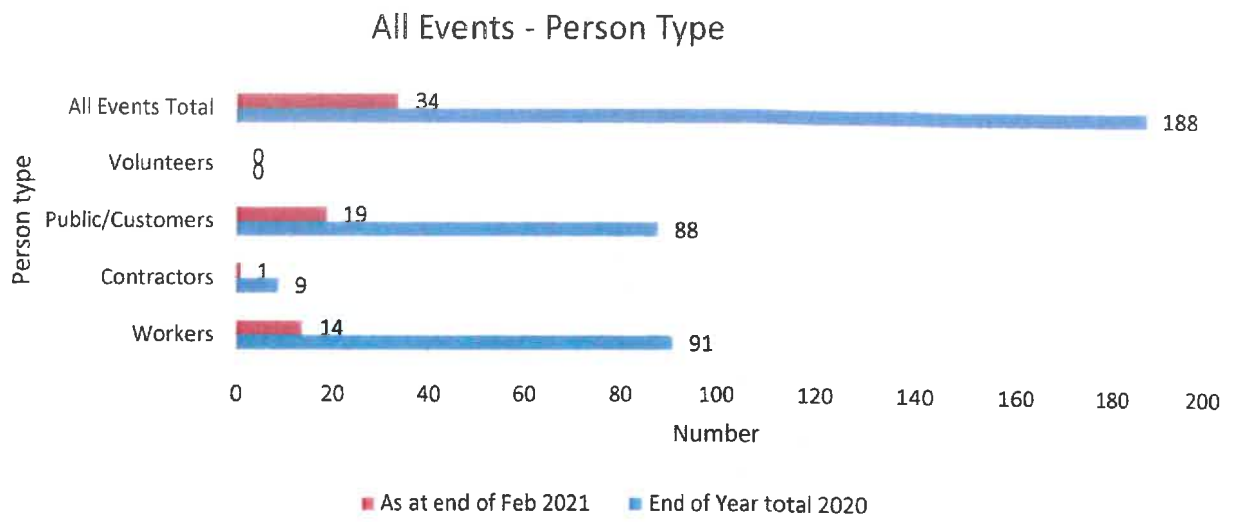
The bar chart above identifies the injury/illness treatment outcome based upon the severity/type of injury or illness for 2020 and 2021.

The 5 five injuries were non-lost working time injuries.

Event/Near Miss

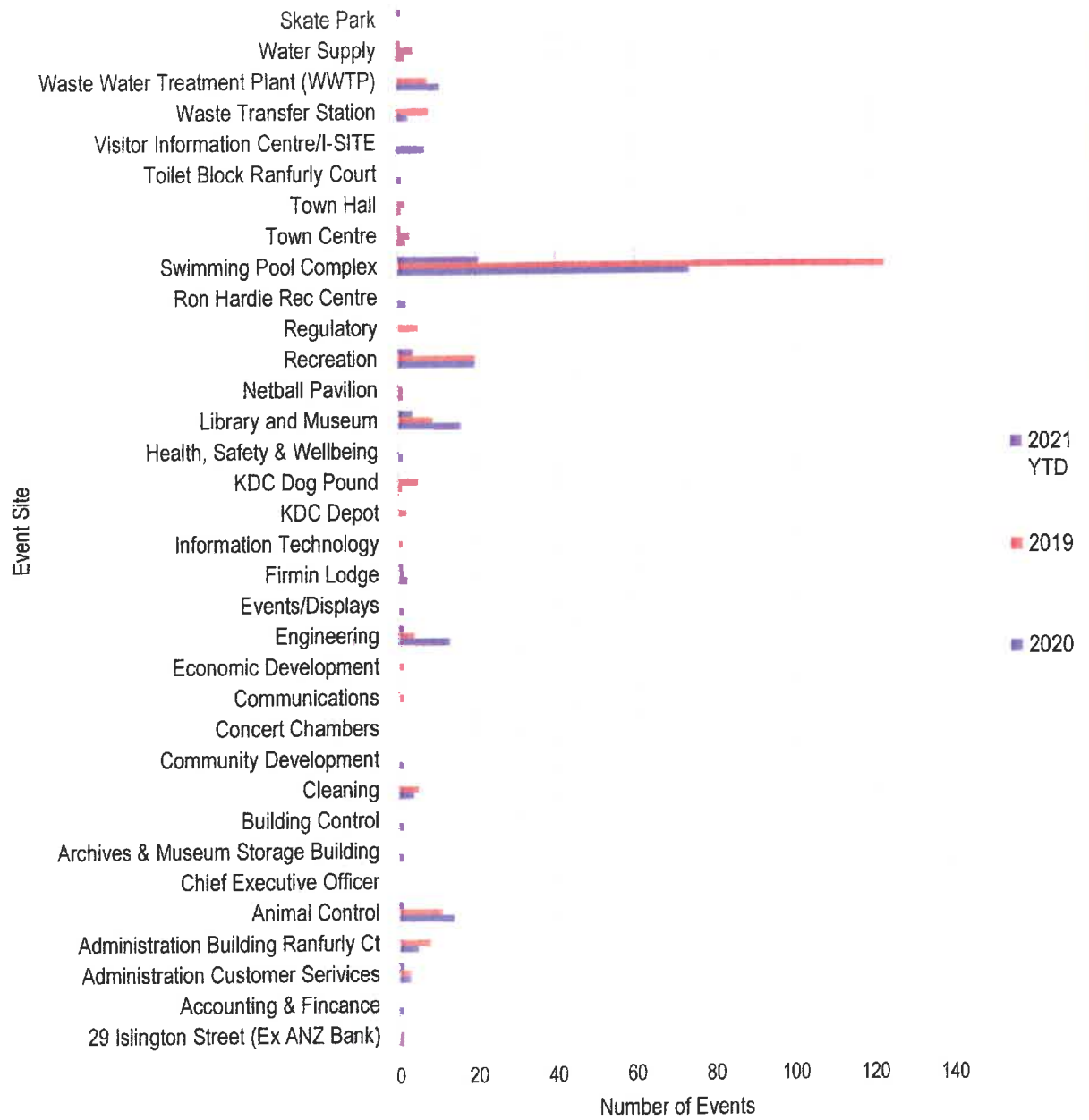


The bar chart above identifies the number of events and near misses recorded for 2020 and 2021.

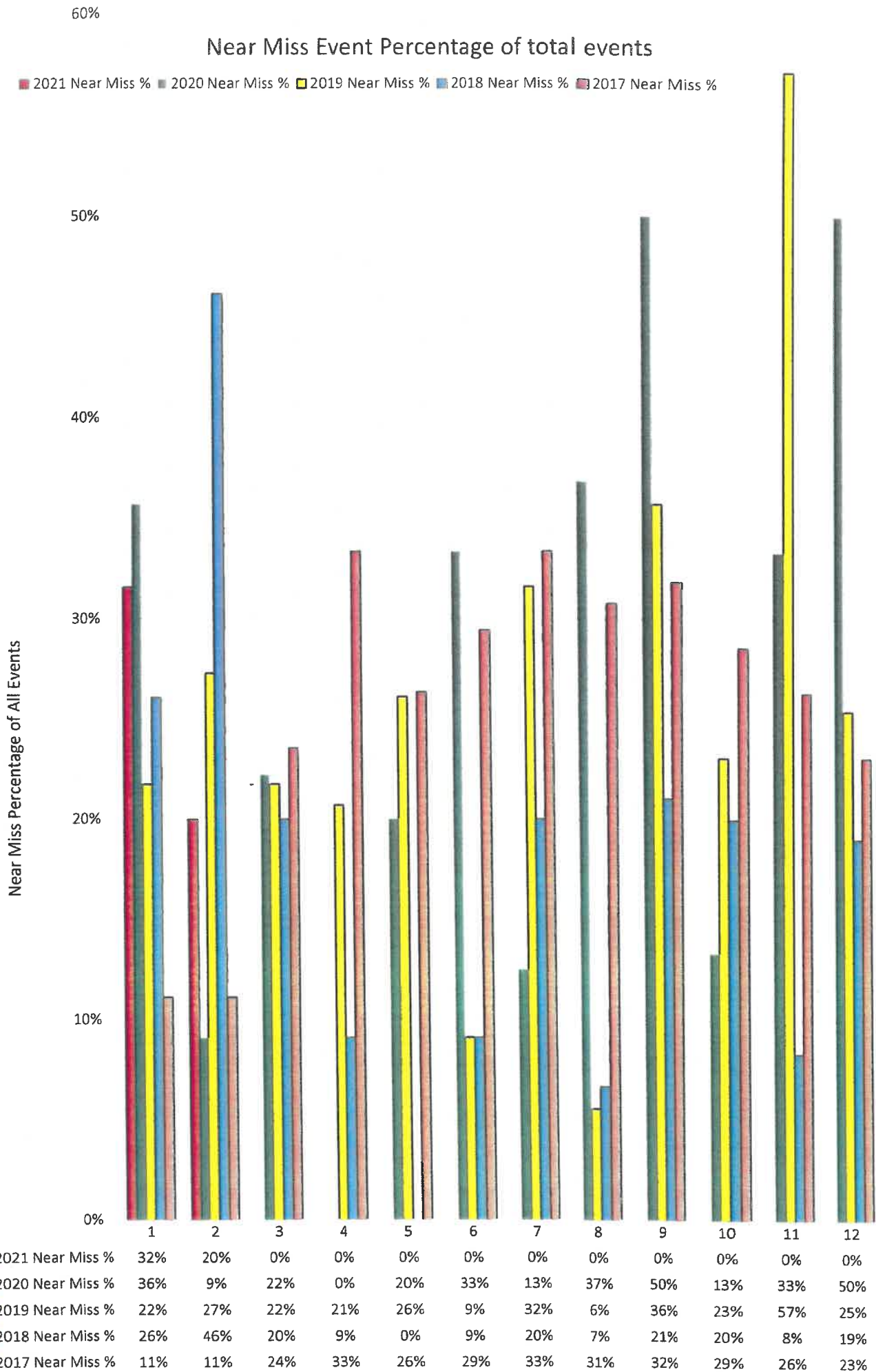


The bar chart above identifies the type of person involved in events.

Site Event Records



The bar chart above identifies the sites where an event has been reported and recorded for 2021,2020 and 2019.



The combination graph above identifies by year the percentage of events recorded as near misses.

8 Employee Participation in Health and Safety Management

The Health and Safety Committee (HSC) continues to meet monthly.

Health and Safety is an agenda point at business improvement meetings for all departments.

Toolbox meetings take place at the depot with Parks and Reserves team members.

In February the HSC completed its review of the KDC Health and Safety Policy and is currently reviewing the Hazards – Manual Handling and Slips, Trips and Falls.

The ECDM is acting Chairman during the absence of the MPCC.

9 Emergency Planning and Readiness

Certain Council premises are required to have Building Warrant of Fitness Certificates (BWoF) e.g. District Office/Library and Firmin Lodge because they are identified as having specified systems.

Specified Systems require scheduled inspection and maintenance for health and safety reasons annually.

Specified systems can include fire warning (alarm), sprinkler systems, emergency lighting, riser mains, automatic doors, mechanical ventilation and lifts etc.

Compliance checks for specified systems are done by an Independent Qualified Person (IQP) namely Cove Kinloch.

A Building not requiring a BWoF has emergency plans, emergency exits and assembly points maintained by Operations and Services.

First Aid

Workplace First Aid training continues with new trainees attending training and recertification courses maintaining workers NZQA Unit Standards.

All First Aid Kits are replenished as required, inspected and maintained on an annual schedule.

All KDC Buildings, Venues, Vehicles and Plant are equipped with an appropriate First Aid Kit based on the number of staff and the activity.

Automatic External Defibrillators (AED's) are kept at the District Office and the Swimming Pool.

There is an evacuation chair on the first floor of the district office and a wheel chair on the ground floor under the staircase.

53 KDC staff are trained and qualified in Emergency First Aid.

Duress Alarms and Emergency Lock Down

All Council counter services have duress alarms and emergency lockdown buttons.

10 Protection of Employees from On-site Work undertaken by Contractors and Sub-contractors

Contractor management involves 4 steps and each step can be recorded in VAULT by the contract manager on the contractor file.

1. Contractor SHE Health and Safety Prequalification/Approval
2. Contractor Health and Safety Induction
3. Contractor Monitoring/Audit
4. Post Contract Review

11 Prioritisation of Tasks

The table below sets out steps and the priority level of tasks.

Critical Element	Priority	Actions Required	Started	By Whom	Target for Completion	Current Status
Covid- 19 Pandemic	High	Remain ready and prepared to respond to Managing Risks to Staff/Community Health based on Govt Guidelines Maintain preparedness to react to COVID -19 Alert level changes	23/01/2020	HSO	Unknown - Ongoing	Underway
Hazard, Identification, Assessment and management	High	Create and manage a register aligned with legal requirements current knowledge and thinking. All registered hazards to achieve completed status. Monitor and review hazards.	June 2016	HSO and Work Groups and Managers	Unknown - Ongoing	Underway
Protection of employees from on-site work undertaken by contractors	High	SHE prequalification complete. Contractor induction document in place.	June 2016	HSO	June 2019	Complete

Critical Element	Priority	Actions Required	Started	By Whom	Target for Completion	Current Status
and sub-contractors (Contractor Management)		Contractor Monitoring KPI in place. Contractor Post Contract review In place.				
Employee Participation in Health and Safety Management	High	Health and Safety Representative Job Description complete.	June 2016	HSO	June 2019	Complete
Employer Commitment to Safety Management Practices	Medium	Review H&S Policies. Identify and implement a performance based management system.	June 2016	HSO	Ongoing	Underway
Emergency Planning and Readiness	Medium	Monitor and review plans.	June 2016	HSO	Ongoing	Underway
Planning, Review and evaluation	Low	Monitor and review	June 2016	HSO	Ongoing	Underway
Information, Training and Supervision	Low	Monitor and review	June 2016	HSO	Ongoing	Underway
Near Miss, Incident and Injury Reporting, Recording and Investigation	Low	Monitor and review	June 2016	HSO	Ongoing	Underway

12 Conclusion

The Occupational Health and Safety Management system is in place and continues to be developed and improved.

13 RECOMMENDATION

That the report 'Occupational Health and Safety Management System Status' be received.



Paul Snook, Prof NZISM. MIIRSM. HASANZ

Health & Safety Officer

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Meeting: Audit and Risk Committee

Meeting Date: 6 April 2021

Subject: Treasury Report to 28 February 2021

File No: 110551

1 **Purpose**

The purpose of this report is to inform members of the funds held by Council as at 28 February 2021 and provide explanations for any significant variances from the previous year.

2 **Background**

This report also went to the Regulatory and Services Committee, and shows the funds currently held and the banks where those funds are invested.

All investments were made in accordance with Council's Investment Policy.

The investment policy been amended to increase the limit to 50% (was 35%) that can be invested with a single institution, but also a limit of \$1.5 million has been introduced.

The investments undertaken in February 2021 were done prior to the change (introducing a \$ limit).

The reason for the change is that with less funds it is more difficult to spread investments.

3 **Funds Held**

The following funds were held at 28 February 2021:

	February - 2021	February - 2020
Special Funds		
Depreciation Funds	\$6,889,501	\$6,367,436
Development Feasibility	\$11,000	\$11,000
Total Special Funds	\$6,900,501	\$6,378,436
General Funds	\$251,807	\$34,664
Total – comprising cash & internal loans	\$7,152,309	\$6,413,100

General Funds:

At the end of February 2021 the balance in the general funds is \$217.1k more than it was for the same period last year. This increase in general funds has resulted from

additional revenue for the 3 waters, timing of other revenue (events) and the delay of expenditure for major maintenance.

It is projected that general funds will be in deficit for the remainder of the 2020/21 year, apart from some timing differences.

Depreciation Funds:

The balance in the depreciation reserves is approximately \$522.1k more than it was a year ago. The main reason for the increase in these funds is due to funds received from the sale of units (6) and sections (7). There will additional expenditure to come with the construction of 6 more units and there will also additional sales to offset these costs.

There is approximately \$5.5 million of capital work still to be carried out, and most of this will be done in the last quarter of the year.

The last graph in this report shows the cash-flow to date as well as the anticipated cash-flow to the end of June 2021 (prior to borrowing any funds).

Funds held @ 28 February 2021 as follows:

Invested in	\$	Interest (Average) %	% External
ANZ – on call	\$895	.05%	0.02%
BNZ – current & on-call	\$2,996,463	.05%	56.14%
Rabobank (on-call)	\$2,340,027	0.35%	43.84%
Total Funds (Cash)*	\$5,337,385		100.00%
Internal Loans	\$1,814,924		
Total Investments	\$7,152,309		

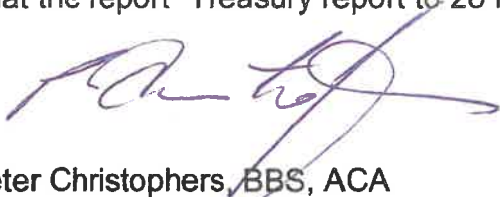
*These figures include the accrued interest to 28 February 2021

The funds were invested as follows:

Bank	Invested	Days	Interest	Amount (\$)
ANZ - Call			0.05%	895
BNZ - Call			0.05%	2,851,673
Rabobank - Call			0.35%	2,340,027
BNZ - current				144,790
Total				5,337,385
Interest rates (includes on-call)	Average interest rate		0.15%	
	Weighted average interest rate		0.19%	

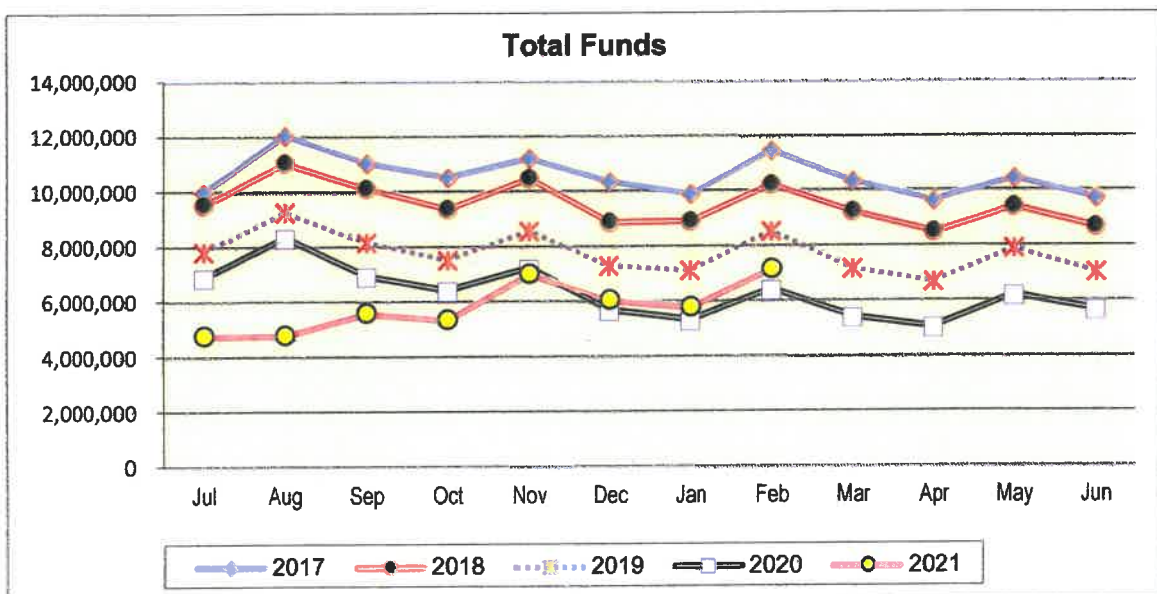
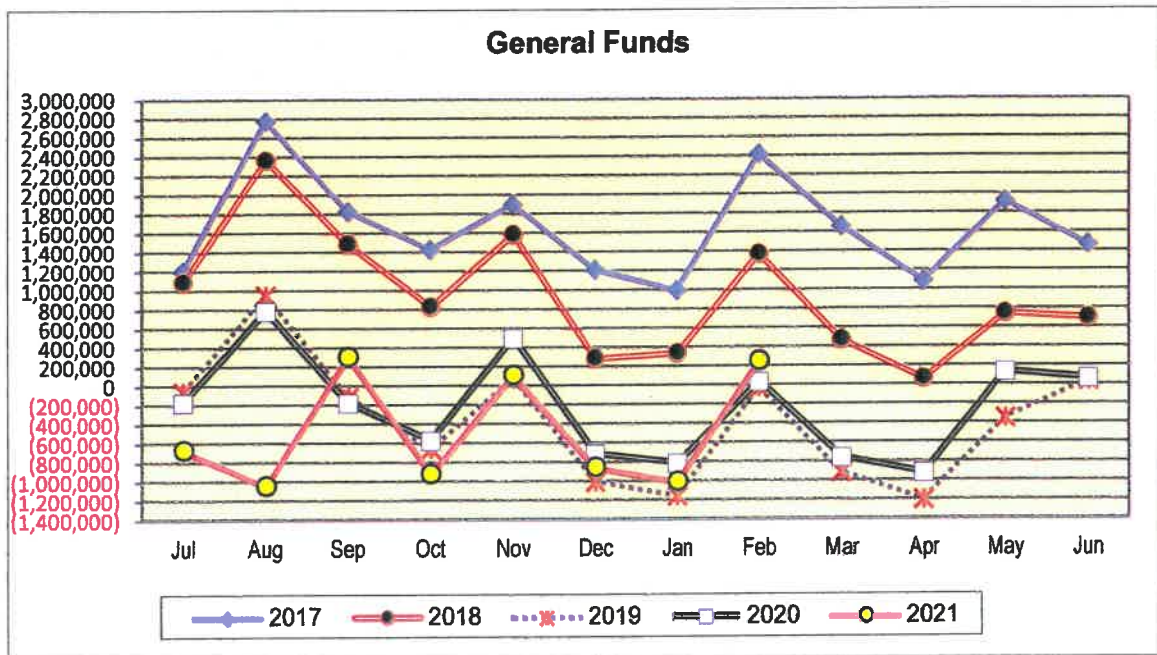
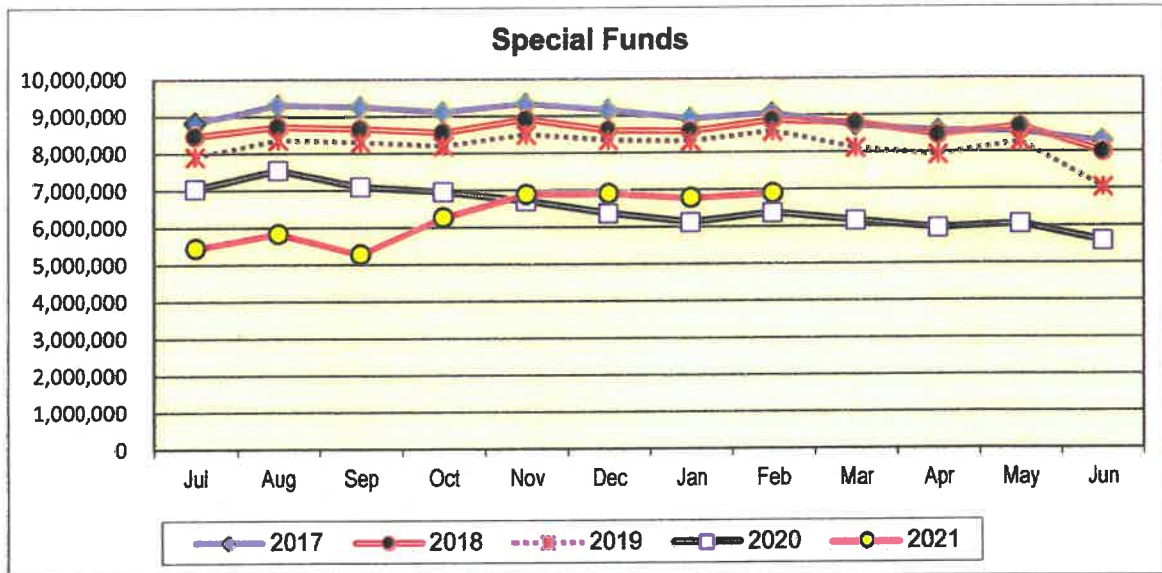
4 **RECOMMENDATION**

That the report "Treasury report to 28 February 2021" be received.

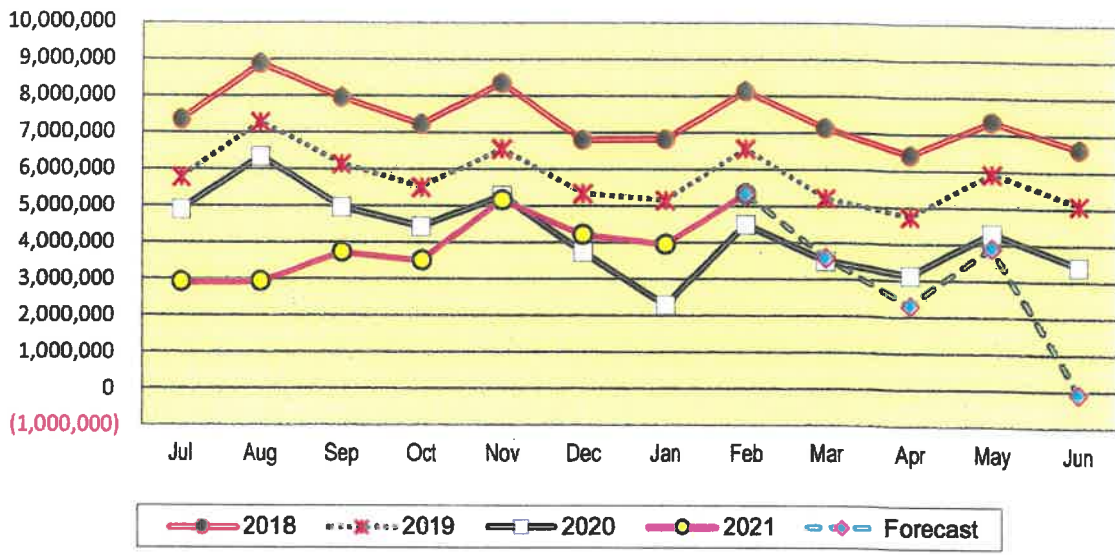
A handwritten signature in blue ink, appearing to read 'Peter Christophers', is written over the printed name and title below.

Peter Christophers, BBS, ACA
Manager, Finance & Corporate Services
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Funds Monitoring Graphs
February 2021



Cash Flow and Forecast



Meeting: Audit and Risk Committee

Meeting Date: 6 April 2021

Subject: Annual Plan performance for the six months ended 31 December 2020

File No.: 110400

1 Purpose

The purpose of this report is to review and compare Council's financial and non-financial performance to 31 December 2020 with what is in the Annual Plan for 2020/21.

The report provides a summary of the financial performance, capital renewals and performance targets to date. The annual report will include further amendments to these figures with the inclusion of accrued costs and revenues.

Comments are provided where expenditure/revenue is likely to vary from the budget and the performance targets may not be achieved for the year.

This is a summary of the report that went to the Council meeting – 23 February 2021.

2 Financial Performance

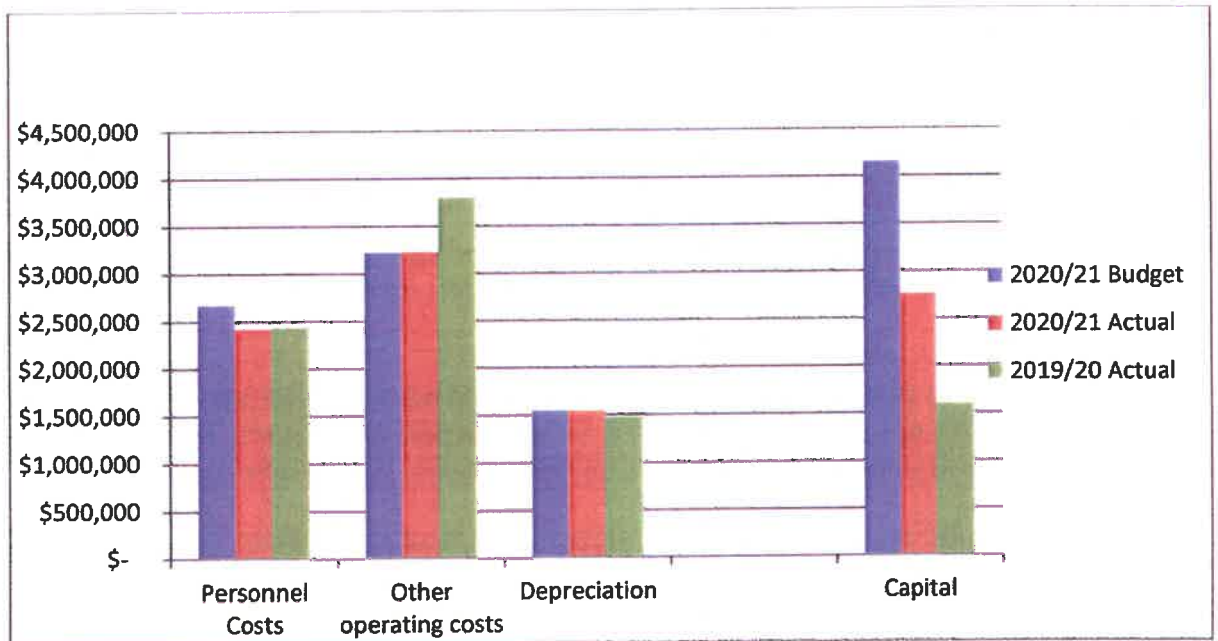
2.1 Statement of Comprehensive Revenue and Expense

The following table shows Council's financial performance, the annual budget and the amended annual budget. The amended budgets include the carried forward figures as well as any additional expenditure approved by Council. There is an operating surplus for the year to date, and explanations are provided where there are significant variances from the budget.

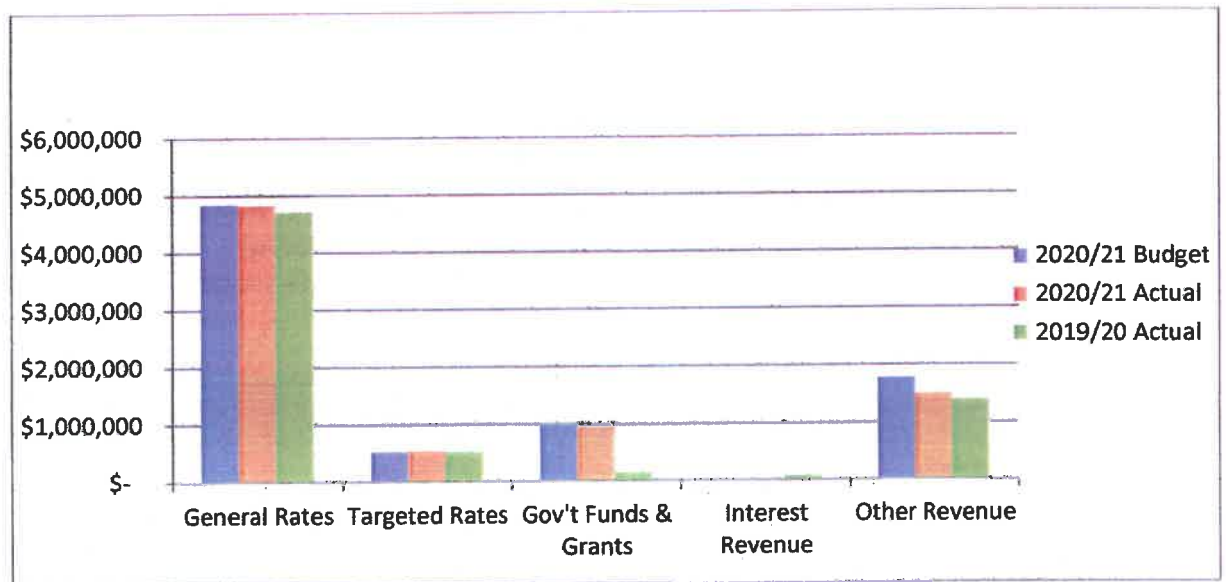
	Adopted Budget	Amended Budget	Actual	Comments
Revenue:				
Rates	10,751,220	10,751,220	5,357,423	
Subsidies and Grants	1,393,820	1,840,820	945,400	Roadwork done in 2 nd half of year
Interest Revenue	28,310	28,310	13,343	
Fees and Charges	2,784,730	2,784,730	1,485,553	
Other Revenue	69,000	69,000	22,216	Petrol Tax
Total Revenue	15,027,080	15,474,080	7,823,935	
Expenditure:				
Personnel Costs	5,366,150	5,366,150	2,420,984	On track
Depreciation	3,082,300	3,082,300	1,544,015	
Finance Costs	6,210	6,210	2,701	
Other Expenses	6,215,870	6,285,870	3,092,444	There will be additional expenditure for refuse disposal, KPTW & events
Total Expenditure	14,670,530	14,740,530	7,060,144	
Surplus (Deficit)	356,550	733,550	763,791	

Council's expenditure and revenue for the six months to 31 December 2020 are shown in the graphs below, compared to the budget and expenditure/revenue for 2018/19.

Expenditure to 31 December 2020



Revenue to 31 December 2020



2.2 Statement of Financial Position

The following table shows Council's financial position at 31 December 2020 compared to the budget (at 30 June 2021). The financial position does not include all the accruals for receivables and payables.

	Budget @ 30/6/2021	Actual to 31 Dec 2020	Comments
Assets:			
Current assets:			
Cash & cash equivalents	\$2,648,950	\$4,320,557	
Receivables	\$1,377,790	\$1,159,202	
Inventories	\$1,495,800	\$1,219,632	Includes residential developments
Non-current assets:			
Property, plant and equipment	\$68,517,750	\$67,358,080	
Intangible assets	\$85,100	\$55,926	
Other financial assets	\$36,250	\$36,252	
Total Assets	\$74,161,640	\$74,149,649	
Liabilities:			
Current liabilities:			
Payables, provisions & employee benefits	\$3,136,260	\$2,132,663	
Borrowing	\$10,340	\$11,211	
Non-current liabilities:			
Provisions & employee benefits	\$249,530	\$237,481	
Borrowing	\$9,560	\$19,917	
Total Liabilities	\$3,405,690	\$2,401,282	
Ratepayers Equity	\$70,755,950	\$71,748,367	
Total liabilities & ratepayers equity	\$74,161,640	\$74,149,649	

2.3 Statement of Cashflow

The cashflow statement shows an increase of \$527k in Council's cash position up to 31 December 2020.

	Budget @ 30/6/2021	Actual to 31 December 2020
Cashflow from operating activities:		
Rates	\$10,620,810	\$5,423,379
Subsidies	\$1,393,820	\$971,827
Fees & Charges	\$2,853,730	\$1,432,061
Interest Received	\$28,310	\$10,518
Payments to suppliers and employees	\$(11,468,730)	\$(6,779,224)
Interest paid on debt	\$(6,200)	\$(2,702)
Net cashflow from Operations	\$3,421,740	\$2,055,859
Net cashflow from investing:		
Disposal of Assets	\$1,860,000	\$1,240,000
Property, Plant & Equipment purchase (less asset disposals)	\$(6,350,250)	\$(2,760,001)
Net cashflow from investing:	\$(4,490,250)	\$(1,520,001)
Net cashflow from financing:		
Debt repayment	\$(20,030)	\$(8,842)
Net cash inflow/(outflow)	\$(1,088,540)	\$527,016
Opening balance (1/7)	\$3,737,490	\$3,793,541
Closing cash balance	\$2,648,950	\$4,320,557

3 Non-Financial Performance

The following is a summary of the non-financial targets performance to date:

Activity	2020/21 No. of Targets	Achieved	%	2019/20 Achievement Rate
Democracy	5	5	100%	38%
Economic & Community Development	7	7	100%	67%
Environmental Services (excludes N/As)	18	16	88.9%	37%
Roading (including Footpaths)	7	6	85.7%	44%
Stormwater	3	3	100%	100%
Water Supply	12	11	91.7%	77%
Wastewater	7	5	71.4%	63%
Solid Waste Management	4	4	100%	63%
Leisure and Recreation	16	14	87.5%	40%
TOTAL	79	71	89.9%	51%

The targets on track to be achieved are comparable with previous years.

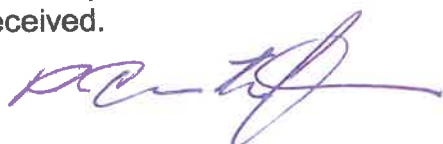
4 Capital Expenditure

The following is Council's capital budget (including carry forwards and amendments) and expenditure for the year.

Activity	2020/21 Budget	Actual	Comments
Economic & Community Development	\$1,523,740	\$924,049	Residential developments – River Road
Environmental Services	\$720,000	\$65,886	Dog Pound building
Roading	\$1,405,810	\$750,705	2 nd half of year
Stormwater	\$250,000	\$47,012	Town centre pipes
Water Supply	\$2,557,150	\$360,153	Bell/Massey St & riser main
Wastewater	\$740,000	\$260,587	
Solid Waste	\$5,000	\$4,512	
Leisure & Recreation	\$1,165,970	\$148,110	
Plant, Depot and Office	\$563,080	\$195,256	New plant/vehicles, PCs & office building
Total	\$8,930,750	\$2,756,270	

5 RECOMMENDATION

That the report "Annual Plan Performance for the six months to 31 December 2020" be received.



Peter Christophers, BBS, ACA

Manager, Finance & Corporate Services

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Meeting: Audit and Risk Committee
Meeting Date: 6 April 2021
Subject: 2021 - 2031 Long Term Plan – Revised Timetable
File No: 110400

1 Purpose

The purpose of this report is to update the committee on the timetable for the 2021 – 2031 Long Term Plan.

2 Background

The Local Government Act 2002 requires Council to prepare a Long Term Plan at least every three years and an annual plan in the years that it does not produce a Long Term Plan.

Council must consult the community on the Long Term Plan using the special consultative procedure which includes preparing a consultation document.

The Long Term Plan has to include a number of policies and strategies which are prepared in conjunction with the plan. Therefore, a significant amount of work is required prior to the final Long Term Plan being adopted.

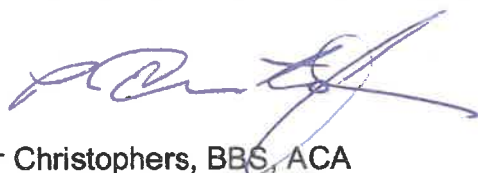
The Long Term Plan must be adopted prior to the commencement of the year to which it relates (that is before 1 July 2021). However, due unforeseen circumstances and workloads, it is not possible to meet this deadline. Council's auditors have been informed and a revised timeframe has been prepared.

3 Revised timetable for preparation and adoption of the 2021 – 2031 Long Term Plan

The appendix to this report contains the revised timetable for the preparation and adoption of the 2021 – 2031 Long Term Plan as well as the progress achieved to date.

4 RECOMMENDATION

That the report "2021 – 2031 Long Term Plan – Revised Timetable" be received.



Peter Christophers, BBS, ACA
Manager, Finance & Corporate Services

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APPENDIX**Timetable for 2021 – 2031 Long Term Plan**

	Tasks	Person	Completion Date	Completed
1	Significance and Engagement Policy	MFCS	30/03/2021	✓
2	Consultation policy	Com Mgr	27/04/2021	✓
3	Activity structure	LT	30/09/2020	✓
4	Significant forecasting assumptions	MFCS	31/01/2021	✓
5	Rates review	MFCS/EM	27/04/2021	
6	Financial strategy	MFCS	30/03/2021	✓
7	Revenue and financing policy	MFCS	23/02/2021	✓
8	Liability management policy	MFCS	30/03/2021	✓
9	Investment policy	MFCS	30/03/2021	✓
10	Development or financial contribution	MPC&C	30/03/2021	✓
11	Rates remission/postponement	MFCS	27/04/2021	
	ASSET MANAGEMENT PLANS & STRATEGY			
12	Roading	MOS	31/03/2021	✓
13	Water Supply	MOS	31/03/2021	✓
14	Wastewater	MOS	31/03/2021	✓
15	Stormwater	MOS	31/03/2021	✓
16	Community Facilities & Property	MOS/MFCS	31/03/2021	
17	Infrastructure Strategy (30 years)	MOS/MFCS	30/03/2021	✓
	ACTIVITY REVIEWS (sec 17A) & PLANS			
18	Economic and community development	EDM	30/11/2020	✓
19	Environmental services	MPC&C	30/11/2020	✓
20	Roading	MOS	15/12/2020	✓
21	Stormwater	MOS	15/12/2020	✓
22	Water supply	MOS	15/12/2020	✓
23	Wastewater	MOS	15/12/2020	✓
24	Assessment of water and other sanitary services	MOS	27/4/2021	
25	Solid Waste Management	MOS	15/12/2020	✓
26	Leisure and Recreation activities	MOS	15/12/2020	✓
27	Waste Management and Minimisation Pan	MOS	25/5/2021	

	Tasks - continued	Person	Completion	Completed
	FINANCIALS			
29	Prepare 2021 – 2031 LTP (Budget Book) - circulate	MFCS	30/09/2020	✓
30	Prepare/Provide budgets	Managers	31/12/2020	✓
31	Prepare Budget (Red Book)	MFCS	30/01/2021	✓
32	Retreat(s) – Agree budgets for community consultation	EM	9/03/2021 & 23/03/2021	✓
	CONSULTATION			
33	Draft LTP Consultation Document	Com Mgr	12/04/2021	
34	Review draft Consultation Document	EM	27/04/2021	
35	Audit of LTP Consultation Document and supporting documents	Com Mgr / Auditors	12/4 – 30/04/2021	
36	Adoption of LTP Consultation Document - including audit opinion	EM	11/05/2021	
37	Special Consultation Period		14/05/2021 to 14/06/2021	
38	Hear and Deliberate submissions	EM	22/06/21 (Hear) & 29/6/21	
	LONG TERM PLAN ADOPTION			
39	Prepare performance targets (non-financial)	Managers	31/3/2021	✓
40	Prepare draft 2021 – 2031 LTP	MFCS/Com Mgr	12/4/2021	
41	Audit of 2021 – 2031 Long Term Plan	Auditors	5/7 to 16/7/2021	
42	Adopt 2021 – 2031 Long Term Plan and 2021/22 rates	EM	27/7/2021	

MFCS = Manager Finance and Corporate Services
MOS = Manager Operations and Services
MPC&C = Manager Planning Compliance and Capability
Com Mgr = Communication Manager
EM = Elected Members
LT = Leadership Team

Meeting: Audit and Risk Committee

Meeting Date: 6 April 2021

Subject: **Audit Management Report for year ended 30 June 2020**

File No: 201000

1 Purpose

The purpose of this report is to update the committee with the issues raised in the audit management report for the year ended 30 June 2020 and management's responses to the issues identified.

2 Background

The Local Government Act 2002 requires that Council produces each year an annual report and that the annual report is audited.

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

Staff will be reporting to the committee on the progress towards addressing the issues identified.

3 Issues raised in the audit management report for 2020/21

Attached is the audit management report for the year ended 30 June 2020, as well as management's responses to the issues raised.

Council's audit director Jo Small will zoom into the meeting to clarify any of the issues raised.

4 RECOMMENDATION

That the report "Audit Management Report for the year ended 30 June 2020" be received.



Peter Christophers, BBS, ACA

Manager, Finance & Corporate Services

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**Report to the Councillors
on the audit of**

Kawerau District Council

For the year ended 30 June 2020

Contents

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Key messages

We have completed the audit of Kawerau District Council (the District Council) for the year ended 30 June 2020. This report sets out our findings from the audit and draws attention to areas where the District Council is doing well and where we have made recommendations for improvement.

The matters outlined in this report should be read in conjunction with our Report to the Council on the interim audit dated 7 July 2020.

Audit opinion

We issued an unmodified audit opinion dated 15 December 2020. This means we were satisfied the key financial statements and statement of service performance fairly reflect the District Council's activity for the year and its financial position at the end of the year.

An emphasis of matter paragraph was included in the audit report drawing attention to the disclosures in the annual report about the impact of Covid-19 on the District Council.

Matters identified during the audit

Covid-19 has had a varying impact throughout the public sector affecting both financial and non-financial information disclosed in the annual report. The District Council has included good disclosure in its Annual Report about the implications of Covid-19 that would be important to stakeholders.

The District Council completed their housing development scheme in June 2020, where residential sections were available for sale. We reviewed the District Council's accounting treatment of these transactions (revenue and inventory) and are satisfied these transactions have been appropriately disclosed in the financial statements.

We reviewed the fair value assessment performed by the District Council for infrastructure assets, land and buildings. Our review confirmed the assumptions used and the resulting calculation did not indicate a material difference between the District Council's current carrying value and their approximate fair value.

We also followed up on the status of issues outstanding from previous audits. These matters are discussed further in Appendix 1.

Thank you

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

J R Smail Appointed
Auditor
4 March 2021 - Draft

1 Recommendations

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

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

1.1 New recommendations

The following table summarises our recommendations and their priority.

Recommendation	Reference	Priority
Undertake a review of the performance framework that takes into consideration the guidance provided by SOLGM <i>Your side of the Deal 2021: Performance Management in the Long Term Plan</i> .	4.1	Necessary
Review discount rates based on recent data to determine if the current discount rate being used to calculate the provision for long service leave is appropriate.	4.2	Necessary
Perform an earthquake prone assessment of all buildings to ensure compliance with the Governments 2015 guidance.	4.3	Necessary

Recommendation	Reference	Priority
The District Council undertakes a review of its sensitive expenditure policy with a view to aligning the policy with the <i><u>"Controlling sensitive expenditure: Guidelines for public entities"</u></i> issued by the Office of the Auditor-General.	5.1	Necessary
The District Council remind staff of the importance of ensuring expenditure incurred complies with the sensitive expenditure policy and accepted good practice in the public sector.	5.2	Necessary

1.2 Status of previous recommendations

Set out below is a summary of the action taken against previous recommendations. Appendix 2 sets out the status of previous recommendations in detail.

Priority	Priority			
	Urgent	Necessary	Beneficial	Total
Open	-	6	-	6
Implemented or closed	-	4	-	4
Matters reported in our interim management report that will be followed up in our 2020/21 audit.	-	2	-	2
Total	-	12	-	12

2 Our audit report

2.1 We issued an unmodified audit report

We issued an unmodified audit report on 15 December 2020. This means we were satisfied that the financial statements and statement of performance present fairly the District Council's activity for the year and its financial position at the end of the year.

We included an emphasis of matter paragraph in our audit report drawing attention to the disclosures in the annual report about the impact of Covid-19 on the District Council.

In forming our audit opinion, we considered the following matter.

2.1.1 Impact of Covid-19 on financial reporting and performance information

Covid-19 has had a varying impact throughout the public sector affecting both financial and non-financial information disclosed in the annual report.

The inclusion of good disclosure in the Annual Report about the implications of Covid-19 on the District Council was important to the stakeholders. The District Council has made the following disclosure in the Annual Report:

- General disclosure about Covid-19 and the resultant impact on the District Council during the alert levels.
- Disclosure about how the District Council's financial and non-financial performance has changed due to Covid-19.
- Disclosure about the key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts to assets and liabilities within the next financial year (as required by Public Sector PBE standards).
- Disclosure about any non-adjusting subsequent event for matters that occurred after 30 June 2020.

We reviewed the Covid-19 disclosures included in the annual report and are satisfied the disclosures adequately reflect the impact Covid-19 has had on the District Council.

2.2 Uncorrected misstatements

The financial statements are free from material misstatements, including omissions. During the audit, we have discussed with management any misstatements that we found, other than those which were clearly trivial. There were no significant misstatements identified during the audit that required correcting.

2.3 Corrected misstatements

We also identified misstatements that were corrected by management. A list of these misstatements is available on request.

2.4 Quality and timeliness of information provided for audit

Management is required to provide information for audit relating to the annual report of the District Council. This includes the draft annual report with supporting work papers.



The audit process did not go as smoothly as anticipated. The impact of Covid-19 created additional challenges to both management and us in completing the audit this year.

As we strive for improvement in the annual report and audit process, we will work with management to ensure there is a common understanding of expectations before next year's audit.

3 Matters raised in the Audit Plan

In our Audit Plan of 9 June 2020, we identified the following matters as the main audit risks and issues:



Audit risk/issue	Outcome
The risk of management override of internal controls	
<p>There is an inherent risk in every organisation of fraud resulting from management override of internal controls. Management are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Auditing standards require us to treat this as a risk on every audit.</p>	<p>Professional auditing standards require us to consider fraud risks in all audits we perform, including the risk of management override of control.</p> <p>We carried out substantive procedures, including reviews of journal entries, accounting estimates, and significant transactions that are outside the normal course of business. We also incorporated an element of unpredictability in our audit testing through random sampling. Our testing found no issues of concern.</p>
Pensioner housing scheme	
<p>The District Council's pensioner housing scheme is both unique and complex. The revenue from pensioner and associated assets (houses) will require specific consideration as to the correct accounting treatment.</p>	<p>The District Council completed their housing development scheme in June 2020, where residential sections were available for sale. By the end of the financial year, the District Council had sold six sections, with a total of \$461,516 of sale revenue received for the year. The remaining sections, valued at \$1,039,738, have been recognised as inventory in the financial statements.</p> <p>We reviewed the District Council's accounting treatment of these transactions (revenue and inventory) and are satisfied these have been appropriately disclosed in the financial statements.</p> <p>The District Council's accounting policy also states that residential developments should be valued at the lower of cost and net realisable value. We reviewed the District Council's accounting treatment of these assets and are satisfied that inventory has been correctly recognised at the lower of cost and net realisable value.</p>

Audit risk/issue	Outcome
Fair value of property, plant and equipment	
<p>The District Council periodically revalue its infrastructure assets, land, and buildings.</p> <p><i>PBE IPSAS 17 property, plant and equipment</i>, requires that valuations are carried out with sufficient regularity to ensure that the carrying amount does not differ materially from the fair value.</p>	<p>We reviewed the fair value assessment performed by the District Council for infrastructure assets, land and buildings. Our review confirmed the assumptions used and the resulting calculation did not indicate a material difference between the District Council's current carrying value and their approximate fair value.</p>

4 Other matters identified during the audit



4.1 Statement of service performance

We reviewed the District Council's statement of performance and noted that there was a total of 107 performance measures that need to be reported on in the annual report. Our review also identified that a number of these performance measures were internal measures rather than performance measures that would be of interest to the community.

The District Council is in the process of developing their 2021-31 Long Term Plan where the performance framework is required to be reviewed. It would be a good opportunity for the District Council to review its performance framework using the guidance provided by SOLGM *Your side of the Deal 2021: Performance Management in the Long Term Plan* to consider what performance measures to include in the Long Term Plan. A consensus is that performance measures should be fit for purpose and how the measure fits within the wider story of the LTP. Performance measures should also be relevant and a reliable representation of your Council's performance.

Recommendation

The District Council undertakes a review of its performance framework that takes into consideration the guidance provided by SOLGM *Your side of the Deal 2021: Performance Management in the Long Term Plan*.

Management comment

Staff (and Council) will review all performance targets as part of the preparation for the 2021 – 2031 Long Term Plan.

The SOLGM guidance will be consulted to ensure that meaningful and appropriate targets are adopted (compulsory targets will be retained)

4.2 Employee entitlements – use of treasury rates

We reviewed the discount rates used for calculating the long service leave provision and noted that the District Council has applied a 6.0% discount rate. We compared this rate to other local authorities and the guidance provided by Treasury and noted that the rate used by the District Council is significantly higher.

While the difference did not have a material impact on the financial statements, there is a risk that the District Council is recognising a higher provision than required.

Recommendation

The District Council perform a review of the discount rates based on recent data to determine if the current discount rate being used is appropriate.

Management comment

As there is a relatively small liability for long service leave the use of 6% discount rate was not considered to be material.

However, staff will review the discount rates for long service leave for the annual report ending 30 June 2021.

4.3 Earthquake prone buildings assessment

We held discussions with management and understand that the last earthquake prone buildings assessment was undertaken in 2011. There is potentially a risk that there may be more buildings prone to earthquakes as a result of the announcement made by the Government in May 2015 when the policy on earthquake-prone buildings was revised.

If there are buildings that are prone to earthquake then these buildings may need to be repaired, and the value of buildings could be overstated in the financial statements.

Recommendation

The District Council performs an earthquake prone assessment of all buildings.

Management comment

Council's engineering staff reviewed the Government's 2015 policy change for earthquake prone buildings and determined that these changes did not impact on any of Council's existing buildings and therefore it was not necessary to undertake a further earthquake building assessment.

5 Public sector audit

The District Council is accountable to their local community and to the public for its use of public resources. Everyone who pays taxes or rates has a right to know that the money is being spent wisely and in the way the District Council said it would be spent.

As such, public sector audits have a broader scope than private sector audits. As part of our audit, we have considered if the District Council has fairly reflected the results of its activities in its financial statements and non-financial information.

We also consider if there is any indication of issues relevant to the audit with:

- compliance with its statutory obligations that are relevant to the annual report;
- the District Council carrying out its activities effectively and efficiently;
- the District Council incurring waste as a result of any act or failure to act by a public entity;
- any sign or appearance of a lack of probity as a result of any act or omission, either by the District Council or by one or more of its members, office holders, or employees; and
- any sign or appearance of a lack of financial prudence as a result of any act or omission by a public entity or by one or more of its members, office holders, or employees.

5.1 Sensitive expenditure

5.1.1 Sensitive expenditure policy

We reviewed the District Council's sensitive expenditure and credit card policies. We found that the credit card policy was due for renewal in January 2017 and the sensitive expenditure policy was due for renewal in June 2020.

We also reviewed the policies against the Office of the Auditor General's *Controlling sensitive expenditure: Guidelines for public entities*. Our review found that the policies complied with many aspects of the guidelines. However, we identified some areas where the District Council could strengthen their policies. These areas are:

- Reimbursement of expense claims should be submitted promptly after the expenditure has been incurred;
- Clarification on tipping by staff while they are on Council business and should be used during international travel;

- Guidance for expenditure used for farewells or retirements is pre-approved by an appropriate level of management and is moderate and conservative.

Recommendation

The District Council undertakes a review of its sensitive expenditure policy with a view to aligning the policy with the Office of the Auditor General's ["Controlling sensitive expenditure: Guidelines for public entities"](#).

Management comment

The Sensitive Expenditure Policy was last reviewed by the Audit and Risk Committee at the meeting 21 July 2020. There were a couple of changes suggested for the policy as well as the committee requesting staff to include any recommendations made by Council's auditors.

Staff will update the policy to align it with the Auditor –General's guidelines and report to the Audit and Risk Meeting 8 June 2021

5.1.2 Sensitive expenditure testing

Each year, as part of the audit, we selected a sample of expenditure transactions to review for compliance against the District Council's policies and accepted good practice in the public sector. In particular, we tested travel and accommodation, entertainment and hospitality and reimbursement of expense claims.

Based on our limited sample testing, we identified the following:

- Instances where there was inadequate supporting documentation (no detailed tax invoice) for credit card expenditure, travel and accommodation and reimbursement of expense claims;
- Clause 4.4 of the Sensitive Expenditure policy states that all travel and accommodation must be approved in advance. We identified instances where pre-approval had not been provided in advance;
- Instances where credit card expenditure had not been appropriately approved on a one up basis. Clause 9 of the policy requires all reimbursement of expenditure to be approved on an one up basis; and
- An instance where internet purchases had been made using a credit card. The Council Credit Card policy states all internet purchases are required to be pre-approved.

Recommendation

To ensure compliance with the policy, we recommend the District Council remind staff of the importance of ensuring expenditure incurred complies with the District Council's sensitive expenditure policy and accepted good practice in the public sector.

Management comment

Accounts staff are very conscious of the requirements for credit card transactions and do their utmost to ensure compliance by those that use it.

All staff will be again reminded of the requirements when using the credit card.

(It would have been useful to be given examples of where the policy had not been followed).

Also staff will be given a reminder about travel and accommodation needing to be approved in advance and internet purchasers needing to be pre-approved

Appendix 1: Status of previous recommendations

Open recommendations

Recommendation	First raised	Status
Necessary		
Bribery and corruption		
<p>A separate policy or the code of conduct or other ethical guidelines are developed that include bribery and corruption. An effective policy is likely to include:</p> <ul style="list-style-type: none"> • zero tolerance; • definitions; • consequences for breach of policy; • procedures to prevent, detect and respond (for example reporting mechanisms, protections for whistle-blowers, investigations process); and • roles and responsibilities. 	2018/19	A policy has not been developed to include bribery and corruption.
Statement of service performance		
Carry out a review of processes for customer satisfaction measures in the statement of service performance.	2018/19	We understand no review has been performed. Refer section 4.1 for further information.
Terminated employees		
Ensure all terminated employees are removed from the payroll system.	2018/19	Our testing identified four former employees who still had delegated authority access in the District Council's accounts payable module.
Not all interests declared in interest register		
All interests are declared and recorded in the interests register and any mitigations to declared interests are included in the minutes of meetings.	2018/19	We performed a search of the Companies Act and Charities Commissions register and identified that had not been declared.

Recommendation	First raised	Status
Sensitive expenditure		
Expense claims are approved on a one up basis.	2015/16	Our testing of sensitive expenditure identified instances where one up approval had not been obtained. Refer section 5.1.2 for further information.
Review of month end reports		
<p>Creditor master file change reports are prepared and reviewed within one month after month-end.</p> <p>New employee details are included in the master file audit report or the employee details audit report be prepared and reviewed on a monthly basis.</p> <p>Payroll and creditor reconciliations are prepared and reviewed within one month after month end.</p>	2015/16	<p>The payroll updating report had not been reviewed in a timely manner.</p> <p>No issues identified with payroll and creditor reconciliations and the creditor masterfile change report.</p>

Implemented or closed recommendations

Recommendation	First raised	Status
Necessary		
Payroll processes		
Ensure the payroll masterfile change report reconciliations and the payroll reconciliations are completed for the year.	2018/19	All reconciliations were prepared and reviewed in a timely manner.
Supporting documentation for all expenditure		
Ensure invoices are retained for all expenditure.	2018/19	No issues identified from our testing of expenditure.
Contract unsigned		
Ensure all contracts are signed before the commencement date.	2018/19	No issues identified from our testing of commitments and revenue.
Asset management plans (AMP)		
The District Council continues to strengthen its AMP by:	2018/19	We have closed this issue, as this will be considered as part of the Long Term Plan audit.

Recommendation	First raised	Status
<ul style="list-style-type: none"> the Asset Management Policy is updated to align with the AMPs, reflecting the targeted level of sophistication as intermediate rather than core; reporting to the Council or the Audit and Risk Committee on levels of service is aligned with the AMPs; and raise the formality and level of sophistication of its condition and performance monitoring and this information is factored into its asset planning and forecasting. The level of confidence in this information should then be assessed and set out in the AMPs in line with the IIMM. 		

Matters raised in our Report to the Council on the interim audit

The following matters were raised in our Report to the Council on the interim audit. We have not followed up progress as part of our final audit.

We will follow up with management's progress on these issues as part of the 2020/21 audit.

Recommendation	First raised	Status
Necessary		
Risk management		
Consider if the current process used to comply with health and safety legislation is still in line with the District Council's overall risk strategy.	2018/19	Based on our audit work, we noted the injury related incentives remain available and the process has not changed since the prior year.
Procurement policy		
The procurement policy is updated to include sustainability requirements in tender documents and contracts.	2015/16	Based on discussions with the staff, the plan is to review the procurement policy during fiscal year 2021.

Appendix 2: 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 performance information 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 carried out our audit in accordance with the Auditor-General's Auditing Standards. The audit cannot and should not be relied upon to detect all instances 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 are independent of the District Council in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): <i>Code of Ethics for Assurance Practitioners</i>, issued by New Zealand Auditing and Assurance Standards Board.</p> <p>Other than the audit, we have no relationship with, or interests in, the District Council.</p>
Fees	<p>The audit fee for the year is \$91,485, as detailed in our Audit Proposal Letter.</p> <p>No other fees have been charged in this period.</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 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 District Council during or since the end of the financial year.</p>



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KAWERAU DISTRICT COUNCIL

**The Meeting of the Audit and Risk Committee will be held on
Tuesday 6 April 2021 in the Council Chamber
commencing at 1.00pm**

AGENDA

Apologies

Declarations of Conflict of Interest

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

1 Occupational Health and Safety Management System Status (Health and Safety Officer) (509500)

Pgs. 1 - 18

Attached is the report for the Health and Safety Manager covering The OSH Management System.

Recommendation

That the report "Occupational Health and Safety Management System Status" be received.

2 Treasury Report to 28 February 2021 (Manager, Finance and Corporate Services) (110551)

Pgs. 19 - 23

Attached is a report informing the meeting of Councils Finances as at 28 February 2021.

Recommendation

That the report "Treasury report to 28 February 2021" be received.

3 Annual Plan Performance for the Six Months Ended 31 December 2020 (Manager, Finance and Corporate Services) (110400)

Pgs. 25 - 28

Attached is a report which summarises the Councils performance to 31 December 2020.

Recommendation

That the report "Annual Plan Performance for the Six Months Ended 31 December 2020" be received.

4 **2021 – 2031 Long Term Plan – Revised Timetable (Manager, Finance and Corporate Services) (110400)**

Pgs. 29 - 31

Attached is the revised timetable for the preparing and adoption of the Long Term Plan and the underlying documents.

Recommendation

That the report “2021 – 2031 Long Term Plan – Revised Timetable” be received.

5 **Audit Management Report for year ended 30 June 2020 (Manager, Finance and Corporate Services) (201000)**

Pgs. 33- 52

Attached for members information is the draft Audit Management Report (with staff responses) for the year ended 30 June 2020

Recommendation

That the report “Audit Management Report for the year ended 30 June 2020” be received.

R B George

Chief Executive Officer

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